

TOWN OF SHALIMAR, FLORIDA

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2023

**TOWN OF SHALIMAR, FLORIDA
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SEPTEMBER 30, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the Town Commission
Town of Shalimar, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Town of Shalimar, 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 and the General Fund of the Town of Shalimar, Florida, as of September 30, 2023, and the respective changes in financial position 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 Auditors' 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 these 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 known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not

absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, 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 the Town's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
December 21, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Shalimar, Florida (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended September 30, 2023.

FINANCIAL HIGHLIGHTS

The assets of the Town exceeded its liabilities and deferred inflows of resources by \$3,108,975 (net position) and represents an increase of \$170,057 from the prior year. Of this amount, \$1,732,750 represents the Town's net investment in capital assets (e.g., land, infrastructure, construction in progress, building, machinery, and equipment), \$395,458 is restricted for capital projects, transportation, and employee medical costs, and \$980,767 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

On September 30, 2023, the total fund balance for the General Fund was \$1,398,679, which represents a decrease of \$3,318 from the prior year. \$935,414 of ending fund balance, or 84.2% of governmental expenditures, is available for spending at the Town's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

The focus of these financial statements is on both the Town as a whole (government-wide) and on the major individual fund. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year-to-year, government-to-government), and enhance the Town's accountability.

This discussion and analysis intend 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 a compliance section in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The statement of net position includes all the Town's assets and deferred outflows and liabilities and deferred inflows and provides information about the nature and amounts of investments in resources (assets), and the consumption of resources applicable to a future reporting period (deferred outflows of resources), and the obligations to the Town's creditors (liabilities), and the acquisition of resources applicable to a future period (deferred inflows of resources). Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the Town.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Government-Wide Financial Statements – Continued

The 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 Town currently does not have any business-type activities. The governmental activities of the Town include public safety (law enforcement), transportation (road and street facilities), physical environment (general maintenance), and general government services. The government-wide financial statements are found on pages 13-14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town only has governmental funds.

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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

Such information may be useful in evaluating a government's near-term financial requirements. Found on pages 15-18 of this report are the basic governmental fund financial statements.

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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one governmental fund (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 balance for the General Fund, which is considered a major fund.

The Town annually adopts an appropriated budget for its General Fund. A budgetary comparison schedule is provided for the General Fund to demonstrate compliance with this budget.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. Beginning on page 19 of this report are the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities and deferred inflows of resources by \$3,108,975 (net position) at the end of the fiscal year, as reported in Table 1.

Approximately 55.7% of the Town's net position, or \$1,732,750, reflects its investment in capital assets (e.g., land, buildings, construction in progress, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. As of September 30, 2023, the Town has no debt outstanding related to the acquisition of the capital assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Table 1
TOWN OF SHALIMAR, FLORIDA
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2023 AND 2022

	Governmental Activities	
	2023	2022
Current and other assets	\$ 1,569,646	\$ 1,676,988
Capital assets	1,732,750	1,550,453
Total assets	3,302,396	3,227,441
Long-term liabilities outstanding	22,454	13,532
Other liabilities	168,442	267,418
Total liabilities	190,896	280,950
Total deferred inflows of resources	2,525	7,573
Net position		
Net investment in capital assets	1,732,750	1,550,453
Restricted	395,458	244,533
Unrestricted	980,767	1,143,932
Total net position	\$ 3,108,975	\$ 2,938,918

GOVERNMENTAL ACTIVITIES

Governmental activities increased the Town's net position by \$170,057. Reported in Table 2 are the key elements of this increase.

Table 2
TOWN OF SHALIMAR, FLORIDA
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>Primary Government Total</u>	
	<u>2023</u>	<u>2022</u>
REVENUES		
Program revenues		
Charges for services	\$ 43,693	\$ 65,326
Capital grants and contributions	197,499	146,167
General revenues		
Property taxes	214,084	194,097
Other taxes	379,169	289,387
Franchise fees	67,056	65,068
Intergovernmental	226,971	256,844
Investment income (losses)	41,473	(25,708)
Other income	15,638	17,920
Total revenues	<u>1,185,583</u>	<u>1,009,101</u>
EXPENSES		
Primary government		
General government	338,582	288,982
Public safety	392,517	366,766
Physical environment	203,971	177,643
Transportation	52,345	77,449
Culture and recreation	28,111	9,924
Total expenses	<u>1,015,526</u>	<u>920,764</u>
CHANGE IN NET POSITION	170,057	88,337
NET POSITION AT BEGINNING OF YEAR	<u>2,938,918</u>	<u>2,850,581</u>
NET POSITION AT END OF YEAR	<u>\$ 3,108,975</u>	<u>\$ 2,938,918</u>

FINANCIAL IMPACTS

Basic Impacts

There are seven basic impacts on revenues and expenses as reflected below:

Revenues

- **Economic Condition:** This can reflect a declining, stable, or growing economic environment and has a substantial impact on property, sales, gas, or other tax revenue.
- **Changing Patterns in Intergovernmental Revenue (both recurring and non-recurring):** Certain recurring revenues (state revenue sharing) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.
- **Market Impacts on Investment Income:** The current market conditions have a significant influence on the Town's investment income causing it to fluctuate greatly.

