

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORTS**

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

**SEPTEMBER 30, 2014**

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

**Elected Officials 2013-2014**

**Stephen Witt**  
Mayor Councilmember

**Zack Paulk**  
Councilmember

**Melinda Moses**  
Councilmember

**Eugene Jefferson**  
Councilmember

**George Ward**  
Councilmember

**Appointed Officials**

**City Manager**  
Wendell Johnson

**Finance Director**  
Donna Duncan

**City Attorney**  
Herbert F. Darby

**City Clerk**  
Audrey E. Sikes

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

**SEPTEMBER 30, 2014**

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**FINANCIAL STATEMENTS  
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INDEPENDENT AUDITORS' REPORTS**

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

**SEPTEMBER 30, 2014**

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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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake City, Florida, (the City) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 opinions 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 of 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 City'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 City'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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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

**INDEPENDENT AUDITORS' REPORT**  
*(Continued)*

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparisons for the General Fund, Fire Department Special Revenue Fund, and the Community Redevelopment Agency Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2015, 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, 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 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.

*Purvis, Gray and Company, LLP*

April 17, 2015  
Gainesville, Florida

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lake City, Florida, (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. Management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

### Financial Highlights

- Assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$65,003,112. Of this amount, \$15,042,645 (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 \$761,025. Government activities generated a decrease of \$1,233,552 in net position, while the business-type activities increased \$1,994,577.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$7,257,242. Of this total amount, \$4,314,474 is available for spending at the City's discretion (unassigned fund balance).

### Overview of the Financial Statements

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

### Government-wide Financial Statements

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

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

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

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

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Fund Financial Statements

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

### Governmental Funds

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

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

The City maintains ten individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Department Special Revenue Fund, and the Community Redevelopment Agency Fund, which are considered to be major funds. Data included in the other governmental funds consists of governmental funds that are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 70 and 71 of this report.

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

### Proprietary Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**Fiduciary Funds**

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

**Notes to the Financial Statements**

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

**Other Information**

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

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

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$65,003,112 at the close of the most recent fiscal year.

<b>City of Lake City's Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2013</b>
Current and Other Assets	\$ 9,118,347	\$ 9,557,892	\$ 26,431,836	\$ 26,419,669	\$ 35,550,183	\$ 35,977,561
Capital Assets	29,031,330	29,956,310	47,922,433	47,444,729	76,953,763	77,401,039
<b>Total Assets</b>	<b>38,149,677</b>	<b>39,514,202</b>	<b>74,354,269</b>	<b>73,864,398</b>	<b>112,503,946</b>	<b>113,378,600</b>
<b>Deferred Outflows of Resources</b>	<b>48,449</b>	<b>51,566</b>	<b>402,512</b>	<b>489,262</b>	<b>450,961</b>	<b>540,828</b>
Current Liabilities	1,773,003	1,687,022	3,759,162	4,060,933	5,532,165	5,747,955
Long-term Liabilities	4,851,133	5,071,204	37,568,497	38,858,182	42,419,630	43,929,386
<b>Total Liabilities</b>	<b>6,624,136</b>	<b>6,758,226</b>	<b>41,327,659</b>	<b>42,919,115</b>	<b>47,951,795</b>	<b>49,677,341</b>
<b>Net Position</b>						
Net Investment in Capital						
Assets	24,389,585	25,239,722	21,737,412	20,840,834	46,126,997	46,080,556
Restricted	2,310,706	2,302,733	1,522,764	1,513,913	3,833,470	3,816,646
Unrestricted	4,873,699	5,265,087	10,168,946	9,079,798	15,042,645	14,344,885
<b>Total Net Position</b>	<b>\$ 31,573,990</b>	<b>\$ 32,807,542</b>	<b>\$ 33,429,122</b>	<b>\$ 31,434,545</b>	<b>\$ 65,003,112</b>	<b>\$ 64,242,087</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

The largest portion of the City's net position, or \$46,126,997, reflects its investment in capital assets (i.e., land, utility plant and improvements, equipment, buildings, improvements, machinery and equipment, and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net position, \$3,833,470, represents resources that are subject to external restrictions on how they may be used (restricted net position).

The unrestricted net position balance, \$15,042,645, is intended to be a corporate-style measurement of the City's current financial standing and may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 5,204,177	\$ 5,111,395	\$ 16,066,664	\$ 14,372,707	\$ 21,270,841	\$ 19,484,102
Operating Grants	391,186	332,594	372,809	370,879	763,995	703,473
Capital Grant and Contributions	943,152	1,225,777	22,012	100	965,164	1,225,877
Property Taxes	2,788,586	2,797,195	0	0	2,788,586	2,797,195
Gain on Disposal Capital Assets	64,529	16,745	288,086	14,957	352,615	31,702
Other Taxes	4,248,802	4,320,374	0	0	4,248,802	4,320,374
Other	105,747	97,676	308,558	315,640	414,305	413,316
<b>Total Revenues</b>	<b>13,746,179</b>	<b>13,901,756</b>	<b>17,058,129</b>	<b>15,074,283</b>	<b>30,804,308</b>	<b>28,976,039</b>
<b>EXPENSES</b>						
General Government	1,292,078	836,965	0	0	1,292,078	836,965
Public Safety	7,376,356	6,944,218	0	0	7,376,356	6,944,218
Highway and Streets	3,248,142	3,193,910	0	0	3,248,142	3,193,910
Airport	1,543,210	1,455,428	0	0	1,543,210	1,455,428
Health and Welfare	160,000	135,000	0	0	160,000	135,000
Economic Environment	218,690	160,095	0	0	218,690	160,095
Waste Management	394,261	390,155	0	0	394,261	390,155
Culture and Recreation	567,643	522,788	0	0	567,643	522,788
Debt	142,793	202,501	0	0	142,793	202,501
Water and Sewer Utility	0	0	11,611,903	11,463,376	11,611,903	11,463,376
Natural Gas Utility	0	0	3,488,207	3,079,039	3,488,207	3,079,039
<b>Total Expenses</b>	<b>14,943,173</b>	<b>13,841,060</b>	<b>15,100,110</b>	<b>14,542,415</b>	<b>30,043,283</b>	<b>28,383,475</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b>(1,196,994)</b>	<b>60,696</b>	<b>1,958,019</b>	<b>531,868</b>	<b>761,025</b>	<b>592,564</b>
Transfers	(36,558)	175,960	36,558	(175,960)	0	0
<b>Increase (Decrease) in Net Position</b>	<b>(1,233,552)</b>	<b>236,656</b>	<b>1,994,577</b>	<b>355,908</b>	<b>761,025</b>	<b>592,564</b>
Net Position - Beginning	32,807,542	32,570,886	31,434,545	31,078,637	64,242,087	63,649,523
<b>Net Position - Ending</b>	<b>\$ 31,573,990</b>	<b>\$ 32,807,542</b>	<b>\$ 33,429,122</b>	<b>\$ 31,434,545</b>	<b>\$ 65,003,112</b>	<b>\$ 64,242,087</b>

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
*(Continued)*

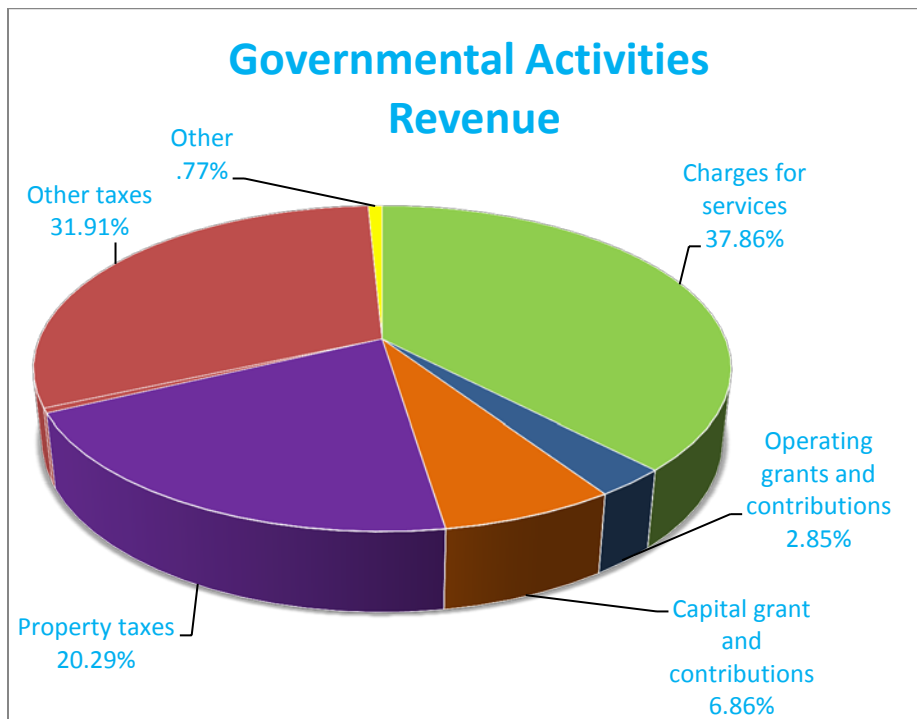
**Governmental Activities**

Governmental activities decreased the City’s net position by \$1,233,552, which is a 3.7% overall decrease for the current fiscal year. Revenues for the City’s governmental activities decreased \$155,577, while total expenses increased \$1,102,113 for 2014. Transfers of fixed assets from the General Fund to the Water and Sewer Fund had a net book value of \$36,558.

Key elements of the changes in revenues and expenses include:

**Revenue:**

- Charges for services increased \$92,782 primarily due to addition of program implemented at Teen Town Rec Center when Southside Recreation Center was closed. Airport gas sales were up from the previous year.
- Operating grants and contributions increased in 2014 by \$58,592.
- Capital grants decreased \$282,625 from grants provided in previous year from FAA and State Department of Transportation for design of taxiway project for the master plan phase of the airport.
- Property taxes decreased \$8,609 based on slight decrease in property values.
- Gain on disposal of capital assets was \$47,784 from sale of property in General Fund.
- Other taxes, which include utility, sales tax and revenue sharing, decreased 1.7% for the year for a total decrease of \$71,572. This was caused by reduced collections of communications services taxes.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Continued)*

**Expenses:**

- General Government increased \$455,113. The primary factors contributing to this were increases in retirement contribution rates and natural gas interfund allocations, which were reduced in the current year.
- Highway and Streets expenses increased \$54,232 from increases in retirement contributions and health insurance.
- Airport expenses increased \$87,782 from contractual services for tree removal and cost of gas, with an offsetting increase in sales of gas.
- Community Redevelopment Agency increased costs \$58,595, mostly from additional grants given to local businesses to revitalize downtown.
- Culture and Recreation increased \$44,855 from increase in compensated absences.
- Public Safety expenditures increases were \$432,138, which were attributable to higher personnel services and benefit costs.
- Debt service was decreased \$59,708 after debt refinancing in previous year.

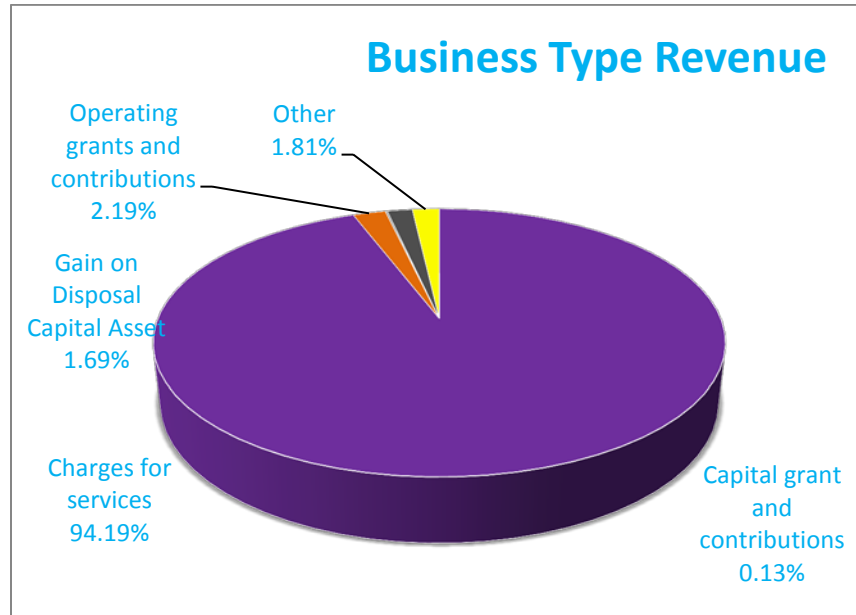
**Business-type Activities**

Business-type activities increased the City's net position by \$1,994,577 for fiscal year 2014, compared to an increase of \$355,908 for fiscal year 2013. Revenues for the City's business-type activities increased \$1,983,846, while total expenses increased \$557,695 for fiscal year 2014. Elements of the changes in revenues and expenses include:

**Revenue:**

- Charges for services increased \$1,693,957 due to rate increases of about 2% for utility water and sewer.
- Capital grants increased \$21,912 from a grant from Florida Department of Transportation for gas line relocate at I-75 and U.S. 90.
- Gain on Disposal Capital Assets increased \$273,129, which was comprised mostly of sale of timber at the Sprayfield site for \$269,262.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Continued)*



**Expenses:**

- Water and sewer costs increased \$148,527. As a result of a 3% cost of living increase, retirement contributions increased. Seven new positions were added in 2014, including an Assistant Director of Utilities. Overall, operational costs increased as a result of numerous new projects undertaken during the year.
- Natural gas expenses increased \$409,168. The biggest contributor of the increase was from purchases of fuel of \$609,625.

**The City's Funds**

As the City completed the year, its governmental funds reported a combined fund balance of \$7,257,242, which is a 7.2% decrease over the previous year. Approximately 59.45% or \$4,314,474 of the fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. Non-spendable fund balance of 2.48% is comprised of:

❖ Inventory	\$	66,367
❖ Prepaids	\$	3,039
❖ Advances to other funds	\$	110,551

The restricted fund balance of 24.06% has been obligated for debt service of \$94,607, public safety of \$500,030, airport \$961,069, and community development \$190,375. The assigned fund balance of 14% is for subsequent year budget \$1,016,730.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Continued)*

**Business-type Funds**

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

**General Fund Budgetary Highlights**

For fiscal year 2014, the City adopted a balanced budget in the General Fund. The General Fund had an original budget of \$12,005,179; the final amended budget was \$12,039,838.

The following is a brief review of the significant budgeting changes from the original budget to the final budget for all funds.

**General Fund**

- Revenue of \$27,901 was received for public safety grants for overtime related to traffic safety.
- The Police Department received \$99,354 for various grants from the Department of Justice to purchase equipment, supplies, and training.
- Police Department received \$12,884 for sale of confiscated items.

**Airport Construction Fund**

- Airport Construction Fund received \$8,500 in grant proceeds from Federal Aviation Administration and State Department of Transportation for engineering services for taxiway design.

**Water Sewer Fund**

- City purchased new software from New World Systems for finance, utility, human resources, and community development. Total software costs including travel and servers to house the software is \$660,830. Maintenance costs are contracted for 4 years at \$56,160 annually.

