

Town of Lake Hamilton, Florida



Annual Financial Report
Year ended September 30, 2023

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report.....1

Management's Discussion and Analysis (unaudited required supplementary information)4

BASIC FINANCIAL STATEMENTS

Government Wide Financial Statements:

Statement of Net Position 11

Statement of Activities..... 12

Fund Financial Statements:

Balance Sheet – Governmental Fund..... 13

Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net
Position 14

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Fund 15

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Fund to the Statement of Activities..... 16

Statement of Net Position – Proprietary Fund 17

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund 18

Statement of Cash Flows – Proprietary Fund 19

Statement of Fiduciary Net Position – Fiduciary Fund 20

Statement of Changes in Fiduciary Net Position – Fiduciary Fund 21

Notes to the Financial Statements..... 22

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund 43

Schedule of Changes in the Total Other Postemployment Benefits Payable Liability and
Related Ratios 44

TABLE OF CONTENTS

OTHER INFORMATION

Schedule of Expenditures of State Financial Assistance	45
Notes to Schedule of Expenditures of State Financial Assistance	46
Independent Auditor’s Report on Compliance for Each Major Project and on Internal Control Over Compliance Required by Chapter 10.550, Rules of The Florida Auditor General	47
Schedule of Findings and Questioned Costs	50
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 <i>Government Auditing Standards</i>	56
Independent Accountants’ Examination Report on Compliance with the Requirements of Section 218.415, <i>Florida Statutes</i>	58
Independent Auditor’s Management Letter	59
Letter of Management’s Response	62

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Lake Hamilton, 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 Town of Lake Hamilton, Florida (the "Town"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2023, 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 Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 and the budgetary comparison information on page 42 and the schedule of changes in the total other postemployment benefits payable liability and related ratios on page 43 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 Town's basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by section 215.97, *Florida Statutes* and Chapter 10.550, *Rules of the Auditor General*, and is also 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. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2024, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Other Reporting Required by Chapter 10.550, Rules of the Auditor General

In accordance with Chapter 10.550, *Rules of the Auditor General*, we have issued our report dated December 6, 2024, on our examination of compliance with requirements of Section 218.415, *Florida Statutes*. The purpose of this report is to describe the scope of our examination and the issuance of an opinion on the Town of Lake Hamilton, Florida's compliance with requirements of Section 218.415, *Florida Statutes*.

Ramos & Floyd CPAs PLLC

Lakeland, Florida
December 6, 2024

TOWN OF LAKE HAMILTON, FLORIDA

Management's Discussion and Analysis

September 30, 2023

As management of the Town of Lake Hamilton, Florida (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 11.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$21,124,513 (net position). Of this amount, \$2,652,169 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors compared to \$508,510 in the prior year.
- The government's total net position increased by \$9,751,150 as a result of operations compared to an increase of \$1,762,691 in the prior year.
- As of the close of the current fiscal year, the Town's general fund (governmental fund level) reported ending fund balance of \$1,994,547 an increase of \$836,813 or 72%. Of this total amount, \$568,596 is available for spending at the government's discretion (unassigned and assigned fund balance) compared to \$690,930 in the prior year.

Overview of the Financial Statements

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

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner like a private-sector business.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported in a manner like the approach used by private-sector business in that revenue is recognized when earned or established criteria are satisfied, and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the year, and expenses are reported even though they may not have used cash during the current fiscal year.

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, building and code enforcement, law enforcement, streets, sanitation and parks and recreation. The business-type activities of the Town include the water and sewer department.

TOWN OF LAKE HAMILTON, FLORIDA

Management's Discussion and Analysis

September 30, 2023

The government-wide financial statements can be found by referencing the table of contents of this report.

Fund financial statements: Funds are a group of self-balancing accounts. Funds are used to account for specific activities of the Town, rather than reporting on the Town as a whole. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

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

The Town maintains one governmental fund, the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Proprietary funds: The Town utilizes one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer segments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains one fiduciary fund type; a custodial fund. The custodial fund reports resources, not in a trust, that are held by the Town for other parties outside of Town's reporting entity.

The governmental, proprietary and fiduciary fund financial statements can be found by referencing the table of contents of this report.

All the Town's funds are considered major funds.

TOWN OF LAKE HAMILTON, FLORIDA
Management's Discussion and Analysis
September 30, 2023

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

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's general fund's budgetary comparisons and changes in the other postemployment benefits obligation.

Government-wide Financial Analysis

The following is a summary of the information presented in the Statement of Net Position on page 11 of this report.

Statement of Net Position (Summary)
as of September 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 2,109,850	\$ 1,445,062	\$ 4,778,176	\$ 993,253	\$ 6,888,026	\$ 2,438,315
Capital assets	4,408,455	4,284,963	20,047,234	10,708,821	24,455,689	14,993,784
Total assets	<u>\$ 6,518,305</u>	<u>\$ 5,730,025</u>	<u>\$ 24,825,410</u>	<u>\$ 11,702,074</u>	<u>\$ 31,343,715</u>	<u>\$ 17,432,099</u>
Long-term liabilities outstanding	\$ 1,495,822	\$ 1,568,819	\$ 4,396,117	\$ 3,548,707	\$ 5,891,939	\$ 5,117,526
Other liabilities	136,883	310,729	4,190,380	630,481	4,327,263	941,210
Total liabilities	<u>\$ 1,632,705</u>	<u>\$ 1,879,548</u>	<u>\$ 8,586,497</u>	<u>\$ 4,179,188</u>	<u>\$ 10,219,202</u>	<u>\$ 6,058,736</u>
Net position:						
Net investment in capital assets	\$ 2,988,902	\$ 2,976,565	\$ 11,687,555	\$ 6,879,422	\$ 14,676,457	\$ 9,855,987
Restricted	278,958	29,027	3,516,929	979,839	3,795,887	1,008,866
Unrestricted	1,617,740	844,885	1,034,429	(336,375)	2,652,169	508,510
Total net position	<u>\$ 4,885,600</u>	<u>\$ 3,850,477</u>	<u>\$ 16,238,913</u>	<u>\$ 7,522,886</u>	<u>\$ 21,124,513</u>	<u>\$ 11,373,363</u>

Sixty-nine percent of the Town's net position reflects its net investment in capital assets (e.g., land, buildings, sewer and water system, machinery, and equipment); less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Eighteen percent of the Town's net position represents resources that are subject to external restrictions on how they may be used and are reported as restricted net position. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

TOWN OF LAKE HAMILTON, FLORIDA
Management's Discussion and Analysis
September 30, 2023

The following is a summary of the information presented in the Statement of Activities on page 12 of this report.

Statement of Activities (Summary)
For the year ended September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 1,120,098	\$ 563,639	\$ 1,101,073	\$ 735,003	\$ 2,221,171	\$ 1,298,642
Operating grants and contributions	147,145	4,607	-	-	147,145	4,607
Capital grants and contributions	366,851	54,972	8,584,610	2,244,224	8,951,461	2,299,196
<i>General revenues:</i>						
Taxes	1,620,241	1,318,429	-	-	1,620,241	1,318,429
Intergovernmental	202,205	240,863	-	-	202,205	240,863
Other	16,260	79,822	19,814	-	36,074	79,822
Total revenues	3,472,800	2,262,332	9,705,497	2,979,227	13,178,297	5,241,559
Expenses:						
General government	1,009,799	1,015,188	-	-	1,009,799	1,015,188
Law enforcement	781,210	863,087	-	-	781,210	863,087
Streets	177,448	190,655	-	-	177,448	190,655
Sanitation	241,894	271,208	-	-	241,894	271,208
Stormwater	23,066	26,438	-	-	23,066	26,438
Parks and recreation	143,213	125,194	-	-	143,213	125,194
Interest on long-term debt	61,047	57,772	-	-	61,047	57,772
Water utility	-	-	845,868	829,645	845,868	829,645
Sewer utility	-	-	143,602	99,681	143,602	99,681
Total expenses	2,437,677	2,549,542	989,470	929,326	3,427,147	3,478,868
Change in Net Position	1,035,123	(287,210)	8,716,027	2,049,901	9,751,150	1,762,691
Net position - October 1	3,850,477	4,137,687	7,522,886	5,472,985	11,373,363	9,610,672
Net position - September 30	\$ 4,885,600	\$ 3,850,477	\$ 16,238,913	\$ 7,522,886	\$ 21,124,513	\$ 11,373,363

Governmental activities: Governmental activities' change in net position for 2023 was an increase of \$1,035,123 as compared to a decrease of \$287,210 for the prior year. The main reasons for the improvement in the change in net position are as follows:

- Total revenue increased by \$1,210,468 or 54% mainly due to an increase in program revenues of \$1,010,876 (162%) caused by the following:
 - Charges for services increased by \$556,459 or 99% due mainly to increased building permit and planning review related revenues and construction activity within the Town has increased significantly.
 - Capital grants and contributions increased by \$311,879 or 567% due to increased impact fee collections due to increased construction activity within the Town.
 - Operating grants and contributions increased by \$142,538 or 3094% mainly due to increased grant revenue not restricted for capital expenditures (\$54,341 increase) and insurance claims (\$87,379 increase).

TOWN OF LAKE HAMILTON, FLORIDA

Management's Discussion and Analysis

September 30, 2023

- Total expenses decreased by \$111,865 or 4% mainly due to a \$81,877 decrease in operational expenses of the law enforcement function. The decrease in law enforcement functional expense is due to many changes across a diverse range of expense accounts with no one category being individually significant.

Business-type activities: Business-type activities increased the Town's net position by \$8,716,027 in 2023, compared to an increase of \$2,049,901 in 2022.

The main reason for the improvement in the change in net position when compared to the prior year is mainly due to the following:

- \$366,070 increase in charges for services or 50% due to new customers being added to the utility system.
- \$6,340,386 increase in capital grants and contributions due to increased impact fees and capital grant revenue caused by increased construction within the Town.
- Expenses increased by \$60,144 or 6% due to a general increase in operating and noncapital expenses.

Financial Analysis of the Government's Funds

Governmental funds: The focus of the Town's governmental funds statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental fund (the general fund) reported ending fund balances of \$1,994,547, an increase of \$836,813 in comparison with the previously reported balance in the prior year. Of this total, \$88,910 for the general fund constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, assigned to the economic uncertainties emergency reserve or restricted by enabling legislation or contract and can only be spent on the purposes for which it is intended.