Expenses

- **Introduction of New Programs:** Within functional expense categories (police, public works, parks and recreation, etc.), individual programs may be added or deleted to meet changing community needs.
- **Authorized Position Adjustments:** Changes in service demand may cause the Town Commission to change authorized staffing. Staffing costs (salary and related benefits) represent a significant portion of the Town's operating costs.
- **Salary Adjustments:** The ability to attract and retain human and intellectual resources requires the Town to strive to approach a competitive salary range position in the marketplace.
- **Inflation:** While overall inflation appears to be reasonably modest, the Town is a major consumer of certain commodities such as paper, chemicals, fuel, oil, parts, and other supplies. Some fluctuations may experience commodity specific increases.

Current Year Impacts – Governmental Activities

- Capital grants and contributions increased by \$51,332, or 35.1%, which is primarily attributable to a donation of land at Combs Park to the Town.
- Other taxes increased by \$89,782, or 31.0%, which is primarily attributable to the new tourist development taxes approved via public referendum in 2021.
- Investment returns increased by \$67,181, or 261.3%, which was primarily the result of market performance for the Town's fixed income investment funds.
- Total expenses increased by \$94,762, or 10.3%, which is primarily attributable to increases in payroll and employee benefit costs.

Chart 1
Program Revenues and Expenses
Governmental Activities

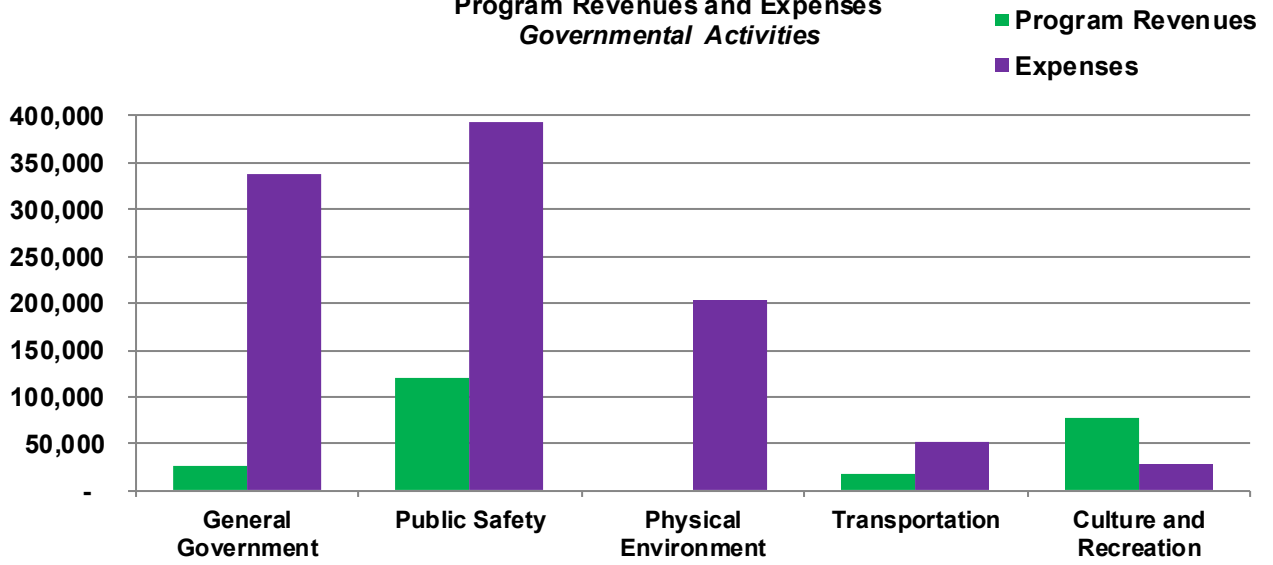
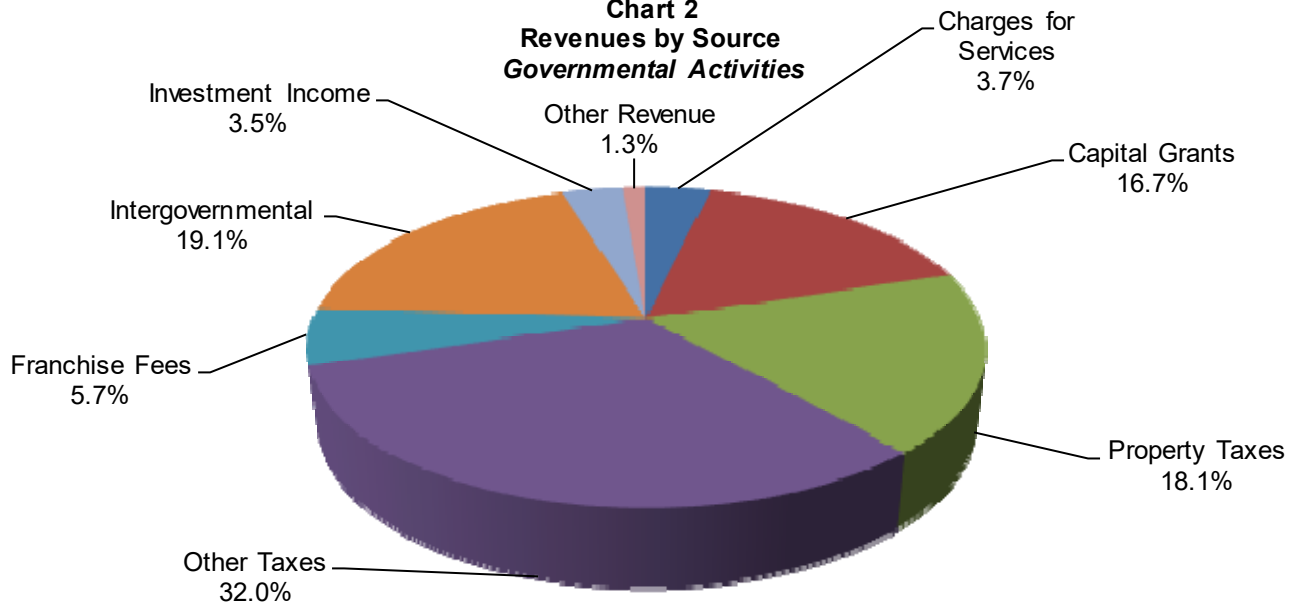