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
(Continued)

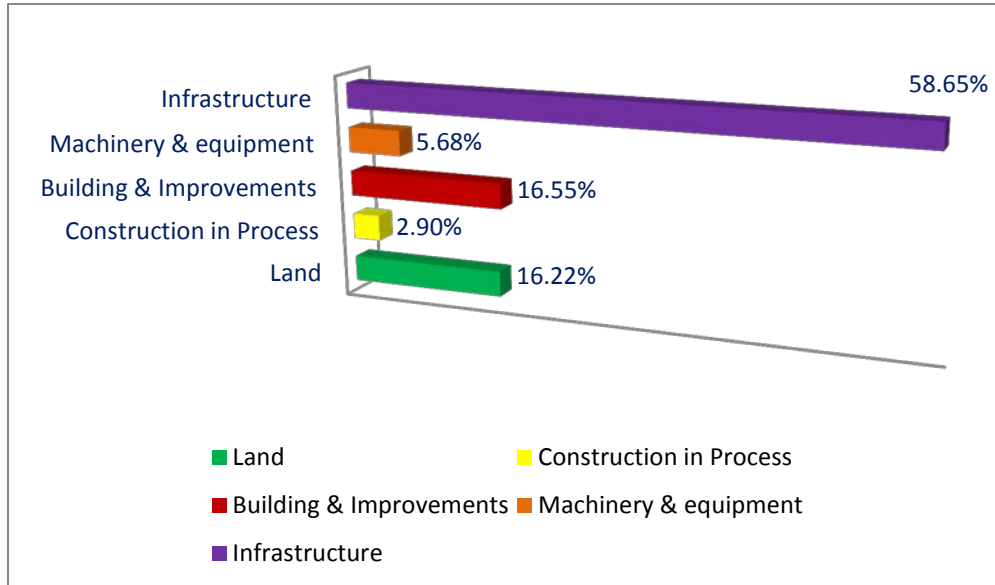
**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2014, the City had \$76,953,763 invested in a broad range of capital assets. This amount represents a net increase of \$447,276 over last year.

Capital Assets at Year-end  
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Land	\$ 7,191,131	\$ 7,144,885	\$ 5,291,492	\$ 5,282,227	\$ 12,482,623	\$ 12,427,112
Construction in Process	348,494	334,994	1,885,658	2,410,118	2,234,152	2,745,112
Building and Improvements	7,833,998	8,013,574	4,899,150	4,826,636	12,733,148	12,840,210
Machinery and Equipment	2,547,890	2,874,690	1,821,509	1,200,621	4,369,399	4,075,311
Infrastructure	11,109,817	11,588,167	34,024,624	33,725,127	45,134,441	45,313,294
<b>Totals</b>	<b>\$ 29,031,330</b>	<b>\$ 29,956,310</b>	<b>\$ 47,922,433</b>	<b>\$ 47,444,729</b>	<b>\$ 76,953,763</b>	<b>\$ 77,401,039</b>





**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Major capital asset acquisitions and reclassifications from construction in progress to infrastructure and building improvements for 2014 include:

**General Government**

Surveillance Equipment	Recreation	\$ 15,980
Racquetball Camera System	Recreation	13,938
Storage Building	Recreation	4,073
Purchase of Real Property	CRA	73,386
Darby Pavilion – Wilson Park	CRA	232,576
Equipment for Darby Pavilion	CRA	34,295
Street Overlays	Public Works	32,150
Storm Water Upgrade	Public Works	97,706
Mowers (3)	Public Works	24,327
E-One Rescue Fire Truck	Fire	349,780
2014 Chevy Tahoe (2)	Fire	79,957
Fire Equipment	Fire	11,354
Chevrolet Caprice (2)	Police	68,406
Recorder with Camera	Police	12,400
Communication Equipment	Police	29,608
Call Manager Upgrade	Information Technology	14,691

**Business Type Activities**

Pipe and Fittings	Gas	\$ 37,657
System Upgrades	Gas	82,441
Caterpillar Excavator	Gas	47,915
Southside Building Renovation	Water Sewer	150,776
New World Software	Water Sewer	660,830
Office furniture – Southside	Water Sewer	56,168
Mowers	Water Sewer	37,739
Roof – Sprayfield Pole Barn	Water Sewer	18,680
Road – Water Plant	Water Sewer	306,618
Manhole Rehab	Water Sewer	274,512
Clarifier Upgrade – St. Margaret	Water Sewer	838,255
Ford F650 Crew Cab w/Crane	Water Sewer	122,465
Water Line Extension -Texas Ave	Water Sewer	22,953

Additional information on the City's capital assets can be found in Note 3 of the notes to the financial statements.

**Long-term Debt**

At the end of the current fiscal year, the City had total bond debt outstanding of \$42,934,963, net of unamortized refunding losses and discounts.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenue Bonds and Notes	\$ 4,641,745	\$ 4,866,328	\$38,293,218	\$ 39,514,227	\$ 42,934,963	\$44,380,555

Additional information on the City's long-term debt can be found in Note 5 of the notes to the financial statements.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS** *(Concluded)*

The City considered many factors when preparing the fiscal year 2014 budgetary estimates. Some of the major considerations were local and national economic factors, which included:

- Florida's seasonally adjusted unemployment rate for September 2014 was 5.8%, which is down 1% overall from the previous year. The construction industry 12-month change is 8.2%, and trends show increase in construction activity throughout the state.
- The S&P broke the 2,000 mark for the first time in history in August 2014, which is three times the low of 2009. Manufacturing activity and factory orders are expanding, interest rates remain low, and price of housing is slowly on the rise. A Gallup poll shows more people are spending in 2014 on needed items, but discretionary spending for entertainment, clothing, etc. is down.
- Americans have taken on \$57 billion in credit card debt in 2014, indicating that consumers are more confident in the economy. However, concerns arise that debt may become unsustainable.
- Construction employment rose to 415,400 at September 2014, from 372,700 at September 2013.
- Consumer prices increased .1% in September, for an overall increase for the year of 1.7%. Housing and household services (utilities, etc.) accounted for one third of the inflation rate. Food prices rose 3% for the year.
- National unemployment rate was recorded at 5.7% at September 2014, which is a 1.5% decrease from the previous year, according to the U.S. Bureau of Labor Statistics. The number of unemployment claims declined in the last week of September by 36,000 jobs, for a total for the week of 280,000. The trend is still heading downward.

### **Financial Contact**

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

## **BASIC FINANCIAL STATEMENTS**

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

**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**  
**CITY OF LAKE CITY, FLORIDA**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>Assets</b>			
<b>Current Assets</b>			
Pooled Cash and Investments	\$ 7,286,138	\$ 8,382,538	\$ 15,668,676
Accounts Receivable, Net	433,284	2,244,625	2,677,909
Due from Other Governments	736,107	0	736,107
Inventory	66,367	319,110	385,477
Prepays	3,039	12,637	15,676
Internal Balances	40,000	(40,000)	0
<b>Total Current Assets</b>	<b>8,564,935</b>	<b>10,918,910</b>	<b>19,483,845</b>
<b>Noncurrent Assets</b>			
Restricted Pooled Cash and Investments	0	2,874,075	2,874,075
Unspent Bond Proceeds	0	12,108,197	12,108,197
Capital Assets:			
Land	7,191,131	5,291,492	12,482,623
Construction in Progress	348,494	1,885,658	2,234,152
Depreciable Buildings, Property and Equipment, Net	21,491,705	40,745,283	62,236,988
Prepaid Bond Insurance	0	530,654	530,654
Net Pension Asset	553,412	0	553,412
<b>Total Noncurrent Assets</b>	<b>29,584,742</b>	<b>63,435,359</b>	<b>93,020,101</b>
<b>Total Assets</b>	<b>38,149,677</b>	<b>74,354,269</b>	<b>112,503,946</b>
<b>Deferred Outflows of Resources</b>			
Unamortized Refunding Loss	48,449	402,512	450,961

See accompanying notes.

**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**  
**CITY OF LAKE CITY, FLORIDA**  
*(Concluded)*

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 526,065	\$ 326,525	\$ 852,590
Accrued Liabilities	463,849	562,044	1,025,893
Accrued Compensated Absences	514,049	227,417	741,466
Accrued Interest	34,715	0	34,715
Current Portion of Long-term Obligations	234,325	0	234,325
<b>Total Current Liabilities</b>	<u>1,773,003</u>	<u>1,115,986</u>	<u>2,888,989</u>
<b>Payable from Restricted Assets</b>			
Accrued Interest	0	454,895	454,895
Current Portion of Long-term Obligations	0	1,294,401	1,294,401
Customer Deposits	0	893,880	893,880
<b>Total Payable from Restricted Assets</b>	<u>0</u>	<u>2,643,176</u>	<u>2,643,176</u>
<b>Noncurrent Liabilities</b>			
Accrued Compensated Absences	156,677	68,097	224,774
Noncurrent Portion of Long-term Obligations	4,455,869	37,265,027	41,720,896
Unamortized Premium	0	136,302	136,302
Other Postemployment Benefits Obligation	238,587	99,071	337,658
<b>Total Noncurrent Liabilities</b>	<u>4,851,133</u>	<u>37,568,497</u>	<u>42,419,630</u>
<b>Total Liabilities</b>	<u>6,624,136</u>	<u>41,327,659</u>	<u>47,951,795</u>
<b>Net Position</b>			
Net Investment in Capital Assets	24,389,585	21,737,412	46,126,997
Restricted for:			
Debt Service	59,892	317,670	377,562
Renewal and Replacement	0	500,000	500,000
System Improvements	0	705,094	705,094
Public Safety	500,030	0	500,030
Airport	1,006,997	0	1,006,997
Economic Environment	190,375	0	190,375
Pension Benefits	553,412	0	553,412
Unrestricted	4,873,699	10,168,946	15,042,645
<b>Total Net Position</b>	<u>\$ 31,573,990</u>	<u>\$ 33,429,122</u>	<u>\$ 65,003,112</u>

See accompanying notes.

**STATEMENT OF ACTIVITIES**  
**SEPTEMBER 30, 2014**  
**CITY OF LAKE CITY, FLORIDA**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities</b>							
General Government	\$ 1,292,078	\$ 1,246,791	\$ 33,058	\$ 0	\$ (12,229)	\$ 0	\$ (12,229)
Public Safety	7,376,356	1,788,354	46,216	42,885	(5,498,901)	0	(5,498,901)
Highway and Street	3,248,142	134,176	101,806	891,767	(2,120,393)	0	(2,120,393)
Airport	1,543,210	1,270,566	0	8,500	(264,144)	0	(264,144)
Health and Welfare	160,000	0	0	0	(160,000)	0	(160,000)
Economic Environment	218,690	0	210,106	0	(8,584)	0	(8,584)
Physical Environment	394,261	616,411	0	0	222,150	0	222,150
Culture and Recreation	567,643	147,879	0	0	(419,764)	0	(419,764)
Interest on Long-term Debt	142,793	0	0	0	(142,793)	0	(142,793)
<b>Total Governmental Activities</b>	<b>14,943,173</b>	<b>5,204,177</b>	<b>391,186</b>	<b>943,152</b>	<b>(8,404,658)</b>	<b>0</b>	<b>(8,404,658)</b>
<b>Business-type Activities</b>							
Water and Sewer Utility	11,611,903	12,111,460	372,809	0	0	872,366	872,366
Natural Gas Utility	3,488,207	3,955,204	0	22,012	0	489,009	489,009
<b>Total Business-type Activities</b>	<b>15,100,110</b>	<b>16,066,664</b>	<b>372,809</b>	<b>22,012</b>	<b>0</b>	<b>1,361,375</b>	<b>1,361,375</b>
<b>Total Primary Government</b>	<b>\$ 30,043,283</b>	<b>\$ 21,270,841</b>	<b>\$ 763,995</b>	<b>\$ 965,164</b>	<b>(8,404,658)</b>	<b>1,361,375</b>	<b>(7,043,283)</b>
<b>General Revenues</b>							
Taxes:							
Property Taxes					2,788,586	0	2,788,586
Business and Utility Taxes					1,968,947	0	1,968,947
Discretionary Sales Surtax					1,247,761	0	1,247,761
Half-cent Sales Tax					733,774	0	733,774
State Revenue Sharing					298,320	0	298,320
Investment Earnings					11,610	22,935	34,545
Miscellaneous					94,137	285,623	379,760
Gain on Disposal of Capital Assets					64,529	288,086	352,615
<b>Transfers</b>					<b>(36,558)</b>	<b>36,558</b>	<b>0</b>
<b>Total General Revenues and Transfers</b>					<b>7,171,106</b>	<b>633,202</b>	<b>7,804,308</b>
<b>Change in Net Position</b>					<b>(1,233,552)</b>	<b>1,994,577</b>	<b>761,025</b>
<b>Net Position, Beginning of Year</b>					<b>32,807,542</b>	<b>31,434,545</b>	<b>64,242,087</b>
<b>Net Position, End of Year</b>					<b>\$ 31,573,990</b>	<b>\$ 33,429,122</b>	<b>\$ 65,003,112</b>

See accompanying notes.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2014**  
**CITY OF LAKE CITY, FLORIDA**

	<b>General Fund</b>	<b>Fire Department Special Revenue Fund</b>	<b>Community Redevelopment Agency Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Pooled Cash and Investments	\$ 5,253,167	\$ 529,762	\$ 209,045	\$ 1,294,164	\$ 7,286,138
Accounts Receivable, Net	394,533	0	5,400	33,351	433,284
Due from Other Governments	705,800	21,304	0	9,003	736,107
Inventory	21,942	0	0	44,425	66,367
Prepays	1,536	0	0	1,503	3,039
Due from Other Funds	110,551	0	0	0	110,551
<b>Total Assets</b>	<b>6,487,529</b>	<b>551,066</b>	<b>214,445</b>	<b>1,382,446</b>	<b>8,635,486</b>
<b>Liabilities and Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	324,708	39,796	19,754	141,807	526,065
Accrued Liabilities	379,809	69,306	4,316	10,418	463,849
Due to Other Funds	0	0	0	70,551	70,551
<b>Total Liabilities</b>	<b>704,517</b>	<b>109,102</b>	<b>24,070</b>	<b>222,776</b>	<b>1,060,465</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenues	317,779	0	0	0	317,779
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,022,296</b>	<b>109,102</b>	<b>24,070</b>	<b>222,776</b>	<b>1,378,244</b>
<b>Fund Balances</b>					
Nonspendable:					
Inventory	21,942	0	0	44,425	66,367
Prepays	1,536	0	0	1,503	3,039
Advances to Other Funds	110,551	0	0	0	110,551
Restricted for:					
Public Safety	0	441,964	0	58,066	500,030
Airport	0	0	0	961,069	961,069
Community Development	0	0	190,375	0	190,375
Debt Service	0	0	0	94,607	94,607
Assigned for:					
Subsequent Year Budget	1,016,730	0	0	0	1,016,730
Unassigned	4,314,474	0	0	0	4,314,474
<b>Total Fund Balances</b>	<b>5,465,233</b>	<b>441,964</b>	<b>190,375</b>	<b>1,159,670</b>	<b>7,257,242</b>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 6,487,529</b>	<b>\$ 551,066</b>	<b>\$ 214,445</b>	<b>\$ 1,382,446</b>	<b>\$ 8,635,486</b>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

<b>Fund Balance - Total Governmental Funds</b>		\$ 7,257,242
 <b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
 Capital assets reported for governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Cost of Assets	\$ 60,567,001	
(Accumulated Depreciation)	<u>(31,535,671)</u>	29,031,330
 Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
		48,449
 Net pension asset is not an available financial resource and, therefore, is not reported as an asset in the governmental funds.		
		553,412
 Other postemployment benefits liability does not require the use of current financial resources and, therefore, is not reported as a liability in the governmental funds.		
		(238,587)
 Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities at year-end consist of:		
Revenue Bonds	(4,690,194)	
Compensated Absences	<u>(670,726)</u>	(5,360,920)
 Interest on long-term debt is generally not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
		(34,715)
 Nonexchange receivables that do not provide current financial resources are considered unavailable revenues and included as deferred inflows of resources in the governmental funds.		
		<u>317,779</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ 31,573,990</u></u>

See accompanying notes.



