



Village of Indiantown, Florida

Basic Financial Statements and
Supplementary Information
For the Year Ended September 30, 2022

Village of Indiantown, Florida
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INTRODUCTORY SECTION

Village of Indiantown, Florida
List of Principal Officials
Council/Village Manager Form of Government
September 30, 2022

Village Council

Susan Gibbs-Thomas, Mayor
Guyton Stone, Vice Mayor

Angelina Perez
Janet Hernández
Carmine DiPaolo

Village Manager

Howard W. Brown, Jr., ICMA-CM

Village Clerk

Susan A. Owen, MPA, MMC

Village Attorney

Wade C. Vose, ESQ

Finance Director

Michael Florio, BSc.

Village Auditors

Keefe McCullough



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Village Council
Village of Indiantown, Florida

Report on the Audit of the Financial Statements

Opinions

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 Village of Indiantown, Florida (the "Village"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Village'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

CPAs + Trusted Advisors

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 by us. In our opinion, based on our audit, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 November 2, 2023, on our consideration of the Village’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village’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 Village’s internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
November 2, 2023

The Village of Indiantown, Florida's, (the "Village") discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Village's financial activity, (c) identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Village's financial statements (beginning on page 11).

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2022:

- The assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources at September 30, 2022, by approximately \$ 17.9 million (net position).
- During fiscal year 2022, the Village's net position increased by approximately \$ 5.1 million resulting from current operations.
- At the end of the fiscal year, the General Fund reported a fund balance of approximately \$ 5.3 million, or 89.92% of the General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements, which have the following 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.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances in a manner similar to that of a private-sector business. The Village's government-wide financial statements include the statement of net position and the statement of activities.

The *Statement of Net Position* presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Village, with the difference 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 Village is improving or deteriorating. The Statement of Activities presents information showing how the Village's net position changed during the most recent fiscal year. 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. Accordingly, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned, but unused vacation leave).

Village of Indiantown, Florida
Management's Discussion and Analysis
September 30, 2022

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes, charges for services, 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 Village include general government, transportation, and culture/recreation.

The following is a condensed summary of net position for the Village:

	Net Position					
	As of September 30, 2022 and 2021					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current assets	\$ 11,081,147	\$ 6,865,743	\$ 2,002,309	\$ 891,805	\$ 13,083,456	\$ 7,757,548
Capital assets	<u>4,907,454</u>	<u>2,893,287</u>	<u>9,928,584</u>	<u>8,452,561</u>	<u>14,836,038</u>	<u>11,345,848</u>
Total assets	<u>15,988,601</u>	<u>9,759,030</u>	<u>11,930,893</u>	<u>9,344,366</u>	<u>27,919,494</u>	<u>19,103,396</u>
Deferred Outflows of Resources	<u>1,046,489</u>	<u>757,546</u>	<u>330,470</u>	<u>324,657</u>	<u>1,376,959</u>	<u>1,082,203</u>
Liabilities:						
Other liabilities	4,786,415	2,327,111	526,796	384,168	5,313,211	2,711,279
Long-term liabilities	<u>2,503,591</u>	<u>1,469,207</u>	<u>3,493,375</u>	<u>2,475,385</u>	<u>5,996,966</u>	<u>3,944,592</u>
Total liabilities	<u>7,290,006</u>	<u>3,796,318</u>	<u>4,020,171</u>	<u>2,859,553</u>	<u>11,310,177</u>	<u>6,655,871</u>
Deferred inflows of resources	<u>47,202</u>	<u>488,535</u>	<u>14,906</u>	<u>209,372</u>	<u>62,108</u>	<u>697,907</u>
Net Position:						
Net investment in capital assets	4,647,357	2,893,287	6,677,646	6,111,680	11,325,003	9,004,967
Restricted	1,731	1,354	-	-	1,731	1,354
Unrestricted	<u>5,048,794</u>	<u>3,337,082</u>	<u>1,548,640</u>	<u>488,418</u>	<u>6,597,434</u>	<u>3,825,500</u>
Total net position	<u>\$ 9,697,882</u>	<u>\$ 6,231,723</u>	<u>\$ 8,226,286</u>	<u>\$ 6,600,098</u>	<u>\$ 17,924,168</u>	<u>\$ 12,831,821</u>

Village of Indiantown, Florida
Management's Discussion and Analysis
September 30, 2022

The following schedule reports the revenues, expenses and change in net position for the Village:

	Changes in Net Position					
	For the year ended September 30, 2022 and 2021					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 477,102	\$ 332,208	\$ 2,433,294	\$ 2,130,432	\$ 2,910,396	\$ 2,462,640
Operating grants and contributions	98,930	257,655	59,776	-	158,706	257,655
Capital grants and contributions	2,171,464	-	601,187	107,026	2,772,651	107,026
General revenues:						
Property taxes	3,219,674	3,264,450	-	-	3,219,674	3,264,450
Intergovernmental revenue	1,171,882	1,042,711	-	-	1,171,882	1,042,711
Gas taxes	378,635	359,450	-	-	378,635	359,450
Other taxes	69,486	81,775	-	-	69,486	81,775
Franchise fees	431,816	312,507	-	-	431,816	312,507
Investment income	5,709	5,492	90	624	5,799	6,116
Miscellaneous	49,958	97,546	-	-	49,958	97,546
Total revenues	<u>8,074,656</u>	<u>5,753,794</u>	<u>3,094,347</u>	<u>2,238,082</u>	<u>11,169,003</u>	<u>7,991,876</u>
Operating Expenses:						
General government	3,167,750	3,246,377	-	-	3,167,750	3,246,377
Transportation	568,836	241,798	-	-	568,836	241,798
Culture and recreation	488,753	463,929	-	-	488,753	463,929
Utility	-	-	1,851,317	2,199,922	1,851,317	2,199,922
Total expenses	<u>4,225,339</u>	<u>3,952,104</u>	<u>1,851,317</u>	<u>2,199,922</u>	<u>6,076,656</u>	<u>6,152,026</u>
Excess (deficiency) of revenues over expenditures	<u>3,849,317</u>	<u>1,801,690</u>	<u>1,243,030</u>	<u>38,160</u>	<u>5,092,347</u>	<u>1,839,850</u>
Other Financing Sources (Uses):						
Reassignments and assumptions, net	-	35,537	-	(35,537)	-	-
Transfers in	1,297	2,788	-	-	1,297	2,788
Transfers out	(384,455)	-	383,158	(2,788)	(1,297)	(2,788)
Total other financing sources (uses)	<u>(383,158)</u>	<u>38,325</u>	<u>383,158</u>	<u>(38,325)</u>	<u>-</u>	<u>-</u>
Change in net position	3,466,159	1,840,015	1,626,188	(165)	5,092,347	1,839,850
Net Position, Beginning	<u>6,231,723</u>	<u>4,391,708</u>	<u>6,600,098</u>	<u>6,600,263</u>	<u>12,831,821</u>	<u>10,991,971</u>
Net Position, Ending	<u>\$ 9,697,882</u>	<u>\$ 6,231,723</u>	<u>\$ 8,226,286</u>	<u>\$ 6,600,098</u>	<u>\$ 17,924,168</u>	<u>\$ 12,831,821</u>

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in 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 the governmental funds with similar information presented for the 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 the comparison between governmental funds and governmental activities.

The Village maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the governmental funds.

Proprietary Funds: The Village reports one proprietary fund – the Water and Wastewater Fund. Proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

On September 29, 2020, the Village acquired a water and wastewater utility system from the Indiantown Company, Inc. The acquisition was funded through the State Revolving Fund Loan program. Total loan amounts were approximately \$ 8.5 million. Of this amount, approximately \$ 6.5 million was forgiven through the program.

Capital Assets and Debt Administration

Capital Assets: As of year-end, the Village had approximately \$ 14.8 million in capital assets (net of accumulated depreciation). Significant additions during the year included \$ 2,081,719 in transportation related stormwater drainage and \$1,238,856 in water utility construction in progress related to a 12-inch water main fire loop.

	Capital Assets (Net of Depreciation)					
	As of September 30, 2022 and 2021					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,450,572	\$ 1,450,572	\$ 775,980	\$ 775,980	\$ 2,226,552	\$ 2,226,552
Construction in progress	2,180,574	98,855	1,238,856	-	3,419,430	98,855
Infrastructure	966,072	1,042,458	7,597,830	7,676,581	8,563,902	8,719,039
Leasehold improvements	-	127,783	-	-	-	127,783
Vehicles	-	82,660	-	-	-	82,660
Building & Improvements	85,489	-	-	-	85,489	-
Right of use asset*	47,728	-	-	-	47,728	-
Equipment	177,019	90,959	315,918	-	492,937	90,959
Total	\$ 4,907,454	\$ 2,893,287	\$ 9,928,584	\$ 8,452,561	\$ 14,836,038	\$ 11,345,848

Additional information can be found in Note 5 of the financial statements.

Village of Indiantown, Florida
Management's Discussion and Analysis
September 30, 2022

Long Term Liabilities: As of year-end, total long-term liabilities of the Village were approximately \$ 6 million. \$ 1.8 million of the liability was for the Village’s proportionate share of the net pension liability of the Florida Retirement System. The balance of the remaining liabilities consists of \$ 3 million outstanding principal related to the State Revolving Fund loan program for clean water and drinking water programs, a \$ 1 million non-expendable trust, \$ 107,338 in accrued compensated absences, and \$ 67,314 of lease liabilities.

	Long Term Liabilities					
	As of September 30, 2022 and 2021					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net pension liability	\$ 1,348,078	\$ 402,707	\$ 425,709	\$ 172,582	\$ 1,773,787	\$ 575,289
Trust payable	1,000,000	1,000,000	-	-	1,000,000	1,000,000
Compensated absences	88,199	66,500	19,139	14,257	107,338	80,757
Lease liability	67,314	-	-	-	67,314	-
Notes and loans payable	-	-	3,048,527	2,288,546	3,048,527	2,288,546
Total debt	<u>\$ 2,503,591</u>	<u>\$ 1,469,207</u>	<u>\$ 3,493,375</u>	<u>\$ 2,475,385</u>	<u>\$ 5,996,966</u>	<u>\$ 3,944,592</u>

Additional information can be found in Note 6 of the financial statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the Village’s progress in funding its obligation to provide pension benefits to its employees. This section also includes a comparison between the adopted and final budget and actual financial results for the Village’s major Governmental funds. A budgetary comparison schedule has been provided for the major Governmental funds to demonstrate compliance with the budget.

