TOWN OF HYPOLUXO, FLORIDA

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Hypoluxo, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Hypoluxo (the "Town") as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town as of September 30, 2023, and the respective changes in financial position, thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information Included in the Financial Report

Management is responsible for the other information included in the financial report. The other information comprises the selected trend information, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2024, on our consideration of the Town'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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 Town's internal control over financial reporting and compliance.

Baker & Associates

May 17, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Hypoluxo, Florida's (the "Town") financial accomplishments provides an overview of the Town's financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the Town's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements themselves.

FINANCIAL HIGHLIGHTS

The assets of the Town exceeded its liabilities at the close of the fiscal year ended September 30, 2023 by $6,351,473 (net position). Of this amount, $943,004 (unrestricted net position) may be used to meet the Town's ongoing obligations to residents.

The change in the Town's total net position in comparison with the prior fiscal year was $429,443, an increase. The key components of the Town's net position and change in net position are reflected in the table in the government-wide financial analysis section.

At September 30, 2023, the Town's governmental funds reported combined ending fund balances of $2,887,763, a decrease of ($2,324,409), in comparison with the prior fiscal year. Of that amount, $1,421,924 is restricted for infrastructure projects and the remainder is unassigned and available for spending at the Town's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being 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 Town is improving or deteriorating.

The statement of activities presents information showing how the government'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.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, grants and special assessments (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees. The Town does not have any business-type activities. The governmental activities of the Town include operation and management functions (general government, public safety, physical environment, and human resources) and capital project.

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 Town, 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 Town are governmental funds.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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 Town'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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains two governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, both of which are considered to be major funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Town, assets exceeded liabilities at the close of the most recent fiscal year.

Key components of the Town's net position are reflected in the following table:

NET POSITION
SEPTEMBER 30,

	2023	2022
Assets, excluding capital assets	$ 2,969,799	$ 5,358,908
Capital assets, net of depreciation	3,442,747	679,324
Total assets	6,412,546	6,038,232
Liabilities, excluding long-term liabilities	47,324	105,814
Long-term liabilities	13,749	10,388
Total liabilities	61,073	116,202
Net position		
Investment in capital assets	3,442,747	679,324
Restricted for infrastructure projects	1,965,722	1,709,619
Unrestricted	943,004	3,533,087
Total net position	$ 6,351,473	$ 5,922,030

A portion of the Town's net position reflects its investment in capital assets (e.g. land, building, equipment and improvements). The Town uses these capital assets in the operation of the Town; therefore, they are not available for future spending. An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Town's ongoing obligations.

The restricted portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Town's other obligations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The Town's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded cost of operations and depreciation expense.

Key elements of the change in net position are reflected in the following table:

CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,

	2023	2022
Program revenues		
Charges for service	$ 198,325	$ 181,495
Operating grants and contributions	-	724,232
General revenues		
Property taxes	1,418,661	1,249,310
Other revenues and interest	1,191,874	724,232
Total revenues	2,808,860	2,879,269
Expenses:		
General government	336,683	264,680
Public safety	1,463,372	1,419,573
Physical environment	257,273	249,480
Human resources	322,089	281,180
Total expenses	2,379,417	2,214,913
Change in net position	429,443	664,356
Net position - beginning	5,922,030	5,257,674
Net position - ending	$ 6,351,473	$ 5,922,030

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2023 was approximately $2.38 million. The majority of these activities were financed through general revenues of approximately $2.6 million, which consist primarily of ad valorem, utility and other taxes. Approximately $198,000 of the total cost was paid by program revenues, which consist primarily of licenses and permits, special assessments, grant revenues and other revenue.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $2,887,763. Approximately 31.9% constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and is only available for specific spending.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was $922,041. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents approximately 163% of total general fund expenditures.

BUDGETING AND OPERATING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the Town pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed the budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Town Council. The general fund budget for the fiscal year ended September 30, 2023 was amended to increase appropriations and use of fund balance by $2,785,790 each.

CAPITAL ASSET

At September 30, 2023, the Town had $5,593,980 invested in land, work in progress, equipment and furnishings, building and improvements, and park improvements. Of this amount, $2,151,233 in accumulated depreciation has been taken, which resulted in a net book value of $3,442,747. More detailed information about the Town's capital assets is presented in the notes of the financial statements.