**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
**CITY OF LAKE CITY, FLORIDA**

	<b>General Fund</b>	<b>Fire Department Special Revenue Fund</b>	<b>Community Redevelopment Agency Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Property Taxes	\$ 2,690,554	\$ 0	\$ 98,032	\$ 0	\$ 2,788,586
Nonproperty Taxes	4,091,050	0	0	0	4,091,050
Franchise Fees and Permits	1,386,450	0	0	0	1,386,450
Intergovernmental Revenues	1,416,828	0	156,387	52,256	1,625,471
Charges for Services	583,970	1,761,733	0	1,234,117	3,579,820
Fines and Forfeitures	24,293	0	0	0	24,293
Investment Earnings	10,697	217	427	269	11,610
Miscellaneous Revenues	102,584	0	9,384	65,107	177,075
Interfund Charges	1,629,167	0	0	0	1,629,167
<b>Total Revenues</b>	<b>11,935,593</b>	<b>1,761,950</b>	<b>264,230</b>	<b>1,351,749</b>	<b>15,313,522</b>
<b>Expenditures</b>					
Current:					
General Government	2,757,092	0	0	0	2,757,092
Public Safety	5,045,254	1,757,951	0	33,873	6,837,078
Highway and Street	2,542,639	0	0	0	2,542,639
Airport	0	0	0	1,055,146	1,055,146
Health and Welfare	160,000	0	0	0	160,000
Economic Environment	0	0	218,690	0	218,690
Physical Environment	394,261	0	0	0	394,261
Culture and Recreation	513,771	0	0	0	513,771
Debt Service:					
Principal	0	0	0	227,700	227,700
Interest and Other	0	0	0	140,493	140,493
Capital Outlay	318,470	441,091	340,256	51,485	1,151,302
<b>(Total Expenditures)</b>	<b>(11,731,487)</b>	<b>(2,199,042)</b>	<b>(558,946)</b>	<b>(1,508,697)</b>	<b>(15,998,172)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>204,106</b>	<b>(437,092)</b>	<b>(294,716)</b>	<b>(156,948)</b>	<b>(684,650)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from the Sale of Fixed Assets	99,353	0	18,889	0	118,242
Operating Transfers in	115,058	281,547	0	373,192	769,797
Operating Transfers (out)	(649,740)	0	0	(120,057)	(769,797)
<b>Total Other Financing Sources (Uses)</b>	<b>(435,329)</b>	<b>281,547</b>	<b>18,889</b>	<b>253,135</b>	<b>118,242</b>
<b>(Deficiency) Excess of Revenues and Other Financing Sources (Under) Over Expenditures and Other Financing Uses</b>	<b>(231,223)</b>	<b>(155,545)</b>	<b>(275,827)</b>	<b>96,187</b>	<b>(566,408)</b>
<b>Fund Balances, Beginning of Year</b>	<b>5,696,456</b>	<b>597,509</b>	<b>466,202</b>	<b>1,063,483</b>	<b>7,823,650</b>
<b>Fund Balances, End of Year</b>	<b>\$ 5,465,233</b>	<b>\$ 441,964</b>	<b>\$ 190,375</b>	<b>\$ 1,159,670</b>	<b>\$ 7,257,242</b>

See accompanying notes.

**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, 2014  
CITY OF LAKE CITY, FLORIDA**

**Net Change in Fund Balances - Total Governmental Funds** \$ (566,408)

**Amounts Reported for Governmental Activities in the Statement of  
Activities are Different Because:**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Expenditures for Capital Assets	\$ 1,151,302	
(Less Current Year Depreciation)	(1,986,010)	(834,708)

Governmental funds report proceeds from sales of general fixed assets as current financial resources. The gain or loss on disposal of general fixed assets is not reflected in the governmental funds:

Proceeds from Sales of General Fixed Assets	(118,242)	
(Loss) or Gain on Disposal of General Fixed Assets	64,529	(53,713)

Repayments of bond principal are expenditures in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.

227,700

Changes in the net pension asset and other postemployment benefits obligation do not provide or require current financial resources and, therefore, are not reported in the governmental funds:

Net Pension Asset	19,378	
Other Postemployment Benefits Obligation	(4,926)	14,452

Certain nonexchange revenues reported in the statement of activities are not considered current financial resources and, therefore, are not reported as revenue in the governmental funds.

(2,487)

Some expenditures reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Debt Interest Expense and Amortization	2,300	
Compensated Absences	(20,688)	(18,388)

**Change in Net Position of Governmental Activities** \$ (1,233,552)

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
**CITY OF LAKE CITY, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$ 2,704,309	\$ 2,704,309	\$ 2,690,554	\$ (13,755)
Nonproperty Taxes	4,120,653	4,120,653	4,091,050	(29,603)
Franchise Fees and Permits	1,164,171	1,164,171	1,386,450	222,279
Intergovernmental Revenues	1,289,389	1,311,439	1,416,828	105,389
Charges for Services	706,530	706,530	583,970	(122,560)
Fines and Forfeitures	34,971	34,971	24,293	(10,678)
Investment Earnings	10,779	10,779	10,697	(82)
Miscellaneous Revenues	24,377	36,986	102,584	65,598
Interfund Charges	1,950,000	1,950,000	1,629,167	(320,833)
<b>Total Revenues</b>	<u>12,005,179</u>	<u>12,039,838</u>	<u>11,935,593</u>	<u>(104,245)</u>
<b>Expenditures</b>				
General Government	2,992,383	2,982,200	2,777,006	205,194
Public Safety	5,120,094	5,175,542	5,133,055	42,487
Highway and Streets	2,980,151	2,988,763	2,708,140	280,623
Health and Welfare	135,000	160,000	160,000	0
Physical Environment	392,000	397,700	394,261	3,439
Culture and Recreation	604,639	602,515	559,025	43,490
<b>(Total Expenditures)</b>	<u>(12,224,267)</u>	<u>(12,306,720)</u>	<u>(11,731,487)</u>	<u>575,233</u>
<b>Excess of Revenues Over Expenditures</b>	<u>(219,088)</u>	<u>(266,882)</u>	<u>204,106</u>	<u>470,988</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers in	115,057	115,057	115,058	1
Operating Transfers (out)	(649,741)	(686,301)	(649,740)	36,561
Sale of General Fixed Assets	15,000	99,354	99,353	(1)
Bond Proceeds	131,000	131,000	0	(131,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(388,684)</u>	<u>(340,890)</u>	<u>(435,329)</u>	<u>(94,439)</u>
<b>(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses</b>	<u>(607,772)</u>	<u>(607,772)</u>	<u>(231,223)</u>	<u>376,549</u>
<b>Fund Balances, Beginning of Year</b>	<u>607,772</u>	<u>607,772</u>	<u>5,696,456</u>	<u>5,088,684</u>
<b>Fund Balances, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,465,233</u>	<u>\$ 5,465,233</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FIRE DEPARTMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for Services	\$ 1,742,624	\$ 1,742,624	\$ 1,761,733	\$ 19,109
Investment Earnings	0	0	217	217
Miscellaneous Revenues	450	450	0	(450)
<b>Total Revenues</b>	<u>1,743,074</u>	<u>1,743,074</u>	<u>1,761,950</u>	<u>18,876</u>
<b>Expenditures</b>				
Public Safety	2,336,932	2,336,932	2,199,042	137,890
<b>(Total Expenditures)</b>	<u>(2,336,932)</u>	<u>(2,336,932)</u>	<u>(2,199,042)</u>	<u>137,890</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(593,858)</u>	<u>(593,858)</u>	<u>(437,092)</u>	<u>156,766</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers in	281,547	281,547	281,547	0
<b>Total Other Financing Sources (Uses)</b>	<u>281,547</u>	<u>281,547</u>	<u>281,547</u>	<u>0</u>
<b>(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses</b>	<u>(312,311)</u>	<u>(312,311)</u>	<u>(155,545)</u>	<u>156,766</u>
<b>Fund Balances, Beginning of Year</b>	<u>312,311</u>	<u>312,311</u>	<u>597,509</u>	<u>285,198</u>
<b>Fund Balances, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 441,964</u>	<u>\$ 441,964</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
COMMUNITY REDEVELOPMENT AGENCY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$ 0	\$ 0	\$ 98,032	\$ 98,032
Intergovernmental Revenues	240,432	240,432	156,387	(84,045)
Investment Earnings	0	0	427	427
Miscellaneous Revenues	1,984	1,984	9,384	7,400
<b>Total Revenues</b>	<u>242,416</u>	<u>242,416</u>	<u>264,230</u>	<u>21,814</u>
<b>Expenditures</b>				
Economic Environment	708,354	708,354	558,946	149,408
<b>(Total Expenditures)</b>	<u>(708,354)</u>	<u>(708,354)</u>	<u>(558,946)</u>	<u>149,408</u>
<b>(Deficiency) of Revenues (Under)</b>				
<b>Expenditures</b>	<u>(465,938)</u>	<u>(465,938)</u>	<u>(294,716)</u>	<u>171,222</u>
<b>Other Financing Sources (Uses)</b>				
Sale of General Fixed Assets	0	0	18,889	18,889
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>18,889</u>	<u>18,889</u>
<b>(Deficiency) of Revenues and Other Financing Sources (Under)</b>				
<b>Expenditures and Other Financing Uses</b>	(465,938)	(465,938)	(275,827)	190,111
<b>Fund Balances, Beginning of Year</b>	<u>465,938</u>	<u>465,938</u>	<u>466,202</u>	<u>264</u>
<b>Fund Balances, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 190,375</u>	<u>\$ 190,375</u>

See accompanying notes.

**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2014  
 CITY OF LAKE CITY, FLORIDA**

<b>Assets</b>	<b>Water and Sewer Utility</b>	<b>Natural Gas Utility</b>	<b>Total</b>
<b>Current Assets</b>			
Pooled Cash and Investments	\$ 6,621,973	\$ 1,760,565	\$ 8,382,538
Accounts Receivable, Net	1,864,294	380,331	2,244,625
Due from Other Funds	94,328	0	94,328
Inventory	250,372	68,738	319,110
Prepays	8,000	4,637	12,637
<b>Total Current Assets</b>	<b>8,838,967</b>	<b>2,214,271</b>	<b>11,053,238</b>
<b>Noncurrent Assets</b>			
Restricted Pooled Cash and Investments	2,594,456	279,619	2,874,075
Unspent Bond Proceeds	12,108,197	0	12,108,197
Capital Assets:			
Land	5,291,179	313	5,291,492
Construction in Progress	1,335,658	550,000	1,885,658
Depreciable Buildings, Property and Equipment, Net	39,825,886	919,397	40,745,283
Prepaid Bond Insurance	530,654	0	530,654
<b>Total Noncurrent Assets</b>	<b>61,686,030</b>	<b>1,749,329</b>	<b>63,435,359</b>
<b>Total Assets</b>	<b>70,524,997</b>	<b>3,963,600</b>	<b>74,488,597</b>
<b>Deferred Outflows</b>			
Unamortized Refunding Loss	402,512	0	402,512

See accompanying notes.

**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2014  
 CITY OF LAKE CITY, FLORIDA  
 (Concluded)**

	<u>Water and Sewer Utility</u>	<u>Natural Gas Utility</u>	<u>Total</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 181,199	\$ 145,326	\$ 326,525
Accrued Liabilities	183,594	378,450	562,044
Due to Other Funds	40,000	94,328	134,328
Accrued Compensated Absences	173,995	53,422	227,417
<b>Total Current Liabilities</b>	<u>578,788</u>	<u>671,526</u>	<u>1,250,314</u>
<b>Payable from Restricted Assets</b>			
Accrued Interest	454,895	0	454,895
Current Portion of Long-term Obligations	1,294,401	0	1,294,401
Customer Deposits	614,261	279,619	893,880
<b>Total Payable from Restricted Assets</b>	<u>2,363,557</u>	<u>279,619</u>	<u>2,643,176</u>
<b>Noncurrent Liabilities</b>			
Noncurrent Portion of Long-term Obligations	37,265,027	0	37,265,027
Unamortized Premium (Discount)	136,302	0	136,302
Accrued Compensated Absences	57,367	10,730	68,097
Other Postemployment Benefits Obligation	80,843	18,228	99,071
<b>Total Noncurrent Liabilities</b>	<u>37,539,539</u>	<u>28,958</u>	<u>37,568,497</u>
<b>Total Liabilities</b>	<u>40,481,884</u>	<u>980,103</u>	<u>41,461,987</u>
<b>Net Position</b>			
Net Investment in Capital Assets	20,267,702	1,469,710	21,737,412
Restricted for:			
Renewal and Replacement	500,000	0	500,000
Debt Service	317,670	0	317,670
System Improvements	705,094	0	705,094
Unrestricted	8,655,159	1,513,787	10,168,946
<b>Total Net Position</b>	<u>\$ 30,445,625</u>	<u>\$ 2,983,497</u>	<u>\$ 33,429,122</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
**CITY OF LAKE CITY, FLORIDA**

	<u>Water and Sewer Utility</u>	<u>Natural Gas Utility</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for Services	\$ 12,111,460	\$ 3,955,204	\$ 16,066,664
Late Fees and Other Charges	285,222	401	285,623
<b>Total Operating Revenues</b>	<u>12,396,682</u>	<u>3,955,605</u>	<u>16,352,287</u>
<b>Operating Expenses</b>			
Personal Services	3,653,474	829,668	4,483,142
Contractual Services, Materials, and Supplies	2,706,050	2,309,610	5,015,660
Interfund Charges	1,350,000	229,167	1,579,167
Depreciation	1,797,121	119,762	1,916,883
<b>(Total Operating Expenses)</b>	<u>(9,506,645)</u>	<u>(3,488,207)</u>	<u>(12,994,852)</u>
<b>Operating Income</b>	<u>2,890,037</u>	<u>467,398</u>	<u>3,357,435</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest Income	20,711	2,224	22,935
Gain from Sales of Capital Assets and Timber	287,518	568	288,086
Grant from Other Government	0	22,012	22,012
Interest Subsidy	372,809	0	372,809
Interest Expense	(1,794,614)	0	(1,794,614)
Amortization	(110,644)	0	(110,644)
Contribution to Other Government	(200,000)	0	(200,000)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(1,424,220)</u>	<u>24,804</u>	<u>(1,399,416)</u>
<b>Income Before Capital Grants and Contributions and Operating Transfers</b>	1,465,817	492,202	1,958,019
<b>Transfer in</b>	<u>36,558</u>	<u>0</u>	<u>36,558</u>
<b>Change in Net Position</b>	1,502,375	492,202	1,994,577
<b>Net Position, Beginning of Year</b>	<u>28,943,250</u>	<u>2,491,295</u>	<u>31,434,545</u>
<b>Net Position, End of Year</b>	<u>\$ 30,445,625</u>	<u>\$ 2,983,497</u>	<u>\$ 33,429,122</u>

See accompanying notes.