Chart 2
Revenues by Source
Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town of Shalimar, Florida's financing requirements. In particular, an 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 September 30, 2023, the Town's governmental fund reported ending fund balance of \$1,398,679, which represents a decrease of \$3,318 from the prior year. The composition of governmental ending fund balances are as follows: \$115,126, or 8.2%, is restricted for transportation expenses; \$37,235, or 2.7%, is restricted for employee medical costs; \$243,097, or 17.4%, is restricted for capital projects; \$331,300, or 23.7%, is assigned for fiscal year 2024 appropriations; and \$604,114 or 43.2% is unassigned, which is available for spending at the Town Commission's discretion.

The General Fund is the chief operating fund of the Town. As a measure of the General Fund's liquidity, it may be useful to compare the aggregate assigned and unassigned fund balance to total expenditures. Assigned and unassigned fund balance represents 84.2% of the total General Fund expenditures, or approximately 10 months of expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the current year, intergovernmental revenues exceeded expectations by \$145,656, which is primarily attributable to American Rescue Plan Act (ARPA) grant award expenditures being used in the development of the new police department building. Budgeted appropriations exceeded capital outlay expenditures by \$100,330 which is primarily attributable to delays experienced for various capital projects, including the renovation and construction of the police department building and the stormwater drainage improvements on Shalimar Drive.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investments in capital assets for its governmental activities as of September 30, 2023, were \$1,732,750 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, park facilities, roads, highways, etc. The Town's net investment in capital assets increased by \$182,297 or 11.8%, during the current fiscal year, which is summarized in Table 3 below.

Table 3
TOWN OF SHALIMAR, FLORIDA
CAPITAL ASSETS (net of depreciation)
AS OF SEPTEMBER 30, 2023 AND 2022

	Governmental Activities	
	2023	2022
Land	\$ 1,004,986	\$ 927,272
Construction in progress	171,051	50,200
Buildings	131,376	137,737
Improvements other than buildings	342,932	331,783
Furniture, equipment, and vehicles	82,405	103,461
Total	\$ 1,732,750	\$ 1,550,453

Additional information on the capital assets of the Town can be found in Note 6 of this report.

Outstanding Debt

At the end of the current fiscal year, the Town had no debt outstanding, other than compensated absences. The Town has no general obligation or special assessment debt. The State of Florida does not place a legal limit of debt on municipalities. For general obligation debts greater than one year, the Town is required to conduct a voter referendum process for approval of this type of debt. Additional information on the Town's debt can be found in Note 9 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

By constitution, the State of Florida does not have a state personal income tax, and therefore, the State operates primarily using sales, gasoline, and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely upon property and a limited array of permitted other taxes (sales, gasoline, utility service taxes, etc.) and fees (e.g., franchise and occupational license) for their governmental activities. There is a limited number of state shared revenues and recurring and non-recurring grants from both the state and federal government, which provide funding for specific programs, projects or activities. For certain governmental activities (e.g., permitting and recreational programs) the user pays a related fee or charge associated with the service.

The level of taxes, fees, and charges for services (including development related impact fees) has an impact on the Town's specific competitive ability to encourage development and redevelopment (office, retail, residential and industrial) for those businesses that choose to locate in our jurisdiction. As the Town has limited growth potential, it places great emphasis on redevelopment, and it is essential for the continued financial and economic health of our community.