Activity during the current fiscal year included the following key components:

- Total governmental funds revenues increased by \$1,210,468 due to an increase of \$756,052 (868%) in licenses and permit revenue and an increase of \$303,023 (23%) in tax revenue. These increases are related to increased construction activity within the Town which increases building permit fee revenue, impact fee revenue and tax revenue.
- Total governmental funds expenditures increased by 6% or \$144,536 due to changes in a diverse set of expenditure accounts including increased capital outlay expenditures of \$219,626 (155%) due to increased construction projects and capital purchases.

Proprietary funds: The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The major changes between 2023 and 2022 are discussed above under the "business-type activities" heading.

TOWN OF LAKE HAMILTON, FLORIDA
Management's Discussion and Analysis
September 30, 2023

General Fund Budgetary Highlights

Actual revenue was less than the final budgeted amount by \$2,666,386, actual expenditures were \$4,337,904 less than the final budgeted amount and other financing sources (loan proceeds) were \$36,306 more than the final budgeted amount resulting in an overall favorable budget variance of \$1,707,824.

The original budget for the fiscal year ending September 30, 2023 was not amended.

Capital Assets and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental and business type activities as of September 30, 2023, amounts to \$24,455,689 (net of accumulated depreciation) which is an increase of \$9,461,905 or 63%. This increase is the result of current year additions in excess of depreciation expense and mainly driven by the Town's water and sewer system expansions.

Information on the Town's capital assets is summarized in the following table.

Capital Assets Activity
(net of depreciation)
as of September 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 348,426	\$ 348,426	\$ 581,717	\$ 581,717	\$ 930,143	\$ 930,143
Buildings and improvements	1,922,284	1,916,423	-	-	1,922,284	1,916,423
Utility system, infrastructure and improvements	-	-	8,488,547	8,605,526	8,488,547	8,605,526
Machinery and equipment	442,049	341,338	155,228	144,243	597,277	485,581
Right to use leased equipment	31,755	-	-	-	31,755	-
Construction in progress	-	-	10,821,742	1,377,335	10,821,742	1,377,335
Infrastructure	1,663,941	1,678,776	-	-	1,663,941	1,678,776
Total	\$ 4,408,455	\$ 4,284,963	\$ 20,047,234	\$ 10,708,821	\$ 24,455,689	\$ 14,993,784

Additional information on the Town's capital assets can be found in note 5 of this report.

Long-Term Debt: As shown in the table below, the Town had total long-term debt outstanding of \$5,777,272 which represents an increase of \$735,620 (15%) over the prior year.

Revenue Notes and Notes Payable
as of September 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue notes	\$ -	\$ -	\$ 3,223,490	\$ 3,295,970	\$ 3,223,490	\$ 3,295,970
Notes payable	1,398,515	1,502,863	1,155,267	242,819	2,553,782	1,745,682
Total	\$ 1,398,515	\$ 1,502,863	\$ 4,378,757	\$ 3,538,789	\$ 5,777,272	\$ 5,041,652

Additional information on the Town's long-term debt can be found in note 7 of this report.

TOWN OF LAKE HAMILTON, FLORIDA

Management's Discussion and Analysis

September 30, 2023

Economic Factors and Next Year's Budgets and Rates

It is anticipated that the following significant items will affect the 2023 fiscal year:

- Continued long-term debt payments for water and wastewater system long term debt.
- The Town has designed a new wastewater treatment facility that is expected to cost approximately \$4,000,000 to be funded by grant/loans. The design has been completed and construction is expected to begin in 2023.
- The Town's millage rate for the 2024 fiscal year remained constant at 8.4276 and the taxable value of the taxable property within the Town increased by 9% resulting in budgeted 2024 ad valorem tax revenue of \$1,102,185 which is a \$133,000 increase over the 2023 actual ad valorem revenue received.

These significant factors were considered in preparing the Town's budget for the 2024 fiscal year and are expected to influence the Town's fiscal year 2024 financial results.

Requests for information

This financial report is designed to provide a general overview of the Town of Lake Hamilton, Florida, finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Lake Hamilton, P.O. Box 126, Lake Hamilton, Florida 33851.

TOWN OF LAKE HAMILTON, FLORIDA

Statement of Net Position

September 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 573,368	\$ -	\$ 573,368
Receivables, current:			
Customer accounts, net	48,509	139,713	188,222
Franchise and public service taxes	33,864	-	33,864
Intergovernmental	-	2,083,172	2,083,172
Restricted assets:			
Pooled cash and cash equivalents	307,116	3,702,284	4,009,400
Internal balances	1,146,993	(1,146,993)	-
Capital Assets:			
Non-depreciable	348,426	11,403,459	11,751,885
Depreciable, net	4,060,029	8,643,775	12,703,804
TOTAL ASSETS	<u>6,518,305</u>	<u>24,825,410</u>	<u>31,343,715</u>
LIABILITIES			
Accounts payable	36,599	19,600	56,199
Construction costs payable	-	3,980,922	3,980,922
Due to other governments	28,056	-	28,056
Accrued payroll	22,490	4,503	26,993
Accrued interest payable	21,580	11,306	32,886
Unearned revenue	28,158	-	28,158
Customer deposits	-	174,049	174,049
Long-term obligations:			
Due within one year	83,112	83,768	166,880
Due in more than one year	1,412,710	4,312,349	5,725,059
TOTAL LIABILITIES	<u>1,632,705</u>	<u>8,586,497</u>	<u>10,219,202</u>
NET POSITION			
Net investment in capital assets	2,988,902	11,687,555	14,676,457
Restricted for:			
Debt service	-	528,841	528,841
Capital improvements (impact fees)	251,307	-	251,307
Water system improvements	-	1,385,588	1,385,588
Wastewater improvements	-	1,602,500	1,602,500
Law enforcement	27,651	-	27,651
Unrestricted	1,617,740	1,034,429	2,652,169
TOTAL NET POSITION	<u>\$ 4,885,600</u>	<u>\$ 16,238,913</u>	<u>\$ 21,124,513</u>

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA
Statement of Activities
for the year ended September 30, 2023

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 1,009,799	\$ 795,151	\$ 146,570	\$ 43,325	\$ (24,753)	\$ -	\$ (24,753)
Law enforcement	781,210	24,217	575	55,491	(700,927)	-	(700,927)
Streets	177,448	-	-	103,792	(73,656)	-	(73,656)
Sanitation	241,894	252,169	-	-	10,275	-	10,275
Stormwater	23,066	46,535	-	-	23,469	-	23,469
Parks and recreation	143,213	2,026	-	164,243	23,056	-	23,056
Interest	61,047	-	-	-	(61,047)	-	(61,047)
Total governmental activities	2,437,677	1,120,098	147,145	366,851	(803,583)	-	(803,583)
Business-type activities							
Water utility	845,868	1,001,642	-	1,419,760	-	1,575,534	1,575,534
Wastewater utility	143,602	99,431	-	7,164,850	-	7,120,679	7,120,679
Total business-type activities	989,470	1,101,073	-	8,584,610	-	8,696,213	8,696,213
TOTAL PRIMARY GOVERNMENT	\$ 3,427,147	\$ 2,221,171	\$ 147,145	\$ 8,951,461	(803,583)	8,696,213	7,892,630
GENERAL REVENUES							
Taxes:							
					968,661	-	968,661
					186,704	-	186,704
					327,886	-	327,886
					136,990	-	136,990
					202,205	-	202,205
					1,566	19,814	21,380
					14,694	-	14,694
					1,838,706	19,814	1,858,520
					1,035,123	8,716,027	9,751,150
					3,850,477	7,522,886	11,373,363
					\$ 4,885,600	\$ 16,238,913	\$ 21,124,513

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA

Balance Sheet – Governmental Fund

September 30, 2023

	General Fund
ASSETS	
Pooled cash and cash equivalents	\$ 573,368
Receivables, current:	
Customers	48,509
Franchise and public service taxes	33,864
Due from enterprise fund	1,146,993
Restricted assets:	
Pooled cash and cash equivalents	307,116
Total assets	<u>\$ 2,109,850</u>
LIABILITIES	
Accounts payable	\$ 36,599
Accrued payroll	22,490
Due to other governments	28,056
Unearned revenue	28,158
Total liabilities	<u>115,303</u>
FUND BALANCE	
Nonspendable:	
Due from enterprise fund	1,146,993
Restricted:	
Law enforcement expenditures	27,651
Public safety capital improvements (impact fees)	43,805
Transportation capital improvements (impact fees)	104,570
Parks and trails capital improvements (impact fees)	40,165
Municipal facilities improvements (impact fees)	62,767
Assigned:	
Emergency reserve	479,686
Unassigned	88,910
Total fund balance	<u>1,994,547</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,109,850</u></u>

TOWN OF LAKE HAMILTON, FLORIDA

Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position

September 30, 2023

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	1,994,547
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		4,408,455
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable		(1,398,515)
Leases payable		(21,038)
Accrued interest payable		(21,580)
Compensated absences		(15,060)
Other postemployment benefits obligation		(61,209)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	4,885,600

TOWN OF LAKE HAMILTON, FLORIDAStatement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund
for the year ended September 30, 2023

	General Fund
REVENUES:	
Taxes	\$ 1,626,410
Licenses and permits	843,183
Intergovernmental revenue	363,989
Charges for services	509,174
Fines and forfeitures	27,150
Other	102,894
Total revenues	<u>3,472,800</u>
EXPENDITURES:	
Current:	
General government	1,000,385
Public safety	695,756
Physical environment	227,710
Transportation	125,265
Culture/recreation	79,001
Capital outlay	361,692
Debt service	182,484
Total expenditures	<u>2,672,293</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>800,507</u>
OTHER FINANCING SOURCES (USES)	
Leases	36,306
Total other financing sources (uses)	<u>36,306</u>
NET CHANGE IN FUND BALANCE	836,813
FUND BALANCE, beginning of year	<u>1,157,734</u>
FUND BALANCE, end of year	<u>\$ 1,994,547</u>

TOWN OF LAKE HAMILTON, FLORIDA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Fund to the Statement of Activities
for the year ended September 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 836,813

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

This is the amount of capital assets recorded in the current period. 339,501
This is the amount of depreciation recorded in the current period. (216,009)

Long-term obligations including bonds, leases and notes payable, compensated absences and other postemployment benefit obligations are reported as liabilities in the government-wide statement of net position but are not reported as liabilities in the governmental funds because they do not require the use of current financial resources:

This is the change in accrued compensated absences during the year. (3,110)
This is the change in the other postemployment benefit obligation during the year. (7,203)
Loan and lease proceeds reported as an other financing source in governmental funds. (36,306)
Repayment of loan principal reported as an expenditure in governmental funds. 104,348
Repayment of leases payable reported as an expenditure in governmental funds. 15,268
This is the change in accrued interest payable during the year. 1,821