**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014  
 CITY OF LAKE CITY, FLORIDA**

	<b>Water and Sewer Utility</b>	<b>Natural Gas Utility</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Cash Received for Services	\$ 12,177,303	\$ 3,881,644	\$ 16,058,947
Cash Paid to Employees	(3,627,009)	(821,277)	(4,448,286)
Cash Paid to Outside Parties	(3,024,818)	(2,434,746)	(5,459,564)
Cash Paid for Interfund Charges	(1,350,000)	(229,167)	(1,579,167)
<b>Net Cash Provided by (Used in) Operating Activities</b>	4,175,476	396,454	4,571,930
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and Construction of Capital Assets	(1,635,774)	(717,908)	(2,353,682)
Proceeds from the Disposition of Capital Assets	287,518	568	288,086
Principal Payments on Bonds and Notes	(1,277,977)	0	(1,277,977)
Interest Paid	(1,787,531)	0	(1,787,531)
Capital Contributions	(200,000)	0	(200,000)
Interest Subsidy Received	372,809	0	372,809
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	(4,240,955)	(717,340)	(4,958,295)
<b>Cash Flows from Investing Activities</b>			
Interest Received	20,711	2,224	22,935
<b>Net Cash Provided by (Used in) Investing Activities</b>	20,711	2,224	22,935
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(44,768)	(318,662)	(363,430)
<b>Cash and Cash Equivalents, Beginning of Year</b>	21,369,394	2,358,846	23,728,240
<b>Cash and Cash Equivalents, End of Year</b>	\$ 21,324,626	\$ 2,040,184	\$ 23,364,810
<b>Reported as</b>			
Cash and Cash Equivalents	\$ 6,621,973	\$ 1,760,565	\$ 8,382,538
Restricted Cash and Cash Equivalents	2,594,456	279,619	2,874,075
Unspent Bond Proceeds	12,108,197	0	12,108,197
<b>Total Cash and Cash Equivalents, End of Year</b>	\$ 21,324,626	\$ 2,040,184	\$ 23,364,810

See accompanying notes.

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014  
 CITY OF LAKE CITY, FLORIDA  
 (Concluded)**

	<u>Water and Sewer Utility</u>	<u>Natural Gas Utility</u>	<u>Total</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash            Provided by (Used in) Operating Activities</u></b>			
Operating Income (Loss)	\$ 2,890,037	\$ 467,398	\$ 3,357,435
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	1,797,121	119,762	1,916,883
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):			
Accounts Receivable	(219,379)	(73,961)	(293,340)
Inventory	(95,013)	(4,121)	(99,134)
Prepays	(8,000)	(776)	(8,776)
Accounts Payable	(214,931)	(27,749)	(242,680)
Accrued Compensated Absences	24,998	7,996	32,994
Accrued Liabilities	16,567	(81,904)	(65,337)
Other Postemployment Benefit Obligations	1,467	395	1,862
Customer Deposits	(17,391)	(10,586)	(27,977)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ 4,175,476</u></b>	<b><u>\$ 396,454</u></b>	<b><u>\$ 4,571,930</u></b>
<b><u>Supplemental Disclosure of Noncash Activity</u></b>			
Amortization of Prepaid Bond Insurance	\$ 25,653	\$ 0	\$ 25,653
Amortization of Bond Discount/(Premium)	5,259	0	5,259
Amortization of Refunding Loss	79,732	0	79,732
Capital Asset Transfer from Governmental Activities	36,558	0	36,558

See accompanying notes.

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<b>General Employees' Retirement Plan</b>	<b>Firemen's Retirement Plan</b>	<b>Police Retirement Plan</b>	<b>Retirement Plan Total</b>
<b>Assets</b>				
Cash and Investments	\$ 17,471,232	\$ 8,076,294	\$ 12,742,999	\$ 38,290,525
Contributions Receivable	147,424	46,313	30,002	223,739
Interest Receivable	12,379	21,764	32,374	66,517
<b>Total Assets</b>	<u>17,631,035</u>	<u>8,144,371</u>	<u>12,805,375</u>	<u>38,580,781</u>
<b>Liabilities</b>				
Accounts Payable	13,905	5,127	0	19,032
Excess Premium Tax	0	0	10,334	10,334
<b>Total Liabilities</b>	<u>13,905</u>	<u>5,127</u>	<u>10,334</u>	<u>29,366</u>
<b>Net Position</b>				
Held in Trust for Pension Benefits	<u>\$ 17,617,130</u>	<u>\$ 8,139,244</u>	<u>\$ 12,795,041</u>	<u>\$ 38,551,415</u>

See accompanying notes.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<b>General Employees' Retirement Plan</b>	<b>Firemen's Retirement Plan</b>	<b>Police Retirement Plan</b>	<b>Retirement Plan Total</b>
<b>Additions</b>				
Contributions:				
Employer	\$ 1,089,395	\$ 220,972	\$ 613,053	\$ 1,923,420
Employee	31,280	41,811	86,227	159,318
State of Florida	0	73,364	95,877	169,241
<b>Total Contributions</b>	<u>1,120,675</u>	<u>336,147</u>	<u>795,157</u>	<u>2,251,979</u>
Investment Earnings:				
Net Appreciation (Depreciation) in Fair Value of Investments	1,395,861	843,052	896,365	3,135,278
Interest and Dividends	389,814	198,982	345,204	934,000
(Less Investment Expenses)	(95,614)	(48,478)	(43,962)	(188,054)
Net Investment Earnings	<u>1,690,061</u>	<u>993,556</u>	<u>1,197,607</u>	<u>3,881,224</u>
<b>Total Additions</b>	<u>2,810,736</u>	<u>1,329,703</u>	<u>1,992,764</u>	<u>6,133,203</u>
<b>Deductions</b>				
Benefit Payments	1,034,293	364,980	476,218	1,875,491
DROP Benefit Payments	96,319	0	0	96,319
Refunds of Contributions	13,905	9,533	29,838	53,276
Administrative Fees	34,060	48,726	33,602	116,388
<b>(Total Deductions)</b>	<u>(1,178,577)</u>	<u>(423,239)</u>	<u>(539,658)</u>	<u>(2,141,474)</u>
<b>Net Increase</b>	1,632,159	906,464	1,453,106	3,991,729
<b>Net Position Held in Trust for Pension</b>				
Benefits, Beginning of Year	15,767,772	7,232,780	11,308,633	34,309,185
Prior Period Adjustment	217,199	0	33,302	250,501
<b>Net Position, As Adjusted</b>	<u>15,984,971</u>	<u>7,232,780</u>	<u>11,341,935</u>	<u>34,559,686</u>
<b>Net Position Held in Trust for Pension</b>				
Benefits, End of Year	<u>\$ 17,617,130</u>	<u>\$ 8,139,244</u>	<u>\$ 12,795,041</u>	<u>\$ 38,551,415</u>

See accompanying notes.

## **NOTES TO FINANCIAL STATEMENTS**

## NOTES TO FINANCIAL STATEMENTS CITY OF LAKE CITY, FLORIDA

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Lake City, Florida, (the City) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies used in the preparation of these financial statements.

#### **Reporting Entity**

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

As outlined by Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations whose exclusions would cause the reporting entity's financial statements to be misleading or incomplete. Each potential component unit is individually evaluated using specific criteria outlined by GASB, to determine whether the City is: a) part of the primary government; b) a component unit which should be included in the reporting entity (blended or discretely presented); or c) an organization which should be excluded from the reporting entity entirely. The principal criteria for classifying a potential component unit include the legal separateness of the organization, the financial accountability of the primary government for the potential component unit resulting from either the primary government's ability to impose its will on the potential component unit, or the potential component unit's fiscal dependency on the primary government.

Based upon the application of these criteria, the Lake City Community Redevelopment Agency (the Agency) is a blended component unit of the City. The Agency was established to provide a method of eliminating blighted areas, expanding employment opportunities, and providing an environment for the social and economic growth of an area designated by City Ordinance. Each member of the City Council is a member of the Agency. The Agency is included as a major fund.

This report also includes the accounts and transactions of the following entities, which do not satisfy the definition of component units because they are not legally separate from the City:

- The City of Lake City Policemen's Pension Board
- The City of Lake City Firemen's Pension Board

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Government-wide and Fund Financial Statements (Concluded)**

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

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

The City reports three major governmental funds: the general fund, the fire department special revenue fund, and the community redevelopment agency fund. The general fund is the City's primary operating fund. It accounts for all resources traditionally associated with governments except those required to be accounted for in another fund. The fire department special revenue fund accounts for the activities of the Lake City Fire Department and is primarily funded by a fire protection assessment imposed on all nongovernmental real property within the City. The community redevelopment agency fund is used to account for receipts and expenditures from certain property tax increments which are to be used for specific projects involving community redevelopment.

The City also reports two major enterprise funds, the water and sewer utility fund and the natural gas utility fund. These funds account for the activities of the City's water and sewer and natural gas utilities. In addition, the City reports three fiduciary funds, the police, firemen's and general employees' pension trust funds. The City acts as a trustee for the pension plan participants.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 thirty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and Other Postemployment Benefits (OPEB) are recorded only when payment is due.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)**

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 water, sewer, and natural gas services. Operating expenses for the 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.

**Fund Balance Classifications**

Fund balance classifications are comprised of a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned, and unassigned:

- **Nonspendable**—This component of fund balance consists of amounts that cannot be spent because (a) they are not expected to be converted to cash, or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. On the governmental funds balance sheet, the inventory balance reported is offset by a nonspendable fund balance classification which indicates it does not constitute "available spendable resources" even though it is a component of net current assets.
- **Restricted**—This component of fund balance consists of amounts that are constrained either (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or (b) by law through constitutional provisions or enabling legislation.
- **Committed**—This component of fund balance consists of amounts that can only be used for the specific purposes determined by a formal action of the City Council's highest level of decision-making authority (i.e., by ordinance). These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action employed to constrain those amounts.
- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization's governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. The City has delegated responsibility for assigning funds to the City Manager and Finance Director pursuant to Ordinance 97-804. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund.
- **Unassigned**—This classification is used for (a) deficit unrestricted fund balances in any governmental fund, or (b) fund balances within the general fund that are not restricted, committed or assigned.



**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Use of Restricted and Unrestricted Assets**

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

**Minimum Fund Balance**

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

**Budgets**

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

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

**Property Taxes**

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

Taxes are levied on November 1 of each year. All taxes become delinquent on April 1 of the following year. Discounts are allowed for early payment. On or prior to June 1, certificates bearing interest at 18% are sold for all uncollected real property taxes. Unsold certificates are held by the County.

**Cash and Investments**

In most instances, cash resources of the individual funds are combined to form a pool of cash and investments. Investments in the pooled cash fund consist primarily of certificates of deposit which mature in one year or less and cash invested in a repurchase agreement, the Florida Municipal Investment Trust (FMIT), and the State of Florida Board of Administration (SBA). Interest income earned on the pooled cash and investments is distributed to the appropriate funds based on the average monthly balance of investments in each fund.

Investments are valued at fair market value, except for investments considered to be 2a7-like pools, which are reported at amortized cost. For the purposes of the statement of cash flows, the City considers cash and cash equivalents to include cash and investments with an original maturity of three months or less.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to 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.” Receivables are stated at net realizable value, reduced by an allowance for doubtful accounts, where appropriate. Unbilled utility service receivables are recorded at year-end. They are calculated by pro-rating cycle billings subsequent to year-end according to the number of days included in the current fiscal year.

**Inventories**

Inventories are valued at cost, which approximates market value, using the first-in, first-out (FIFO) method. Generally, the costs of governmental fund type inventories are recorded as expenditures when consumed (consumption method) rather than when purchased. On the governmental funds balance sheet, the inventory balance reported is offset by a nonspendable fund balance which indicates that it does not constitute “available spendable resources” even though it is a component of net current assets.

**Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, right-of-ways, the stormwater system, 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 City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 its useful life are expensed as incurred.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10 - 60 Years
Equipment	2 - 10 Years
Infrastructure	20 - 60 Years

Intangible assets with definite lives are amortized over their determined lives. Intangible assets with indefinite lives are evaluated for impairment.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during construction of business-type assets are capitalized, net of interest income from the proceeds of related debt, as part of the cost of the related assets. No amount was capitalized in the current year.

**Deferred Inflows of Resources**

Deferred inflows of resources reported in governmental fund financial statements represent revenues which are measurable but not available, and in accordance with the modified accrual basis of accounting, are reported as deferred inflows of resources.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position or fund balance that applies to future periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports unamortized refunding losses in the government-wide and proprietary fund statements of net position as deferred outflows of resources. An unamortized refunding loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Long-term Obligations**

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

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

**Compensated Absences**

Accumulated unpaid vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported.

**New Accounting Pronouncements**

During the year, the City implemented GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. This Statement expands the required disclosures regarding the City's pension plans and specifies the required approach to measure the net pension liability.

During fiscal year ending September 30, 2015, the City will be required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB No. 27*. This statement will require the City to record the net pension liability of its three defined benefit pension plans and its proportionate share of the collective net pension liability of the Florida Retirement System. The City is still evaluating the impact the adoption of this accounting pronouncement will have on its financial statements.

**Note 2 - Deposits and Investments**

**Equity in Pooled Cash and Investments**

The City maintains a cash and investment pool that is available for use by all funds. In addition, certain deposits of the pension trust fund are held separately from those of other City funds.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 2 - Deposits and Investments (Continued)**

**Deposits**

As of September 30, 2014, the carrying amount of the City's deposits and cash on hand was \$1,857,340 including \$1,560 of petty cash and \$893,880 of restricted customer deposits. Monies which are placed on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts, and certificates of deposit are defined as public deposits. All of the City's public deposits are held in qualified public depositories pursuant to Florida Statutes Chapter 280, *Florida Security for Public Deposits Act* (the Act). Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledged level. The pledging level may range from 25% to 125% depending upon the depository's financial condition and establishment period.

All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

**Investments**

Investments other than bank deposits are registered in the name of the custodial third party and held by them for the account of the City. The custodians are primarily bank trust departments, insurance companies, brokerage firms, the SBA, and FMIT.

The SBA administers and provides regulatory oversight over Florida PRIME. The SBA has interpreted that Florida PRIME is currently considered a 2a7-like fund. The City's investment in the Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares. Separate financial reports for the SBA investment can be obtained from the Florida State Board of Administration, 1801 Hermitage Blvd., Tallahassee, Florida 32308.

**Authorized Investments**

Under the City's investment policies, general investments' activities are to be consistent with Florida Statutes and are authorized 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. Pension trust funds can invest in the aforementioned and, additionally, authorized investments include stocks, foreign securities, mutual funds, and bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the U.S.

Following are the investments, credit ratings by Fitch and Standard & Poor's for FMIT and Florida PRIME investments, respectively, and maturities of the City's governmental and business-type activities at September 30, 2014:

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 2 - Deposits and Investments (Continued)**

**Authorized Investments (Concluded)**

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
			<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Total</u>
Repurchase Agreement	Unrated	\$ 24,505,323	\$ 24,505,323	\$ 0	\$ 0	\$ 24,505,323
Florida Municipal Investment Trust	AAA/V1	3,516,476	3,516,476	0	0	3,516,476
Florida Municipal Investment Trust	AAA/V2	550,794	550,794	0	0	550,794
Florida PRIME	AAAm	221,015	221,015	0	0	221,015
<b>Total</b>		<u>\$ 28,793,608</u>	<u>\$ 28,793,608</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,793,608</u>

Listed below are the investments and maturities in the City's pension trust funds at September 30, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	<u>Total</u>
Equities	\$ 23,192,156	\$ 23,192,156	\$ 0	\$ 0	\$ 0	\$ 23,192,156
Mutual Funds	6,193,662	6,193,662	0	0	0	6,193,662
Fixed Income	7,016,689	559,450	1,768,043	2,333,366	2,355,830	7,016,689
Real Estate Investments	112,804	0	112,804	0	0	112,804
<b>Total</b>	<u>\$ 36,515,311</u>	<u>\$ 29,945,268</u>	<u>\$ 1,880,847</u>	<u>\$ 2,333,366</u>	<u>\$ 2,355,830</u>	<u>\$ 36,515,311</u>

Credit quality distribution for the City's pension trust fund investments with credit exposure as a percentage of the total pension investment subject to credit risk is as follows:

<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>Percent of Total</u>
Corporate Bonds	A+	0.50%
Corporate Bonds	Aaa	33.45%
Corporate Bonds	Aa2	2.22%
Corporate Bonds	Aa3	0.86%
Corporate Bonds	A1	3.24%
Corporate Bonds	A2	7.23%
Corporate Bonds	A3	6.53%
Corporate Bonds	Baa1	11.55%
Corporate Bonds	Baa2	9.49%
Corporate Bonds	Baa3	1.59%
Corporate Bonds	BAA1	0.73%
Corporate Bonds	BAA2	4.05%
Corporate Bonds	BAA3	1.39%
Corporate Bonds	B1	0.23%
Corporate Bonds	BA1	1.35%
Corporate Bonds	BBB	0.29%
Corporate Bonds	Unrated	15.30%

In addition to the above investments, the City's pension trust funds had money market funds and equity in pooled cash totaling \$1,775,214 at September 30, 2014.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 2 - Deposits and Investments (Concluded)**

**Additional Risk Disclosures**

Investments of the City conform to the provisions of Florida Statutes, Section 218.415. The following items discuss the City and pension funds' exposure to various risks in primarily the fixed rate portions of their investment portfolios:

- *Interest Rate Risk*—The City's fixed rate investments are generally tied to bond reserve requirements and are intended to be held until the funds are needed, at maturity. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's pension funds limit their risk by averaging investment maturities at approximately seven to ten years.
- *Custodial Credit Risk*—For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City generally utilizes third party custodians to help manage custodial credit risk.
- *Concentration of Credit Risk*—The pension funds' investment policies and practices require investments to be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are purchased and sold. No more than 3% of the trust fund shall be invested in any one issuer.