ECONOMIC FACTORS

The Town's revenues are comprised of 56% of ad valorem property taxes. Florida has an exemption from this taxation of up to $50,000, the first $25,000 of the assessed value, and up to $25,000 on the assessed value between $50,000 and $75,000, excluding school Town taxes. In addition, state law allows a city or county to enact a local ordinance allowing homeowners over 65 and who have income less than $24,214 an additional exemption of $25,000 of the assessed value. As of September 30, 2023, this option has not been utilized by the Town. An amendment to the Florida Constitution further limits homestead property to a maximum of 3% increase in assessed value per year, or less, if inflation is less. An amendment to the Florida Constitution further limits homestead property for active military and coastguard personnel and provides an additional homestead property tax exemption by law for those members deployed in the previous year on active duty outside the United States in support of military operations designated by the Legislature. The exempt amount will be based upon the number of days in the previous calendar year that the person was deployed on active duty outside the United States in support of military operations designated by the Legislature. The amendment took effect January 1, 2011.

Town anticipates various projects being started for the subsequent fiscal year. In addition, it is anticipated that general operations of the Town will increase.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Town of Hypoluxo, 7580 South Federal Highway, Hypoluxo, Florida 33462.

TOWN OF HYPOLUXO, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Governmental Activities
ASSETS	
Cash	$ 1,334,510
Investments	1,512,782
Intergovernmental receivable	33,238
Other receivable	34,034
Interest receivable	4,020
Assessments receivable	34,712
Restricted assets:	
Intergovernmental receivable	16,503
Capital assets:	
Depreciable assets, net of accumulated depreciation	3,224,421
Nondepreciable assets	218,326
Total assets	6,412,546
LIABILITIES	
Accounts and wages payable	39,381
Unearned revenue	7,943
Non-current liabilities:	
Due within one year	2,208
Due in more than one year	11,541
Total liabilities	61,073
NET POSITION	
Investment in capital assets	3,442,747
Restricted for infrastructure projects	1,965,722
Unrestricted	943,004
Total net position	$ 6,351,473

See notes to the financial statements

TOWN OF HYPOLUXO, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary government:			
Governmental activities:			
General government	$ 336,683	$ (1,424)	$ (338,107)
Public safety	1,463,372	199,749	(1,263,623)
Physical environment	257,273	-	(257,273)
Human resources	322,089	-	(322,089)
Total governmental activities	2,379,417	198,325	(2,181,092)
General revenues:			
Taxes:			
Ad valorem taxes			1,418,661
Utility taxes			338,449
Franchise fees			76,195
Other taxes			671,503
Net investment earnings			32,290
Miscellaneous revenue			73,437
Total general revenues			2,610,535
Change in net position			429,443
Net position - beginning			5,922,030
Net position - ending			$ 6,351,473

See notes to the financial statements

TOWN OF HYPOLUXO, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	Major Funds		Total Governmental Funds
	General	Capital Projects	
ASSETS			
Cash	$ 818,045	$ 516,465	$ 1,334,510
Investments	1,512,782	-	1,512,782
Special assessments receivable	34,712	-	34,712
Intergovernmental receivable	33,238	16,503	49,741
Due from other fund	-	10,830	10,830
Other receivable	34,034	-	34,034
Interest receivable	4,020	-	4,020
Total assets	$ 2,436,831	$ 543,798	$ 2,980,629
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts and wages payable	$ 39,381	$ -	$ 39,381
Due to other funds	10,830	-	10,830
Unearned revenue	7,943	-	7,943
Total liabilities	58,154	-	58,154
Deferred Inflows Of Resources:			
Unavailable revenue - special assessments	34,712	-	34,712
Total deferred inflows of resources	34,712	-	34,712
Fund balances:			
Restricted for:			
Infrastructure projects	1,421,924	543,798	1,965,722
Unassigned	922,041	-	922,041
Total fund balances	2,343,965	543,798	2,887,763
Total liabilities, deferred inflows of resources, and fund balances	$ 2,436,831	$ 543,798	$ 2,980,629

See notes to the financial statements

TOWN OF HYPOLUXO, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Amounts reported for governmental activities in the statement of net position are different because:		
Fund balance in total governmental funds		$ 2,887,763
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.		
Cost of capital assets	5,593,980	
Accumulated depreciation	(2,151,233)	3,442,747
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.		(13,749)
Assets recorded in the governmental fund financial statements that are not available to pay for the current-period expenditures are unavailable revenue in the governmental funds.		34,712
Net position of governmental activities		$ 6,351,473