Budgetary Highlights: The Village continued further implementation of key elements in support of the adopted Strategic Action Plan in the FY 2022-2023 Adopted Budget. Those items included the following:

- Received grant award and commenced design of Uptown Drainage Improvements project through the Florida Department of Transportation.
- Obtained additional funding in excess of \$ 18 Million from the Florida Department of Environmental Protection for wastewater improvement projects.
- Commenced design of a 12-inch water main loop to provide fire protection services and to expanded customer connections to the water and wastewater system. Received cost match for construction from Martin County in amount of \$1.5 Million.
- Authorized and completed a Parks and Recreation Facilities Master Plan.
- Added three full-time and one part-time positions, including a Purchasing Administrator, Human Resources / Risk Management Specialist, an Accounting Clerk, and a Part-Time Records Clerk. All positions are to be shared with the Water and Sewer Fund.

Financial Information Contacts: The Village's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Village's finances and to demonstrate the Village's accountability. If you have any questions about the report or need additional financial information, contact the Village's Finance Director at 15516 SW Osceola Street, Suite B, Indiantown, FL 34956, or call (772) 597-9900.



BASIC FINANCIAL STATEMENTS



Village of Indiantown, Florida
Statement of Net Position
September 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 9,232,844	\$ 1,522,565	\$ 10,755,409
Investments	1,001,731	-	1,001,731
Accounts receivables (net of allowances)	85,052	185,007	270,059
Due from other governments	1,007,168	-	1,007,168
Internal balances	(293,612)	293,612	-
Prepaid items and other assets	47,964	1,125	49,089
Capital assets, not being depreciated	3,631,146	2,014,836	5,645,982
Capital assets, being depreciated, net	1,276,308	7,913,748	9,190,056
Total assets	<u>15,988,601</u>	<u>11,930,893</u>	<u>27,919,494</u>
Deferred Outflows of Resources:			
Deferred outflows relating to pensions	<u>1,046,489</u>	<u>330,470</u>	<u>1,376,959</u>
Total deferred outflows of resources	<u>1,046,489</u>	<u>330,470</u>	<u>1,376,959</u>
Total assets and deferred outflows of resources	<u>17,035,090</u>	<u>12,261,363</u>	<u>29,296,453</u>
Liabilities:			
Accounts payable	1,393,375	446,834	1,840,209
Accrued payroll and benefits	39,221	16,575	55,796
Retainage Payable	192,783	-	192,783
Unearned revenues	3,161,036	-	3,161,036
Due to other governments	-	4,635	4,635
Customer deposits	-	54,533	54,533
Accrued interest	-	4,219	4,219
Noncurrent liabilities:			
Due within one year	53,283	130,961	184,244
Due in more than one year	2,450,308	3,362,414	5,812,722
Total liabilities	<u>7,290,006</u>	<u>4,020,171</u>	<u>11,310,177</u>
Deferred Inflows of Resources:			
Deferred inflows relating to pensions	<u>47,202</u>	<u>14,906</u>	<u>62,108</u>
Total deferred inflows of resources	<u>47,202</u>	<u>14,906</u>	<u>62,108</u>
Net Position:			
Net investment in capital assets	4,647,357	6,677,646	11,325,003
Restricted for:			
Community Development	1,731	-	1,731
Unrestricted	5,048,794	1,548,640	6,597,434
Total net position	<u>9,697,882</u>	<u>8,226,286</u>	<u>17,924,168</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 17,035,090</u>	<u>\$ 12,261,363</u>	<u>\$ 29,296,453</u>

**Village of Indiantown, Florida
Statement of Activities
For the Year Ended September 30, 2022**

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 3,167,750	\$ 477,102	\$ 98,930	\$ 2,171,464	\$ (420,254)	\$ -	\$ (420,254)
Transportation	568,836	-	-	-	(568,836)	-	(568,836)
Culture and recreation	488,753	-	-	-	(488,753)	-	(488,753)
Total governmental activities	4,225,339	477,102	98,930	2,171,464	(1,477,843)	-	(1,477,843)
Business-type activities:							
Water and wastewater	1,851,317	2,433,294	59,776	601,187	-	1,242,940	1,242,940
Total business-type activities	1,851,317	2,433,294	59,776	601,187	-	1,242,940	1,242,940
Total primary government	\$ 6,076,656	\$ 2,910,396	\$ 158,706	\$ 2,772,651	(1,477,843)	1,242,940	(234,903)
General revenues, transfers, reassignments and assumptions:							
Property taxes					3,219,674	-	3,219,674
Intergovernmental revenue, unrestricted					1,171,882	-	1,171,882
Gas taxes					378,635	-	378,635
Other taxes					69,486	-	69,486
Franchise fees					431,816	-	431,816
Investment income					5,709	90	5,799
Miscellaneous					49,958	-	49,958
Transfers					(383,158)	383,158	-
Total general revenues, transfers, reassignments and assumptions					4,944,002	383,248	5,327,250
Change in net position					3,466,159	1,626,188	5,092,347
Net Position, Beginning of Year					6,231,723	6,600,098	12,831,821
Net Position, End of Year					\$ 9,697,882	\$ 8,226,286	\$ 17,924,168

Village of Indiantown, Florida
Balance Sheet - Governmental Funds
September 30, 2022

	<u>General Fund</u>	<u>Community Trust Fund</u>	<u>Special Revenue Fund</u>	<u>(Non-Major) Capital Improvement Fund</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 9,232,844	\$ -	\$ -	\$ -	\$ 9,232,844
Investment	-	1,001,731	-	-	1,001,731
Accounts receivables (net of allowances)	85,052	-	-	-	85,052
Due from other governments	1,007,168	-	-	-	1,007,168
Due from other funds	-	-	3,161,036	-	3,161,036
Prepaid items and other assets	47,964	-	-	-	47,964
Total assets	<u>\$ 10,373,028</u>	<u>\$ 1,001,731</u>	<u>\$ 3,161,036</u>	<u>\$ -</u>	<u>\$ 14,535,795</u>
Liabilities:					
Accounts payable	\$ 1,393,375	\$ -	\$ -	\$ -	\$ 1,393,375
Accrued payroll and benefits	39,221	-	-	-	39,221
Retainage payable	192,783	-	-	-	192,783
Due to other funds	3,454,648	-	-	-	3,454,648
Unearned revenues	-	-	3,161,036	-	3,161,036
Total liabilities	<u>5,080,027</u>	<u>-</u>	<u>3,161,036</u>	<u>-</u>	<u>8,241,063</u>
Fund Balances (Deficit):					
Nonspendable:					
Prepaid expenditures	47,964	-	-	-	47,964
Restricted for:					
Community development	-	1,001,731	-	-	1,001,731
Unassigned	5,245,037	-	-	-	5,245,037
Total fund balances (deficit)	<u>5,293,001</u>	<u>1,001,731</u>	<u>-</u>	<u>-</u>	<u>6,294,732</u>
Total liabilities and fund balances (deficit)	<u>\$ 10,373,028</u>	<u>\$ 1,001,731</u>	<u>\$ 3,161,036</u>	<u>\$ -</u>	<u>\$ 14,535,795</u>

Village of Indiantown, Florida
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
September 30, 2022

Fund Balances - Total Governmental Funds \$ 6,294,732

Amounts reported for governmental activities of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 5,249,763	
Accumulated depreciation	<u>(342,309)</u>	4,907,454

Deferred outflows, deferred inflows, and the net pension liability related to the Village's pension plan are not expected to be liquidated with expendable available financial resources and, therefore are not reported in the funds.

Deferred outflows - pension	\$ 1,046,489	
Deferred inflows - pension	(47,202)	
Net pension liability	<u>(1,348,078)</u>	(348,791)

Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.

Compensated absences	\$ (88,199)	
Lease liability	(67,314)	
Community trust payable	<u>(1,000,000)</u>	<u>(1,155,513)</u>

Net Position of Governmental Activities \$ 9,697,882

Village of Indiantown, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2022

	General Fund	Community Trust Fund	Special Revenue Fund	(Non-Major) Capital Improvement Fund	Total Governmental Funds
Revenues:					
Property taxes	\$ 3,219,674	\$ -	\$ -	\$ -	\$ 3,219,674
Intergovernmental revenue	3,010,188	-	432,088	-	3,442,276
Gas taxes	378,635	-	-	-	378,635
Franchise fees	431,816	-	-	-	431,816
Licenses and permits	371,894	-	-	-	371,894
Charges for services	68,245	-	-	-	68,245
Miscellaneous revenues	49,958	-	-	-	49,958
Other taxes	69,486	-	-	-	69,486
Investment income	5,332	377	-	-	5,709
Fines and forfeitures	36,963	-	-	-	36,963
Total revenues	<u>7,642,191</u>	<u>377</u>	<u>432,088</u>	<u>-</u>	<u>8,074,656</u>
Expenditures:					
Current:					
General government	2,801,629	-	48,930	-	2,850,559
Transportation	483,777	-	-	-	483,777
Culture and recreation	486,517	-	-	-	486,517
Capital outlay	2,114,545	-	-	-	2,114,545
Total expenditures	<u>5,886,468</u>	<u>-</u>	<u>48,930</u>	<u>-</u>	<u>5,935,398</u>
Excess (deficiency) of revenues over expenditures	<u>1,755,723</u>	<u>377</u>	<u>383,158</u>	<u>-</u>	<u>2,139,258</u>
Other Financing Sources (Uses):					
Transfers in	-	-	-	1,297	1,297
Transfers out	(1,297)	-	(383,158)	-	(384,455)
Total other financing sources (uses)	<u>(1,297)</u>	<u>-</u>	<u>(383,158)</u>	<u>1,297</u>	<u>(383,158)</u>
Change in fund balances	1,754,426	377	-	1,297	1,756,100
Fund Balances, Beginning of Year	<u>3,538,575</u>	<u>1,001,354</u>	<u>-</u>	<u>(1,297)</u>	<u>4,538,632</u>
Fund Balances (Deficit), End of Year	<u>\$ 5,293,001</u>	<u>\$ 1,001,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,294,732</u>

Village of Indiantown, Florida

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2022

Net Change in Fund Balances - Governmental Funds \$ 1,756,100

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 these assets is depreciated/amortized over their estimated useful lives.