**Note 3 - Capital Assets**

Capital asset activity for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 7,144,885	\$ 73,386	\$ (27,140)	\$ 7,191,131
Construction in Progress	334,994	13,500	0	348,494
<b>Total Capital Assets Not Being Depreciated</b>	<u>7,479,879</u>	<u>86,886</u>	<u>(27,140)</u>	<u>7,539,625</u>
<b>Capital Assets Being Depreciated</b>				
Buildings and Improvements	14,868,360	233,448	(344,102)	14,757,706
Machinery and Equipment	10,602,843	691,561	(757,558)	10,536,846
Infrastructure	27,593,417	139,407	0	27,732,824
<b>Total Capital Assets Being Depreciated</b>	<u>53,064,620</u>	<u>1,064,416</u>	<u>(1,101,660)</u>	<u>53,027,376</u>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	(6,854,786)	(374,574)	305,652	(6,923,708)
Machinery and Equipment	(7,728,153)	(993,679)	732,876	(7,988,956)
Infrastructure	(16,005,250)	(617,757)	0	(16,623,007)
<b>Total Accumulated Depreciation</b>	<u>(30,588,189)</u>	<u>(1,986,010)</u>	<u>1,038,528</u>	<u>(31,535,671)</u>
<b>Total Being Depreciated, Net</b>	<u>22,476,431</u>	<u>(921,594)</u>	<u>(63,132)</u>	<u>21,491,705</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 29,956,310</u>	<u>\$ (834,708)</u>	<u>\$ (90,272)</u>	<u>\$ 29,031,330</u>

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 3 - Capital Assets (Concluded)**

Depreciation expense was charged to governmental activities functions/programs of the primary government as follows:

General Government	\$ 158,855
Public Safety	642,614
Highway and Street	650,952
Airport	485,103
Culture and Recreation	48,486
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 1,986,010</u></b>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 5,282,227	\$ 10,075	\$ (810)	\$ 5,291,492
Construction in Progress	<u>2,410,118</u>	<u>1,073,051</u>	<u>(1,597,511)</u>	<u>1,885,658</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>7,692,345</u>	<u>1,083,126</u>	<u>(1,598,321)</u>	<u>7,177,150</u>
<b>Capital Assets Being Depreciated</b>				
Buildings	5,813,952	533,291	0	6,347,243
Utility Plant and Improvements	62,536,077	1,625,511	(145,957)	64,015,631
Machinery and Equipment	<u>7,535,470</u>	<u>1,111,975</u>	<u>(244,767)</u>	<u>8,402,678</u>
<b>Total Capital Assets Being Depreciated</b>	<u>75,885,499</u>	<u>3,270,777</u>	<u>(390,724)</u>	<u>78,765,552</u>
<b>Less Accumulated Depreciation</b>				
Buildings	(987,316)	(460,777)	0	(1,448,093)
Utility Plant and Improvements	(28,810,950)	(1,314,682)	134,625	(29,991,007)
Machinery and Equipment	<u>(6,334,849)</u>	<u>(475,002)</u>	<u>228,682</u>	<u>(6,581,169)</u>
<b>Total Accumulated Depreciation</b>	<u>(36,133,115)</u>	<u>(2,250,461)</u>	<u>363,307</u>	<u>(38,020,269)</u>
<b>Total Being Depreciated, Net</b>	<u>39,752,384</u>	<u>1,020,316</u>	<u>(27,417)</u>	<u>40,745,283</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>\$ 47,444,729</u>	<u>\$ 2,103,442</u>	<u>\$ (1,625,738)</u>	<u>\$ 47,922,433</u>

Depreciation expense was charged to business-type activities functions/programs of the primary government as follows:

Water and Sewer	\$ 1,797,121
Natural Gas	119,762
<b>Total Depreciation Expense - Business-type Activities</b>	<b><u>\$ 1,916,883</u></b>

The beginning balances of certain capital assets and related accumulated depreciation in the governmental and business-type activities were adjusted to reflect a reclassification of assets.

**Note 4 - Allowance for Uncollectible Accounts**

Accounts receivable are reported net of an allowance for uncollectible accounts. As of September 30, 2014, allowances for receivables were \$11,315 in the governmental funds and \$276,829 in the enterprise funds.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 5 - Long-term Debt**

Long-term liability activity for the year ended September 30, 2014, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Revenue Bonds:					
Series 2012	\$ 4,917,894	\$ 0	\$ (227,700)	\$ 4,690,194	\$ 234,325
Compensated Absences	691,414	0	(20,688)	670,726	514,049
OPEB Obligation	<u>233,661</u>	<u>4,926</u>	<u>0</u>	<u>238,587</u>	<u>0</u>
<b>Total Governmental Activities –</b>					
<b>Long-term Liabilities</b>	<u>\$ 5,842,969</u>	<u>\$ 4,926</u>	<u>\$ (248,388)</u>	<u>\$ 5,599,507</u>	<u>\$ 748,374</u>
<b>Business-type Activities</b>					
State Revolving Fund Loan	\$ 8,618,404	\$ 0	\$ (644,976)	\$ 7,973,428	\$ 662,401
Utility Revenue Bonds:					
Series 2010A	9,815,000	0	0	9,815,000	0
Series 2010B	18,385,000	0	0	18,385,000	0
Series 2013	3,019,000	0	(633,000)	2,386,000	632,000
Unamortized Premium	141,561	0	(5,259)	136,302	0
Compensated Absences	262,520	32,994	0	295,514	227,417
OPEB Obligation	<u>97,209</u>	<u>1,862</u>	<u>0</u>	<u>99,071</u>	<u>0</u>
<b>Total Business-type Activities –</b>					
<b>Long-term Liabilities</b>	<u>\$ 40,338,694</u>	<u>\$ 34,856</u>	<u>\$ (1,283,235)</u>	<u>\$ 39,090,315</u>	<u>\$ 1,521,818</u>

Governmental activities' compensated absences and OPEB obligation are liquidated by the General Fund, Fire Department Special Revenue Fund, Community Redevelopment Agency Fund, and Airport Special Revenue Fund.

A summary of the City's long-term debt outstanding at September 30, 2014, is as follows:

**Governmental Activities**

■ **Sales Tax Revenue and Refunding Bonds, Series 2012**

On December 20, 2012, the City issued \$5,006,394 of Sales Tax Revenue and Refunding Bonds, Series 2012. The proceeds were used to refund the City's Sales Tax Revenue and Refunding Bonds, Series 2011, that had an unpaid principal balance of \$4,655,330, and to pay for cost of issuance of the bonds. The proceeds were also used to finance certain public capital projects. The bonds are fully registered and bear interest payable semiannually on January 1 and July 1 each year at 2.89% through 2030.

The bond principal and interest are payable solely from and secured by a pledged portion of proceeds of the local government half-cent sales tax revenue, including investment income of certain funds, as determined by resolution. Annual principal and interest on the bonds required approximately 50% of such revenues. A total debt service payment in the amount of \$368,194 was paid in the current year. Revenues pledged for repayment totaled \$733,774 for the year. At September 30, 2014, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$5,891,095.



**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 5 - Long-term Debt (Continued)**

**Business-type Activities**

■ **Utilities Revenue and Refunding Bonds, Series 2013**

On May 30, 2013, the City issued \$3,057,200 of utilities revenue bonds to refund the Utilities Revenue and Refunding Bonds, Series 2003, to acquire and construct improvements to the City's water and sewer system, and to pay certain costs of issuance. The bonds are due serially on July 1 of each year through 2017 with term bonds due in 2023. The bonds are fully registered and require semiannual interest payments on January 1 and July 1 with a fixed interest rate of 1.27%.

The bond principal and interest are payable solely from and secured by a lien on the net revenues of the City's water and sewer utility systems. Annual principal and interest on the bonds required approximately 14% of such revenues. Principal and interest paid for the current year was \$669,341. Pledged net system revenues, as defined in the bond ordinance, totaled \$4,795,387 for the year. At September 30, 2014, principal and interest to maturity in 2023 to be paid from pledged future revenues totaled \$2,487,600.

■ **Utility System Refunding Revenue Bonds, Series 2010A**

On August 26, 2010, the City issued \$9,815,000 of Utility System Refunding Revenue Bonds, Series 2010A. The proceeds were used to refund the City's Utilities Revenue Bonds, Series 1998A, and Utilities Revenue and Refunding Bonds, Series 2000, that had an unpaid principal balance of \$9,615,000 and were originally issued to fund improvements to the water and sewer system, and to pay for cost of issuance of the bonds, including a portion of the bond and reserve fund insurance premiums.

The Series 2010A bonds are due in serial installments on July 1 of each year beginning in 2017 through 2028. The bonds bear interest payable semiannually on January 1 and July 1 of each year at 3.5% to 5.0%.

The bond principal and interest are on parity with the Utility System Revenue Bonds, Series 2010B and the Utilities Revenue and Refunding Bonds, Series 2013. Annual interest on the bonds required approximately 8% of such revenues. Interest paid for the current year was \$398,119. Pledged net system revenues, as defined in the bond ordinance, totaled \$4,795,387 for the year. At September 30, 2014, principal and interest to maturity in 2028 to be paid from pledged future revenues totaled \$13,482,463.

■ **Utility System Revenue Bonds, Series 2010B**

On August 26, 2010, the City issued \$18,385,000 of Utility System Revenue Bonds, Series 2010B. The proceeds will finance the costs of sewer capital projects and cost of issuance of the bonds.

The Series 2010B bonds are due in serial installments on July 1 of each year, beginning 2029 through 2040. The bonds bear interest payable semiannually on January 1 and July 1 of each year at 6.025% to 6.275%. The Series 2010B bonds are taxable, elected as Build America Bonds for the purposes of the *American Recovery and Reinvestment Act of 2009*. As such, the City expects to receive direct subsidy payments from the U.S. Treasury Secretary in the amount equal to 35% of interest payable on the Series 2010B bonds. Such direct subsidy payments are not pledged to the payment of debt service of the Series 2010B bonds but are legally available for such purpose. The direct subsidy payments are not backed by the full faith and credit guarantee of the U.S. and no assurances are provided that the City will receive the direct subsidy payments.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 5 - Long-term Debt (Continued)**

**Business-type Activities (Concluded)**

■ **Utility System Revenue Bonds, Series 2010B (Concluded)**

The bond principal and interest are on parity with the Utility System Refunding Revenue Bonds, Series 2010A and the Utilities Revenue and Refunding Bonds, Series 2013. Annual interest on the bonds required approximately 24% of such revenues. Interest paid for the current year was \$1,140,266; the subsidy received was \$372,809. Pledged net system revenues, as defined in the bond ordinance, totaled \$4,795,387 for the year. At September 30, 2014, principal and interest to maturity in 2040 to be paid from pledged future revenues totaled \$42,344,393.

■ **State Revolving Fund Loan**

The City entered into an agreement with the State of Florida Department of Environmental Protection for a State Revolving Fund Loan to finance the expansion of the City's water utility. Principal and interest payments are due December 15 and June 15 each year, bearing interest at 2.64% to 2.71%.

The loan principal and interest are payable solely from and secured by a lien on the gross revenues of the City's water and sewer utility after payment of the operation and maintenance expenses and debt service of all senior revenue obligations, as defined by the loan agreement. The lien is junior, inferior, and subordinate to the lien of the Utilities Revenue and Refunding Bonds, Series 2013, 2010A, and 2010B. Annual principal and interest on the loan required approximately 39% of such revenues. Principal and interest paid for the current year was \$871,948. Pledged revenues, as defined in the loan agreement, totaled \$2,214,921 for the year. At September 30, 2014, principal and interest to estimated maturity in 2025 to be paid from pledged future revenues totaled \$9,210,037.

**Defeased Bonds**

At September 30, 2014, the City has outstanding bonds that have been defeased by the purchase of qualifying government securities in irrevocable trusts. The scheduled maturities and the interest earnings on the escrowed securities are sufficient to redeem these defeased bonds without further debt service costs to the City. Both defeased bonds and the escrowed securities are, as required by generally accepted accounting principles, omitted from the financial statements of the City.

The following bonds have been defeased by the City and no longer are included in the accompanying financial statements:

	<b>Balance September 30, 2014</b>
Utilities Revenue Bonds, Series 1987	\$ 1,565,000
Utilities Revenue Bonds, Series 1991A	935,000
<b>Total</b>	<u>\$ 2,500,000</u>

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 5 - Long-term Debt (Concluded)**

**Rate Covenant**

The City has covenanted to establish, maintain, and collect fees from users of the water and sewer utility systems (gross revenues of the system, as defined in the bond ordinance) sufficient to pay the costs for operation and maintenance (operating expenses of the system, as defined in the bond ordinance). Thus, resulting in net revenues (as defined in the bond ordinance) adequate to pay in each fiscal year 110% of the current annual debt service, and 100% of any amount required to be deposited in the reserve fund or in the renewal and replacement fund or with any issuer of a reserve fund letter of credit or reserve fund insurance policy. The City met all requirements and, therefore, is in compliance with the rate covenants at year-end.

**Annual Debt Service**

Annual debt service requirements to maturity for the City's outstanding long-term obligations are as follows; note that interest maturities exclude anticipated subsidy receipts:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 234,325	\$ 133,866	\$ 1,294,401	\$ 1,776,235
2016	241,140	127,045	1,332,293	1,750,251
2017	248,170	120,026	1,400,672	1,725,174
2018	255,394	112,802	1,466,546	1,676,863
2019	262,817	105,367	1,511,930	1,625,773
2020-2024	1,433,422	407,528	8,355,238	7,400,979
2025-2029	1,654,561	186,397	6,038,348	6,154,391
2030-2034	360,365	7,870	6,880,000	4,523,585
2035-2039	0	0	8,390,000	2,213,216
2040	0	0	1,890,000	118,598
<b>Total</b>	<u>\$ 4,690,194</u>	<u>\$ 1,200,901</u>	<u>\$ 38,559,428</u>	<u>\$ 28,965,065</u>

**Letters of Credit**

As of September 30, 2014, pursuant to an agreement with First Federal Savings Bank of Florida and Florida Gas Utility, the City had available a \$244,000 unsecured line of credit; none of which was outstanding as of that date. There was no activity on the line during the year.