See notes to the financial statements

TOWN OF HYPOLUXO, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Major Funds		
	General	Capital Projects	Total Governmental Funds
REVENUES			
Ad valorem taxes	$ 1,418,661	$ -	$ 1,418,661
Utility taxes	338,449	-	338,449
Other taxes	295,390	-	295,390
Franchise fees	76,195	-	76,195
Licenses and permits	199,749	-	199,749
State revenue sharing	113,195	-	113,195
Sales infrastructure surtax	-	262,918	262,918
Special assessments	4,786	-	4,786
Net investment income	32,245	45	32,290
Miscellaneous revenues	73,437	-	73,437
Total revenues	2,552,107	262,963	2,815,070
EXPENDITURES			
Current:			
General government	258,104	-	258,104
Public safety	1,463,372	-	1,463,372
Physical environment	173,855	6,860	180,715
Human resources	318,728	-	318,728
Capital outlay	2,918,560	-	2,918,560
Total expenditures	5,132,619	6,860	5,139,479
Excess (deficiency) of revenues over (under) expenditures	(2,580,512)	256,103	(2,324,409)
Fund balances - beginning	4,924,477	287,695	5,212,172
Fund balances - ending	$ 2,343,965	$ 543,798	$ 2,887,763

See notes to the financial statements

TOWN OF HYPOLUXO, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$(2,324,409)
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is eliminated and capitalized.	2,918,560
Depreciation on capital assets is not recognized in the governmental fund financial statements but is reported as an expense in the statement of activities.	(155,137)
Special assessment revenues were unavailable for the governmental fund financial statements in the prior fiscal year. In the current fiscal year, these revenues were recorded in the governmental fund financial statements.	(6,210)
The change in compensated absences reported in the statement of activities and are not reported in governmental funds.	(3,361)
Change in net position of governmental activities	$ 429,443

See notes to the financial statements

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

The Town was incorporated on July 4, 1955, as a municipal corporation by the State of Florida and exists as a Council-Strong Mayor form of municipal government. The Mayor serves as a chairperson of public meetings and executes certain documents authorized by charter, ordinance, or resolution. Each year, the Council elects a Vice Mayor who serves in the capacity of the Mayor when the Mayor is unable to perform his or her duties.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the Town Council is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that, if excluded, the financial statements of the Town would be considered incomplete or misleading. There are no entities considered to be component units of the Town; therefore, the financial statements include only the operations of the Town.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both 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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment (operating-type special assessments for maintenance and debt service are treated as charges for services) and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes and assessments 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property Taxes
Property taxes are levied each November 1 on property as of the previous January 1. The Palm Beach County, Florida Tax Collector's Office bills and collects ad valorem taxes on behalf of the Town. The ad valorem tax rate for fiscal year ended September 30, 2023 was $3.20 per $1,000 of assessed taxable property value. The fiscal year for which annual assessments are levied begins on October 1 with a maximum discount available for payments through November 30 and become delinquent on April 1. Tax certificates are sold to satisfy liens on delinquent assessments in July. Property taxes relating to the current budget and collected within 60 days after the end of the budget period are recognized as revenue.

Assessments, property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. In the government-wide financial statements property taxes are recorded when assessed and levied.

The Town reports the following major governmental funds:

General Fund
The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund
The capital projects fund is used to account for the proceeds of specific revenue sources that are legally restricted for expenditures of major capital projects.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position or Equity

Restricted Assets
Restricted assets represent resources which have been set aside for capital projects, purchase of the water plant, building code activities and the State law regarding the infrastructure tax.

Deposits and Investments
The Town's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

Town administration is authorized to invest in those instruments authorized by the Florida statutes in accordance with the Town's investment policy.

The Town records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Inventories and Prepaid Items
Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets

Capital assets which include property, plant and equipment, are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings and improvements	40
Equipment and furnishings	8
Park improvements	20

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Compensated Absences

Permanent full-time employees accrue paid time off at various rates depending on the number of years of service ranging from 3.75 to 5.25 hours per week with a maximum carryover each year. Permanent part-time employees accrue the same amounts based on the number of hours worked per day as a ratio to an 8 hour day. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Liability for accrued compensated absences of the governmental activities is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations. Payments are generally paid out of the general fund.