Capital outlay	\$ 2,114,545	
Less current year depreciation and amortization	<u>(204,511)</u>	1,910,034

In the governmental funds, current year expenditures related to pensions are comprised solely of amounts contributed to the plan for the current year. However, in the statement of activities, expenses related to pensions included amounts that do require the use of current financial resources. This amount represents the difference in the required accounting treatment of pensions and related items.

Change in net pension liability	\$ (945,371)	
Change in deferred outflows related to pensions	288,943	
Change in deferred inflows related to pensions	<u>441,333</u>	(215,095)

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

Change in lease liabilities	\$ 36,819	
Change in compensated absences	<u>(21,699)</u>	15,120

Change in Net Position of Governmental Activities \$ 3,466,159

Village of Indiantown, Florida
Statement of Net Position -
Proprietary Fund
September 30, 2022

	Water And Wastewater Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,522,565
Accounts receivable, net	185,007
Due from other funds	293,612
Prepaid items and other assets	<u>1,125</u>
Total current assets	<u>2,002,309</u>
Noncurrent assets:	
Capital assets, net	<u>9,928,584</u>
Total assets	<u>11,930,893</u>
Deferred Outflows of Resources:	
Deferred outflows relating to pensions	<u>330,470</u>
Liabilities:	
Current liabilities:	
Accounts payable	446,834
Accrued payroll	16,575
Accrued interest	4,219
Customer deposits	54,533
Due to other governments	4,635
Current portion, loan payable	127,135
Current portion, compensated absences payable	<u>3,827</u>
Total current liabilities	<u>657,758</u>
Noncurrent liabilities:	
Compensated absences payable	15,312
Net pension liability	425,709
Loan payable	<u>2,921,392</u>
Total noncurrent liabilities	<u>3,362,413</u>
Total liabilities	<u>4,020,171</u>
Deferred Inflows of Resources:	
Deferred inflows relating to pensions	<u>14,906</u>
Net Position:	
Net investment in capital assets	6,677,646
Unrestricted	<u>1,548,640</u>
Total net position	\$ <u><u>8,226,286</u></u>

Village of Indiantown, Florida
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Fund
For the Year Ended September 30, 2022

	Water And Wastewater Fund
Operating Revenues:	
Charges for services	\$ 2,433,294
Operating grant	<u>59,776</u>
Total operating revenue	<u>2,493,070</u>
Operating Expenses:	
Personnel services	692,590
Other operating expenses	940,546
Depreciation	<u>207,970</u>
Total operating expenses	<u>1,841,106</u>
Operating income (loss)	<u>651,964</u>
Nonoperating Revenues (Expenses):	
Interest income	90
Interest expense	<u>(10,211)</u>
Total nonoperating revenues (expenses)	<u>(10,121)</u>
Income (loss) before contributions and transfers	<u>641,843</u>
Contributions and Transfers:	
Capital grants and contributions	601,187
Transfer in	<u>383,158</u>
Total contributions and transfers	<u>984,345</u>
Change in net position	1,626,188
Net Position, Beginning of Year	<u>6,600,098</u>
Net Position, End of Year	\$ <u><u>8,226,286</u></u>

Village of Indiantown, Florida
Statement of Cash Flows -
Proprietary Fund
For the Year Ended September 30, 2022

	Water and Wastewater Fund
Cash Flows From Operating Activities:	
Receipts from customers	\$ 2,431,011
Receipts from operating grant	59,776
Payment to employees for services	(618,287)
Payment to suppliers for goods and services	(796,216)
	<u>1,076,284</u>
Net cash provided by (used in) operating activities	<u>1,076,284</u>
Cash Flows From Non Capital Financing Activities:	
Advances and transfers from other funds, net	<u>383,158</u>
	<u>383,158</u>
Net cash provided by (used in) non capital financing activities	<u>383,158</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets, net	(1,683,993)
Interest and other fiscal charges paid on capital debt, net	(27,839)
Capital contributions, net	340,393
Principal payments on debt	(71,513)
Proceeds from debt	831,594
	<u>(611,358)</u>
Net cash provided by (used in) capital and related financing activities	<u>(611,358)</u>
Cash Flows From Investing Activities	
Interest income	<u>90</u>
	<u>90</u>
Net cash provided by (used in) investment activities	<u>90</u>
	<u>90</u>
Net increase (decrease) in cash and cash equivalents	848,174
Cash and Cash Equivalents, Beginning of Year	<u>674,391</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,522,565</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Operating income (loss)	\$ 651,964
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Provision for depreciation	207,970
Change in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable, net	3,066
Prepaid items and other assets	(65)
Increase (decrease) in liabilities:	
Accounts payable	144,395
Accrued payroll and benefits	21,210
Due to other governments	(4,635)
Compensated absences	4,880
Net pension liability	253,127
Deferred outflows relating to pensions	(5,813)
Deferred inflows relating to pensions	(194,466)
Customer deposits	(5,349)
	<u>1,076,284</u>
Net cash provided by (used in) operating activities	<u>\$ 1,076,284</u>

Note 1 - Summary of Significant Accounting Policies

The Village of Indiantown, Florida (the "Village"), located in Martin County, Florida, is a municipal corporation in the State of Florida. The Village was incorporated on December 31, 2017, and began operations on March 21, 2018. The Village operates under a Council/Manager form of government.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the period ended September 30, 2022, the Village followed the accounting and financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus, an amendment of GASB Statements No. 21 and 34*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. GASB Statement No. 34 (as amended by GASB Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments. The more significant of the Village's accounting policies are described below.

Reporting Entity: The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Village, organizations for which the Village is financially accountable, and other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Village is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Village. Based upon the application of these criteria, there were no organizations that met the criteria described above.

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 Village. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are 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 or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Note 1 - Summary of Significant Accounting Policies (continued)

Separate financial statements are provided for governmental funds and proprietary funds. The major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non major funds, as applicable.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide financial statements and proprietary fund 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.

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 measurable when the amount of the transaction can be determined. 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 Village considers revenues to be available if they are collected within one year 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, other post-employment benefits, and claims and judgments, are recorded only when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues, shown for proprietary operations, generally result from producing or providing goods and services such as water, sewer and solid waste collection. Operating expenses for these operations include all costs related to providing the service or product. These costs include salaries, supplies, travel, contract services, depreciation, administrative expenses, and other expenses directly related to costs of services. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Taxes, intergovernmental revenue, 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. Licenses and permits, certain charges for services, fines and forfeitures, and miscellaneous revenues are considered measurable and available when cash is received by the government. Revenue received in advance of fiscal year to which they apply is presented as unearned on the balance sheet.

The Village reports the following major governmental funds:

- The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Trust Fund* stores assets accumulated by the Village (Note 6) for the purpose of Community Development. The interest generated from the fund is restricted for projects to enhance the quality of the Village. Annually, the Village will receive project applications from not-for-profit organizations to perform services that have a public purpose and/or interest.

Note 1 - Summary of Significant Accounting Policies (continued)

The Village reports the following major governmental funds (continued):

- The *Special Revenue Fund* is to account for activities related to the funding received from the U.S. Treasury under American Rescue Plan Act (ARPA) for COVID-19 as well as the distribution of these funds.

The Village reports the following major proprietary fund:

- The *Water and Wastewater Fund* accounts for the operations of the Village's water and wastewater utility system.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Assets, Liabilities, and Fund Balance or Net Position:

Deposits: The Village's cash includes cash on hand and demand deposits.

Investments: Investments are carried at fair value. Unrealized gains and losses in fair value are recognized. At September 30, 2022, investments were comprised of a certificate of deposit.

Receivables and Payables: Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items in the governmental fund financial statements are classified as nonspendable fund balance. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets: Capital assets, which include property, plant and equipment, and certain infrastructure assets (e.g., utility plant, roads, bridges, sidewalks, and similar items), are reported in the governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost or component of more than \$ 2,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Village are depreciated using the straight-line method over the following estimated useful lives:

Leasehold Improvements	3-4 years
Equipment	5-30 years
Vehicles	12-15 years
Infrastructure	10-40 years

Note 1 - Summary of Significant Accounting Policies (continued)

Leases: Leases are defined by the general government as the right to use an underlying asset. As leasee, the Village recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximates the incremental borrowing rate. Re-measurement of a lease liability occurs when there is a change in lease term and/or other changes that are likely to have a significant impact on the lease liability. The Village calculates the amortization of the discount on the lease liability and report that amount as outflows of resources. Payment are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred.

Compensated Absences: It is the Village's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits, which will be paid upon separation of service. Compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. The liability for accrued compensated absences of governmental funds is reported in the balance sheet of the governmental funds when amounts are due.

Long-Term Obligations: In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. As applicable, debt premiums and discounts are deferred and amortized over the life of the indenture using the effective interest method. Debt issue costs are expensed as incurred. Debt payable is reported net of the applicable premium or discount.

In the governmental fund financial statements, debt issue costs, premiums and discounts are recognized during the current period. The face amount of debt issued is reported as other financing sources. Debt principal payments are reported as expenditures. Premiums received on debt issuances are reported as other financing sources while discounts of debt issuances are reported as other financing uses.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan and Health Insurance Subsidy Program and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources: A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period.

Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining lives of plan members. Experience gains or losses result from periodic studies by the Village's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service life of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period. Additionally, any contributions made by the Village to the pension

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources (continued):

plan before year end but subsequent to the measurement date of the Village's net pension liability are reported as deferred outflows of resources. The changes in proportion and differences between Village contributions and proportionate share of contributions are also deferred and amortized against pension expense over a five-year period.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosures of contingent liabilities, revenues and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectability of receivables and the useful lives of capital assets. Although these estimates as well as all estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Unearned Revenues: Unearned revenue represents increases in assets prior to the eligibility criteria being met for recognition of revenue. Included in the balance is approximately \$ 3.2 million relating to the American Rescue Plan Act (ARPA) funding.