The military has a significant presence in our community with Eglin Air Force Base, Hurlburt Field, and Duke Field. These three installations collectively comprise the largest military base in the world, employing over 72,000 military and civilian personnel. These installations are essential to the continued long-term economic vitality of this area. Combined, the military and defense-related industries have a \$22 billion annual impact on Northwest Florida's economy, according to the *Florida Defense Industry Economic Impact Analysis*.

The Governor's Office of Trade, Tourism & Economic Development (OTTED) is positioned closely with the military commanders in Florida, which may aid in limiting future base realignment and closures from negatively affecting this area. This strong relationship with the commanders gives the Governor and the State early warning of support issues they contend with on a regular basis.

The fiscal year 2024 budget for the Town's General Fund projects expenditures to increase by \$3,400 from the final amended budget for fiscal year 2023. The adopted budget for fiscal year 2024 includes appropriations of \$300,000 for planned capital improvements, of which approximately \$148,000 will be funded through ARPA grant awards received in advance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the Town's finances. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Town of Shalimar, Finance Department, 2 Cherokee Road, Shalimar, Florida 32579. The Town's website address is www.shalimarflorida.org.

**TOWN OF SHALIMAR, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 377,785
Certificates of deposit	384,367
Investments	269,128
Receivables	6,609
Due from other governments	68,492
Prepaid items	67,807
Restricted assets:	
Investments	395,458
Capital assets	
Non-depreciable	1,176,037
Depreciable, net	556,713
TOTAL ASSETS	3,302,396
LIABILITIES	
Accounts payable	19,629
Accrued liabilities	750
Unearned revenues	148,063
Non-current liabilities	
Due in more than one year	
Compensated absences	22,454
TOTAL LIABILITIES	190,896
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	2,525
NET POSITION	
Net investment in capital assets	1,732,750
Restricted for:	
Transportation	115,126
Capital projects	243,097
Other purposes	37,235
Unrestricted	980,767
TOTAL NET POSITION	\$ 3,108,975

See notes to the financial statements.

**TOWN OF SHALIMAR, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Function/program activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General government	\$ 338,582	\$ 25,623	\$ -	\$ -	\$ (312,959)
Public safety	392,517	-	-	119,785	(272,732)
Physical environment	203,971	-	-	-	(203,971)
Transportation	52,345	18,070	-	-	(34,275)
Culture and recreation	28,111	-	-	77,714	49,603
Total governmental activities	<u>\$ 1,015,526</u>	<u>\$ 43,693</u>	<u>\$ -</u>	<u>\$ 197,499</u>	<u>(774,334)</u>
General revenues					
Taxes					
Property taxes					214,084
Utility and other taxes					379,169
Franchise fees					67,056
Intergovernmental					226,971
Investment income					41,473
Other income					15,638
Total general revenues					<u>944,391</u>
CHANGE IN NET POSITION					<u>170,057</u>
NET POSITION AT BEGINNING OF YEAR					<u>2,938,918</u>
NET POSITION AT END OF YEAR					<u><u>\$ 3,108,975</u></u>

See notes to the financial statements.

**TOWN OF SHALIMAR, FLORIDA
GOVERNMENTAL FUND
BALANCE SHEET
SEPTEMBER 30, 2023**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 377,785
Certificates of deposit	384,367
Investments	269,128
Receivables	6,609
Due from other governments	68,492
Prepaid items	67,807
Restricted assets:	
Investments	395,458
TOTAL ASSETS	\$ 1,569,646
LIABILITIES	
Accounts payable	\$ 19,629
Accrued liabilities	750
Unearned revenues	148,063
Total liabilities	168,442
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	2,525
FUND BALANCE	
Nonspendable – prepaid items	67,807
Restricted for:	
Transportation	115,126
Capital projects	243,097
Other purposes	37,235
Assigned - FY24 appropriations	331,300
Unassigned	604,114
Total fund balance	1,398,679
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,569,646

See notes to the financial statements.

**TOWN OF SHALIMAR, FLORIDA
GOVERNMENTAL FUND
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

Fund balance, total governmental funds (page 15)	\$	1,398,679
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental non-depreciable assets	1,176,037	
Governmental depreciable assets	1,656,436	
Less accumulated depreciation	<u>(1,099,723)</u>	
		1,732,750

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Compensated absences		<u>(22,454)</u>
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Net position of governmental activities (page 13)	\$	<u><u>3,108,975</u></u>
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See notes to the financial statements.

**TOWN OF SHALIMAR, FLORIDA
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	General Fund
REVENUES	
Taxes	\$ 591,253
Permits and fees	71,626
Intergovernmental	346,756
Charges for services	18,148
Fines	22,975
Miscellaneous	57,111
Total revenues	1,107,869
EXPENDITURES	
Current	
General government	328,862
Public safety	359,420
Physical environment	185,474
Transportation	27,270
Culture and recreation	16,491
Capital outlay	193,670
Total expenditures	1,111,187
NET CHANGE IN FUND BALANCE	(3,318)
FUND BALANCE AT BEGINNING OF YEAR	1,401,997
FUND BALANCE AT END OF YEAR	\$ 1,398,679

See notes to the financial statements.