**Note 6 - Defined Benefit Pension Plans**

**Plan Descriptions and Contribution Information**

The City maintains three separate single-employer pension plans, one for police officers, one for firemen, and one for general employees that covers substantially all other full-time City employees. As of January 1, 2006, the General Employees' Retirement Plan was closed to all new employees and participating employees were given the option to withdraw from the plan. New employees and those withdrawn from the General Employees' Retirement Plan participate in the Florida Retirement System (the System). The single-employer plans are maintained as pension trust funds and are included as part of the City's reporting entity. The System is a multiple-employer defined benefit plan, whose assets are not reported in the City's financial statements. City ordinance and state law require contributions to be determined by actuarial studies. Stand-alone financial reports are not issued for the three single-employer plans.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 6 - Defined Benefit Pension Plans (Continued)**

**Plan Descriptions and Contribution Information (Continued)**

Membership of each plan consisted of the following at September 30, 2014:

	<u>General Employees</u>	<u>Firemen</u>	<u>Police</u>
Inactive Members or Beneficiaries Receiving Benefits	72	17	19
Inactive Members Entitled to but Not Yet Receiving Benefits	23	6	17
Active Plan Members	<u>43</u>	<u>19</u>	<u>37</u>
<b>Total</b>	<u><u>138</u></u>	<u><u>42</u></u>	<u><u>73</u></u>

■ **General Employees' Retirement Plan**

- *Plan Description*—The General Employees' Retirement Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The City Council has the authority to establish and amend the benefit provisions of the plan. The Board of Trustees monitors and administers the Plan. The General Employees' Retirement Plan was closed to new members as of January 1, 2006.
- *Plan Benefits*—For non-elected members, normal retirement is generally available upon the earlier of (1) attainment of age sixty-two and the completion of ten years of credited service, or (2) completion of thirty years of credited service regardless of age. For elected members, normal retirement is available upon attainment of age sixty-two and completion of eight years of credited service. Early retirement is available with a reduced benefit upon the attainment of age fifty-two and the completion of ten years of credited service for non-elected members and attainment of age fifty-two and the completion of eight years of credited service for elected members.

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

Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who completed at least twenty years of credited service, a health supplement, and a Deferred Retirement Option Program (DROP) under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to three years.

- *Contributions*—The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 2% of their annual covered salary. Contribution requirements are established by City Code, which may be amended by the City Council. Administrative costs of the General Employees' Retirement Plan are financed through plan contributions and investment earnings.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 6 - Defined Benefit Pension Plans (Continued)**

**Plan Descriptions and Contribution Information (Continued)**

■ **General Employees' Retirement Plan (Concluded)**

- *Plan Investments*—The Board of Trustees is responsible for establishing and amending the Plan's investment policies. The Plan's current investment policy establishes target allocations among investment categories. The money-weighted rate of return on Plan investments, net of investment related expenses, was 11.31% for the year ended September 30, 2014.

■ **Florida Retirement System (General Employees)**

- *Plan Description*—The System is a cost-sharing multiple-employer plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability, or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The System issues financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-5706.
- *Plan Benefits*—If employed prior to July 1, 2011, the System provides for vesting of benefits after six years of creditable service. The vesting requirement changes to eight years of creditable service for those employed on or after July 1, 2011. For those employed prior to July 1, 2011, normal retirement is after thirty years of service or age sixty-two. If employed on or after July 1, 2011, normal retirement is after thirty-three years of service or age sixty-five. Early retirement may be taken after meeting the appropriate vesting requirement with a 5% benefit reduction for each year prior to the normal retirement requirement. The System also offers eligible employees the ability to participate in an alternative defined contribution plan (the Investment Plan). Employees participating in the Investment Plan are vested after one year of service with no age requirement. Prior to July 1, 2011, retirement coverage for an employee was noncontributory. Effective July 1, 2011, all System members (except those in DROP) are required to contribute 3% of their gross compensation on a pre-tax basis.

DROP is available under the System Pension Plan when the member first reaches eligibility for normal retirement. DROP allows a member to retire while continuing employment for up to sixty months. While in the DROP, the member's retirement benefits accumulate in the System trust fund (increased by a cost-of-living adjustment each July). DROP participants starting the program prior to July 1, 2011, earn monthly interest equivalent to an annual rate of 6.5%. Participants starting the program on or after July 1, 2011, earn an effective annual rate of 1.3%. When the DROP period ends, the DROP account is paid out as a lump-sum payment, a rollover, or a combination, and monthly benefits are subsequently paid to the member in the amount as calculated upon entry into DROP, plus cost-of-living adjustments for intervening years. In most cases, the DROP participant must cease employment when the DROP period ends.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 6 - Defined Benefit Pension Plans (Continued)**

**Plan Descriptions and Contribution Information (Continued)**

■ **Florida Retirement System (General Employees) (Concluded)**

- *Contributions*—The contribution requirements of plan members are established, and may be amended, by the Florida Legislature. The City and its employees are required to contribute at an actuarially determined rate. The rates at September 30, 2014, are as follows:

<u>System Membership Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>	<u>Total Contribution Rate</u>
Regular Employees	3.00%	7.37%	10.37%
Special Risk Employees	3.00%	19.82%	22.82%
Rehired Employees	3.00%	7.37%	10.37%
Elected Officials	3.00%	43.24%	46.24%
Senior Management Services	3.00%	21.14%	24.14%
Deferred Retirement Option Program (DROP)	N/A	12.28%	12.28%

The City's contributions to the System for the years ended September 30, 2014, 2013, and 2012, were \$308,985, \$194,738, and \$156,759, respectively. Employee contributions to the System for the years ended September 30, 2014 and 2013, and 2012 were \$119,921, \$98,578, and \$91,617 respectively. Contributions are equal to the required contributions for those years.

■ **Firemen's Retirement Plan**

- *Plan Description*—The Firemen's Retirement Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The Firemen's Retirement Plan is governed by the Firemen's Pension Board, although the City Council retains the authority to establish and amend the benefit provisions of the plan.
- *Plan Benefits*—Normal retirement is available upon the earlier of (1) attainment of age fifty-five and the completion of ten years of credited service, or (2) attainment of age fifty-two and completion of twenty-five years of credited service. Early retirement is available with a reduced benefit upon the attainment of age fifty and the completion of ten years of credited service.

The normal retirement benefit shall be equal to 2.75% of final compensation times years of credited service. Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who have attained age sixty, a health supplement and a DROP, under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to three years.

- *Contributions*—The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 5% of their annual covered salary. Contribution requirements may be amended by the City Council. Administrative costs are financed through plan contributions and investment earnings.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 6 - Defined Benefit Pension Plans (Continued)**

**Plan Descriptions and Contribution Information (Concluded)**

■ **Firemen's Retirement Plan (Concluded)**

- *Plan Investments*—The Pension Board is responsible for establishing and amending the Plan's investment policies. The Plan's current investment policy establishes target allocations among investment categories. The money-weighted rate of return on Plan investments, net of investment related expenses, was 14.75% for the year ended September 30, 2014.

■ **Police Retirement Plan**

- *Plan Description*—The Police Retirement Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The Police Retirement Plan is governed by the Policemen's Pension Board, although the City Council retains the authority to establish and amend the benefit provisions of the plan. The Policemen's Pension Board of Trustees is appointed by the City Council and comprised of five members, two of which will be eligible legal residents of the City, two of which will be police officers elected by the majority of police officers who are members of the Plan, and one of which will be elected by the other four trustees.
- *Plan Benefits*—Normal retirement is available upon the earlier of 1) attainment of age fifty-five and the completion of ten years of credited service, or 2) attainment of age fifty-two and completion of twenty-five years of credited service. Early retirement is available with a reduced benefit upon the attainment of age fifty and the completion of ten years of credited service.

The normal retirement benefit shall be equal to 3.00% of final compensation times years of credited service. Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who have attained age sixty, a health supplement and a DROP, under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to five years.

- *Contributions*—The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 5% of their annual covered salary. Contribution requirements may be amended by the City Council. Administrative costs are financed through plan contributions and investment earnings.
- *Plan Investments*—The Pension Board is responsible for establishing and amending the Plan's investment policies. The Plan's current investment policy establishes target allocations among investment categories. The money-weighted rate of return on Plan investments, net of investment related expenses, was 10.38% for the year ended September 30, 2014.

**Net Pension Liability**

The components of the net pension liability at September 30, 2014, were as follows:

**NOTES TO FINANCIAL STATEMENTS  
CITY OF LAKE CITY, FLORIDA  
(Continued)**

**Note 6 - Defined Benefit Pension Plans (Continued)**

**Net Pension Liability (Concluded)**

**General Employees' Retirement Plan**

Total Pension Liability	\$ 21,225,486
Plan Net Position	<u>(17,617,129)</u>
<b>Net Pension Liability</b>	<b><u>\$ 3,608,357</u></b>
General Employees' Retirement Plan Net Position as a Percentage of Total Pension Liability	83.00%

**Firemen's Retirement Plan**

Total Pension Liability	\$ 8,661,724
Plan Net Position	<u>(8,140,333)</u>
<b>Net Pension Liability</b>	<b><u>\$ 521,391</u></b>
Firemen's Retirement Plan Net Position as a Percentage of Total Pension Liability	93.98%

**Police Retirement Plan**

Total Pension Liability	\$ 12,356,312
Plan Net Position	<u>(12,804,139)</u>
<b>Net Pension Liability</b>	<b><u>\$ (447,827)</u></b>
Police Retirement Plan Net Position as a Percentage of Total Pension Liability	103.62%

Plan Net Position per the actuaries' reports may differ from the Statement of Fiduciary Net Position due to various timing and other matters.

**Actuarial Assumptions**

The total pension liability was determined by actuarial valuations for each Plan as of October 1, 2013, rolled forward to September 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

	<b>General Employees'</b>	<b>Firemen's</b>	<b>Police</b>
Inflation	3.25%	3.25%	3.0%
Salary Increases	4.0-7.0%	4.0-7.0%	6.0%
Investment Rate of Return, Including Inflation	7.75%	7.75%	7.75%
Mortality Table	RP2000	RP2000	RP2000



**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 6 - Defined Benefit Pension Plans (Continued)**

**Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Net Rate of Return</u>
<b>General Employees' Plan</b>		
Large Cap Equity	38%	9%
Mid Cap Equity	9%	9%
Small Cap Equity	6%	9%
International Equity	12%	8%
Alternatives	5%	6%
Core Fixed Income	25%	6%
Other Fixed Income	5%	6%
<b>Total General Employees' Plan</b>	<u>100%</u>	
<b>Firemen's Plan</b>		
Domestic Equities	60%	10%
International Equities	10%	11%
Broad Market Fixed Income	30%	5%
<b>Total Firemen's Plan</b>	<u>100%</u>	
<b>Police Plan</b>		
Domestic Equities	50%	7.5%
International Equities	15%	8.5%
Broad Market Fixed Income	30%	2.5%
Non-Core Fixed Income	5%	2.5%
<b>Total Police Plan</b>	<u>100%</u>	

*Discount Rate*—The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*—The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 6 - Defined Benefit Pension Plans (Concluded)**

**Actuarial Assumptions (Concluded)**

<u>Net Pension Liability</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
General Employees' Plan	\$ 5,862,412	\$ 3,608,357	\$ 1,672,238
Firemen's Retirement Plan	1,522,158	521,391	(360,289)
Police Retirement Plan	1,156,684	(447,827)	(1,784,453)

**Note 7 - Postemployment Benefits Other Than Pensions**

**Plan Description**

The City has previously established and maintains an employee group medical insurance plan (the Plan) that it makes available to eligible retirees in accordance with State of Florida law and City ordinance. The Plan is a single-employer, experience rated insurance plan that provides medical benefits to eligible retirees and their eligible dependents. The postretirement benefit portion of the Plan refers to the medical benefits applicable to current and future retirees and their eligible dependents.

As of the valuation date, the total number of participating eligible current and future retirees and dependents used for the Plan was 232. The City currently determines the eligibility, benefit provisions, and changes to those provisions applicable to retirees in accordance with applicable City ordinance, federal, and state laws. The Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

**Funding Policy**

To-date, the City has followed a pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit cost and expenses. The contribution requirements of plan members, if any, are established by the City. Eligible retirees pay the full cost of blended rate premiums associated with the medical plan elected; no direct City subsidy is currently applicable. However, there are implicit costs of the medical plan for retirees, as their claims experience is higher than the blended rate premiums.

State of Florida law prohibits the City from separately rating retirees and active employees specifically for medical plan benefits. The City therefore assigns eligible active employees and eligible retirees equal, blended-rate premiums and makes available to both groups the same plan options. Although both groups are assigned the same blended rate premiums, generally accepted auditing principles (GAAP) requires the actuarial liabilities presented below to be calculated using age-adjusted premiums approximating claim costs for eligible retirees separate from active eligible members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 7 - Postemployment Benefits Other Than Pensions (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for postemployment health care benefits:

Annual Required City Contribution (ARC)	\$	83,705
Interest on Plan Obligation		14,584
Adjustment to ARC		<u>(20,946)</u>
Annual OPEB Cost (Expense)		77,343
Net Contributions Made		<u>(70,555)</u>
Decrease in Net OPEB Obligation		6,788
<b>Net OPEB Obligation, Beginning of Year</b>		<u>330,870</u>
<b>Net OPEB Obligation, End of Year</b>	<b>\$</b>	<b><u>337,658</u></b>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2014, was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/2012	\$ 76,753	44.2%	\$ 324,082
09/30/2013	77,343	91.2%	330,870
09/30/2014	77,343	91.2%	337,658

**Funded Status and Funding Progress**

As of October 1, 2012, the actuarial valuation date, the actuarial accrued liability for benefits was \$689,052, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$689,052 and a funded ratio of 0%. The covered payroll (annual payroll of active participating employees) was \$7,344,897, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.4%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of a plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 7 - Postemployment Benefits Other Than Pensions *(Continued)***

**Actuarial Methods and Assumptions *(Concluded)***

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and Plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Annual requirements are determined in accordance with the actuarial assumptions and the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions include a 4.5% discount rate, compounded annually, and it is based on the City's expected rate of discount, based on the assumption that the Plan will not be funded. The annual health care cost trend rate was assumed to decline gradually over the next several years from 8.5% in fiscal year 2013 to an ultimate rate of 4.55% in fiscal year 2017. The actuarial assumption did not include a payroll growth rate. Plan expenses are assumed to be included in premium rates. Benefits are assumed to be unfunded. Retiring participants were assumed to elect the same coverage they currently have under the Plan while active employees. Actual current coverage was used and status was assumed to continue. Marital status of active employees and retirees is actual, as reported. The actual age of the spouse was used if provided; if not available, assumed male spouses three years older and female spouses three years younger than employee.

**Retirees Eligible to Receive Benefits**

In accordance with State of Florida law, an employee retiring from employment at or after normal retirement date with the City will be eligible to participate in the City's employee group medical insurance plans for life so long as applicable premium payments continue to be paid. Retirees have the option to elect to continue medical benefits at retirement from the City, or during an open enrollment period, or in the event of a qualified event in accordance with federal and state laws.

**Benefits**

Presently, eligible retirees may elect to receive medical benefits under the same medical plan options as active employees. Eligible retirees may change between types of plans offered, add or drop eligible dependents, or reject or re-elect coverage during an open enrollment period. Benefits are those as described in each medical Plan's certificate of coverage.

**Retiree Contributions**

Retiree's contributions are equal to 100% of the elected medical plan (blended rate) premiums applicable after retirement from employment from the City.