Upon separation from employment, the employees are paid for all accrued paid time off remaining up to the maximum carryover at the time of separation at the employee's current rate of pay.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. Unearned revenue in the general fund consists of business tax receipt fees collected in the current fiscal year for the subsequent fiscal year.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The Town can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Town Council. Commitments may be changed or lifted only by the Town Council taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Town Council may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The Town uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal agreements that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Town would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the Town's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – BUDGETARY INFORMATION

The Town is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

a) Each year the Town submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1.
b) Public hearings are conducted to obtain taxpayer comments.
c) Prior to October 1, the budget is legally adopted by the Town Council.
d) All budget changes must be approved by the Town Council.
e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS

Deposits

The Town's cash balances as shown below were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The Town's investments were held as follows at September 30, 2023:

	Fair Value	Credit Risk	Level	Weighted Average Maturity
U.S. Government Sponsored Enterprises:				
Federal National Mortgage	96,164	AA+	2	September 19, 2025 - September 28, 2025
Corporate Securities	1,097,804	BBB+ - A+	2	May 15, 2024 - September 15, 2027
Foreign Obligations	35,204	A & A-	2	February 20, 2026
Preferred stocks nonconvertible	43,980	N/A	2	N/A
BMO Government Money Market	239,630	N/A	N/A	N/A
Total Investments	$ 1,512,782			

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The Town places no limit on the amount the Town may invest in any one issuer.

Interest rate risk – The Town does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Fair Value Measurement – When applicable, the Town measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the Town has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Fixed income – Some of the underlying securities have observable level 1 quoted pricing inputs. However, while the underlying asset values may be based on quoted market prices, the net asset value of the portfolios is not publicly quoted. Additionally, some of the underlying securities employ matrix pricing. Accordingly, these investments have been reported as level 2.

NOTE 5 – SPECIAL ASSESSMENTS RECEIVABLE

In June 2000, the Town adopted a resolution declaring a special assessment for the construction of sanitary sewers totaling an estimated cost of approximately $1.2 million. To fund this project, the Town received, in 2001, a $450,000 grant from the Lake Worth Lagoon Partnership Program, obtained a loan from the Florida Department of Environmental Protection (See Note 8), and received an advance from the General Fund.

In June 2002, the Town declared the final assessment roll and ratified and confirmed the special assessment. The total special assessment was determined by the actual cost of the sewer improvements and related expenses, $746,764 (the amount in excess of the grant expenditures). The adoption of the final assessment roll in June 2002 established a lien on the property owners benefiting from the construction of the sanitary sewers. The Town anticipates the collections of the special assessments will be used to pay-down the Florida Department of Environmental Protection Loan.

The special assessment is payable annually to the Town in equal installments, commencing June 1, 2003, for a period not to exceed 20 years at an annual interest rate equal to 4% of the unpaid balance. There is no penalty for prepayments and the entire assessment may be paid within one year after completion of the improvements with no interest accruing to the property owner. There are 70 properties which have been assessed $10,668 and will pay $755 a year, commencing on June 1, 2003.

In 2009 the Town adopted a resolution declaring a second special assessment for the construction of sanitary sewer and drainage and water improvements totaling an estimated cost of $907,929. To fund this project, the Town was reimbursed in the amount of $174,000 by the Town of Manalapan, grant reimbursements of $366,297, and loans in the amount of $90,448 during 2008 and $267,000 during 2009 from the Florida Department of Environmental Protection. In April 2009, the Town declared the final assessment roll and ratified and confirmed the special assessment. The total special assessment was determined by the actual cost of the sewer improvements and related expenses covered under the loans in the amount of $355,086. The adoption of the final assessment roll in April 2009 established a lien on the property owners benefiting from the construction of the sanitary sewers.

The special assessment is payable annually to the Town in equal installments, for a period not to exceed 20 years at an annual interest rate equal to 2.35% of the unpaid balance. There is no penalty for prepayments and the entire assessment may be paid through February 1, 2010 with no interest accruing to the property owner. There are 30 properties which have been assessed $12,244.34 and will pay $797 a year, commencing February 1, 2010.

During a prior fiscal year, the Town utilized funds in the general fund to pay off the loans. The assessments to homeowners will be used to replenish the general fund. During fiscal year ended September 30, 2023, the Town collected $23,695 for all special assessments from property owners.