**TOWN OF SHALIMAR, FLORIDA
GOVERNMENTAL FUND
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net change in fund balance - governmental fund (page 17)	\$	(3,318)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated over the estimated useful lives of the assets.

Expenditures for capital assets	193,670	
Less current year depreciation	<u>(87,742)</u>	
		105,928

Governmental funds do not report disposals or donations of capital assets; however, in the statement of activities, losses on disposals are reported as expenses and donations of capital assets are reported at their estimated acquisition value on the date of donation as capital contributions of the related program.

Capital assets disposed of during the year	(19,486)	
Accumulated depreciation associated with disposals	18,141	
Value of donated capital assets	<u>77,714</u>	
		76,369

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

Change in long-term compensated absences		<u>(8,922)</u>
Change in net position of governmental activities (page 14)	\$	<u><u>170,057</u></u>

See notes to the financial statements.

**TOWN OF SHALIMAR, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN

Description of Town

The Town of Shalimar, Florida's (the Town) was created, established, and organized as a municipal corporation in Okaloosa County, Florida by House Bill No. 851, Laws of Florida, 1961. The Town operates under a Mayor/Commissioner form of government and provides the following services: public safety (law enforcement), transportation (road and street facilities), physical environment (general maintenance), culture and recreation (parks), and general government services.

The financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to governmental units and the Uniform Accounting System mandated by Section 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The following is a summary of the more significant accounting policies of the Town:

The Reporting Entity

The Town is governed by a five-member elected commission. The powers of this commission are regulated by ordinances and resolutions of the Town, Okaloosa County, and Florida Statutes.

As required by U.S. GAAP, these financial statements present the Town as the primary government. In evaluating the Town as a reporting entity, management has considered all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's financial statements. Management utilized criteria set forth by the GASB for determining financial accountability of potential component units in evaluating all potential component units. In accordance with these criteria, the Town (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and 1.) it is able to impose its will on the organization or 2.) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As of September 30, 2023, the Town had no component units with a significant operational or financial relationship with the Town.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government.

TOWN OF SHALIMAR, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN
– CONTINUED**

Government-Wide and Fund Financial Statements – Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1.) charges to customers 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.

Separate fund financial statements are provided for the governmental fund.

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within six months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise taxes, business taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales taxes, gasoline taxes, and other intergovernmental revenues collected and held by the state at year-end on behalf of the Town, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Okaloosa County Tax Collector bills and collects property taxes for the Town in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

**TOWN OF SHALIMAR, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN
– CONTINUED**

Measurement Focus and Basis of Accounting – Continued

The following is the property tax calendar:

Lien Date	January 1st
Levy Date	November 1st
Due Date	November 1st
Delinquent Date	April 1st

Discounts of 1% are granted for each month taxes are paid prior to March.

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within 60 days of the current period be accrued. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

Basis of Presentation

The financial transactions of the Town are recorded using fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Amounts reported as program revenues include 1.) charges to customers or applicants for goods, services, or privileges provided, 2.) operating grants and contributions, and 3.) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) and not net income. The Town reports the following major governmental fund:

General Fund – This is the Town's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance

Cash and Cash Equivalents

For financial reporting purposes, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less on the date of purchase to be cash equivalents. This includes cash on hand, demand deposits, and short-term investments. The Town's cash deposits are held by financial institutions that are qualified as public depositories under the Florida Security for Public Deposits Act (Chapter 280, Florida Statutes). The Town's deposits are fully insured by the Public Deposits Trust Fund.

**TOWN OF SHALIMAR, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN
– CONTINUED**

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued

Deposits and Investments

The Town is authorized to invest and reinvest surplus public funds in its control or possession in accordance with Section 218.415, Florida Statutes, which expressly allows local governments to invest in the State of Florida Local Government Surplus Trust Fund, or any intergovernmental investment pool authorized pursuant to Florida Statutes, Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the United States Treasury.

The Town’s cash deposits are held by financial institutions that are qualified as public depositories under the Florida Security for Public Deposits Act (Chapter 280, Florida Statutes). The Town’s deposits are fully insured by the Public Deposits Trust Fund. The Town maintains various certificates of deposit at qualified public depositories and investment portfolios with the Florida Municipal Investment Trust (FMIVT) and the Florida Cooperative Liquid Asset Securities System (FLCLASS), which are authorized investment trusts under Section 163.01, Florida Statutes. The certificates of deposit are recorded at cost plus accrued interest, which approximates fair value. The FMIVT and FLCLASS investment portfolios are reported at fair value.