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,035,123

TOWN OF LAKE HAMILTON, FLORIDA
Statement of Net Position – Proprietary Fund
September 30, 2023

	Enterprise Fund
ASSETS	
Current assets:	
Pooled cash and cash equivalents	\$ -
Customer accounts receivable, net	139,713
Due from other governments	2,083,172
Total current assets	<u>2,222,885</u>
Noncurrent assets:	
Restricted assets:	
Pooled cash and cash equivalents	3,702,284
Capital assets:	
Non-depreciable	11,403,459
Depreciable, net	8,643,775
Total noncurrent assets	<u>23,749,518</u>
TOTAL ASSETS	<u>25,972,403</u>
LIABILITIES	
Current liabilities:	
Accounts payable	19,600
Construction costs payable	3,980,922
Accrued payroll	4,503
Due to general fund	1,146,993
Bonds and notes payable, current	83,768
Total current liabilities	<u>5,235,786</u>
Noncurrent liabilities:	
Compensated absences	6,561
Other postemployment benefit obligation	10,799
Liabilities payable from restricted assets:	
Customer deposits	174,049
Accrued interest payable	11,306
Bonds and notes payable, noncurrent portion	4,294,989
Total noncurrent liabilities	<u>4,497,704</u>
TOTAL LIABILITIES	<u>9,733,490</u>
NET POSITION	
Net investment in capital assets	11,687,555
Restricted for:	
Debt service	528,841
Water system improvements (impact fees)	1,385,588
Wastewater improvements (impact fees)	1,602,500
Unrestricted	1,034,429
TOTAL NET POSITION	<u>\$ 16,238,913</u>

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDAStatement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund
for the year ended September 30, 2023

	Enterprise Fund
OPERATING REVENUES:	
Charges for services	\$ 1,101,073
Total operating revenues	<u>1,101,073</u>
OPERATING EXPENSES:	
Personal services	228,671
Operating expenses	399,197
Depreciation	273,063
Total operating expenses	<u>900,931</u>
OPERATING INCOME	<u>200,142</u>
NONOPERATING REVENUE (EXPENSE)	
Interest expense and other fiscal charges	(80,422)
Interest revenue	19,814
Other nonoperating expense	(8,117)
Total nonoperating revenues (expenses)	<u>(68,725)</u>
INCOME BEFORE CONTRIBUTIONS	<u>131,417</u>
Capital contributions (impact fees)	3,729,174
Grants	4,855,436
Total contributions	<u>8,584,610</u>
CHANGE IN NET POSITION	8,716,027
TOTAL NET POSITION, beginning of year	<u>7,522,886</u>
TOTAL NET POSITION, end of year	<u>\$ 16,238,913</u>

TOWN OF LAKE HAMILTON, FLORIDA
Statement of Cash Flows – Proprietary Fund
for the year ended September 30, 2023

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,095,197
Payments to suppliers	(570,822)
Payments for salaries and benefits	(219,384)
Net cash flows provided by operating activities	<u>304,991</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Advance from general fund	714,933
Net cash flows provided by noncapital financing activities	<u>714,933</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(5,921,164)
Principal paid on long-term debt	(2,916,480)
Interest paid on borrowings	(80,657)
Impact fees received	3,729,174
Capital grants	2,961,281
Loan proceeds	3,756,448
Net cash provided by capital and related financing activities	<u>1,528,602</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on invested funds	19,814
Net cash flows from investing activities	<u>19,814</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,568,340
POOLED CASH AND CASH EQUIVALENTS, beginning of year	<u>1,133,944</u>
POOLED CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,702,284</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 200,142
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	273,063
Nonoperating expense reported as an operating cash flow	(8,117)
(Increase) decrease in accounts receivable	(37,361)
Increase (decrease) in customer deposits	31,485
Increase (decrease) in accounts payable	(163,508)
Increase (decrease) in otherpostemployment benefit obligation	1,270
Increase (decrease) in accrued wages and comp absences	8,017
Net cash flows provided by operating activities	<u>\$ 304,991</u>
As shown in the accompanying financial statements	
Pooled cash and cash equivalents	\$ -
Restricted pooled cash and cash equivalents	3,702,284
Total pooled cash and cash equivalents	<u>\$ 3,702,284</u>
Schedule of non-cash capital and related financing activities:	
None	<u>\$ -</u>

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA
Statement of Fiduciary Net Position – Fiduciary Fund
September 30, 2023

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,430,230
TOTAL ASSETS	<u>1,430,230</u>
LIABILITIES	
Due to other governments	<u>1,430,230</u>
TOTAL LIABILITIES	<u>1,430,230</u>
NET POSITION	
TOTAL NET POSITION	<u>\$ -</u>

TOWN OF LAKE HAMILTON, FLORIDA

Statement of Changes in Fiduciary Net Position – Fiduciary Fund
for the year ended September 30, 2023

	<u>Custodial Fund</u>
ADDITIONS:	
Fees collected on behalf of other governments	\$ 1,651,606
Total additions	<u>1,651,606</u>
DEDUCTIONS:	
Payments of fees to other governments	<u>1,651,606</u>
Total deductions	<u>1,651,606</u>
NET INCREASE (DECREASE)	-
NET POSITION - beginning of year	-
NET POSITION - end of year	<u>\$ -</u>

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its statements (GASBS) and interpretations (GASBI). The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. REPORTING ENTITY

The Town of Lake Hamilton, Florida (the "Town") is a Municipal Corporation incorporated in 1925 by Chapter 10781, Laws of Florida. The Town operates under a council-town administrator form of government. These financial statements include all of the funds, organizations, agencies, and departments of the Town (the "primary government") and any "legally separate entities" ("component units") required by generally accepted accounting principles to be included in the reporting entity.

The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Criteria for determining if other entities are potential component units of the Town which should be reported with the Town's basic financial statements are identified and described in the *GASB Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the Town is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. A blended component unit, although legally separate, is in substance part of the Town's operations and presented in the financial statements as "blended" components. Blending refers to the fact that the component unit's funds are combined with those of the primary government for financial reporting purposes.

Based on these criteria, the financial reporting entity does not include or exclude any component units.

The financial reporting entity does not include the assets of the employee defined contribution pension plan, which were determined not to be assets of the Town.

B. BASIS OF PRESENTATION

The basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-wide Financial Statements - The required government-wide financial statements are the Statement of Net Position and the Statement of Activities, which report information on all of the nonfiduciary activities of the Town. The effects of interfund activity have been removed from these statements. The Town's fiduciary fund is excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *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.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation. The Town does not allocate the interest expense of governmental fund debt or indirect costs such as finance, personnel, legal, etc. *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*.

Fund Financial Statements - The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Cod. Sec 2200 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Non-major funds by category are summarized into a single column. Due to the Town's fund structure, there were no non-major funds. The various funds are reported by type within the financial statements.

The following fund types and funds are used and reported by the Town:

Governmental Funds - The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Town:

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

Proprietary Funds - The focus of proprietary fund measurement is upon determination of operating income, changes in net position, overall financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Town has one *Enterprise Fund* which accounts for the activities associated with providing potable water and sewer collection, treatment and disposal services to area residents.

Fiduciary Fund - The Town also reports one fiduciary fund type; a custodial fund, which is used to account for impact fees collected on behalf of Polk County, Florida (the "County"). These funds are collected on behalf of the County as new construction takes place within the Town and remitted to the County monthly.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements, and the 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 recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Imposed nonexchange resources (property taxes, fines) are reported as deferred inflows if received before the tax is levied or before the date when use is first permitted. Government mandated nonexchange transactions (grants) and voluntary nonexchange transactions (donations) resources are reported as liabilities until the eligibility requirements are met and as deferred inflows if received before time requirements are met.

Proprietary fund operating revenues generally result from producing and providing potable water services to area residents. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise and public service taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e. revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria. All other revenue items are measurable and available only when cash is received by the government.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

CASH AND CASH EQUIVALENTS – Cash is reflected as though it was pooled to conform to actual operations. The amounts reported as cash represent each fund’s recorded equity in the pool of cash. For purposes of the Statement of Cash Flows, all pooled cash is considered cash and cash equivalents. The caption “pooled cash and cash equivalents” includes all bank demand deposits, certificates of deposit, money-market and savings accounts and all short-term highly liquid investment securities with a maturity of three months or less when purchased. On September 30, 2023, all of the Town’s cash and investments met this definition.

RECEIVABLES - The Town accrues the unbilled service of its enterprise fund which represents the estimated value of service from the last billing date to year end and totaled \$46,272 on September 30, 2023. A reserve for doubtful accounts is maintained in the enterprise fund equal to the value of the utility customer receivables that are not expected to be collected. As of September 30, 2023, the reserve for uncollectible accounts totaled \$63,708.

INTERFUND BALANCES - To the extent any current interfund balances exist, management anticipates that they will be settled in cash as opposed to a permanent transfer.

INVENTORY - Enterprise fund inventories are valued at the lower of cost or market determined on a first-in, first-out basis.

CAPITAL ASSETS - In the government-wide financial statements capital assets include land, buildings, improvements, utility plant, infrastructure, and furniture and equipment. Governmental fund infrastructure assets (e.g., roads, bridges, sidewalks, streets, drainage systems and lighting system) acquired prior to October 1, 2003, have not been reported. Capital assets are defined by Town resolution as tangible property or improvements with an individual cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost, if purchased and at acquisition value at date of gift, if donated. Major additions are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Buildings	10-40
Improvements other than buildings	40-45
Machinery and equipment	3-5
Infrastructure	50

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

RESTRICTED ASSETS – Restricted assets include cash and investments that are legally restricted to specific uses by external parties. The Town generally uses restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

INTEREST COSTS - Interest costs incurred before the end of a construction period is a financing activity separate from the related capital asset and interest costs incurred before the end of the construction period are recognized as an expense in the period in which the cost is incurred. These interest costs are not capitalized as part of the historical cost of the capital asset.

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

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

LONG-TERM OBLIGATIONS - In the government-wide financial statements and 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Debt issuance costs are reported as an expense in the period incurred. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is the shorter. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

COMPENSATED ABSENCES - Employees accumulate vacation leave ranging from 80 to 120 hours per year. The maximum number of vacation leave hours that may be accrued and carried forward shall not exceed 25% of their annual accrual rate. Any hours accrued in excess of 25% of their annual rate will be forfeited if not used by the end of each fiscal year. Accrued vacation is paid by the Town upon retirement or termination at the employee's current hourly rate of pay. Employees accumulate sick days at the rate of 12 days per year without limitation. The Town pays accrued sick leave to employees with at least 10 consecutive years of full-time service to the Town who separate employment in good standing. The amount of sick leave to be paid to eligible employees is 50 percent of accrued sick leave hours not to exceed 300 hours.