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	$ 218,326	$ -	$ -	$ 218,326
Work in progress	45,480	82,770	128,250	-
Total capital assets, not being depreciated	263,806	82,770	128,250	218,326
Capital assets, being depreciated				
Park improvements	1,531,163	-	-	1,531,163
Buildings and improvements	715,873	2,964,040	-	3,679,913
Equipment and furnishings	164,578	-	-	164,578
Total capital assets, being depreciated	2,411,614	2,964,040	-	5,375,654
Less accumulated depreciation for:				
Park improvements	1,357,250	76,558	-	1,433,808
Buildings and improvements	474,268	78,579	-	552,847
Equipment and furnishings	164,578	-	-	164,578
Total accumulated depreciation	1,996,096	155,137	-	2,151,233
Total capital assets, being depreciated, net	415,518	2,808,903	-	3,224,421
Governmental activities capital assets, net	$ 679,324	$ 2,891,673	$ 128,250	$ 3,442,747

Depreciation expense was charged to function/programs as follows:

Governmental activities:	
General government	$ 78,579
Physical Environment	76,558
Total depreciation expense	$ 155,137

NOTE 7 – LONG-TERM LIABILITIES

The changes in long-term liabilities for the fiscal year ended September 30, 2023, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	$ 10,388	$ 14,700	$ 11,339	$ 13,749	$ 2,208
Governmental activity long-term liabilities	$ 10,388	$ 14,700	$ 11,339	$ 13,749	$ 2,208

NOTE 8 – OTHER TAXES

Revenues from other taxes for the general fund consist of intergovernmental revenues and are comprised of the following:

Sales tax- 1/2 cent	$ 277,255
Gas tax	17,550
	$ 294,805

NOTE 9 – PENSION AND DEFERRED COMPENSATION PLANS

The Town provides pension benefits for its present Deputy Town Clerk and Administrative Clerk through a defined contribution plan with a private insurance carrier (Variable Annuity Life Insurance Company). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. This Pension Plan was approved by the Town Council on September 14, 1988. Town Council has the authority to amend the plan provisions and contribution percentage. Under the plan, the Town provides an annual contribution of 10% of participants' salary.

Under the Pension Plan, the Deputy Town Clerk and Administrative Clerk are 100% vested and any other participants will vest as follows:

0%	After 1 year of Service
20%	After 2 years of Service
40%	After 3 years of Service
60%	After 4 years of Service
80%	After 5 years of Service
100%	After 6 years of Service

The Town's total payroll in fiscal year ended September 30, 2023 was $234,812 of which covered payroll was $154,540. The Town contributed 10% of the covered payroll, which amounted to $15,454.

The Town also has a deferred compensation plan where eligible employees can contribute up to a maximum of $18,000 or 1/3 of their salary. The plan is maintained in accordance with Section 457 of the Internal Revenue Code. During 1998 the Town complied with the new law requiring that the deferred compensation plan's assets be held in the trust for the exclusive benefit of the participants and their beneficiaries. Under the deferred compensation plan the eligible employees are not required to contribute to the deferred compensation plan. The Town does not have access to the assets associated with the deferred compensation plan. As such, activity has not been included in the September 30, 2023 basic financial statements.

NOTE 10 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There were no settled claims during the past three years

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to fiscal year end the Town sold the library building located on 7200 S. Dixie Highway to Palm Beach County for $1,625,000.

The Town is in negotiations and has funding lined up for Boynton to build a lift station by September 30, 2024.

The Town and County are in talks for the County to receive Scrub area acres and assume maintenance of the structures on the area and for the lease to end.

Subsequent to fiscal year end, the Town was awarded General Infrastructure HMGP Grant from FEMA for $213,278.

TOWN OF HYPOLUXO, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Ad valorem taxes	$ 1,473,120	$ 1,473,120	$ 1,418,661	$ (54,459)
Utility taxes	298,002	298,002	338,449	40,447
Other taxes	271,274	256,573	295,390	38,817
Franchise fees	62,423	62,423	76,195	13,772
Licenses and permits	61,993	70,420	199,749	129,329
Fines and forfeitures	-	-	585	585
State revenue sharing	92,470	98,744	113,195	14,451
Grant revenue	710,000	710,000	-	(710,000)
Special assessments	24,740	24,740	4,786	(19,954)
Net investment earnings	8,352	8,352	32,245	23,893
Miscellaneous revenue	8,232	8,232	72,852	64,620
Total revenues	3,010,606	3,010,606	2,552,107	(458,499)
EXPENDITURES				
Current:				
General government	1,114,260	1,114,260	258,104	856,156
Public safety	1,437,055	1,437,055	1,463,372	(26,317)
Physical environment	115,000	2,900,790	173,855	2,726,935
Human resources	344,291	344,291	318,728	25,563
Capital outlay	-	-	2,918,560	(2,918,560)
Total expenditures	3,010,606	5,796,396	5,132,619	663,777
Excess (deficiency) of revenues over (under) expenditures	-	(2,785,790)	(2,580,512)	205,278
OTHER FINANCING SOURCES (USES)				
Use of fund balance	-	2,785,790	-	(2,785,790)
Total other financing sources (uses)	-	2,785,790	-	(2,785,790)
Net change in fund balance	$ -	$ -	(2,580,512)	$ (2,580,512)
Fund balances - beginning			4,924,477	
Fund balances - ending			$ 2,343,965	