Capital Assets

Capital assets, which include land, buildings, improvements and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial cost more than the following:

Land		All
Buildings	\$	10,000
Improvements other than buildings	\$	10,000
Infrastructure	\$	10,000
Furniture, equipment, and vehicles	\$	500

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**TOWN OF SHALIMAR, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN
– CONTINUED**

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued

Capital Assets – Continued

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

<u>Assets</u>	<u>Years</u>
Buildings	5-50 Years
Improvements other than buildings	20-50 Years
Furniture, equipment, and vehicles	5-10 Years

Compensated Absences

Employees accumulate earned but unused vacation pay based on length of service to the Town. All vested vacation leave is accrued when incurred in the government-wide financial statements. A liability for the amounts of vacation leave is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

Annual Leave – Employees may accumulate up to 160 hours of annual leave and are fully compensated for accumulated leave upon termination, subject to approval by the Town Commission.

Long-Term Obligations

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

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) until then. The Town had no deferred outflows of resources as of September 30, 2023.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category: business tax revenue totaling \$2,525 collected in 2023 for 2024.

**TOWN OF SHALIMAR, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN
– CONTINUED**

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued

Classification of Fund Balance

GASB guidance establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are comprised of the following:

- *Nonspendable* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid items.
- *Restricted* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes amounts that can only be used for the specific purposes determined by a formal action (an Ordinance) of the Town's highest level of decision-making authority, the Town Commission. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally.
- *Assigned* – includes amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Town Commission or (b) a body (for example: a budget or finance committee) or official to which the Town Commission has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned* – the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

The Town has a minimum fund balance policy, which stipulates that the total assigned and unassigned fund balances must be equal to (or greater than) seventy-five percent (75%) of the preceding fiscal year's operating expenditures.

**TOWN OF SHALIMAR, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE TOWN
– CONTINUED**

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued

Net Position

Net position in the government-wide financial statements is categorized as net investment in capital assets, restricted, or unrestricted. The net investment in capital assets represents net position related to property, plant and equipment, net of any related debt. Restricted net position represents the net position restricted by enabling legislation. The Town considers restricted amounts to be spent first when both restricted and unrestricted resources are available.

Estimates

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

Subsequent Events

Management has evaluated subsequent events and transactions that occurred between September 30, 2023 through December 21, 2023, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

Annual appropriated budgets are adopted by resolution on a basis consistent with U.S. GAAP. All appropriations lapse at fiscal year-end except for appropriations related to multi-year capital projects.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are reported as restricted or assigned fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year.

**TOWN OF SHALIMAR, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

3. CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The investment of surplus funds is governed by the provisions of Section 218.415, Florida Statutes, as to the type of investments that can be made. Deposits may be exposed to custodial credit risk, which is the risk that in the event of a bank failure, the government's deposits may not be returned.

The Town manages its custodial credit risk by maintaining its deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must deposit eligible collateral with the Treasurer of the State of Florida equal to or in excess of their required collateral pledging level. In the event of default by a qualified public financial institution, the Treasurer will pay public depositors all losses in excess of insurance and collateral through assessments among all Qualified Public Depositories.

At September 30, 2023, the Town held deposits of \$859,546, consisting entirely of deposits with financial institutions in checking, money market, and certificate of deposit accounts. These deposits were fully covered by federal depository insurance coverage or pooled collateral held by the State Treasurer, and therefore, had no custodial credit risk.

Investments

The types of investments that can be made by the Town are restricted by state statutes and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1.

The Town participates in the Florida Municipal Investment Trust (FMIvT) administered by the Florida League of Cities, Inc. The FMIvT is a local government investment pool, and is an authorized investment under Section 163.01, Florida Statutes. The investment pool is considered an external investment pool for financial reporting purposes. As such, the Town has a beneficial interest in shares in one or more FMIvT portfolios, not the individual securities held within each portfolio.

The Town also participates in the Florida Cooperative Liquid Asset Securities System (FLCLASS) external investment pool administered by Public Trust Advisors, LLC. This investment pool is a stable net asset value (NAV) government investment pool established under Section 218.415, Florida Statutes; and is an intergovernmental investment authorized pursuant to the Florida Interlocal Cooperation Act of 1969. The Town's investment in FLCLASS is reported at amortized cost, which does not materially differ from fair value. As of September 30, 2023, there were no redemption fees or maximum transaction amounts, or any other requirements, that serve to limit the Town's daily access to 100 percent of its account values with FLCLASS.

**TOWN OF SHALIMAR, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

3. CASH DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Additional information regarding interest rate risk can be found in Note 4.

Concentration of Credit Risk

The Town has not adopted a formal investment policy that specifies limits on the amount that may be invested in any one issuer. The Town's policy for reducing custodial credit risk is to comply with the provisions of Section 218.415, Florida Statutes, which states that investments held should be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. As of September 30, 2023, all of the Town's investments were held with FMIvT and FLCLASS. Therefore, these investments are not categorized as to concentration of credit risk.

4. FAIR VALUE MEASUREMENTS

The Town measures and records its investments in FMIvT and FLCLASS using fair value measurement guidelines established by U.S. GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 – Quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly.
- Level 3 – unobservable inputs for an asset.