The liability for these compensated absences is recorded as long-term in the government wide statements and in the proprietary fund financial statements because the maturities are not determinable. In the fund financial statements, the governmental funds do not report the compensated absence liability because it is generally not payable from expendable available financial resources.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

INTERFUND TRANSFERS - Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

CONNECTION FEES AND IMPACT FEES - Water connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities and are recorded as operating revenue when received. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received.

EQUITY CLASSIFICATIONS -

Government-wide Statements - The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and displayed in three components:

- *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net position* - Consists of restricted assets reduced by liabilities related to those assets. Net position is reported as restricted only when restricted by outside parties or enabling legislation.
- *Unrestricted net position* - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted net position is available for use, it is the Town’s policy to use restricted net position first, and then unrestricted net position as they are needed.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

Fund Statements - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor the constraints on the specific purposes for which amounts in those funds can be spent. Spendable resources are to be shown as restricted, committed, assigned and unassigned as considered appropriate in the Town's circumstances. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable* — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* — amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* — amounts constrained to specific purposes by formal action (ordinance) of the Town using its highest level of decision-making authority (the Town Council). To be reported as committed, amounts cannot be used for any other purpose unless the Town Council takes the same highest-level action (ordinance) to remove or change the constraint.
- *Assigned* — amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town Administrator through the budgetary process. The Town Council has not established a formal policy regarding authorization to assign fund balance amounts for a specific purpose.
- *Unassigned* — all other spendable amounts.

The Town uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The Town has established an emergency reserve policy consisting of a base of \$125,000 plus the lesser of 18 percent of annual expenditures or two months of general fund operating expenditures. This Economic Uncertainties Fund is reported as assigned fund balance within the general fund.

USE OF ESTIMATES – The preparation of the basic financial statements in conformity with generally accepted accounting principles, as applicable to government entities, requires management to make use of estimates that affect the reported amounts in the basic financial statements. Actual results could differ from estimates.

LEASES:

Lessee: The Town is a lessee for noncancellable leases of equipment and recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Town recognizes lease liabilities when the initial, individual value is deemed to be significant. At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term, subsequently reduced by the principal portion of the lease payments made

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgements related to leases include the determination of the discount rate used to discount the lease payments to present value and determination of the lease term.

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate for a similar transaction as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

NOTE 2 - PROPERTY TAX CALENDAR

Under Florida Law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The tax levy of the Town is established by the Town Council prior to October 1 of each year and the Polk County Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, the County, independent districts and the County School Board tax requirements. State statutes permit cities to levy property taxes at a rate of up to 10 mills. The Town's millage rate in effect for the fiscal year ended September 30, 2023 was 8.4276.

All taxes are due and payable on November 1 (levy date) of each year and unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment as follows: 4% in of November, 3% in December, 2% in January, 1% in February. The taxes paid in March are without discount. Delinquent taxes on real and personal property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property.

NOTE 3 - BUDGETARY LAW AND PRACTICE

The budget is adopted by Resolution on a Town-wide basis for all Town funds on or before October 1 of each year as required by State Statute. Town policy establishes the legal level of budgetary control at the department level. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations subject to notification of the Town Council; however, any revisions that alter the total expenditure of any fund must be approved by Ordinance. Budgets for all funds are adopted on the basis of cash receipts and disbursements which differs from the basis used for financial reporting purposes. These differences are usually not significant for the governmental funds; however they are for the enterprise fund as the budget includes capital outlay and debt principal repayments as expenses and does not include depreciation.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS

DEPOSITS IN FINANCIAL INSTITUTIONS - The Town's deposits are insured by the FDIC up to \$250,000 per financial institution. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the Chief Financial Officer, State of Florida ("CFO") in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the CFO will implement procedures for payment of losses according to the validated claims of the Town pursuant to Section 280.08 Florida Statutes.

INVESTMENTS - The types of investments in which the Town may invest are governed by State Statutes and Town Policy. According to State Statutes, the Town is authorized to invest in the following instruments: Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company; interest-bearing time deposits and savings accounts in qualified public depositories and direct obligations of the U.S. Treasury.

According to Town policy, the Town is authorized to invest in obligations issued or unconditionally guaranteed by the U.S. Government or its agencies and instrumentalities, including open-ended mutual funds whose underlying securities are comprised of these securities, direct obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit and savings accounts in State qualified public depositories.

The captions on the government-wide statement of net position for "cash and cash equivalents", both restricted and unrestricted, are summarized below. There were no investment securities maintained during the year.

Cash and cash equivalents:		
Cash on hand	\$	250
Deposits in financial institutions:		
Insured or fully collateralized bank deposits, including non-negotiable certificates of deposit		<u>4,582,518</u>
Total cash and cash equivalents	\$	<u>4,582,768</u>

The Town has no policy regarding custodial credit risk, concentration of credit risk, interest rate risk or foreign currency risk.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 5 - CAPITAL ASSETS

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

	Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 348,426	\$ -	\$ -	\$ 348,426
Total capital assets, not being depreciated	<u>\$ 348,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 348,426</u>
Capital assets, being depreciated:				
Buildings and improvements	2,051,752	61,190	-	2,112,942
Machinery and equipment	977,580	206,605	-	1,184,185
Right to use leased equipment	-	36,306	-	36,306
Infrastructure	2,017,504	35,400	-	2,052,904
Total capital assets, being depreciated	<u>5,046,836</u>	<u>339,501</u>	<u>-</u>	<u>5,386,337</u>
Less accumulated depreciation for:				
Buildings and improvements	(135,329)	(55,329)	-	(190,658)
Equipment and furniture	(636,242)	(105,894)	-	(742,136)
Right to use leased equipment	-	(4,551)	-	(4,551)
Infrastructure	(338,728)	(50,235)	-	(388,963)
Total accumulated depreciation	<u>(1,110,299)</u>	<u>(216,009)</u>	<u>-</u>	<u>(1,326,308)</u>
Total capital assets being depreciated, net	<u>3,936,537</u>	<u>123,492</u>	<u>-</u>	<u>4,060,029</u>
Governmental activities capital assets, net	<u>\$ 4,284,963</u>	<u>\$ 123,492</u>	<u>\$ -</u>	<u>\$ 4,408,455</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 581,717	\$ -	\$ -	\$ 581,717
Construction-in-progress	1,377,335	9,444,407	-	10,821,742
Total capital assets, not being depreciated	<u>\$ 1,959,052</u>	<u>\$ 9,444,407</u>	<u>\$ -</u>	<u>\$ 11,403,459</u>
Capital assets, being depreciated:				
Equipment and furniture	262,297	34,423	-	296,720
Utility system, infrastructure and improvements	10,409,186	132,646	-	10,541,832
Total capital assets, being depreciated	<u>10,671,483</u>	<u>167,069</u>	<u>-</u>	<u>10,838,552</u>
Less accumulated depreciation for:				
Equipment and furniture	(118,054)	(23,438)	-	(141,492)
Utility system, infrastructure and improvements	(1,803,660)	(249,625)	-	(2,053,285)
Total accumulated depreciation	<u>(1,921,714)</u>	<u>(273,063)</u>	<u>-</u>	<u>(2,194,777)</u>
Total capital assets being depreciated, net	<u>8,749,769</u>	<u>(105,994)</u>	<u>-</u>	<u>8,643,775</u>
Business-type activities capital assets, net	<u>\$ 10,708,821</u>	<u>\$ 9,338,413</u>	<u>\$ -</u>	<u>\$ 20,047,234</u>

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 5 - CAPITAL ASSETS (concluded)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$	42,588
Law enforcement		69,512
Streets		44,749
Parks		20,474
Sanitation		21,185
Stormwater		17,501
Total depreciation expense - governmental activities	\$	<u>216,009</u>

Business-type Activities:

Water	\$	236,625
Sewer		36,438
Total depreciation expense - business-type activities	\$	<u>273,063</u>

NOTE 6 - LEASES

Lease Payable – The Town reports the following leases payable on September 30, 2023:

- Lease executed in 2023 for the right-to-use several body cameras for the Town’s police department. The Town is required to make annual principal and interest payments of \$7,879 and maturing in August 2026. The lease agreement does not have an explicit interest rate and the Town utilized an estimated incremental borrowing rate of 6.0% to determine the lease liability. The book value of this right-to-use asset as the end of the current fiscal year is \$31,755 and is being amortized on a straight-line basis over a 60-month term from the lease origination date (54 months remaining on September 30, 2023).

The future principal and interest lease payments as of September 30, 2023, were as follows:

Fiscal Year Ending	Governmental Activities	
	Principal	Interest
2024	\$ 6,628	\$ 1,252
2025	6,990	889
2026	7,420	458
Total	<u>\$ 21,038</u>	<u>\$ 2,599</u>

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2023:

	Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023	Amounts Due within One Year
<u>Governmental Activities:</u>					
Long-term liabilities:					
<i>Bonds and notes payable:</i>					
Capital improvement revenue bond, Series 2018	\$ 1,429,117	\$ -	\$ (58,907)	\$ 1,370,210	\$ 61,154
Equipment financing note 2018	36,280	-	(33,433)	2,847	2,847
Equipment financing note 2021	37,466	-	(12,008)	25,458	12,483
Total bonds and notes payable	<u>1,502,863</u>	<u>-</u>	<u>(104,348)</u>	<u>1,398,515</u>	<u>76,484</u>
<i>Other long-term obligations</i>					
Leases payable	-	36,306	(15,268)	21,038	6,628
Compensated absences	11,950	3,110	-	15,060	-
Total other postemployment obligation	<u>54,006</u>	<u>-</u>	<u>7,203</u>	<u>61,209</u>	<u>-</u>
Total long-term liabilities	<u>\$ 1,568,819</u>	<u>\$ 39,416</u>	<u>\$ (112,413)</u>	<u>\$ 1,495,822</u>	<u>\$ 83,112</u>
Less amounts due in one year				<u>(83,112)</u>	
Net long-term liabilities in excess of one year				<u>\$ 1,412,710</u>	
<u>Business-type Activities:</u>					
Long-term liabilities:					
<i>Bonds and notes payable:</i>					
Water system revenue bonds, Series 2012	\$ 2,064,970	\$ -	\$ (47,480)	\$ 2,017,490	\$ 48,786
CW531640 installment note to FDEP	52,060	-	(329)	51,731	2,784
CW531642 installment note to FDEP	-	3,756,448	(2,836,671)	919,777	-
Water system revenue bond, Series 2020	1,231,000	-	(25,000)	1,206,000	25,000
DW531610 installment note to FDEP	190,759	-	(7,000)	183,759	7,198
Total bonds and notes payable	<u>3,538,789</u>	<u>3,756,448</u>	<u>(2,916,480)</u>	<u>4,378,757</u>	<u>83,768</u>
Compensated absences	389	6,172	-	6,561	-
Total other postemployment obligation	<u>9,529</u>	<u>1,270</u>	<u>-</u>	<u>10,799</u>	<u>-</u>
Total long-term liabilities	<u>\$ 3,548,707</u>	<u>\$ 3,763,890</u>	<u>\$ (2,916,480)</u>	<u>\$ 4,396,117</u>	<u>\$ 83,768</u>
Less amounts due in one year				<u>(83,768)</u>	
Net long-term liabilities in excess of one year				<u>\$ 4,312,349</u>	

Notes to Long-Term Obligations Table

All the Town's long-term debt arose through direct borrowings or direct placements.