See notes to required supplementary information

TOWN OF HYPOLUXO, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

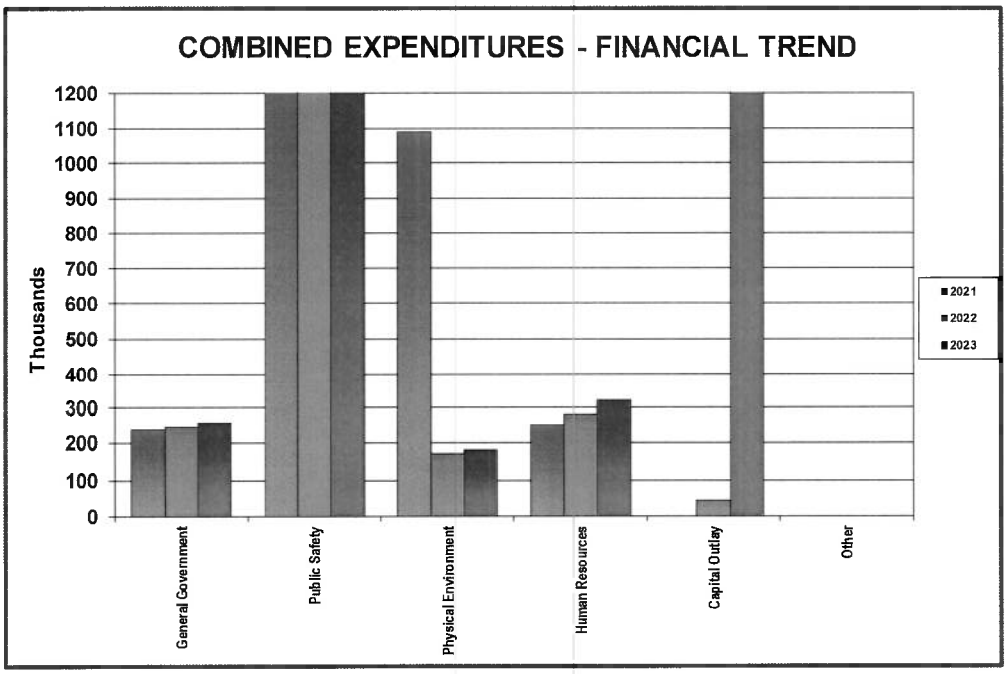
The Town Charter requires that the Town establish a budgetary system and an approved Annual Budget. The Town's budgeting process is based on estimates of cash receipts and cash expenditures, which are approved by the Town Council and approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed the budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Town Council. The general fund budget for the fiscal year ended September 30, 2023 was amended to increase appropriations and use of fund balance by $2,785,790 each.