Net Position/Fund Balance Classification:

Net position in the government-wide and proprietary funds is classified as follows:

- a. Net investment in capital assets – This category groups all capital and right-of-use assets, including infrastructure into one component of net position. Accumulated depreciation, amortization and the outstanding balance of debt and other payables that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. Unspent debt proceeds are added to this category.
- b. Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions in enabling legislation.
- c. Unrestricted net position – This category represents net position that does not meet the definition of “net investment in capital assets” or “restricted”.

In accordance with GASB Statement No. 54, the Village classified governmental fund balance as follows:

Nonspendable Fund Balance: This represents amounts that that cannot be spent due to form (e.g., inventories, prepaid amounts) or are legally or contractually required to be maintained intact (such as corpus of an endowment fund).

Restricted Fund Balance: This represents amounts constrained for a specific purpose by external parties, such as creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance: This represents amounts that can only be used for specific purposes determined by a formal action (ordinance) of the Village Council, the Village's highest level of decision-making authority. Committed amounts cannot be used for any other

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position/Fund Balance Classification (continued):

purpose unless the Village Council removes those constraints by taking the same type of action.

Assigned Fund Balance: Assigned fund balances includes spendable fund balance amounts that are intended to be used for a specific purposes that are neither considered restricted nor committed. Intent is expressed by the Village Council or a body or official to which the Village Council have delegated authority, which is the Village Manager, to assign amounts to be used for specific purposes. Appropriations of existing fund balances to eliminate deficits in a future budget and encumbrances are considered assignments of fund balance. Assignments are generally temporary and normally the same formal action need not to be taken to remove the assignment.

Unassigned Fund Balance: This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

When both restricted and unrestricted funds are available for expenditure, restricted funds are considered to be spent first unless legal requirements prohibit doing this, such as in grant agreements requiring dollar for dollar spending.

When committed, assigned and unassigned funds are available for expenditure, committed funds are considered to be spent first, assigned funds second, and unassigned funds last.

Public Safety and Recreation Services:

In January 2019, the Village and Martin County entered into an agreement which set for the rights and responsibilities concerning implementation and levy of certain taxes needed to provide services identical to those previously provided by the County's Fire-Rescue and Parks and Recreation - Municipal Service Taxing Unit (MSTUs). Under the agreement, the Village will pay Martin County for the services on a quarterly basis. Effective October 1, 2019, the Village and Martin County entered into a new agreement for the County to continue to provide Fire-Rescue and Parks and Recreation services; however, the MSTUs would be collected directly by the County.

Note 2 - Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the state treasurer of the state of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the state treasurer requires all Florida qualified public depositories to deposit with the treasurer or banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

Note 3 - Receivables

Receivables as of September 30, 2022, for the Village's major funds, including the allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Water and Wastewater</u>	<u>Total</u>
Receivables			
Accounts	\$ 85,052	\$ 185,007	\$ 270,059
Due from other governments	<u>995,135</u>	<u>-</u>	<u>995,135</u>
	<u>\$ 1,080,187</u>	<u>\$ 185,007</u>	<u>\$ 1,265,194</u>

Note 4 - Property Taxes

Property values are assessed on a county-wide basis by the Martin County Property Appraiser as of January 1st, the lien date. The Property Appraiser certifies taxable value of property within the Village and the Village levies a tax millage rate upon the taxable value, which will provide revenue required for the fiscal year beginning October 1st. Property taxes levied each November 1st by the Village and all other taxing authorities within the County are centrally billed and collected by the County Tax Collector, with remittances to the Village of its proportionate share of collected taxes. Taxes for the fiscal year beginning October 1st are billed in the month of November subject to a 1% per month discount for the period November through February, and are due no later than March 31st of the subsequent year. On April 1st, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1st, tax certificates representing delinquent taxes with interest and penalties are sold by Martin County, with remittance to the Village for its share of those receipts. For the reported period, the Village did not levy any property taxes of its own.

Village of Indiantown, Florida
Notes to Basic Financial Statements
September 30, 2022

Note 5 - Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance October 1, 2021	Additions	Transfers/ Deletions	Balance September 30 2022
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,450,572	\$ -	\$ -	\$ 1,450,572
Construction in progress	98,855	2,081,719	-	2,180,574
Total	<u>1,549,427</u>	<u>2,081,719</u>	<u>-</u>	<u>3,631,146</u>
Capital assets being depreciated:				
Infrastructure	1,122,612	-	-	1,122,612
Equipment	208,912	29,000	-	237,912
Buildings & improvements	150,134	3,826	-	153,960
Right of use	104,133	-	-	104,133
Total	<u>1,585,791</u>	<u>32,826</u>	<u>-</u>	<u>1,618,617</u>
Less accumulated depreciation for:				
Infrastructure	(80,155)	(76,385)	-	(156,540)
Equipment	(37,203)	(23,690)	-	(60,893)
Buildings & improvements	(67,451)	(1,020)	-	(68,471)
Accumulated amortization, lease	-	(56,405)	-	(56,405)
Total accumulated depreciation and amortization	<u>(184,809)</u>	<u>(157,500)</u>	<u>-</u>	<u>(342,309)</u>
Total assets depreciated, net	<u>1,400,982</u>	<u>(124,674)</u>	<u>-</u>	<u>1,276,308</u>
Governmental activities, net	<u>\$ 2,950,409</u>	<u>\$ 1,957,045</u>	<u>\$ -</u>	<u>\$ 4,907,454</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 775,980	\$ -	\$ -	\$ 775,980
Construction in progress	-	1,238,856	-	1,238,856
Total	<u>775,980</u>	<u>1,238,856</u>	<u>-</u>	<u>2,014,836</u>
Capital assets, being depreciated:				
Improvements other than buildings	7,872,891	126,041	-	7,998,932
Equipment	-	319,097	-	319,097
Total	<u>7,872,891</u>	<u>445,138</u>	<u>-</u>	<u>8,318,029</u>
Less accumulated depreciation for:				
Improvements other than buildings	(196,310)	(204,791)	-	(401,101)
Equipment	-	(3,179)	-	(3,179)
Total accumulated depreciation	<u>(196,310)</u>	<u>(207,970)</u>	<u>-</u>	<u>(404,280)</u>
Total assets depreciated, net	<u>7,676,581</u>	<u>237,168</u>	<u>-</u>	<u>7,913,749</u>
Business-type activities, net	<u>\$ 8,452,561</u>	<u>\$ 1,476,024</u>	<u>\$ -</u>	<u>\$ 9,928,585</u>

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

Governmental Activities:	
General government	\$ 117,216
Culture and recreation	2,236
Transportation	85,059
Total depreciation expense governmental activities	<u>\$ 204,511</u>

Village of Indiantown, Florida
Notes to Basic Financial Statements
September 30, 2022

Note 5 - Capital Assets (continued)

Depreciation expense of \$ 207,970 was charged to the Water and Wastewater fund in the current year.

Note 6 - Debt

The following schedule details the Village's long-term liability and obligation activity for governmental and business-type activities for the year ended September 30, 2022:

	Balance October 1, 2021	Additions	Reductions	Balance September 30, 2022	Amounts Due Within One Year
Governmental activities:					
Trust payable	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
Net pension liability	402,707	945,371	-	1,348,078	-
Lease liability *	104,133	-	36,819	67,314	35,643
Compensated absences	66,500	68,952	47,253	88,199	17,640
Total governmental activities	\$ 1,573,340	\$ 1,014,323	\$ 84,072	\$ 2,503,591	\$ 53,283
Business-type activities:					
Direct borrowings:					
State Revolving Fund - 430310	1,214,635	-	41,174	1,173,461	41,174
State Revolving Fund - 430320	1,026,184	-	30,339	995,845	30,624
State Revolving Fund - 430330	29,474	122,495	-	151,969	-
State Revolving Fund - 430340	10,784	567,699	-	578,483	55,337
State Revolving Fund - 430350	7,469	141,300	-	148,769	-
Net pension liability	172,582	253,127	-	425,709	-
Compensated absences	14,257	26,677	21,795	19,139	3,827
Total business-type activities	\$ 2,475,385	\$ 1,111,298	\$ 93,308	\$ 3,493,375	\$ 130,962

* Restated for GASB 87, as of 10/1/21.

The Village has an unsecured bank loan obtained from a local financial institution and was issued as a \$ 1,000,000 line of credit carrying an interest rate of prime minus 0.50% with a floor of 3% and a ceiling of 18%. The entire line of credit was unused as of September 30, 2022.

During 2019, the Village became a successor agency from Martin County as the recipient of a Trust agreement with Florida Power & Light. The agreement calls for the Village to receive a \$ 1,000,000 contribution, for which the interest earned on the investment can be used to fund projects benefitting the Village. The Village must return the contribution to Florida Power & Light on July 23, 2025.

On September 21, 2020, the Village entered into two agreements, 430310 and 430320, with the Florida Department of Environmental Protection, State Revolving Fund, with the beginning of the repayment period on May 15, 2022. The two notes are payable in sixty semi-annual payments in a combined amount of \$ 40,542, including interest at the rate of 0.94% for 430320. 430310 does not bear interest. Loans are secured by the net revenues of the water and sewer system.

Note 6 - Debt (continued)

On February 24, 2021, the Village entered into two agreements with the Florida Department of Environmental Protection, State Revolving Fund, with the beginning of the repayment period for note 430340 on February 15, 2023, of twenty semi-annual loan payments of \$ 30,435 including interest at the rate of 0.98%; for note 430350, the repayment period begins on May 15, 2024, with twenty semi-annual loan payments of \$ 9,997 including interest at the rate of 0.98%. Loans are secured by the net revenues of the water and sewer system.

On May 26, 2021, the Village entered into an agreement with the Florida Department of Environmental Protection, State Revolving Fund - 430330, with the beginning of the repayment period on February 15, 2025. The note is payable in twenty semi-annual payments of \$ 8,164. No interest is charged on this note. This loan is secured by the net revenues of the water and sewer system.