Governmental Activities:

- The equipment financing note 2018 is funding for a debris removal vehicle/loader in the amount of \$154,753. The equipment financing note bears interest at 4.12% and requires monthly payments of principal and interest of \$2,858 until maturity on October 17, 2023. The note is secured by the debris removal vehicle/loader.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

Notes to Long-Term Obligations Table (cont...)

Governmental Activities (concluded):

- The equipment financing note 2021 is funding for a mobile radio system for the Town's Police Department in the amount of \$60,132. The equipment financing note bears interest at 3.88% and requires annual payments of principal and interest of \$13,488 until maturity in February 2025. The note is secured by the mobile radio system.
- The Capital Improvement Revenue Bond, Series 2018 was used to finance the construction, renovation, and improvements of the Town Hall complex. The original loan amount of \$1,055,000 was increased to \$1,550,000 in 2020. The bond bears interest at an annual rate of 3.75%. Principal and interest payments commenced on November 1, 2020 and are due semiannually on May 1st and November 1st of each year until maturity on November 1, 2039. The Town has pledged to appropriate non-ad valorem revenues to repay the bond.

Business-Type Activities:

- The State of Florida Department of Environmental Protection (FDEP) Revolving Fund Water Loan Agreement DW531610 is secured by the net revenues of the water system. The loan is payable semiannually with principal and interest payments due on December 15 and June 15. The loan bears interest at a weighted average rate of 2.74% with a final maturity of December 15, 2038. The loan agreement requires that funds be deposited into a sinking fund monthly at amounts which will fully fund the next succeeding principal and interest payments when due. The loan proceeds were used to purchase a hydrogen sulfide removal system for the Town water system.
- The USDA Rural Utilities Service Series 2012 Water Revenue Bonds are secured by the net revenues of the water system. The bonds bear interest at 2.75% with a final maturity of September 1, 2051. The bond proceeds were used to construct a new water plant. The bonds require the maintenance of sinking and reserve funds.
- The Water System Revenue Bond Anticipation Note, Series 2020 was a non-revolving draw down line of credit in the amount of \$1,255,000 that was used as interim financing for water distribution system improvements and expansions. The note bore interest at 2.40% with interest due and payable monthly until permanent financial was provided by the United States Department of Agriculture, Rural Development ("USDA") in December 2020.
- The Water System Revenue Bond, Series 2020 is secured by a senior claim on the net revenues of the water system. The bond bears interest at 1.25% with a final maturity of December 18, 2060. The bond proceeds were used to payoff the Water System Revenue Bond Anticipation Note, Series 2020. The bond requires the maintenance of sinking and reserve funds.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

Notes to Long-Term Obligations Table (cont...)

- The State of Florida Department of Environmental Protection Revolving Fund Water Loan Agreement WW531640 is secured by the amounts on deposit in the loan repayment reserve bank account. The loan is payable semiannually with principal and interest payments due on November 15 and May 15. The loan bears interest at a rate of .47% per annum with a final maturity of May 15, 2041. The loan agreement included a \$209,306 principal forgiveness grant that was applied to the outstanding balance on May 15, 2021. The loan agreement requires the amounts on deposit in the loan repayment reserve bank account be at least equal to the outstanding principal due on the non-grant forgiveness portion of the loan. Because of this, a sinking fund is not required. The amounts on deposit in the loan repayment reserve bank account on September 30, 2023 was \$58,730. The loan proceeds were used to construct a gravity sewer system and a master pumping station to transfer wastewater.
- The State of Florida Department of Environmental Protection (FDEP) Clean Water State Revolving Fund Loan Agreement CW531642 is secured by the net revenues of the water and sewer systems to fund the construction of a wastewater treatment facility. The original agreement provides for a total loan amount of \$5,896,645 of which \$4,452,835 will be forgiven through a principal forgiveness grant through the FDEP. The remaining \$1,443,810 is repayable semi-annually over 20 years at a zero percent interest rate. An amendment to the original agreement provides for \$2,493,954 of additional loan funding. The additional loan funding, unlike the original award, does not provide any principal forgiveness grant. The first scheduled loan payment of \$102,640 is due February 15, 2025 and payable semi-annually over 20 years at a zero percent interest rate. Total funds drawn on this loan as of September 30, 2023 was \$3,756,448 of which \$2,836,671 were forgiven leaving an outstanding balance of \$919,777. As of May 31, 2024, \$7,593,037 of this loan had been drawn of which \$4,452,835 were forgiven leaving an outstanding balance of \$3,140,202 as of that date.

Maturities: Annual requirements to repay all bonds, notes payable and lease obligations of the business-type activities as of September 30, 2023, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 76,484	\$ 52,229	\$ 83,768	\$ 75,657
2025	76,463	49,393	215,476	148,917
2026	65,909	46,458	293,206	71,865
2027	68,424	43,944	294,850	69,896
2028	71,034	41,333	296,539	67,882
2029-2033	397,949	163,889	664,086	307,327
2034-2038	479,878	81,960	548,048	248,754
2039-2043	162,374	6,175	602,349	182,413
2044-2048	-	-	607,385	112,438
2049-2053	-	-	471,050	40,269
2054-2058	-	-	186,000	12,544
2059-2063	-	-	116,000	1,800
Total	\$ 1,398,515	\$ 485,381	\$ 4,378,757	\$ 1,339,762

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

Notes to Long-Term Obligations Table (concluded)

The long-term debt obligations all allow for the lenders to take whatever legal actions necessary to collect the amounts due in the event of default. The following debt obligations have additional remedies in the event of default as follows:

- Equipment financing note – The lender has a right to terminate the Town’s right to use the equipment and has the right to forcibly repossess and sell or otherwise dispose of the equipment and apply the net proceeds of the disposition towards the amount owed by the Town. The Town would remain liable for any deficiency while any sale proceeds in excess of the amounts owed is retained by the lender.
- Water system revenue bonds, Series 2012 and Series 2020 – The lender may declare the entire outstanding principal amount and accrued interest immediately due and payable, incur and pay reasonable expenses for repair, maintenance and operation of the utility systems and such other reasonable expenses as may be necessary to cure the cause of default or take possession and repair, maintain, rent or operate the systems.
- DW531610, CW531640 and CW531642 installment notes to FDEP – The lender, subject to the rights of superior liens on the pledged revenues, may request a court to appoint a receiver to manage the Town’s utility systems, intercept the delinquent amount from any unobligated funds due to the Town under any revenue or tax sharing fund established by the State of Florida, impose a penalty in the amount not to exceed a rate of 18 percent per annum on the amount due, notify financial market credit rating agencies and potential creditors and may accelerate the repayment schedule or increase the interest rate on the unpaid principal of the loan to as much as 1.667 times the loan interest rate.

NOTE 8 - INTERFUND TRANSACTIONS

Interfund Receivables and payables as of September 30, 2023:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 1,146,993

The interfund balance above represents the portion of enterprise fund costs that were paid out of the general fund that have not been reimbursed by the enterprise fund as of year-end.

Interfund transfers for the year ended September 30, 2023, consisted of:

There were no interfund transfers during the year ended September 30, 2023.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN

The Town Council has established by Resolution an Internal Revenue Code Section 457 and a 401(a) defined contribution pension plan. The plan trust is administered by the Florida League of Cities, Inc. and the assets of the plans are not considered part of the Town's reporting entity. Participation is voluntary, and the employee determines the amount of their contribution. Employees that participate in the plan may contribute up to the lesser of \$7,500 or 33 1/3% percent of their wages. The Town contributes a matching amount up to 6% of each employee's wages. Pension costs are accrued and funded on a current basis and all required contributions for the year were made. Contributions for the fiscal year ended September 30, 2023 totaled \$68,388 which consisted of \$37,105 contributed by employees and \$31,283 contributed by the Town. The Town's payroll totaled approximately \$1,150,000, of which pension contributions were provided on approximately \$521,380.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

The Town follows GASB Cod. Sec. P50 for certain postemployment health care and dental benefits provided by the Town.

Plan Description – The Other Postemployment Benefits Plan (OPEB Plan) is a single employer defined benefit plan administered by the Town. The OPEB Plan allows employees who retire and meet retirement eligibility requirements under the Town's defined contribution plan to continue medical insurance coverage as a participant in the Town's health insurance plan.

Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the Town are eligible to participate in the Town's healthcare and life insurance benefits. The Town subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees.

The Town does not offer any explicit subsidies for retiree coverage. The OPEB Plan doesn't issue a stand-alone financial report and is not included in the annual report of a public employee retirement system or another entity.

There are currently 19 active plan members and no inactive plan members who are receiving benefits.

Funding Policy – Currently, the Town's OPEB benefits are unfunded. The Town has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis.

Benefits Provided – The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the Town who meet the eligibility requirements of the Town's defined contribution plan are eligible to receive postemployment health care benefits. All retiree, spouse and dependent coverage is at the expense of the retiree.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (cont...)

Total OPEB Liability – The Town’s total OPEB liability was determined by an actuarial valuation as of October 1, 2021 updated to September 30, 2023 (measurement date) using the assumptions below.

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	4.87%
Initial Trend Rate	7.50%
Ultimate Trend Rate	4.00%
Year to Ultimate Trend Rate	53

For all lives, mortality rates were PubG-2010 Mortality Tables projected to the valuation date using projection scale MP-2019.

Discount Rate – The discount rate was based on a high-quality municipal bond rate of 4.87%. The high-quality bond rate was based on the week closest but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal Bond 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated AA by Standard and Poor’s Ratings Services, Aa2 by Moody’s or AA by Fitch, if there are multiple ratings, the lowest rate is used.