**TOWN OF SHALIMAR, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

4. FAIR VALUE MEASUREMENTS – CONTINUED

The following table presents the investments carried at fair value on September 30, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Credit Risk Rating</u>	<u>Interest Rate Risk – Modified Duration (Yrs)</u>	<u>Interest Rate Risk WAM (Yrs)</u>
Fixed Income Funds							
1-3 Yr High Quality Bond Fund	\$ 114,339	\$ -	\$ 114,339	\$ -	AAAf/S2 ¹	1.51	1.60
Intermediate High Quality Bond Fund	109,716	-	109,716	-	AAAf/S3 ¹	4.22	4.90
Expanded High Yield Bond Fund	115,525	-	-	115,525	Not Rated	3.65	5.45
Total fixed income funds	<u>339,580</u>	<u>-</u>	<u>224,055</u>	<u>115,525</u>			
External Investment Pools							
* FLCLASS	325,006	-	-	-	AAAm ²	N/A	0.12
Total investments measured at fair value	<u>\$ 664,586</u>	<u>\$ -</u>	<u>\$ 224,055</u>	<u>\$ 115,525</u>			

* In accordance with GASB Statement No. 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy.

¹ Source: Fitch Ratings

² Source: S&P Global Ratings

5. RECEIVABLES AND UNEARNED REVENUES

Receivables and amounts due from other governments as of September 30, 2023, were as follows:

Accounts Receivable

Right-of-way maintenance revenue	\$ 6,609
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Due from Other Governments

State of Florida – taxes and shared revenues	\$ 67,158
Okaloosa County – court fines	1,334
	\$ 68,492

Unearned revenues as of September 30, 2023, were as follows:

Federal grant proceeds received in advance of meeting eligibility requirements under the American Rescue Plan Act (ARPA)	\$ 148,063
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**TOWN OF SHALIMAR, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

6. CHANGES IN CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 927,272	\$ 77,714	\$ -	\$ 1,004,986
Construction in progress	50,200	120,851	-	171,051
Total capital assets not being depreciated	<u>977,472</u>	<u>198,565</u>	<u>-</u>	<u>1,176,037</u>
Capital assets being depreciated				
Buildings	251,145	-	-	251,145
Improvements other than buildings	294,084	48,571	-	342,655
Street improvements and sidewalks	630,488	-	-	630,488
Furniture, equipment, and vehicles	427,386	24,248	(19,486)	432,148
Total capital assets being depreciated	<u>1,603,103</u>	<u>72,819</u>	<u>(19,486)</u>	<u>1,656,436</u>
Less accumulated depreciation				
Buildings	(113,408)	(6,361)	-	(119,769)
Improvements other than buildings	(206,748)	(12,347)	-	(219,095)
Street improvements and sidewalks	(386,041)	(25,075)	-	(411,116)
Furniture, equipment, and vehicles	(323,925)	(43,959)	18,141	(349,743)
Total accumulated depreciation	<u>(1,030,122)</u>	<u>(87,742)</u>	<u>18,141</u>	<u>(1,099,723)</u>
Total capital assets being depreciated, net	<u>572,981</u>	<u>(14,923)</u>	<u>(1,345)</u>	<u>556,713</u>
Governmental Activities, Net	<u><u>\$ 1,550,453</u></u>	<u><u>\$ 183,642</u></u>	<u><u>\$ (1,345)</u></u>	<u><u>\$ 1,732,750</u></u>

**TOWN OF SHALIMAR, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

6. CHANGES IN CAPITAL ASSETS – CONTINUED

Depreciation expense for the year ended September 30, 2023, was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$ 5,673
Public safety	29,637
Physical environment	15,737
Transportation	25,075
Culture and recreation	<u>11,620</u>
Total Depreciation Expense – Governmental Activities	<u><u>\$ 87,742</u></u>

7. SUPPLEMENTAL RETIREMENT PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457 (the Plan). The Plan is a tax-deferred supplemental retirement program that allows the Town's full-time employees to contribute a portion of their salary, before federal income taxes, to a retirement account. The assets are held in trust for the benefit of the participants and their beneficiaries. The Plan participants individually select and make changes in portfolio options that are made available by the Plan's third-party administrator (TPA). Since Plan participants select the investment fund or funds in which their deferred compensation is invested, the Town has no liability for investment losses.

The Town matches employee contributions dollar-for-dollar based on years of service in accordance with the following formula: up to 3% for employees with 0 to 3 years; up to 6% for employees with 3 to 5 years; up to 9% for employees with 5 to 10 years; and up to 12% for employees with over 10 years of service. Part-time employees are limited to a maximum match of 3%. For the fiscal year ended September 30, 2023, the Plan members made contributions to the Plan of \$40,427 and the Town made matching contributions of \$31,327.

8. RISK MANAGEMENT

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters. The Town participates in the Florida Municipality Liability Self-Insurers Program, which is a public entity risk pool. Participants in the pool include various municipalities in the State of Florida. Coverage through the Florida Municipality Liability Self-Insurers Program includes workers' compensation, comprehensive general liability, law enforcement liability, automobile physical damage, real/personal property, and crime/bonds, and is self-sustained through members' premiums. The Town does not retain a risk of loss in the public entity municipal pool, and settlements have not exceeded coverage for the last three years.