Terms of Significant Events of Default Related to State Revolving Fund (SRF) Loans

Significant events of default by the Project Sponsor (Village of Indiantown) as stipulated in the loan agreements with the Department (Florida Department of Environmental Protection) are delineated as follows:

- Failure to make any installment of the Semiannual Loan Payments when due for a period of 30 days after the due date.
- Any proceeding instituted, with the acquiescence of the Project Sponsor, for the purpose of effecting a composition between the Project Sponsor and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are payable from Gross Revenues of the Water or Sewer System.
- Any bankruptcy, insolvency or other similar proceeding instituted by, or against, the Project Sponsor under federal or state bankruptcy or insolvency law now or hereafter in effect and, if instituted against the Project Sponsor, is not dismissed within 60 days after filing.
- Any charge that is brought alleging violations of any criminal law in the implementation of the Project or the administration of the proceeds from the loan agreement, against one or more officials of the Project Sponsor, by a State or Federal law enforcement authority, which charges are not withdrawn or dismissed within 60 days following the filing thereof.
- Failure of the Project Sponsor to give immediate written notice to the Department within 30 days of its knowledge of a potential default or an event of default.

Remedies of Default

All rights, remedies, and powers conferred in the loan agreements and transaction documents are cumulative and are not exclusive of any other rights or remedies, and are in addition to every other right, power, and remedy the Department may have, whether specifically granted within each loan agreement, or any other transaction document, or existing at law, in equity, or by statute. Any and all such rights and remedies of default may be exercised as often and in such order as the Department may deem expedient. Upon any of the events of default and subject to the rights of others having prior liens on the Pledged Revenues, the Department may enforce its rights by, *inter alia*, any of the following remedies:

- By mandamus or other proceeding at law or in equity, cause to establish rates and collect fees and charges for use of the Water and Sewer Systems, and to require the Project Sponsor to the terms of the loan agreement.

Village of Indiantown, Florida
Notes to Basic Financial Statements
September 30, 2022

Note 6 - Debt (continued)

- By action or suit in equity, require the Project Sponsor to account for all moneys received from the Department or from the ownership of the Water and Sewer Systems and to account for the receipt, use, application, or disposition of Pledged Revenues.
- By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Department.
- By applying to a court of competent jurisdiction, cause to appoint a receiver to manage the Water and Sewer Systems, establish and collect fees and charges, and apply the revenues to the reduction of the obligations under the loan agreement(s).
- By certifying to the Auditor General and the Chief Financial Officer delinquency on loan repayments, the Department may intercept the delinquent amount plus six percent, expressed as an annual interest rate, penalty of the amount due to the Department from any unobligated funds due to the Project Sponsor under any revenue or tax sharing fund established by the State, except as otherwise provided by the State Constitution or State law. Penalty interest shall accrue on any amount due and payable beginning on the 30th day following the date upon which payment is due.
- By notifying financial market credit rating agencies and potential creditors.
- By suing for payment of amounts due, or becoming due, with interest on overdue payments together with all costs of collection, including attorneys' fees.
- By accelerating the repayment schedule or increasing the interest rate on the unpaid principal of each loan amount to as much as 16.67 times the Financing Rate.

The estimated annual debt service requirements to maturity for debt outstanding as of September 30, 2022, are as follows:

Fiscal Year	Governmental Activities: Trust Payable			Business-Type Activities: Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ -	\$ -	\$ -	\$ 127,135	\$ 14,714	\$ 141,849
2024	-	-	-	137,032	14,922	151,954
2025	1,000,000	-	1,000,000	155,237	14,879	170,116
2026	-	-	-	164,429	13,851	178,280
2027	-	-	-	165,466	12,814	178,280
2028-2032	-	-	-	831,704	47,960	879,664
2033-2037	-	-	-	406,750	28,192	434,942
2038-2042	-	-	-	385,468	19,966	405,434
2043-2047	-	-	-	394,090	11,344	405,434
2048-2052	-	-	-	281,216	2,590	283,806
	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>3,048,527</u>	<u>181,232</u>	<u>3,229,759</u>

Note 7 - Interfund Transfers

Interfund transfers during the fiscal year ended September 30, 2022 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,297
Capital Improvement Fund	1,297	-
Special Revenue Fund - ARPA	-	383,158
Water and Wastewater Fund	<u>383,158</u>	<u>-</u>
Total Interfund Transfers	\$ <u>384,455</u>	\$ <u>384,455</u>

- General Fund Transfers Out consisted of \$ 1,297 to the Capital Improvement Fund to fund the capital improvement projects of the Village.
- Special Revenue Fund Transfers Out consisted of \$ 383,158 to the Water and Wastewater fund for construction work in progress and equipment.

Note 8 - Florida Retirement System

Defined Benefit Plan

As provided by Chapters 121 and 112, Florida Statutes, the Florida Retirement System (“FRS”) provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”) and a defined contribution pension plan (“Investment Plan”) (see Note 9). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating municipality or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available 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 (877) 377-1737 or by visiting the Web site: www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of creditable service or 30 years of service, regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 1.6% times years of service times final average compensation based on the five

highest years of salary. Vested members with less than 30 years of service may retire before age 62.

Note 8 - Florida Retirement System (continued)

and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of creditable service or 25 years of service, regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 1.6% times years of service times final average compensation based on the five highest years of salary.

Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% times the years of service times their final average compensation based on the five highest years of salary for each year of creditable service. Senior Management Service class members who retire at or after age 62 with at least six years of creditable service or 30 years of service, regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 2.0% times the years of service times their final average compensation based on the five highest years of salary for each year of creditable service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service, regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% times the years of service (3.33% for judges and justices) times their final average compensation based on the five highest years of salary for each year of creditable service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of creditable service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service, regardless of age, for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is retired or accounts under DROP before August 1, 2011, the annual cost-of living adjustment is three percent per year. The COLA formula for retirees with an effective retirement date or DROP begin date on or after August 1, 2011, will be the sum of the pre-July 2011 service credit divided by the total service credit at retirement multiplied by 3 percent. Each member with an effective retirement date of August 1, 2011, or after will have an individual COLA factor for retirement. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022, respectively, were as follows: Regular - 10.82% and 11.91%; Special Risk Administrative Support - 37.76% and 38.65%; Special Risk - 25.89% and 27.83%; Senior Management Service - 29.01% and 31.57%; Elected Officers' - 51.42% and 57.00%; and DROP participants - 18.34% and 18.60%. These employer contribution rates include 1.66% HIS Plan subsidy for both the periods October 1, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022.

Note 8 - Florida Retirement System (continued)

HIS Plan

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended September 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment of \$ 5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$ 30 and a maximum HIS payment of \$ 150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2022, the HIS contribution was 1.66%. The Village contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2022, the Village reported liabilities of \$ 1,383,416 for its proportionate share of the Pension Plan's net pension liability and \$ 390,371 for the HIS Plan's net pension liability for a total pension liability of \$ 1,773,787. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. At June 30, 2022, the Village's proportionate share was .003718057 percent for the Pension Plan and .003685663 percent for the HIS Plan, which was an increase of .001129787 percent and .000589634 percent respectively, from the proportionate share measured as of June 30, 2021.

The net pension liability (asset) and related components are allocated to the governmental activities and business-type activities based on the distribution of current year employee compensation. At September 30, 2022, it is distributed 76% to governmental activities and 24% to business-type activities.

For governmental activities, net pension liabilities are generally liquidated by the General Fund.

Note 8 - Florida Retirement System (continued)

For the year ended September 30, 2022, the Village recognized pension expense of \$ 208,939 for the Pension plan and \$ 59,001 for the HIS plan for a total pension expense of \$ 267,940. At September 30, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources		
	Pension Plan	HIS Plan	Total
Difference between expected and actual experience	\$ 65,704	\$ 11,849	\$ 77,553
Changes of assumptions	170,373	22,376	192,749
Net difference between project and actual earnings on pension plan investments	91,347	565	91,912
Changes in proportion and differences between Village contributions and proportionate share of contributions	691,099	275,454	966,553
Village contributions subsequent to the measurement date	<u>42,841</u>	<u>5,351</u>	<u>48,192</u>
Total	\$ <u>1,061,364</u>	\$ <u>315,595</u>	\$ <u>1,376,959</u>

Description	Deferred Inflows of Resources		
	Pension Plan	HIS Plan	Total
Difference between expected and actual experience	\$ -	\$ 1,718	\$ 1,718
Changes of assumptions	-	60,390	60,390
Net difference between project and actual earnings on pension plan investments	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>-</u>	\$ <u>62,108</u>	\$ <u>62,108</u>

Note 8 - Florida Retirement System (continued)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer’s fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period ending September 30, 2022. The amounts reported as deferred outflows of resources and deferred inflows of resources related to the FRS Plan will be recognized in pension expense as follows:

Year Ended September 30,	Employer Share of Deferred Outflow/Inflow		
	Pension Plan	HIS Plan	Total
2023	\$ 246,314	\$ 59,424	\$ 305,738
2024	92,946	32,045	124,991
2025	(83,181)	14,652	(68,529)
2026	723,743	32,431	756,174
2027	38,701	75,278	113,979
Thereafter	-	34,306	34,306

Actuarial Assumptions - The Florida Retirement System Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of both pension plans pursuant to section 216.136 (10), Florida Statutes. The Pension Plan’s valuation is performed annually. The HIS Plan has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the Pension Plan was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because the HIS Plan is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the Pension Plan. The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Pension Plan	HIS Plan
Inflation	2.40%	2.40%
Salary Increase	3.25%, average, including inflation	3.25%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation	N/A
Actuarial cost method	Individual entry age	Individual entry age
Mortality table	PUB-2010 with Projection Scale MP-2018	PUB-2010 with Projection Scale MP-2018

Note 8 - Florida Retirement System (continued)

Long-term Expected Rate of Return - The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.6%	2.6%	1.1%
Fixed income	19.8%	4.4%	4.4%	3.2%
Global equity	54.0%	8.8%	7.3%	17.8%
Real estate property	10.3%	7.4%	6.3%	15.7%
Private equity	11.1%	12.0%	8.9%	26.3%
Strategic investments	3.8%	6.2%	5.9%	7.8%
Total	<u>100%</u>			
Assumed Inflation - Mean			2.4%	1.3%

(1) As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 6.70% for the pension plan. The pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

The discount rate used to measure the total pension liability was 3.54% for the HIS Plan. In general, the discount rate for calculating the HIS Plan's total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS Plan benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the municipal bond rate of 3.54% was used to determine the total pension liability. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Village's Proportionate Share of the Net Position Liability to Changes in the Discount Rate- The following table presents the sensitivity of the Village's proportionate share of the net pension liability (asset) to changes in the discount rate. The sensitivity analysis, below, shows the impact to the Village's proportionate share of the net pension liability if the discount rate was 1.00% lower or 1.00% higher than the current discount rate at June 30, 2022:

	<u>1% Decrease (5.70%)</u>	<u>Current Discount Rate (6.70%)</u>	<u>1% Increase (7.70%)</u>
Village's proportionate share of the net pension liability (asset) for Pension Plan	\$ <u>2,392,523</u>	\$ <u>1,383,416</u>	\$ <u>539,683</u>

Note 8 - Florida Retirement System (continued)

	1% Decrease <u>(2.54%)</u>	Current Discount Rate <u>(3.54%)</u>	1% Increase <u>(4.54%)</u>
Village's proportionate share of the net pension liability for HIS Plan	\$ <u>446,616</u>	\$ <u>390,371</u>	\$ <u>343,829</u>

Pension Plans’ Fiduciary Net Position

Detailed information about the pension plans’ fiduciary net position is available in the state’s separately issued financial reports.