TOWN OF HYPOLUXO, FLORIDA
SELECTED TREND INFORMATION

Expenditures Governmental Funds Selected Financial Trend

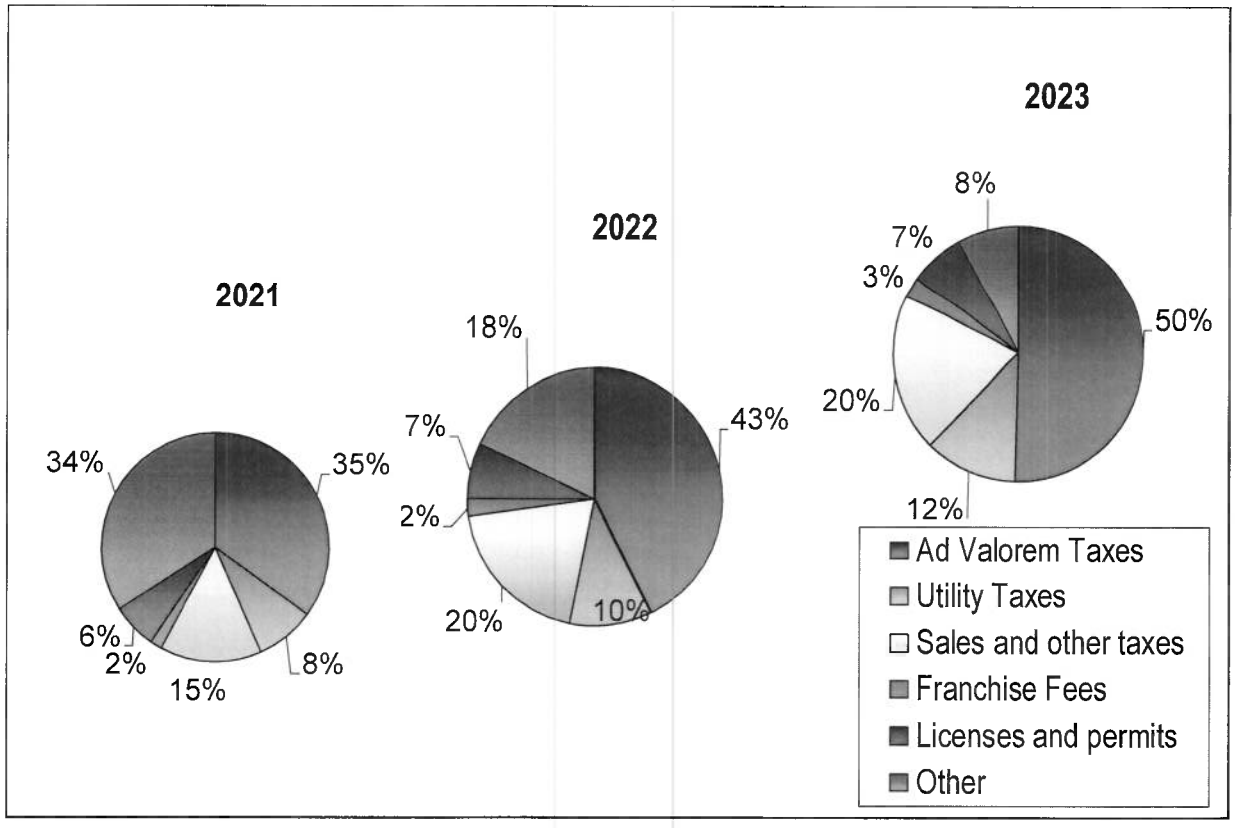
	2021	2022	2023
General Government	$ 237,000	$ 247,000	$ 258,000
Public Safety	1,393,000	1,420,000	1,463,000
Physical Environment	1,090,000	173,000	181,000
Human Resources	252,000	282,000	319,000
Capital Outlay	-	45,000	2,918,000
Total Expenditures	$ 2,972,000	$ 2,167,000	$ 5,139,000



TOWN OF HYPOLUXO, FLORIDA
SELECTED TREND INFORMATION
(Continued)