**Actuarial Cost Method**

The Projected Unit Credit Actuarial Cost Method was used. Under this method, the cost of each member's projected retiree benefit is recognized through a series of annual charges, determined as that year's pro rata share of the actuarial present value (APV) of the projected benefits, and based on service earned to-date. The accrued value of normal cost payments due prior to the valuation date is termed the actuarial accrued liability (AAL). This amount minus actuarial value of assets is known as the unfunded actuarial accrued liability (UAAL). A yearly normal cost for each member is determined as the increase in the APV of projected retiree benefits due to service earned during that year. The annual cost of a plan consists of two components: normal cost and an amortization cost, which may vary between prescribed limits, toward the UAAL.

**NOTES TO FINANCIAL STATEMENTS  
CITY OF LAKE CITY, FLORIDA  
(Continued)**

**Note 7 - Postemployment Benefits Other Than Pensions (Concluded)**

**Actuarial Cost Method (Concluded)**

Actuarial gains (or losses), a measure of the difference between actual experience and that expected based upon the actuarial assumptions during the period between two valuation dates, as they occur, reduce (or increase) the UAAL.

It is intended that the UAAL be recognized over a thirty-year closed amortization period from October 1, 2012, the actuarial valuation date, through amortizations expressed as a level percentage of payroll. Changes in the UAAL resulting from actuarial gains or losses, or changes in actuarial assumptions, will be amortized over the remaining portion of the thirty-year period, but not less than fifteen years.

**Miscellaneous Valuation Procedures**

The medical benefit liability values were developed using average age-adjusted premiums for current retirees, even though the premiums applicable to retirees are based on the average costs of the entire participating group, both active and retired, as required under Florida law. The average age-adjusted premiums incorporate the application of Medicare as primary insurer of medical benefits for “retirees” age sixty-five or older that are no longer employed. It is also assumed that post-sixty-five participants in the City’s program will also be participants in Medicare Parts A and B.

**Plan Assets**

No separate trust assets as of the valuation date.

**Summary of Census Data Used in the Valuation**

Membership in the Plan consisted of the following at October 1, 2012, the date of the latest actuarial valuation:

Future Retirees (Including DROP)	214
Retired and Disabled Participants Receiving Benefits	14
Spouses Receiving Benefits	4
Other Dependents Receiving Benefits	<u>0</u>
<b>Total Number of Participants and Dependents Included in Valuation</b>	<u><u>232</u></u>

**Note 8 - Restricted Net Position**

The government-wide statements of net position reports \$3,833,470 of restricted net position, of which \$3,643,095 is restricted by external resource providers and \$190,375 is restricted by enabling legislation.

**Note 9 - Interfund Accounts**

**Due from/to Other Funds**

At September 30, 2014, the balance due from/to other funds consists of the following:

<b>Due to</b>	<u><b>Amount</b></u>	<u><b>Due from</b></u>
General Fund	\$ 40,000	Water and Sewer Fund
General Fund	70,551	Nonmajor Funds
Water and Sewer Fund	<u>94,328</u>	Natural Gas Fund
<b>Due to Total</b>	<u><u>\$ 204,879</u></u>	

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Continued)*

**Note 9 - Interfund Accounts (Concluded)**

**Due from/to Other Funds (Concluded)**

Interfund balances result from a time lag between dates that reimbursable expenditures occur and payments are made between funds as a result of the City's cash management system.

**Transfers in/(out)**

Interfund transfers during the year ended September 30, 2014, consisted of the following:

<b>Transfer (out)</b>	<u>Amount</u>	<u>Transfer in</u>
General Fund	\$ 281,547	Fire Department Fund
General Fund	368,193	Debt Service Fund
Governmental Activities	36,558	Water and Sewer Fund
Nonmajor Funds	115,058	General Fund
Nonmajor Funds	<u>5,000</u>	Nonmajor Funds
<b>Total</b>	<u>\$ 806,356</u>	

**Note 10 - Commitments and Contingencies**

As of September 30, 2014, the City had outstanding commitments on contracts in progress as follows:

<u>Project Type</u>	<u>Unexpended Contract Amounts</u>
Kicklighter Wastewater Diversion Force Main	\$ 686,197
Natural Gas Line Extension	700,000
Taxiway A Rehab and Expansion	7,100,000
Airfield Hangar Upgrades	474,250

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

In the general course of business, the City is involved in various litigations. The majority of these are as defendant in litigation relating to claims arising from normal municipal activities. The City is insured for these types of suits and expects no significant adverse financial impact from the settlement of any of them.

The City agreed to participate with Columbia County and the Columbia County Industrial Development Authority to offer a collaborative economic package to Target Corporation as an inducement to locate a Target cold storage distribution center to a site within the City. The economic package to Target Corporation included an initial cash contribution to cover land development costs supplemented by a five-year commitment to contribute \$350,000 annually to the Columbia County Economic Development Fund, beginning fiscal year 2010 through 2014. During 2012, the City committed to an additional payment of \$114,000 in 2015 to pay the difference between the total paid by the City to the Columbia County Economic Development Fund and the actual City tax paid by Target Corporation.

**NOTES TO FINANCIAL STATEMENTS**  
**CITY OF LAKE CITY, FLORIDA**  
*(Concluded)*

**Note 10 - Commitments and Contingencies (Concluded)**

The City entered into an agreement with Columbia County (the County), and Lifeguard Ambulance Services of Florida, LLC (Lifeguard), for Lifeguard to provide the County and City with emergency medical services. As part of the agreement, the County will furnish and manage for and on behalf of Lifeguard emergency ambulance dispatch and communications services, the cost of which will be shared between the County and the City. Beginning October 1, 2011, and subsequently for five years, the City will pay \$79,448 annually for its share of the County's cost attributed to providing Lifeguard with emergency ambulance dispatch and communications services.

The City is in the process of upgrading and expanding the wastewater system. The cost is currently estimated to be approximately \$11.5 million and will be financed through a combination of available funds and grant proceeds.

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

**Note 11 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; workers' compensation; and natural disaster. The City carries commercial insurance for accidental death and dismemberment, general liability, and certain bonds. For the last three years, settled claims have not exceeded coverage, nor has there been any reduction in coverage.

The City is a member of the Florida Municipal Self-Insurance Fund (the Fund). The Fund was created to allow members to pool their liabilities pursuant to provisions in Florida Workers' Compensation Law. The City pays an annual premium to the Fund for workers' compensation coverage. The Fund's underwriting and rate setting policies were established after consulting with an independent actuary. The Fund is nonassessable and, therefore, the City has no liability for future deficits of the Fund, if any.

**Note 12 - Restatement**

Beginning Net Position in the Statement of Changes in Fiduciary Net Position was increased \$250,501 as a result of removing the obligation for DROP benefits as required under GASB 67, *Financial Reporting for Pension Plans*, which the City adopted effective October 1, 2013.

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**



**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION FUNDING PROGRESS  
SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

**General Employees' Retirement Plan**

Actuarial Valuation Date	(1) Actuarial Accrued Liability (AAL)	(2) Actuarial Value of Assets (AVA)	(3) Unfunded AAL (UAAL)	(4) Percentage Funded (2)/(1)	(5) Annual Covered Payroll	(6) UAAL as % of Payroll (3)/(5)
9/30/07	\$ 15,434,964	\$ 12,407,086	\$ 3,027,878	80.38%	\$ 2,854,652	106.07%
9/30/08	16,180,762	12,457,060	3,723,702	76.99%	2,819,886	132.05%
9/30/09	17,314,834	12,143,726	5,171,108	70.13%	2,805,902	184.29%
9/30/10	17,481,490	12,286,593	5,194,897	70.28%	2,549,664	203.75%
9/30/11	18,686,675	12,277,990	6,408,685	65.70%	2,277,075	281.44%
9/30/12	20,518,166	13,220,513	7,297,653	64.43%	2,113,010	345.37%
9/30/13	21,001,695	14,767,660	6,234,035	70.32%	1,835,618	339.62%

**Firemen's Retirement Plan**

Actuarial Valuation Date	(1) Actuarial Accrued Liability (AAL)	(2) Actuarial Value of Assets (AVA)	(3) Unfunded AAL (UAAL)	(4) Percentage Funded (2)/(1)	(5) Annual Covered Payroll	(6) UAAL as % of Payroll (3)/(5)
9/30/07	\$ 6,696,637	\$ 5,738,297	\$ 958,340	85.69%	\$ 926,680	103.42%
9/30/08	6,797,874	6,156,431	641,443	90.56%	864,993	74.16%
9/30/09	6,833,641	6,067,826	765,815	88.79%	921,252	83.13%
9/30/10	7,126,536	6,610,581	515,955	92.76%	885,532	58.26%
9/30/11	7,625,697	6,494,063	1,131,634	85.16%	867,463	130.45%
9/30/12	7,985,099	6,468,824	1,516,275	81.01%	880,475	172.21%
9/30/13	7,943,929	6,835,597	1,108,332	86.05%	765,722	144.74%

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION FUNDING PROGRESS**  
**SEPTEMBER 30, 2014**  
**CITY OF LAKE CITY, FLORIDA**  
*(Concluded)*

**Police Retirement Plan**

<b>Actuarial Valuation Date</b>	<b>(1) Actuarial Accrued Liability (AAL)</b>	<b>(2) Actuarial Value of Assets (AVA)</b>	<b>(3) Unfunded AAL (UAAL)</b>	<b>(4) Percentage Funded (2)/(1)</b>	<b>(5) Annual Covered Payroll</b>	<b>(6) UAAL as % of Payroll (3)/(5)</b>
9/30/07	\$ 9,044,048	\$ 9,083,882	\$ (39,834)	100.44%	\$ 1,438,659	-2.77%
9/30/08	9,310,635	8,994,192	316,443	96.60%	1,439,811	21.98%
9/30/09	9,756,041	8,885,979	870,062	91.08%	1,568,283	55.48%
9/30/10	9,992,664	9,029,276	963,388	90.36%	1,381,799	69.72%
9/30/11	10,545,723	8,939,113	1,606,610	84.77%	1,606,093	100.03%
9/30/12	11,158,589	9,651,404	1,507,185	86.49%	1,613,998	93.38%
9/30/13	11,578,403	10,835,425	742,978	93.58%	1,679,964	44.23%

Analysis of the dollar amounts of net assets available for benefits, AAL and UAAL in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the AAL provides one indication of the Plan's funded status on a going concern basis. Analysis of this percentage over time indicates whether the system is realizing its funding policy.

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS  
SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

**General Employees' Retirement Plan**

<b>Fiscal Year</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2007	\$ 667,701	77%
2008	674,923	102%
2009	727,523	95%
2010	886,237	77%
2011	910,615	143%
2012	1,123,480	138%
2013	1,214,142	111%

**Firemen's Retirement Plan**

<b>Fiscal Year</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2007	\$ 411,209	78%
2008	364,318	104%
2009	341,390	94%
2010	253,052	100%
2011	307,326	100%
2012	271,419	101%
2013	350,354	115%

**Police Retirement Plan**

<b>Fiscal Year</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2007	\$ 363,612	100%
2008	346,272	100%
2009	346,040	100%
2010	374,104	100%
2011	500,125	100%
2012	559,434	100%
2013	623,483	100%

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION PLAN PROVISIONS  
SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<u>General Employees' Retirement Plan</u>	<u>Firemen's Retirement Plan</u>	<u>Police Retirement Plan</u>
<b>Valuation Date</b>	10/1/2013	10/1/2013	10/1/2013
<b>Actuarial Cost Method</b>	Individual Entry Age	Individual Entry Age	Entry Age Normal
<b>Amortization Method</b>	Straight-line	Straight-line	Level Percent of Pay, Closed
<b>Amortization Period(s)</b>	15 Years Remaining	15 Years Remaining	25 Years Remaining
<b>Actuarial Asset Valuation Method</b>	4-Year Smoothed Market	4-Year Smoothed Market	4-Year Smoothed Market
<b>Actuarial Assumptions</b>			
Investment Rate of Return	7.75%	7.75%	7.75%
Projected Salary Increases	4% to 7%	4% to 7%	6.00%
Postretirement Benefit Increases	2%, if Over 20 Years Vested	2%, if Over Age 60	2%, if Over Age 60
Inflation	3.25%	3.25%	3.00%

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
GENERAL EMPLOYEES' PENSION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<u>September 30, 2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 193,901
Interest	1,642,659
Differences Between Expected and Actual Experience	(512,911)
Changes of Assumptions	39,439
Benefit Payments, Including Refunds of Member Contributions	(1,139,296)
Net Change in Total Pension Liability	<u>223,792</u>
Total Pension Liability - Beginning	<u>21,001,695</u>
Total Pension Liability - Ending (a)	<u><u>21,225,487</u></u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - Employer	1,089,395
Contributions - Employee	31,280
Net Investment Income	1,690,061
Benefit Payments, Including Refunds of Employee Contributions	(1,144,517)
Administrative Expense	(34,060)
Net Change in Plan Fiduciary Net Position	<u>1,632,159</u>
Plan Fiduciary Net Position - Beginning	<u>15,984,971</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>17,617,130</u></u>
 <b>Net Pension Liability - Ending (a) - (b)</b>	 <u><u>\$ 3,608,357</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	  83.00%
 Covered Employee Payroll	 <u><u>\$ 1,625,433</u></u>
Net Pension Liability as a Percentage of Covered Employee Payroll	  221.99%

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FIREMEN'S PENSION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<b>September 30, 2014</b>
<b>Total Pension Liability</b>	
Service Cost	\$ 120,314
Interest	594,942
Differences Between Expected and Actual Experience	759,502
Benefit Payments, Including Refunds of Member Contributions	(369,386)
Net Change in Total Pension Liability	<u>1,105,372</u>
Total Pension Liability - Beginning	<u>7,556,352</u>
Total Pension Liability - Ending (a)	<u><u>8,661,724</u></u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - Employer	220,972
Contributions - State	73,364
Contributions - Employee	41,811
Net Investment Income	971,584
Benefit Payments, Including Refunds of Employee Contributions	(369,386)
Administrative Expense	(30,193)
Net Change in Plan Fiduciary Net Position	<u>908,152</u>
Plan Fiduciary Net Position - Beginning	<u>7,232,181</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>8,140,333</u></u>
 <b>Net Pension Liability - Ending (a) - (b)</b>	 <u><u>\$ 521,391</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	  93.98%
 Covered Employee Payroll	 <u><u>\$ 808,371</u></u>
Net Pension Liability as a Percentage of Covered Employee Payroll	  64.50%

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
POLICE PENSION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<b>September 30, 2014</b>
<b>Total Pension Liability</b>	
Service Cost	\$ 432,783
Interest	906,193
Employee Contributions	(506,056)
Net Change in Total Pension Liability	<u>832,920</u>
Total Pension Liability - Beginning	<u>11,523,392</u>
Total Pension Liability - Ending (a)	<u><u>12,356,312</u></u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - Employer	605,655
Contributions - State	95,877
Contributions - Employee	84,726
Net Investment Income	1,184,164
Benefit Payments, Including Refunds of Employee Contributions	(506,056)
Administrative Expense	(20,159)
Net Change in Plan Fiduciary Net Position	<u>1,444,207</u>
Plan Fiduciary Net Position - Beginning	<u>11,359,932</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>12,804,139</u></u>
 <b>Net Pension Liability - Ending (a) - (b)</b>	 <u><u>\$ (447,827)</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	  103.62%
 Covered Employee Payroll	 <u><u>\$ 1,694,522</u></u>
Net Pension Liability as a Percentage of Covered Employee Payroll	  -26.43%

**SCHEDULE OF CONTRIBUTIONS  
GENERAL EMPLOYEES' PENSION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<b>September 30, 2014</b>
Actuarially Determined Contribution	\$ 1,123,502
Contributions in Relation to the Actuarially Determined Contributions	1,130,821
Contribution Deficiency (Excess)	\$ (7,319)
Covered Employee Payroll	\$ 1,625,433
Contributions as a Percentage of Covered Employee Payroll	69.57%