Note 9 - Defined Contribution Plans

Section 457(b) Plan

The Village has a money purchase contribution plan qualified under Section 457(b) of the Internal Revenue Code. The plan is administered by an independent trustee. No contributions are made by the Village to this plan.

Investment Plan

The Village offers to its employees a defined contribution pension plan, as a part of the Florida Retirement System (Note 8). The SBA (State Board Administration) administered the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA’s annual financial statements and in the State of Florida’s Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS Defined Benefit Plan. Village employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual members’ accounts, are defined by law, but the ultimate benefit depends, in part, on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class, as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment members’ accounts during the 2021-2022 fiscal year, as established by Section 121.72, Florida Statutes, are based on percentage of gross compensation, by class, as follows:

Note 9 - Defined Contribution Plan (continued)

<u>Class</u>	<u>Allocated</u>
Elected Officials	11.34%
Senior Management	7.67%
Special Risk	14.00%
Special Risk Administrative Support	7.95%
Regular Employees	6.30%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan vesting is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on these funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over his or her account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Village.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The Village's pension expense for the Investment Plan totaled \$ 17,942 for the year ended September 30, 2022.

Note 10 - Lease Liability

The Village has entered into a real estate rental arrangement which expires on July 31, 2024. Monthly rental payments for the duration of the lease are approximately \$ 3,200, plus applicable common area expenses.

The lease agreement is summarized as follows:

<u>Lease Asset</u>	<u>Date</u>	<u>Payment Term</u>	<u>Monthly Payment</u>	<u>Implicit Interest</u>	<u>Total Lease Liability</u>	<u>Balance Sept. 30</u>
Building	8/1/2020	4 years	\$ 3,226	3.25%	\$ 145,392	\$ 67,314
Total Lease Liability						<u>\$ 67,314</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Fiscal Year Ending</u> <u>September 30:</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 35,643	\$ 3,063
2024	31,671	3,809
Total	<u>\$ 67,314</u>	<u>\$ 6,872</u>

Note 11 - Risk Management

The Village is exposed to various risks of loss related to torts, including, but not limited to: theft of assets; damage to and destruction of assets; errors and omissions; general liabilities; and natural disasters for which the Village carries commercial insurance. There have been no significant reductions of insurance coverage, and settlement amounts have not exceeded insurance coverage for the current or the three prior years.

Note 12 - Significant Third Party Arrangements

The Village is currently included in the Martin County MSTU for Fire Protection and EMS Services. An interlocal agreement between the Village of Indiantown and Martin County was approved on September 27, 2018 by the Village Council under Ordinance 001-2018 for the Village to retain fire rescue services from the County MSTU. There are two subsequent amendments that have been approved related to the interlocal agreement. The first amendment was approved on May 23, 2019 under Ordinance 12-2019. The purpose of the amendment was for the Village to consent to the inclusion of the incorporated area of the Village to be formally included within the County's Fire Rescue MSTU, and to amend the provisions of the original interlocal agreement to change from payment made by the Village to the MSTU, to instead for taxes to subsequently be collected and remitted directly to the Martin County Fire Rescue MSTU. The second amendment as approved by the Council in July, 2021. The second amendment was for the County to agree to give the Village \$1.5 million as a contribution toward construction of a 12-inch fire loop for the improvement of fire protection services within the Village. This was also in consideration for the Village to remain included within the Fire Rescue MSTU.



REQUIRED
SUPPLEMENTARY INFORMATION

Village of Indiantown, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended September 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues:				
Property taxes	\$ 3,142,366	\$ 3,142,366	\$ 3,219,674	\$ 77,308
Intergovernmental revenue	1,015,000	1,964,776	3,010,188	1,045,412
General government taxes	456,869	456,869	448,121	(8,748)
Licenses, permits and franchise fees	637,739	635,639	803,710	168,071
Charges for services	10,250	10,250	68,245	57,995
Fines and forfeitures	8,700	8,700	36,963	28,263
Investment income	10,000	10,000	5,332	(4,668)
Miscellaneous revenues	6,000	6,000	49,958	43,958
	<u>5,286,924</u>	<u>6,234,600</u>	<u>7,642,191</u>	<u>1,407,591</u>
Total revenues				
Expenditures:				
Current:				
General government				
Legislative	106,075	106,075	104,882	1,193
Administrative services	2,006,530	1,975,742	1,637,579	338,163
Community and economic dev.	645,719	709,109	648,398	60,711
Financial services	249,172	249,172	266,770	(17,598)
Legal services	169,000	169,000	144,000	25,000
Transportation				
Public works and engineering	991,000	1,890,776	483,777	1,406,999
Culture and recreation				
Parks and recreation	740,528	757,926	486,517	271,409
Capital outlay	118,500	118,500	2,114,545	(1,996,045)
	<u>5,026,524</u>	<u>5,976,300</u>	<u>5,886,468</u>	<u>89,832</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>260,400</u>	<u>258,300</u>	<u>1,755,723</u>	<u>1,497,423</u>
Other Financing Sources (Uses):				
Fund balance carryover				
Transfers in	90,600	90,600	-	(90,600)
Transfers out	(351,000)	-	(1,297)	(1,297)
	<u>(260,400)</u>	<u>90,600</u>	<u>(1,297)</u>	<u>(91,897)</u>
Total other financing sources (uses)				
Net change in fund balance	<u>\$ -</u>	<u>\$ 348,900</u>	<u>\$ 1,754,426</u>	<u>\$ 1,405,526</u>

Village of Indiantown, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Community Trust Fund
For the Year Ended September 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues:				
Investment income	\$ 20,000	\$ -	\$ 377	\$ 377
Total revenues	<u>20,000</u>	<u>-</u>	<u>377</u>	<u>377</u>
Expenditures:				
Grants and aids	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>377</u>	<u>377</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377</u>	<u>\$ 377</u>

Village of Indiantown, Florida
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Capital Improvement Fund
 For the Year Ended September 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Expenditures:				
Capital outlay	\$ 351,000	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over expenditures	<u>351,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Sources (Uses):				
Transfers in	351,000	-	1,297	1,297
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>351,000</u>	<u>-</u>	<u>1,297</u>	<u>1,297</u>
Net change in fund balance	\$ <u>-</u>	<u>-</u>	\$ <u>1,297</u>	\$ <u>1,297</u>

Village of Indiantown, Florida
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Special Revenue Fund
 For the Year Ended September 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues:				
Intergovernmental revenue	\$ -	\$ 260,827	\$ 432,088	\$ 171,261
Expenditures:				
Professional services	-	48,930	48,930	-
Capital outlay	-	211,897	-	211,897
Total expenditures	-	260,827	48,930	211,897
Excess (deficiency) of revenues over expenditures	-	-	383,158	383,158
Other Financing Sources and (Uses):				
Transfers out	-	-	(383,158)	(383,158)
Total other financing sources (uses)	-	-	(383,158)	(383,158)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

Note 1 - Budgets and Budgetary Accounting

An annual appropriated budget is generally adopted for all governmental funds. The Special Revenue Fund budget was not adopted.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) The Village Manager submits to the Council a proposed operating budget for the ensuing fiscal year. The operating budget includes appropriations and the means of financing them with an explanation regarding each expenditure that is not of a routine nature.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of a resolution.
- (d) The Village Council, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated. During the year ended September 30, 2022, there were no significant supplemental appropriations.
- (e) Formal budgetary integration is employed as a management control device. The Village Manager is authorized to approve administrative transfers between departments within the same fund. Transfer requests are reviewed by the Department Director and/or a designated representative. Budgetary integrity is established for control purposes at the department level.
- (f) The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year-end. Encumbrances are re-appropriated in the following year's budget.
- (g) For the year ended September 30, 2022, the expenditures of the Financial Services department exceeded appropriations by approximately \$ 18,000. This was primarily the result of additional temporary contracted and consulting staff being hired in FY22 that caused expenditure to exceed budget. Those contracted services were primarily to serve in the role of interim financial services director and for development of the annual budget. Overall, the Village experienced a favorable budget variance of approximately \$ 1,024,000.

Village of Indiantown, Florida
Required Supplementary Information
Schedule of the Village's Proportionate Share of the Net Pension Liability -
Florida Retirement System Pension Plan
Last 10 Fiscal Years
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Village's proportion of the FRS net pension liability	0.003718057%	0.002588270%	0.001105250%	0.000037780%
Village's proportionate share of the FRS net pension liability	\$ 1,383,416	\$ 195,514	\$ 479,032	\$ 13,011
Village's covered payroll	\$ 1,120,029	\$ 990,759	\$ 385,078	\$ 34,165
Village's proportionate share of the net pension liability as a percentage of its covered payroll	123.52%	19.73%	124.40%	38.08%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.89%	96.40%	78.85%	82.61%

Note 1:

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the governmental unit should present information for only those years for which information is available.