**TOWN OF SHALIMAR, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

9. LONG-TERM DEBT

Changes in Long-Term Debt

The following table summarizes changes in the long-term debt of the Town for the year ended September 30, 2023, which is solely comprised of accumulated, vested annual leave for governmental fund types:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated absences	\$ 13,532	\$ 33,546	\$ (24,624)	\$ 22,454	\$ -

10. CONDUIT DEBT

In October 2015, the Town sponsored \$12,170,000 Multi-Jurisdictional Multi-Family Housing Revenue Refunding Bonds on behalf of ECH II - Captains Quarters, LLC Project (the Borrower). The Town has no responsibility for debt service payments beyond the resources provided by the Borrower in any circumstances. The Town’s limited commitment with respect to the conduit debt is to refrain from taking any actions that would result in the interest on the bonds being taxable for federal income tax purposes. The Town has made no additional or voluntary commitments related to the bond issuance. The outstanding principal balance of the bonds was \$10,485,000 on September 30, 2023.

11. RENTAL ACTIVITIES

The Town has a rental agreement with the Friends of Shalimar Library, Inc. (a nonprofit organization) to operate the Town’s library. The contract calls for annual payments of \$5,000 plus reimbursement for property and liability insurance premiums paid by the Town. The agreement is not considered a lease in accordance with GASB guidance. The Town recognized rental income of \$5,491 from the agreement during the year ended September 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF SHALIMAR, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 542,500	\$ 553,000	\$ 591,253	\$ 38,253
Permits and fees	61,500	63,500	71,626	8,126
Intergovernmental	218,700	201,100	346,756	145,656
Charges for services	14,300	14,300	18,148	3,848
Fines	10,000	15,000	22,975	7,975
Miscellaneous	17,900	21,600	57,111	35,511
Total revenues	864,900	868,500	1,107,869	239,369
EXPENDITURES				
Current				
General governmental services	278,000	313,600	328,862	(15,262)
Public safety	358,900	365,400	359,420	5,980
Physical environment	174,900	182,600	185,474	(2,874)
Transportation	23,600	23,600	27,270	(3,670)
Culture and recreation	3,000	7,000	16,491	(9,491)
Capital outlay	257,500	294,000	193,670	100,330
Total expenditures	1,095,900	1,186,200	1,111,187	75,013
NET CHANGE IN FUND BALANCE	(231,000)	(317,700)	(3,318)	314,382
FUND BALANCE AT BEGINNING OF YEAR	231,000	317,700	1,401,997	1,084,297
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 1,398,679	\$ 1,398,679

TOWN OF SHALIMAR, FLORIDA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. An appropriated budget is adopted for the General Fund. The Town Commission must approve any revision to the budget. Comparisons are made of actual results to budgeted amounts. Budget data presented in the financial statements includes approved amendments to the original adopted budget. Budgetary data reflected in the financial statements are based on procedures required by Florida Statutes.

Budget workshops are held by the Town in which proposed budget information is reviewed and discussed. A newspaper of general circulation in the Town advertises the proposed budget, as well as the Town's website. Public hearings are conducted for the purpose of hearing requests and complaints from the public. The final budget is adopted by ordinance. Any subsequent amendments must be enacted in the same manner as the original budget, except individual line-item transfers, which are approved by the Town Commission. All appropriations lapse at fiscal year-end.

The level of budgetary control (that is the legal level at which expenditures cannot legally exceed appropriations) has been established at the fund level. Any revisions that alter the total expenditures of a fund must be approved by the Commission.

Budget amounts reflected in the financial statements are originally adopted amounts as amended by action of the Town Commissioners. All amendments to originally adopted amounts were made in a legally permissible manner.

COMPLIANCE SECTION

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

To the Honorable Mayor
and Members of the Town Commission
Town of Shalimar, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Town of Shalimar, 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 21, 2023.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren Averett, LLC

Fort Walton Beach, Florida
December 21, 2023

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION
OF COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor
and Members of the Town Commission
Town of Shalimar, Florida

We have examined the Town of Shalimar, Florida's (the Town) compliance with Section 218.415, Florida Statutes, in regard to investments for 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 and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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

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

Warren Averett, LLC

Fort Walton Beach, Florida
December 21, 2023

MANAGEMENT LETTER

To the Honorable Mayor
and Members of the Town Commission
Town of Shalimar, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Shalimar, Florida (the Town) as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated December 21, 2023.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated December 21, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information can be found in Note 1 of the financial statements. There are no component units related to the Town.

Financial Condition and Management

Section 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 met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town of Shalimar did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the Town as of September 30, 2023. It is management’s responsibility to monitor the Town’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 address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations other than those discussed in the schedule of findings and responses.

Additional Matters

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

Purpose of this Letter

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

We greatly appreciate the assistance and cooperation extended to us during our audit.

Warren Averett, LLC
Fort Walton Beach, Florida
December 21, 2023