**Notes to Schedule**

Valuation Date: 10/1/2012

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method:	Individual Entry Age, Level Percent of Pay
Amortization Method:	Level Dollar, Closed
Remaining Amortization Period:	10 to 15 years based on year established
Asset Valuation Method:	Actuarial Value, based on 5-year recognition of returns greater or less than the assumed investment return.
Inflation:	3.25%
Salary Increases:	6.5% per year until the assumed retirement age. Projected salary at retirement is increased individually based on accumulated sick and annual leave payouts (previously 20%) to account for non-regular compensation.
Investment Return:	7.75%
Salary Increase:	7% to 4%
Retirement Age:	100% at Normal Retirement Eligibility Date
Mortality:	RP-2000 Mortality Table-Dynamic with projections to valuation year



**SCHEDULE OF CONTRIBUTIONS  
FIREMEN'S PENSION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<b>September 30, 2014</b>
Actuarially Determined Contribution	\$ 292,123
Contributions in Relation to the Actuarially Determined Contributions	303,916
Contribution Deficiency (Excess)	\$ (11,793)
Covered Employee Payroll	\$ 808,371
Contributions as a Percentage of Covered Employee Payroll	37.60%

**Notes to Schedule**

Valuation Date: 10/1/2012

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method:	Individual Entry Age, Level Percent of Pay
Amortization Method:	Level Dollar, Closed
Remaining Amortization Period:	10 to 15 years based on year established
Asset Valuation Method:	Actuarial Value, based on 5-year recognition of returns greater or less than the assumed investment return.
Inflation:	3%
Salary Increases:	6.5% per year until the assumed retirement age. Projected salary at retirement is increased individually based on accumulated sick and annual leave payouts (previously 20%) to account for non-regular compensation.
Investment Return:	7.75%
Salary Increase:	7% to 4%
Retirement Age:	100% at Normal Retirement Eligibility Date
Mortality:	RP-2000 Mortality Table

**SCHEDULE OF CONTRIBUTIONS  
POLICE PENSION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<b>September 30, 2014</b>
Actuarially Determined Contribution	<u>\$ 701,532</u>
Contributions in Relation to the Actuarially Determined Contributions	<u>701,532</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>
 Covered Employee Payroll	 <u>\$ 1,694,522</u>
Contributions as a Percentage of Covered Employee Payroll	 41.40%

**Notes to Schedule**

Valuation Date: 10/1/2012

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method
Amortization Method:	Level Percentage of Pay, Closed
Remaining Amortization Period:	24 Years (as of 10/1/2012)
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.
Inflation:	3% Per Year
Salary Increases:	6.0% per year until the assumed retirement age. Projected salary at retirement is increased 24% to account for non-regular compensation.
Interest Rate:	7.75% per year compounded annually, net of investment related expenses.
Payroll Increase:	Up to 5% per year
Normal Retirement:	Earlier of : (1) Age 55 and 10 years of Service, or (2) Age 52 with 25 years of Service.
Early Retirement:	Commencing with the attainment of Early Retirement Status, Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
Termination Rate:	See Table Below
Disability Rate:	See Table Below
Mortality Rate:	RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years.)
Other Information:	Termination and Disability Rate Table:

Age	Percent Terminating During the Year	Percent Becoming Disabled During the Year
20	6.00%	0.03%
30	5.00%	0.04%
40	2.60%	0.07%
50	0.80%	0.18%

**SCHEDULE OF INVESTMENT RETURNS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

**Annual Money - Weighted Rate of Return**

	<u>General Employees' Plan</u>	<u>Firemen's Plan</u>	<u>Police Plan</u>
Year Ended September 30, 2014	11.31%	14.75%	10.38%

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS PLAN  
SCHEDULE OF FUNDING PROGRESS  
SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

Actuarial Valuation Date	(1) Actuarial Accrued Liability (AAL)	(2) Actuarial Value of Assets (AVA)	(3) Unfunded AAL (UAAL)	(4) Percentage Funded (2)/(1)	(5) Annual Covered Payroll	(6) UAAL as % of Payroll (3)/(5)
10/1/2008	\$ 2,201,070	\$ 0	\$ 2,201,070	0.00%	\$ 6,108,308	36.03%
10/1/2010	604,940	0	604,940	0.00%	7,652,641	7.90%
10/1/2012	689,052	0	689,052	0.00%	7,344,897	9.38%

Analysis of the dollar amounts of net assets available for benefits, AAL and UAAL in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the AAL provides one indication of the Plan's funded status on a going concern basis. Analysis of this percentage over time indicates whether the system is realizing its funding policy.

The financial reporting information for the City's OPEB program has changed significantly since the 2008 valuation was completed, due in large part to a change in the assumed utilization of Medicare by those retirees who are eligible for coverage. The actuarial valuation as of October 1, 2008, has assumed that post-65 participants in the City's program will also be participants in Medicare Parts A and B.

**SUPPLEMENTARY INFORMATION**

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are restricted to expenditures for particular purposes. The City maintains the following special revenue funds:

**Airport Special Revenue Fund**—This fund accounts for receipts and expenditures from the activities of the Lake City Airport.

**Seized Assets Fund**—This fund accounts for restricted assets on hold until such time as a court proceeding determines their disposition.

**Special Police Fund**—This fund accounts for confiscated assets, which are subsequently sold and the proceeds of which are restricted for police purposes.

**Drug Task Force Grant Fund**—This fund accounts for receipts and expenditures from a Joint Drug Task Force Grant with Columbia County from the U.S. Department of Justice.

**Community Development Block Grant (CDBG) Housing Fund**—This fund accounts for receipts and expenditures from a Community Development Block Grant from the U.S. Department of Housing and Urban Development for housing assistance.

### DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs other than obligations payable from the operations of the business-type activities.

### CAPITAL PROJECTS FUNDS

**Airport Capital Projects Fund**—This fund is used to account for major capital projects, typically grant-funded, related to the Lake City Airport.

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<u>Special Revenue Funds</u>							
	<u>Airport Special Revenue Fund</u>	<u>Seized Assets Fund</u>	<u>Special Police Fund</u>	<u>Drug Task Force Grant Fund</u>	<u>CDBG Housing Fund</u>	<u>Debt Service Fund</u>	<u>Airport Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>								
Pooled Cash and Investments	\$ 1,134,282	\$ 55,594	\$ 2,987	\$ 1,694	\$ 0	\$ 94,607	\$ 5,000	\$ 1,294,164
Accounts Receivable	33,351	0	0	0	0	0	0	33,351
Due from Other Governments	0	0	0	9,003	0	0	0	9,003
Inventory	44,425	0	0	0	0	0	0	44,425
Prepays	1,503	0	0	0	0	0	0	1,503
<b>Total Assets</b>	<u>1,213,561</u>	<u>55,594</u>	<u>2,987</u>	<u>10,697</u>	<u>0</u>	<u>94,607</u>	<u>5,000</u>	<u>1,382,446</u>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts Payable	140,595	0	515	697	0	0	0	141,807
Accrued Liabilities	10,418	0	0	0	0	0	0	10,418
Due to Other Funds	60,551	0	0	10,000	0	0	0	70,551
<b>Total Liabilities</b>	<u>211,564</u>	<u>0</u>	<u>515</u>	<u>10,697</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>222,776</u>
<b>Fund Balances</b>								
Nonspendable:								
Inventory	44,425	0	0	0	0	0	0	44,425
Prepays	1,503	0	0	0	0	0	0	1,503
Restricted for:								
Public Safety	0	55,594	2,472	0	0	0	0	58,066
Airport	956,069	0	0	0	0	0	5,000	961,069
Debt Service	0	0	0	0	0	94,607	0	94,607
<b>Total Fund Balances</b>	<u>1,001,997</u>	<u>55,594</u>	<u>2,472</u>	<u>0</u>	<u>0</u>	<u>94,607</u>	<u>5,000</u>	<u>1,159,670</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,213,561</u>	<u>\$ 55,594</u>	<u>\$ 2,987</u>	<u>\$ 10,697</u>	<u>\$ 0</u>	<u>\$ 94,607</u>	<u>\$ 5,000</u>	<u>\$ 1,382,446</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<u>Special Revenue Funds</u>						<b>Airport Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Airport Special Revenue Fund</b>	<b>Seized Assets Fund</b>	<b>Special Police Fund</b>	<b>Drug Task Force Grant Fund</b>	<b>CDBG Housing Fund</b>	<b>Debt Service Fund</b>		
<b>Revenues</b>								
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 43,756	\$ 0	\$ 0	\$ 8,500	\$ 52,256
Charges for Services	1,234,117	0	0	0	0	0	0	1,234,117
Investment Earnings	261	8	0	0	0	0	0	269
Miscellaneous	43,084	18,523	3,500	0	0	0	0	65,107
<b>Total Revenues</b>	<u>1,277,462</u>	<u>18,531</u>	<u>3,500</u>	<u>43,756</u>	<u>0</u>	<u>0</u>	<u>8,500</u>	<u>1,351,749</u>
<b>Expenditures</b>								
Current:								
Public Safety	0	12,573	1,028	20,272	0	0	0	33,873
Airport	1,055,146	0	0	0	0	0	0	1,055,146
Debt Service:								
Principal Payments	0	0	0	0	0	227,700	0	227,700
Interest and Other Charges	0	0	0	0	0	140,493	0	140,493
Capital Outlay	15,372	0	0	22,613	0	0	13,500	51,485
<b>(Total Expenditures)</b>	<u>(1,070,518)</u>	<u>(12,573)</u>	<u>(1,028)</u>	<u>(42,885)</u>	<u>0</u>	<u>(368,193)</u>	<u>(13,500)</u>	<u>(1,508,697)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>206,944</u>	<u>5,958</u>	<u>2,472</u>	<u>871</u>	<u>0</u>	<u>(368,193)</u>	<u>(5,000)</u>	<u>(156,948)</u>
<b>Other Financing Sources (Uses)</b>								
Operating Transfers in	0	0	0	0	0	368,192	5,000	373,192
Operating Transfers (out)	(5,000)	0	0	0	(115,057)	0	0	(120,057)
<b>Total Other Financing Sources (Uses)</b>	<u>(5,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(115,057)</u>	<u>368,192</u>	<u>5,000</u>	<u>253,135</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>201,944</u>	<u>5,958</u>	<u>2,472</u>	<u>871</u>	<u>(115,057)</u>	<u>(1)</u>	<u>0</u>	<u>96,187</u>
<b>Fund Balances, Beginning of Year</b>	<u>800,053</u>	<u>49,636</u>	<u>0</u>	<u>(871)</u>	<u>115,057</u>	<u>94,608</u>	<u>5,000</u>	<u>1,063,483</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,001,997</u>	<u>\$ 55,594</u>	<u>\$ 2,472</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 94,607</u>	<u>\$ 5,000</u>	<u>\$ 1,159,670</u>



**UTILITY SYSTEM REVENUE AND REFUNDING BONDS,  
SERIES 2010 AND SERIES 2013, RATE COVENANT  
HISTORIC STATEMENT OF NET REVENUES AND DEBT SERVICE COVERAGE  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

<b>Gross Revenues</b>	
Charges for Services	\$ 12,111,460
Interest and Miscellaneous Charges	593,451
<b>Total Gross Revenues</b>	<u>12,704,911</u>
<b>Total Operating Expenses, Excluding Interest, Amortization, and Depreciation</b>	<u>(7,909,524)</u>
<b>Net Revenue Available for Debt Service</b>	<u>\$ 4,795,387</u>
<b>Current Annual Debt Service</b>	
Debt Service on 2010A Bonds	\$ 398,119
Debt Service on 2010B Bonds (Net of \$372,809 Federal Subsidy)	767,457
Debt Service on 2013 Bonds	669,341
<b>Total Current Annual Debt Service</b>	<u>\$ 1,834,917</u>
<b>Debt Service Coverage Ratio</b>	<u>2.61</u>
<b>Required Debt Service Coverage Ratio of Current Annual Debt Service</b>	<u>1.10</u>

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,  
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED  
STATES; THE *RULES OF THE AUDITOR GENERAL* OF THE STATE  
OF FLORIDA; AND OTHER CONTRACT REQUIREMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
CITY OF LAKE CITY, FLORIDA**

	<u>Grant/Contract Number</u>	<u>CFDA/CSFA Number</u>	<u>Contract or Award Amount</u>	<u>Receipts</u>	<u>Expenses</u>
<b><u>Federal Awards</u></b>					
<b>U.S. Department of Justice</b>					
Direct Programs:					
Edward Byrne Memorial Justice Assistance Grant	2013-DJ-BX-1088	16.738	\$ 12,436	\$ 12,400	\$ 12,400
Indirect Programs:					
Passed Through Florida Department of Law Enforcement:					
Edward Byrne Memorial Justice Assistance Grant	2014-JAGC-COLU-1-E5-004	16.738	22,509	13,296	22,300
<b>Total U.S. Department of Justice</b>			<u>34,945</u>	<u>25,696</u>	<u>34,700</u>
<b>U.S. Department of Transportation</b>					
Direct Programs:					
Airport Improvement Program	3-12-0039-019-2012	20.106	208,689	25,599	0
Subtotal Expenditures - CFDA 20.106			<u>208,689</u>	<u>25,599</u>	<u>0</u>
Indirect Programs:					
Passed Through Florida Department of Transportation:					
Traffic Enforcement and Education Grant	ARA84	20.616	34,350	18,305	31,637
<b>Total U.S. Department of Transportation</b>			<u>243,039</u>	<u>43,904</u>	<u>31,637</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 277,984</u>	<u>\$ 69,600</u>	<u>\$ 66,337</u>
<b><u>State Financial Assistance</u></b>					
<b>Florida Department of Transportation</b>					
Aviation Development Grant	FP#41157439413	55.004	\$ 161,125	\$ 63,240	\$ 8,500
<b>Total Expenditures of State Financial Assistance</b>			<u>\$ 161,125</u>	<u>\$ 63,240</u>	<u>\$ 8,500</u>

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
CITY OF LAKE CITY, FLORIDA  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Note 1 - General**

The accompanying schedule of expenditures of federal awards and state financial assistance presents the federal and state award activity of the City of Lake City, Florida (the City). The City's reporting entity is defined in Note 1 of the City's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other governmental agencies, are included in these schedules.

**Note 2 - Basis of Accounting**

The accompanying schedule of expenditures of federal awards and state financial assistance is presented using the accrual basis of accounting, which is described in Note 1 of the City's basic financial statements.

**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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake City, Florida, (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 17, 2015.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

**Certified Public Accountants**

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

**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 financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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.

*Purvis, Gray and Company, LLP*

April 17, 2015  
Gainesville, Florida

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## MANAGEMENT LETTER

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

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

We have audited the financial statements of the City of Lake City, Florida, (the City) as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated April 17, 2015.

### **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 Reports and Schedule**

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with AICPA *Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated April 17, 2015, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

### **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. This information is included in Note 1 to the financial statements.

### **Financial Condition**

Section 10.554(1)(i)5.(a)., *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) 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.

### **Certified Public Accountants**

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

**MANAGEMENT LETTER**  
*(Concluded)*

**Financial Condition (Concluded)**

Pursuant to Sections 10.554(1)(i)5.(c). and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

**Annual Financial Report**

Section 10.554(1)(i)5.(b)., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

**Special District Component Units**

Section 10.554(1)(i)5.(d)., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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 determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

**Other Matters**

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

*Purvis, Gray and Company, LLP*

April 17, 2015  
Gainesville, Florida



**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES**

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

We have examined the City of Lake City, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2014, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Commissioners, and management and is not intended to be and should not be used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

April 17, 2015  
Gainesville, Florida

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