Village of Indiantown, Florida
Required Supplementary Information
Schedule of the Village's Contributions -
Florida Retirement System Pension Plan
Last 10 Fiscal Years
(Unaudited)

Report Period Ending:	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required FRS contribution	\$ 194,267	\$ 95,041	\$ 34,866	\$ 6,453
FRS contributions in relation to the contractually required FRS contribution	<u>(194,267)</u>	<u>(95,041)</u>	<u>(34,866)</u>	<u>(6,453)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,120,029	\$ 1,120,925	\$ 493,583	\$ 95,818
FRS contributions as a percentage of covered payroll	17.34%	8.48%	7.06%	6.73%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the governmental unit should present information for only those years for which information is available.

Village of Indiantown, Florida
Required Supplementary Information
Schedule of the Village's Proportionate Share of the Net Pension Liability -
Retiree Health Insurance Subsidy Program
Last 10 Fiscal Years
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Village's proportion of the HIS net pension liability	0.003685663%	0.00309603%	0.001188420%	0.000056060%
Village's proportionate share of the HIS net pension liability	\$ 390,371	\$ 379,775	\$ 145,105	\$ 6,273
Village's covered payroll	\$ 1,216,566	\$ 1,096,061	\$ 412,477	\$ 37,500
Village's proportionate share of the net pension liability as a percentage of its covered payroll	32.09%	34.65%	35.18%	16.73%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	4.81%	3.56%	3.00%	2.63%

Note 1:

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the governmental unit should present information for only those years for which information is available.

Village of Indiantown, Florida
Required Supplementary Information
Schedule of the Village's Contributions -
Retiree Health Insurance Subsidy Program
Last 10 Fiscal Years
(Unaudited)

Report Period Ending:	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required HIS contribution	\$ 20,195	\$ 20,383	\$ 8,806	\$ 1,729
HIS contributions in relation to the contractually required HIS contribution	<u>(20,195)</u>	<u>(20,383)</u>	<u>(8,806)</u>	<u>(1,729)</u>
HIS contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ 1,216,566	\$ 1,227,894	\$ 530,502	\$ 104,151
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the governmental unit should present information for only those years for which information is available.



COMPLIANCE SECTION -
OTHER REPORTS OF
INDEPENDENT AUDITORS

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 Honorable Mayor and
Members of the Village Council
Village of Indiantown, 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 Village of Indiantown, Florida (the "Village") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated November 2, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Villages 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 Village'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. We identified certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies (items: 2021-01 through 2021-08).

Report on Compliance and Other Matters

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

Village's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Village's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
November 2, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
CHAPTER 10.550, RULES OF THE FLORIDA AUDITOR GENERAL

To the Honorable Mayor and
Members of the Village Council
Village of Indiantown, Florida

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the Village of Indiantown, Florida's (the "Village") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs and state projects for the year ended September 30, 2022. The Village's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Florida Auditor General*. Our responsibilities under those standards, the Uniform Guidance, and Chapter 10.550, *Rules of the Florida Auditor General* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the Village's compliance with the compliance requirements referred to above.

CPAs + Trusted Advisors

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Village's federal programs and state projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.550, Rules of the Florida Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Village's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.550, Rules of the Florida Auditor General we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Village's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Village's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Florida Auditor General but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Village of Indiantown, Florida

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
November 2, 2023

MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Honorable Mayor and
Members of the Village Council
Village of Indiantown, Florida

Report on the Financial Statements

We have audited the basic financial statements of the Village of Indiantown, Florida (the "Village"), as of and for the fiscal year ended September 30, 2022, and have issued our report thereon November 2, 2023.

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); 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*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant'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 and schedule, which are dated November 2, 2023, 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. Uncorrected findings from the 2021 report are presented in the Schedule of Findings and Questioned Costs.

CPAs + Trusted Advisors

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Village of Indiantown, Florida was incorporated in December 2017. Additional information on the Village's creation is disclosed within the Village's footnotes. The Village does not have any component units.

Financial Condition and Management

Section 10.554(1)(i)5.a., and 10.556(7) *Rules of the Auditor General*, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not the Village has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, such recommendations have been included in the accompanying Schedule of Findings and Questioned Costs.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants attention of those charged with governance. In connection with our audit, we did not note 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 Village Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
November 2, 2023

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
SECTION 218.415, FLORIDA STATUTES

To the Honorable Mayor and
Members of the Village Council
Village of Indiantown, Florida

We have examined the Village of Indiantown, Florida's (the "Village") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2022. Management is responsible for the Village's compliance with the specific requirements. Our responsibility is to express an opinion on the Village's compliance with the specific requirements 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 Village complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Village 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 Village's compliance with the specified requirements.

In our opinion, the Village complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

This report is intended solely for the information and use of Members of the Village Council, management, and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
November 2, 2023

CPAs + Trusted Advisors

Village of Indiantown, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Year Ended September 30, 2022

Federal/State Agency Pass Through Entity Federal Program/State Project	AL/CSFA Number	Grant ID Number	Actual Expenditures	Transfer to Subrecipients
Federal Agency Name:				
Direct Program:				
U.S. Department of Treasury - Coronavirus State and Local Fiscal Recovery Funds	21.027	Y-5129	\$ 432,088	\$ -
Indirect Programs:				
U.S. Department of Housing and Urban Development - Passed Through the State of Florida Department of Economic Opportunity: Community Development Block Grants	14.228	H-2416	26,599	-
U.S. Department of Environmental Protection - Passed Through the State of Florida Department of Environment Protection: Drinking Water State Revolving Funds	66.468	DW-430320	<u>515,452</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 974,139</u>	<u>\$ -</u>
State of Florida:				
Direct Projects:				
Florida Department of Environmental Protection - Small Community Wastewater Facility Grant	37.075	SG-065	59,776	-
Wastewater Treatment Facility Construction	37.077	WW-430330	92,496	-
Florida Department of Economic Opportunity - Growth Management Implementation	40.024	P-0431	50,000	-
Florida Department of Transportation - Public Transit Service Development Program	55.012	G-1K89	10,838	-
Local Transportation Projects	55.039	G-1V38	<u>1,749,553</u>	<u>-</u>
Total expenditures of state financial assistance			<u>\$ 1,962,663</u>	<u>\$ -</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 2,936,802</u>	<u>\$ -</u>

Village of Indiantown, Florida
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2022

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the federal and state grant activity of the Village of Indiantown, Florida (the "Village"). The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.550, Rules of the Auditor General. Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position/fund balance or cash flows of the Village.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, and Chapter 10.550, *Rules of the Florida Auditor General*, as well as other applicable provisions of contracts and grant agreements, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3 - Indirect Cost Rate

The Village did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Contingency

The grant and contract revenue received is subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor/contract agencies would become a liability of the Village. In the opinion of management, all grant and contract expenditures are in compliance with the terms and conditions of the grant agreements and applicable federal laws and other applicable regulations.

Village of Indiantown, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

 X yes _____ none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weaknesses(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal program:

<u>AL No.</u>	<u>Federal Program or Cluster</u>
21.027	U.S. Department of the Treasury: Coronavirus State and Local Fiscal Recovery Funds

Identification of major state financial assistance projects:

<u>CSFA No.</u>	<u>State Project</u>
55.039	Florida Department of Transportation: Local Transportation Projects

Dollar threshold used to distinguish between Federal Type A and Type B programs:
 State Type A and Type B projects:

\$ 750,000
 \$ 588,799

Auditee qualified as low-risk auditee?

_____ yes X no

Village of Indiantown, Florida
 Schedule of Findings and Questioned Costs
 (Continued)
 September 30, 2022

SECTION II - FINANCIAL STATEMENTS FINDINGS

None reported.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - PRIOR YEAR AUDIT FINDINGS

	<u>Still Applicable</u>	<u>Partially Implemented</u>	<u>Implemented Or No Longer Relevant</u>
2021-01 Bank Reconciliation Procedures (see update below)	X		
2021-02 Journal Entry Procedures (see update below)	X		
2021-03 Month-End and Year-End Closing Schedule and Procedures (see update below)	X		
2021-04 Trial Balance			X
2021-05 Payroll Procedures (see update below)		X	
2021-06 Accounts Receivable Management - Utility Fund (see update below)	X		
2021-07 Capital Asset Listing (see update below)		X	
2021-08 Expense Recording Processes			X

2021-01 Bank Reconciliation Procedures:

Criteria: Bank reconciliations should be reviewed and approved timely by an appropriate individual within the Village to ensure that cash is properly monitored and controlled.

Condition: During the audit, we noted that monthly bank reconciliations prepared by the Village’s consultant were not being reviewed and approved.

Cause: Village personnel were not reviewing and approving bank reconciliations as part of the monthly closing process.

2021-01 Bank Reconciliation Procedures: (continued)

Effect: Misstatements in cash accounts may not be detected and corrected in a timely manner.

Recommendation: We recommend that bank reconciliations be reviewed and approved by the Finance Director as part of the monthly closing process and there should be evidence of such review and approval process. We also recommend that this process be detailed in the Village's formal financial policies and procedures.

2022 update: During the year ended September 30, 2022, we noted that the bank reconciliations were being completed and reviewed, but they were not being completed in a timely manner in order to allow for a timely close of the month.

Management's response: All bank reconciliations for FY22 were reviewed and approved by the Finance Director. However, due to the timing of the completion of the FY21 audit in late June of 2022, along with the subsequent departure of several key members of the Village personnel during the last quarter of the calendar year and through January of 2023 had a significant impact on Financial Services, the timely completion of reconciliations was not possible. During the FY22 audit, although all bank reconciliations were approved by the Financial Services Director, it was subsequently discovered that the financial system does not automatically apply a user ID document approval stamp of individuals as it does with other system documents such as journal vouchers and A/P claims. Therefore, external date and time stamps were not applied to the electronic bank reconciliation documents. For the 2023 audit year the Financial Services Director will ensure all bank reconciliations manually indicate who approved and date approved. Also, the written procedures for updating the Village's bank reconciliation process will be included in the comprehensive overall of the Financial Services policies and procedures manual scheduled to be presented to the Village council for approval in FY24.