Revenues Governmental Funds Selected Financial Trend

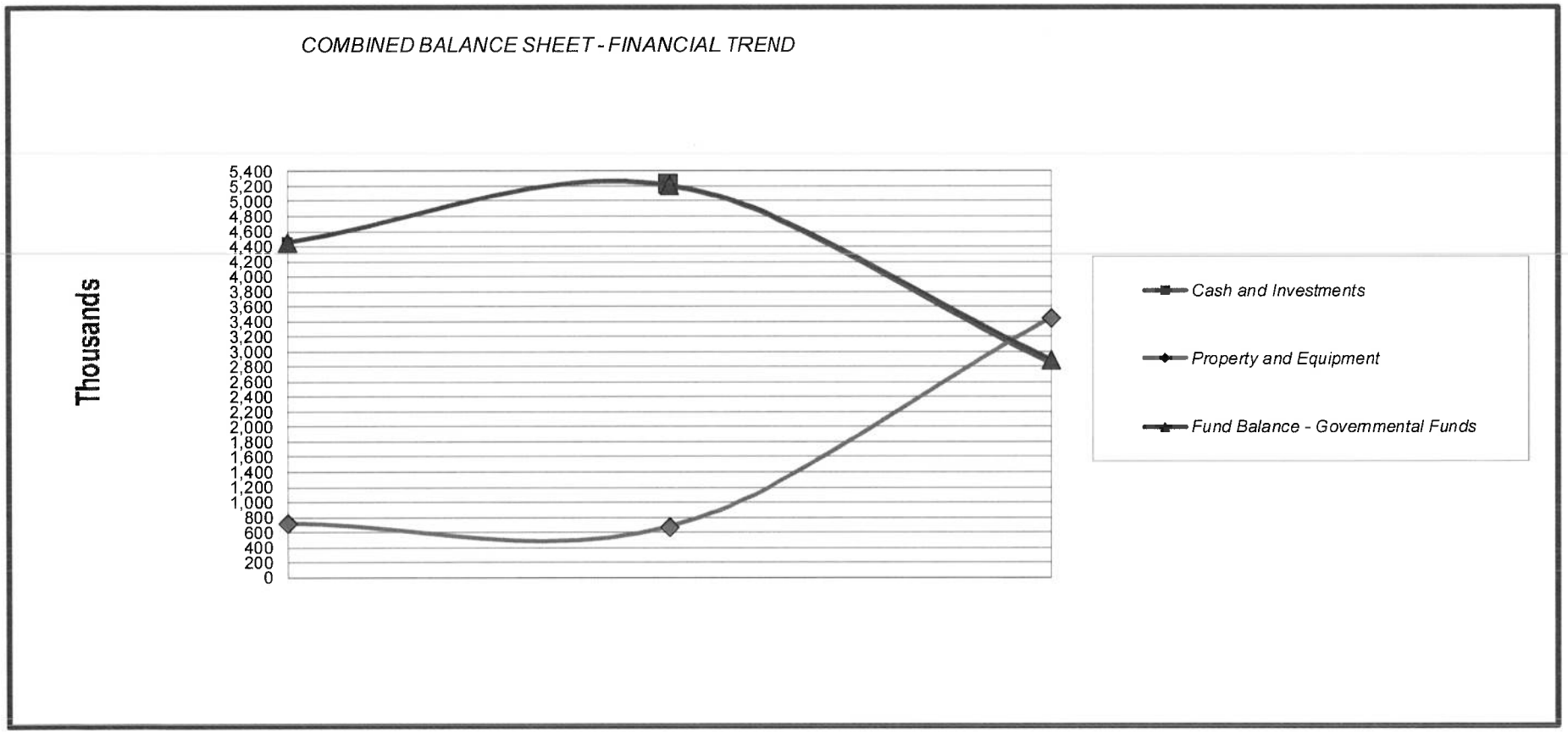
	2021	2022	2023
Ad Valorem Taxes	$ 1,174,000	$ 1,249,000	$ 1,419,000
Utility Taxes	280,000	307,000	338,000
Sales and other taxes	486,000	575,000	558,000
Franchise Fees	57,000	64,000	76,000
Licenses and permits	212,000	207,000	200,000
Other	1,144,000	526,000	224,000
Total Revenues	$ 3,353,000	$ 2,928,000	$ 2,815,000



TOWN OF HYPOLUXO, FLORIDA
SELECTED TREND INFORMATION
(Continued)

Balance Sheet Selected Financial Trend (In Thousands)

	2021	2022	2023
Cash and Investments	4,457	5,213	2,847
Property and Equipment	728	679	3,443
Fund Balance - Governmental Funds	4,451	5,212	2,888



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Town Council
Town of Hypoluxo, 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 and each major fund of the Town of Hypoluxo (the "Town"), as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our opinion thereon dated May 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown & Associates

May 17, 2024

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Town Council
Town of Hypoluxo, Florida

We have examined the Town of Hypoluxo, Florida's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2023. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

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

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

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, management, and the Town Council of the Town of Hypoluxo, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

May 17, 2024

Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

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MANAGEMENT LETTER PURSUANT TO THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Town Council
Town of Hypoluxo, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Town of Hypoluxo, Florida (the "Town") as of and for the fiscal year ended September 30, 2023 and have issued our report thereon dated May 17, 2024.

Auditor's 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 Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's 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 Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 17, 2024, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General of the state of Florida. Accordingly, in connection with our audit of the financial statements of the Town, as described in the first paragraph, we report the following:

I. **Current year findings and recommendations.**
II. **Status of prior year findings and recommendations.**
III. **Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Town Council of the Town and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Town and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

Grau & Associates

May 17, 2024

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2019-01, 2020-01, 2021-01 and 2022-01: Adjusting journal entries.

Current Status: Recommendation has been implemented.

2021-02 and 2022-02: Budget

Current Status: Recommendation has been implemented.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

   There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2022, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

   There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2023.

3 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.

   There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2023.

4. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.

5. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2023. It is management's responsibility to monitor 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.