OPEB Expense – For the year ended September 30, 2023, the Town recognized OPEB expense of \$13,684.

Changes in Total OPEB Liability:

	Total OPEB Liability
Reporting period ending September 30, 2022	\$ 63,535
Changes for the year:	
Service cost	9,112
Interest	3,383
Changes of assumptions	(511)
Benefit payments	(3,511)
Net changes	8,473
Reporting period ending September 30, 2023	\$ 72,008

Sensitivity of the Total OPEB Liability to changes in the discount rate - The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (3.87%)	Discount Rate (4.87%)	1% Increase (5.87%)
Total other postemployment benefits liability	\$ 77,412	\$ 72,008	\$ 67,249

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (concluded)

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.00% to 6.50%)	Discount Rate (4.00% to 7.50%)	1% Increase (5.00% to 8.50%)
Total other postemployment benefits liability	\$ 65,742	\$ 72,008	\$ 79,331

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The City has outstanding debt secured by its water revenues and other debt secured by the combined water and sewer revenues. The water and sewer operations are combined and accounted for in a single enterprise fund. Because many of the assets and liabilities of the enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivable, accounts payable, etc.), it is not possible to present segment information disclosures for cash flows and some components of net position. Segment financial information that can be separately identified for the water and sewer operations as of and for the year ended September 30, 2023, is presented below:

	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services	\$ 1,001,642	\$ 99,431	\$ 1,101,073
Total operating revenues	1,001,642	99,431	1,101,073
OPERATING EXPENSES:			
Personal services	221,496	7,175	228,671
Operating expenses	310,075	89,122	399,197
Depreciation	236,625	36,438	273,063
Total operating expenses	768,196	132,735	900,931
OPERATING INCOME	233,446	(33,304)	200,142
NONOPERATING REVENUE (EXPENSE)			
Interest expense and other fiscal charges	(77,672)	(2,750)	(80,422)
Interest revenue	19,814	-	19,814
Other nonoperating expense	-	(8,117)	(8,117)
Total nonoperating revenues (expenses)	(57,858)	(10,867)	(68,725)
INCOME BEFORE CONTRIBUTIONS	175,588	(44,171)	131,417
Capital contributions (impact fees)	1,391,574	2,337,600	3,729,174
Grants	28,186	4,827,250	4,855,436
Total contributions	1,419,760	7,164,850	8,584,610
CHANGE IN NET POSITION	1,595,348	7,120,679	8,716,027
Condensed statement of net position:			
Capital assets, net	\$ 7,303,977	\$ 12,743,257	\$ 20,047,234
Long-term debt	\$ 3,867,138	\$ 511,620	\$ 4,378,757

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 12 - RISK MANAGEMENT AND LITIGATION

During the ordinary course of its operations, the Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The Town maintains commercial insurance coverage in amounts management feels are adequate to protect and safeguard the assets of the Town. There have been no significant reductions in coverage nor have settlement amounts exceeded the Town's coverage during the year ended September 30, 2023 or the previous two fiscal years. In the opinion of the Town's management and legal counsel, legal claims and litigation are not anticipated to have material impact on the financial position of the Town. The Town's workers compensation coverage is provided through a nonassessable, nonprofit, tax-exempt risk sharing pool. Settled claims resulting from these risks have not exceeded insurance coverage.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Town participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to non-compliance with grant program regulations, the Town may be required to reimburse the grantor government/agency. As of September 30, 2023, the Town believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Town.

Construction commitments - The Town has construction commitments of \$2,857,000 as of September 30, 2023 related to wastewater treatment facility construction, wastewater system expansion and various water projects. These projects are expected to be funded by grants, loans and developer contributions.

NOTE 14 - FUTURE REVENUES THAT ARE PLEDGED

The Town has pledged various future revenue sources for various debt issues. For the water system, the Town has pledged future revenues, net of certain operating expenses. The following table provides a summary of the pledged revenues for the Town's outstanding debt issues. Additional information regarding the Town's pledged revenue can be found in note 7.

	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Revenue	% of Revenues to Principal and Interest Paid
Pledged Revenue				
Water system net revenue	\$ 4,669,622	\$ 156,948	\$ 489,885	312.13%
Water and sewer system net revenue	994,906	-	493,019	na

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 15 – JOINT VENTURE

Background - The Polk Regional Water Cooperative (PRWC) was created on April 1, 2016 by a interlocal agreement between the Town of Lake Hamilton, City of Auburndale, City of Bartow, City of Davenport, Town of Dundee, City of Eagle Lake, City of Fort Meade, City of Frostproof, City of Haines City, City of Lake Alfred, City of Lakeland, City of Lake Wales, City of Mulberry, Polk City, City of Winter Haven, and Polk County in accordance with Chapters 163 and 373 of the Florida Statutes.

These local government units are collectively considered the Member Governments. The PRWC is a separate legal entity organized under the laws of the State of Florida, and the Member Governments have no equity ownership in the PRWC.

The PRWC is devoted to encouraging the development of fully integrated, robust public water supply systems comprised of diverse sources managed in a manner that take full advantage of Florida's intense climatic cycles to ensure reliable, sustainable and drought resistant systems which maximize the use of alternative water supplies to the greatest extent practicable. The PRWC will evaluate, plan and implement water projects and coordinate partnerships with other water users.

The terms of the interlocal agreement require each Member Government to contribute their proportionate share of the PRWC's annual working capital needs which are established annually by a resolution of the PRWC's Board of Directors. For the year ended September 30, 2023, the total annual working capital needs of the PRWC was \$235,000 of which the Town's proportionate share was \$961.

During 2022, the Town agreed to be a project participant in the following Projects, the West Polk Lower Aquifer Wellfield, a new lower Floridan aquifer public water supply wellfield located in west Polk County, Florida. Project participants agree to receive potable water from the Projects once completed. The Projects are being funded through the PRWC using a combination of grants and loans and the ultimate debt service and operating costs of the project will be passed through to the Project participants through the water service charges which have not been determined as of the date of this report.

Complete financial statements of the PRWC may be obtained from the PRWC's Executive Director at 330 W. Church Street, P.O. Box 9005, Drawer CA01, Bartow, FL 33831-9005.

NOTE 16 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions - the Town had no material violations of finance related legal and contractual provisions.

Deficit Fund Balance or Net Position of Individual Funds - As of September 30, 2023, no individual fund had a deficit fund balance or net position deficit.

Excess of Expenditures Over Budget Appropriations in Individual Funds - For the year ended September 30, 2023, no budgetary fund department had an excess of expenditures over appropriations except for the following in the general fund:

- Legal department expenditures exceeded budgeted appropriations by \$13,026.
- Parks department expenditures exceeded budgeted appropriations by \$2,400.
- Debt service expenditures exceeded budgeted appropriations by \$2,658.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2023

NOTE 17 – IMPLEMENTATION OF ACCOUNTING PRINCIPLE

During the fiscal year ended September 30, 2023, the Town implemented the provisions of GASB Statement No. 96 – Subscription-Based Information Technology Arrangement. The objective of this Statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs), improving the comparability of financial statements among governments that have entered into SBITAs and to enhance the understandability, reliability, relevance and consistency of information about SBITAs. Under this Statement, a government generally should recognize a subscription liability and an intangible right-to-use subscription asset. Due to the immaterial nature of the Town’s SBITAs, adoption of the new guidance had no effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LAKE HAMILTON, FLORIDA
 Budgetary Comparison Schedule – General Fund
 for the year ended September 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 1,506,160	\$ 1,506,160	\$ 1,626,410	\$ 120,250
Licenses and permits	269,100	269,100	843,183	574,083
Intergovernmental revenue	3,766,605	3,766,605	363,989	(3,402,616)
Charges for services	441,521	441,521	509,174	67,653
Fines and forfeitures	24,300	24,300	27,150	2,850
Other	131,500	131,500	102,894	(28,606)
Total revenues	<u>6,139,186</u>	<u>6,139,186</u>	<u>3,472,800</u>	<u>(2,666,386)</u>
Expenditures:				
General government				
Council	1,520,000	1,520,000	66,667	1,453,333
Executive	212,079	212,079	141,743	70,336
Finance and administration	137,288	137,288	121,054	16,234
Legal	36,500	36,500	49,526	(13,026)
Building and planning	422,591	422,591	329,951	92,640
Other general government	359,231	359,231	302,389	56,842
Total general government	<u>2,687,689</u>	<u>2,687,689</u>	<u>1,011,330</u>	<u>1,676,359</u>
Law enforcement	1,007,722	1,007,722	825,782	181,940
Sanitation	271,652	271,652	221,128	50,524
Streets	2,633,865	2,633,865	199,726	2,434,139
Parks	244,411	244,411	246,811	(2,400)
Nondepartmental debt service	164,858	164,858	167,516	(2,658)
Total expenditures	<u>7,010,197</u>	<u>7,010,197</u>	<u>2,672,293</u>	<u>4,337,904</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(871,011)</u>	<u>(871,011)</u>	<u>800,507</u>	<u>1,671,518</u>
OTHER FINANCING SOURCES				
Leases	-	-	36,306	36,306
CHANGE IN FUND BALANCE	<u>\$ (871,011)</u>	<u>\$ (871,011)</u>	<u>\$ 836,813</u>	<u>\$ 1,707,824</u>

TOWN OF LAKE HAMILTON, FLORIDA**Schedule of Changes in the Total Other Postemployment Benefits Payable Liability and Related Ratios**

Measurement date	9/30/2023	9/30/2022	9/30/2021
Reporting period ending	9/30/2023	9/30/2022	9/30/2021
Total OPEB Liability			
Service cost	\$ 9,112	\$ 12,289	\$ 9,574
Interest	3,383	2,039	1,476
Change in assumptions	(511)	(20,595)	(2,058)
Differences between expected and actual experience	-	5,603	-
Benefit payments	(3,511)	(3,611)	(1,126)
Net change in total pension liability	8,473	(4,275)	7,866
Total OPEB liability, beginning	63,535	67,810	59,944
Total OPEB liability, ending	<u>\$ 72,008</u>	<u>\$ 63,535</u>	<u>\$ 67,810</u>
Covered payroll	\$ 970,678	\$ 947,002	\$ 826,067
Total OPEB liability as a percentage of covered-employee payroll	7.42%	6.71%	8.21%

Additional years will be added to this table until ten years' data is presented.

Notes to Schedule:

No assets are being accumulated in a trust to pay for plan benefits.

Additional years will be added to this table until ten years' data is presented.

Changes in Assumptions: Changes in assumptions reflect the effects of changes in the discount rate of each period. The following are the discount rates used for each measurement date.