2021-02 Journal Entry Procedures:

Criteria: Journal entries should be reviewed and approved timely by an appropriate individual within the Village to ensure that account balances are being properly reconciled, adjusted and accurately stated.

Condition: During the audit, we noted that journal entries were not being reviewed and approved.

Cause: Village personnel were not reviewing and approving journal entries as part of the monthly closing process.

Effect: Misstatements in accounts, and financial reports, may not be detected and corrected in a timely manner.

Recommendation: We recommend that the listing of the journal entries be reviewed and approved by an appropriate individual within the Village's finance team as part of the monthly closing process; and there should be evidence of such review approval process. We also recommend that this process be detailed in the Village's formal financial policies and procedures.

2022 update: During the 2022 audit, we noted that certain journal entries were not being reviewed and approved.

2021-02 Journal Entry Procedures: (continued)

Management's response: All journal entries for FY22 have been reviewed by the Financial Services Director. All journal entries since April 2022 have been reviewed, approved, and posted by the Financial Services Director. For the same reasons as referenced above, the Financial Services Director had to absorb several other additional duties, resulting in journal entries not being posted timely. The comprehensive overhaul of the Financial Services policies and procedures manual scheduled to be presented to the Village council for approval in FY24 will also include journal entry procedures.

2021-03 Month-End and Year-End Closing Schedule and Procedures:

Criteria: The Village should have a month-end and year-end closing schedule to prepare and meet its annual reporting requirements.

Condition: During the audit, we noted that there was no month-end or year-end closing schedule delineating the roles and responsibilities of Village personnel as they prepare for monthly and annual reporting requirements.

Cause: The Village has not formalized a month-end and year-end closing schedule/process to facilitate timely financial reporting.

Effect: The Village experienced delays in important procedures not being performed timely such as delays in producing closing entries, a fully adjusted trial balance, schedules, reconciliations, account analysis and other financial reports needed by management and the auditors.

Recommendation: We recommend that a month-end and year-end closing schedule be prepared to include the activity, staff responsible, internal due date and actual date of completion. The due date for activities should be coordinated with the timing of management's and the auditor's need for the information. The due dates should be monitored by Village management to determine that they are being met.

2022 Update: During the year ended September 30, 2022, we noted that the Village has not formalized a month and year-end closing schedule to facilitate timely financial reporting.

Management response: Due to the absence of any other staff in Financial Services other than the Financial Services Director, there was no year-end closing schedule developed to assign duties to other personnel. The Financial Services Director developed daily task lists and completed the audit preliminary, and fieldwork needs lists but nothing more. The ability to establish any year-end close schedule for FY22 was further hampered during the first several months after fiscal year end due to the departure of several key members of staff that required the Financial Services Director to assume still more duties directly impacting the audit. Those additional unplanned duties included taking direct oversight over processing of payroll including changes in health benefits, property and casualty and workman's comp insurance, retirement and deferred compensation processing and reporting, and all grants administration, including compilation and submission of all grant reimbursement requests, and the reconciliation of all grant expenditures to the G/L for development of the SEFA.

2021-03 Month-End and Year-End Closing Schedule and Procedures: (continued)

During the FY22 Audit, shortcomings in training and technical knowledge of the Village’s utility billing and financial accounting systems persisted. The lack of in-house knowledge did cause additional delays with the development and reproduction of reports needed for the audit. Required efforts to gain a better understanding of information system processes did take additional time and caused delays with year-end close and therefore also adversely affected timely reporting. All of these issues observed during and subsequent to the FY22 audit have now been better documented. The timing of events and the execution of certain processes within the Village’s information systems will now be better planned with more predictable results. The Financial Services Director does not foresee any such similar issues or incidents in the upcoming audit for FY23 as has been seen during the FY21 and FY22 audits. A more formal and comprehensive year-end close schedule will be developed that captures all known closing procedures.

The Village has committed to the purchase and implementation of a new ERP system that includes financial reporting and utility billing before the end of FY24. As the Village completes the implementation of the new system, the necessary training and related documentation will be developed. This will ensure the timely and accurate completion of the monthly and annual tasks thus providing information for the completion of the annual audit.

2021-05 Payroll Procedures:

Criteria: The Village should have adequate controls over payroll processes to ensure that amounts are being paid, withheld and recorded accurately by the Village.

Condition: During the audit we became aware of the following matters:

1. An employee on family and medical leave was being paid for eight weeks that they should not have been paid under the Village’s payroll policy, resulting in overpayment to the employee.
2. Pay rates were not always accurately applied by the payroll provider and issues were not discovered timely by Village management, resulting in incorrect amounts being paid to employees.
3. Certain pay rate changes were approved but were not sent to the payroll provider on a timely basis, which resulted in employees not being paid the correct amount.
4. Based on the Village’s policy, certain employees are required to contribute to the health insurance that they are provided. For a period of time, the payroll provider was not applying any withholding deductions from these individuals.

Cause: The Village did not have adequate controls over the payroll process.

Effect: The Village had errors in the amount of payroll expense recorded, and Village management had to develop a plan to remedy the financial effects of these errors.

Recommendation: We recommend that management of the Village establish controls to monitor each payroll run to ensure that the amounts paid, withheld, and recorded are proper. We also recommend that the Village develops a written policy that outlines the payroll process that includes review and approval throughout every stage to ensure the above errors, and any other material errors, are discovered and resolved timely.

2021-05 Payroll Procedures: (continued)

2022 update: During the 2022 audit, we noted that the Financial Services Director implemented procedures at the end of FY 2022 in an effort to remedy this matter. We plan to evaluate these controls during our FY 2023 audit. We did not identify any matters of noncompliance pertaining to this area during the 2022.

Management's response: At the end of FY22, the Financial Services Director instituted new procedures specific to payroll that requires the Financial Services Director to be a third signor along with HR and the Village Manager for all payroll updates and changes, including changes with pay rates and employee deductions. The approved updates are made by the Financial Services Director in their third-party payroll system. After this process change, there have been no further occurrence of incorrect pay rates or missed or erroneous payroll deductions. The basic steps now being performed as they pertain to payroll processing were provided in the internal control narrative update for the FY22 audit. This procedure will be more formally documented in the near future, and will again be updated once the Village completes implementation of a new ERP system that will bring all payroll processing in-house, projected to be in place prior to the close of FY24.

2021-06 Accounts Receivable Management – Utility Fund:

Criteria: The subsidiary accounts receivable aging schedule should be reconciled to the general ledger on a monthly basis to properly manage and account for the Village's receivables.

Condition: During the audit, we were unable to obtain from Village management a reconciliation between the accounts receivable aging subsidiary schedule and the general ledger.

Cause: The accounts receivable aging schedule and the general ledger are not reconciled on a regular basis.

Effect: It was more challenging to test the account receivable balance (asset) and this resulted in delays during the audit process.

Recommendation: We recommend that management of the Village reconciles the subsidiary accounts receivable aging schedule to the general ledger amount on a monthly basis to properly manage and account for the Village's receivables.

2022 update: During the year ended September 30, 2022, we were unable to obtain from Village management a reconciliation between the accounts receivable aging schedule and the general ledger amount.

Management's response: During the FY22 audit, an effort was made to develop the necessary utility billing reports for posting and reconciliation with the G/L. The billing report required for reconciliation was created. However, it was determined that it was not possible to fully reconcile the billing system records to the amount of the bank postings relating to the credit card activity generated by our current merchant service provider. On several occasions, requests for the reconciling differences between the credit card transaction amount and the settlement amounts were submitted to our merchant provider. The merchant provider could not provide sufficient explanation between transaction amounts in the billing system and the amounts showing as settled in the merchant account, net of fees. The reason given was credit card companies all have their own schedule of fees based on each cardholder's spend, to which our merchant provider stated they do not know and cannot report to us what those fees are. Further complicating the reconciliation are the many-to-one batch processes, to which credit card payments are authorized, then batch, settle.

2021-06 Accounts Receivable Management - Utility Fund: (continued)

and post to our bank accounts differently and in different order than how they were first approved and posted in the utility billing system. This makes reconciling tedious and difficult, and at times impossible to match payments and postings on a one-to-one basis.

As discussed, the Village is planning to implement a new ERP system prior to the conclusion of FY24, which includes a new utility billing system. During this time a new merchant provider is also being sought that can generate reports that will allow for full reconciliation between G/L, the billing system, and the merchant account. Until then our best efforts will be made and continued inquiries will be submitted to request explanation of reconciling differences.

2021-07 Capital Asset Listing:

Criteria: The Village should maintain an accurate and detailed schedule of all capital assets to ensure that the assets are depreciated, valued, and maintained properly.

Condition: During the audit, we were unable to obtain from Village management a detailed schedule of the capital assets for the utility fund.

Cause: We were informed that upon purchase of the water and wastewater utility system, the Village's management was not provided a detailed listing of the different components of the water and wastewater utility system.

Effect: Management of the Village is not able to record depreciation expense (based on useful life) and monitor these capital assets to the extent necessary to effectively plan for future repairs and maintenance of these assets.

Recommendation: We recommend that Village management determine and seek consulting in determining the cost and useful life to be assigned to the individual assets. This list should be updated as items are purchased, sold, removed, or impaired.

2022 update: During the 2022 audit, we noted that the Financial Services Director implemented procedures to begin the process of remedying this matter. We plan to evaluate these controls during our FY 2023 audit.

Management's response: Utility asset classifications and class lives were updated and corrected to the greatest extent possible during the FY22 audit. Management did consider retaining a consulting engineer to develop a still further detailed cost and useful life schedule of additional classifications of the utility system's assets. However, we determined the cost of that exercise would exceed the benefit. The basis for this determination was any information we would obtain during this exercise would not be material in value and would also be short lived as all of the system assets have already been scheduled to undergo significant upgrades and replacement over the next several years. As such, the need to plan for future repairs and maintenance will be materially altered and not be based on the current inventory of obsolete assets already scheduled for replacement. During the course of this upcoming phase of capital improvements, we will be able to effectively delineate new additions to our capital asset inventory and establish appropriate asset classifications and class lives. The implementation of a new ERP system scheduled to be completed by the end of FY24 or during the first quarter of FY25 will help significantly with maintaining ongoing accurate accounting of these new assets in support of planned repairs and maintenance.