Measurement Date	Discount Rate
September 30, 2023	4.87%
September 30, 2022	4.77%
September 30, 2021	2.43%
September 30, 2020	2.14%

OTHER INFORMATION

TOWN OF LAKE HAMILTON, FLORIDA
 Schedule of Expenditures of State Financial Assistance

Agency/Project	CFSA#	Grant/Contract Identification	Total Expenditures
Florida Department of Environmental Protection			
Wastewater Treatment Facility Construction - Grant	37.077	CW531642	\$ 4,388,428
Wastewater Treatment Facility Construction - Loan	37.077	CW531642	919,777
Total Wastewater Treatment Facility Construction			5,308,205
Small Community Wastewater Facility Grant	37.075	DW531650	28,186
Total Small Community Wastewater Facility Grant			28,186
Florida Recreation Development Assistance Program	37.017	A1070	45,442
Florida Recreation Development Assistance Program	37.017	A1046	50,000
Total Florida Recreation Development Assistance Program			95,442
Total Florida Department of Environmental Protection			5,431,833
Total Expenditures of State Financial Assistance			\$ 5,431,833

TOWN OF LAKE HAMILTON, FLORIDA

Notes to Schedule of Expenditures of State Financial Assistance

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance (Schedule) includes all state financial assistance activity of the Town of Lake Hamilton (the “Town”) under projects of the state of Florida for the year ended September 30, 2023.

The information in this Schedule is presented in accordance with the requirements of Chapter 69I-5, Rules of the Florida Department of Financial Services. Because the Schedule presents only a selected portion of the operation of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of state financial assistance is presented using the same basis of accounting as the fund in which the grant is recorded, generally the accrual or modified accrual basis, as described in Note 1 to the Town’s financial statements.

NOTE 3 – CONTINGENCIES

The grant revenue amounts received are 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 agencies would become a liability of the Town. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

Grant monies received and disbursed by the Town are for specific purposes and are subject to review by the grantor agencies. Such reviews potentially may result in disallowed expenditures.

NOTE 4 – STATE REVOLVING FUND LOANS OUTSTANDING

The Town had the following State Revolving Fund loan balances outstanding on September 30, 2023:

<u>Note Payable</u>	<u>Balance</u>
CW531640	\$ 51,731
CW531642	919,777
DW531610	183,759



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

Honorable Mayor and Town Council
Town of Lake Hamilton, Florida

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited the Town of Lake Hamilton, Florida's compliance with the types of compliance requirements identified as subject to audit in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the Town of Lake Hamilton, Florida's major state projects for the year ended September 30, 2023. The Town of Lake Hamilton, Florida's major 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 Town of Lake Hamilton, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2023.

Basis for Opinion on Each Major 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 Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards and Chapter 10.550, Rules of the 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 Town of Lake Hamilton, Florida 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 state project. Our audit does not provide a legal determination of the Town of Lake Hamilton, Florida's compliance with the compliance requirements referred to above.

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 Town of Lake Hamilton, Florida's 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 Town of Lake Hamilton, Florida'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*, and Chapter 10.550, Rules of the 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 Town of Lake Hamilton, Florida's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, Rules of the 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 Town of Lake Hamilton, Florida'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 Town of Lake Hamilton, Florida'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 Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lake Hamilton, Florida'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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major state project is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Lake Hamilton, Florida's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. the Town of Lake Hamilton, Florida's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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 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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-007, 2023-008 and 2023-009 to be material weaknesses.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Lake Hamilton, Florida's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. the Town of Lake Hamilton, Florida's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Ramos & Floyd CPAs PLLC

Lakeland, Florida
December 6, 2024

TOWN OF LAKE HAMILTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Section I – Summary of Independent Auditor’s Results

Financial Statements

Type of auditor's report issued	<u>Unmodified Opinion</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u> X </u> Yes <u> </u> No
Significant deficiency(ies) identified?	<u> X </u> Yes <u> </u> None reported
Noncompliance material to financial statements noted?	<u> X </u> Yes <u> </u> No

State Financial Assistance

Type of report issued on compliance for major state projects:	<u>Unmodified Opinion</u>
Internal control over major state project:	
Material weakness(es) identified?	<u> X </u> Yes <u> </u> No
Significant deficiency(ies) identified?	<u> </u> Yes <u> X </u> None reported
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557, Rules of the Auditor General?	<u> X </u> Yes <u> </u> No

Identification of Major State Projects:

CFSA#	Name of State Project
37.077	Wastewater Treatment Facility Construction

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 750,000 </u>
Auditee qualified as a low-risk auditee?	<u> </u> Yes <u> X </u> No

Section II – Status of Prior Year Findings

2021-001 Compliance with Debt Covenant
Current Year Status: Cleared.

2021-002 Compliance with Budgeted Expenditures
Current Year Status: Cleared

2022-001 Compliance with Debt Covenant
Current Year Status: Cleared.

TOWN OF LAKE HAMILTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Section III – Findings Related to the Financial Statement Audit

2023-001: Untimely Submission of Audit and Florida Single Audit to the Auditor General

Type of Finding: Material Noncompliance

Criteria or specific requirement: Timely submission of the audit and Florida Single Audit is required under regulation Section 215.97, Florida Statutes. This ensures compliance with state requirements and provides the Town with timely access to financial and compliance information.

Condition: The audit and the Florida Single Audit report were not submitted to the Auditor General within the required timelines as stipulated by state regulations. The submission deadlines were exceeded for the reporting period under review.

Context: The above condition was noted during the year.

Cause: The delay in submission was attributed to resource constraints and competing priorities.

Effect: Failure to submit the audit and Florida Single Audit in a timely manner could result in noncompliance with state regulations, potential penalties, or delays in receiving funding tied to audit compliance. Additionally, it may impact the credibility of the organization with funding agencies and stakeholders.

Repeat Finding: No.

Recommendation: We recommend timely submission of the audit and Florida Single Audit which is critical to maintaining compliance with state regulations and supporting the organization's financial transparency.

Views of responsible officials: See accompanying letter of management's response.

2023-002: Finding: Opportunities for Improvement in Timeliness of Bank Reconciliations

Type of Finding: Material Weakness

Criteria or specific requirement: Timely bank reconciliations are a fundamental internal control practice to ensure that cash balances are accurate and that discrepancies between bank and internal records are promptly identified and resolved.

Condition: The audit procedures identified that bank reconciliations were not consistently performed nor reviewed in a timely manner. Delays in reconciling bank statements to the general ledger were noted for several reporting periods.

Context: The above condition was noted during the year.

Cause: The delays may have been caused by resource constraints, competing priorities, or a lack of formalized procedures for completing bank reconciliations within a designated timeframe.

Effect: Untimely reconciliations increase the risk of undetected errors or irregularities, which could lead to inaccurate financial reporting and delayed decision-making.

Repeat Finding: No.

Recommendation: Timely bank reconciliations are critical to maintaining accurate financial records and minimizing risks. Implement periodic reviews to monitor compliance with the established reconciliation timelines.

Views of responsible officials: See accompanying letter of management's response.

TOWN OF LAKE HAMILTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Section III – Findings Related to the Financial Statement Audit (continued)

2023-003: Inaccurate Interim Financial Statements Due to Mismanagement of Software

Type of Finding: Material Weakness

Criteria or specific requirement: Accurate and consistent use of financial software is essential to ensure reliable financial reporting.

Condition: During the audit, it was noted that the client did not properly utilize their financial software. Specifically:

- Accounts Payable Invoice Dates: Some invoice dates recorded in the accounts payable system did not reflect the actual dates of the invoices. This resulted in timing differences that affected the accuracy of financial reporting. Significant amounts owed to Polk County Board of County Commissioners was not paid timely.
- Check Number Discrepancies: Discrepancies were identified between the system-generated check numbers on internal reports and the check numbers that cleared the bank.
- The Munilink subledger is not being posted to the general ledger daily and reconciled monthly.
- Journal entries are not being posted and reviewed timely, specifically, we noted the payroll entries.

Context: The above condition was noted during the year.

Cause: These discrepancies may be attributed to inconsistencies in data entry practices and a lack of regular reconciliation between internal records and external bank transactions.

Effect: The noted issues could lead to less reliable interim financial reporting, which may impact the ability to make timely and informed financial decisions.

Repeat Finding: No.

Recommendation: Strengthening these practices will enhance the accuracy and reliability of financial reporting and support effective financial management. Review and refine processes for entering invoice dates to ensure alignment with source documents. Provide training for relevant staff to improve familiarity with financial software functions and best practices. Implement regular reconciliation procedures to verify that check numbers in the financial system match those cleared by the bank.

Views of responsible officials: See accompanying letter of management's response.

2023-004: Opportunities for Improvement in Invoice Approval Processes

Type of Finding: Material Weakness

Criteria or specific requirement: Effective internal controls require that all invoices be reviewed and approved by authorized personnel to ensure the validity, accuracy, and appropriateness of expenditures.

Condition: During the audit testing of internal control process over cash disbursements, it was observed that 2 invoices tested were not consistently reviewed and approved by authorized personnel prior to payment. Instances were identified where documentation of approval was either absent or incomplete. The policy states council will approve cash disbursements and the control form indicated a space for approval signoff, but no approval was noted.

TOWN OF LAKE HAMILTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Section III – Findings Related to the Financial Statement Audit (continued)

2023-004: Opportunities for Improvement in Invoice Approval Processes (continued)

Context: The above condition was noted during the year in total.

Cause: The lack of proper invoice approval may be due to informal processes, insufficient training, or a lack of adherence to established procedures.

Effect: Without proper approval, there is an increased risk of errors, unauthorized transactions, or fraudulent activity, which could compromise the accuracy and integrity of financial reporting.

Repeat Finding: No.

Recommendation: Strengthening the invoice approval process will enhance internal controls, reduce the risk of errors or unauthorized payments, and support accurate financial reporting. We recommend the Town review the current policies for invoice approval process and ensure compliance with the policy in that all invoices are properly reviewed and authorized before payment.

Views of responsible officials: See accompanying letter of management's response.

2023-005: Inconsistencies in Employer Deferral Contributions to Benefit Plan

Type of Finding: Significant Deficiency

Criteria or specific requirement: Employers are required to adhere to the terms of their benefit plans, including specified deferral percentages, to ensure compliance with regulatory requirements and to maintain the trust and expectations of employees.

Condition: It was observed that the percentage of employer deferrals specified in the benefit plan documentation was inconsistent with the actual contributions made to employee accounts. This inconsistency occurred across multiple periods, with no clear reconciliation or explanation for the variances.

Context: The above condition was noted during the year.

Cause: The discrepancies may have resulted from manual errors, system misconfigurations, or a lack of oversight and reconciliation processes to verify that contributions align with plan terms.

Effect: Failure to accurately contribute the agreed-upon percentage to employee accounts can lead to employee dissatisfaction, potential noncompliance with benefit plan regulations, and increased liability for the employer.

Repeat Finding: No.

Recommendation: Ensuring consistency between the benefit plan terms and actual contributions is essential to maintain compliance and minimize risk to the organization. Implementing the following recommendations will enhance the accuracy and reliability of benefit plan administration.

- Review and verify the system settings used to calculate employer deferrals to ensure they align with the benefit plan terms.

TOWN OF LAKE HAMILTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Section III – Findings Related to the Financial Statement Audit (continued)

2023-005: Inconsistencies in Employer Deferral Contributions to Benefit Plan (continued)

- Implement periodic reconciliations to compare actual contributions with the agreed deferral percentage.
- Provide training to payroll and benefits staff on the importance of accurate benefit plan contributions and reconciliation processes.
- Establish a process for timely resolution of identified discrepancies to prevent recurrence.

Views of responsible officials: See accompanying letter of management's response.

2023-006: Restricted Cash Balances Underfunded

Type of Finding: Significant Deficiency

Criteria or specific requirement: Restricted cash accounts must be adequately funded to cover the total amount of deposits held. This ensures compliance and safeguards against the misuse of funds designated for specific purposes.

Condition: It was identified that the restricted cash account designated for deposits held was underfunded by \$30,712 as of the review date. It was also noted that the general fund impact fees restricted cash accounts were underfunded by \$231,951. The restricted cash balances did not align with the total calculated deposits that should be maintained in accordance with applicable agreements or requirements.

Context: The above condition was noted during the year in total.

Cause: The underfunding may be attributed to insufficient monitoring of restricted cash balances and a lack of reconciliation procedures to ensure the account balance matches the required deposit total.

Effect: An underfunded restricted cash balance increases the risk of noncompliance with regulatory obligations.

Repeat Finding: No.

Recommendation: Maintaining adequate funding in restricted cash accounts is essential to comply with obligations and safeguard the organization's financial integrity.

- Perform a detailed reconciliation of the restricted cash account to identify and address the cause of the underfunding.
- Transfer the necessary funds to bring the restricted cash balance into alignment with the total deposits held.
- Implement ongoing monitoring and reconciliation procedures to ensure the restricted cash account remains fully funded in accordance with requirements.
- Provide training to finance staff on the importance of maintaining accurate restricted cash balances and following reconciliation best practices.

Views of responsible officials: See accompanying letter of management's response.

TOWN OF LAKE HAMILTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Section IV – Findings and Questioned Costs – Major State Project Audit

2023-007: Untimely Submission of Audit and Florida Single Audit to the Auditor General

Type of Finding: Material Weakness

See above comment 2023-001.

2023-008: Untimely Submission of Grant Reimbursement Requests for Major State Project

Type of Finding: Material Weakness

Criteria or specific requirement: Timely submission of grant reimbursement requests is critical to comply with grant agreements and ensure the availability of funds to support project expenditures.

Condition: It was observed that grant reimbursement requests for a major state-funded project were not submitted within the prescribed timelines. Delays in submitting reimbursement requests occurred across multiple reporting periods, potentially impacting project funding and cash flow.

Context: The above condition was noted during the year.

Cause: The untimely submissions may be attributed to insufficient staffing, inadequate tracking of deadlines, or a lack of formalized procedures for preparing and submitting reimbursement requests.

Effect: Delays in reimbursement requests can disrupt project cash flow, lead to missed funding opportunities, and increase the risk of noncompliance with grant terms, potentially jeopardizing future grant awards or creating audit findings.

Repeat Finding: No.

Recommendation: Timely submission of grant reimbursement requests is essential to ensure compliance with funding requirements, maintain project cash flow, and support the successful execution of state-funded projects.

- Establish a detailed schedule for grant reimbursement submissions, ensuring alignment with the deadlines specified in the grant agreement.
- Assign clear roles and responsibilities to staff for preparing, reviewing, and submitting reimbursement requests.
- Implement a tracking system to monitor the status of expenditures and submission deadlines.
- Conduct periodic internal reviews to ensure compliance with the submission schedule and address any delays promptly.

Views of responsible officials: See accompanying letter of management's response.

2023-009: Opportunities for Improvement in Invoice Approval Processes

Type of Finding: Material Weakness

See above comment 2023-004.



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

Honorable Mayor and Town Council
Town of Lake Hamilton, 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 Town of Lake Hamilton, Florida (the "Town"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 6, 2024.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-02, 2024-03 and 2024-04 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-05 and 2024-06 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described as item 2023-001.

Town of Lake Hamilton, Florida's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Lake Hamilton, Florida's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Town of Lake Hamilton, Florida's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Ramos & Floyd CPAs PLLC

Lakeland, Florida
December 6, 2024



**Independent Accountants' Examination Report on Compliance
With the Requirements of Section 218.415, *Florida Statutes***

To the Members of the Town Council of
Town of Lake Hamilton, Florida

We have examined the Town of Lake Hamilton, Florida's (the "Town") compliance with Section 218.415, *Florida Statutes*, concerning the investment of public funds during the year ended September 30, 2023. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of Town of Lake Hamilton and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our examination.

Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, Town of Lake Hamilton, Florida complied, in all material respects, with the aforementioned requirements of Section 218.415, *Florida Statutes*, for the year ended September 30, 2023.

Ramos & Floyd CPAs PLLC

Lakeland, Florida
December 6, 2024



Independent Auditor’s Management Letter

Honorable Mayor and Town Council
 Town of Lake Hamilton, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Lake Hamilton, Florida (the “Town”), as of and for the year ended September 30, 2023, and have issued our report thereon dated December 6, 2024.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance for Each Major State Project and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs, and Independent Accountant’s Examination Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements of Section 218.415, *Florida Statutes*, and in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated December 6, 2024, 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 significant findings and recommendations made in the preceding annual financial audit report. Refer to the schedule below:

Prior Year Findings		Cleared	Partially Cleared	Not Cleared	2022-2023 Current Year Finding #	2021-2022 Year Finding #	2020-2021 Year Finding #
Debt Covenant Requirements	Compliance	X			Not Reported	2022-001	2021-001
Budgeted Expenditures	Compliance	X			Not Reported	Not Reported	2021-002

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. For the legal authority of the Town of Lake Hamilton, Florida, refer to the summary of significant accounting policies in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town of Lake Hamilton, Florida has met one or more of the specific 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 Town of Lake Hamilton, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Special District Component Units

Sections 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special districts component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts and grant agreements, or abuse, that have occurred, or are likely to occur, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance in connection with our audit. In connection with our audit, see schedule of findings and questioned costs item 2023-001.

The Town’s response to the above finding is described in the accompanying management response letter and was not subjected to other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

Purpose of this Letter

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

Ramos & Floyd CPAs PLLC

Lakeland, Florida
December 6, 2024



TELEPHONE (863) 439-1910
FAX (863) 439-1421

POST OFFICE BOX 126
LAKE HAMILTON, FL 33851

Town of Lake Hamilton

December 6, 2024

Honorable Members of the Town Council
Town of Lake Hamilton, Florida
100 Smith Ave Lake Hamilton, FL 33851

Dear Members of the Town Council:

We have received the management letter prepared by our independent auditors, and the Schedule of Findings and Questioned Costs as required by the Florida Single Audit Act (Section 215.97, Florida Statutes) and the rules of the Florida Auditor General. We appreciate the auditors' efforts to provide their findings and observations, which help us improve our financial and operational practices. Management has reviewed the findings, and we are committed to addressing them in a timely and effective manner. Below, we provide our responses to the specific findings included in the Schedule of Findings and Questioned Costs:

1. **Finding 2023-001: Untimely Submission of Audit and Florida Single Audit to the Auditor General**

- Due to large-scale staff turnover, many accounting processes had fallen behind resulting in an audit completion date that is after the June 30, 2024 deadline. Management has made significant investments in new staff members and is currently working on training these staff to maintain the accounting records in the current state.

2. **Finding 2023-002: Opportunities for Improvement in Timeliness of Bank Reconciliations**

- Due to large scale staff turnover, the bank reconciliation process had fallen behind. Town staff has reconciled the bank statements to the general ledger through the month ended September 30, 2024 and are currently working with the external financial reporting consultant to ensure staff is properly trained on the bank reconciliation process and to keep the bank reconciliations up-to-date.

3. **Finding 2023-003: Inaccurate Interim Financial Statements Due to Mismanagement of Software**

- Management agrees with this finding and has already begun implementing the auditor's recommendation by hiring qualified staff and enhanced training of existing staff. Furthermore, timely posting of Town transactions and reconciliation of the utility billing system to the general ledger will be implemented soon. We expect these changes to prevent recurrence.

4. **Finding 2023-004: Opportunities for Improvement in Invoice Approval Processes**

- In response to this finding, management is reviewing the current purchasing policy and will enhance the Town's internal control procedures and documentation to ensure compliance with the purchasing policy including the requirement to document the review and approval of authorized personnel prior to payment.

5. **Finding 2023-005: Inconsistencies in Employer Deferral Contributions to Benefit Plan**

- The Town Council passed Resolution R-2024-12 on September 3, 2024 to memorialize and clarify the matching contribution rate for the Town’s defined contribution retirement plan so we feel this finding has already been corrected as of the date of this letter. We will review and verify the payroll system setting align with this resolution.
6. **Finding 2023-006: Restricted Cash Balances Underfunded**
 - To address this finding, management is working with their external financial reporting consultant to identify and properly account for Town-wide restricted cash.
 7. **Finding 2023-007: Untimely Submission of Audit and Florida Single Audit to the Auditor General**
 - See response to finding 2023-001.
 8. **Finding 2023-008: Untimely Submission of Grant Reimbursement Requests for Major State Project**
 - Due to large-scale staff turnover, many accounting processes had fallen behind resulting in untimely submissions of grant reimbursement requests. Management has made significant investments in new staff members and is currently working on training these staff to maintain the accounting records in the current
 9. **Finding 2023-009: Opportunities for Improvement in Invoice Approval Processes**
 - See response to finding 2023-004.

We take our fiscal responsibilities seriously and are committed to ensuring that the Town’s financial practices align with the highest standards of accountability and transparency. Management will continue to work closely with the auditors and Town Council to implement all necessary improvements.

Should you have any questions or require additional information regarding our responses, please do not hesitate to contact us.

Sincerely,



Town Administrator
Town of Lake Hamilton