

TOWN OF LAKE HAMILTON, FLORIDA
FINANCIAL STATEMENTS

September 30, 2016

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Independent Auditor's Report

Honorable Mayor and Town Council
Town of Lake Hamilton, Florida

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Lake Hamilton, Florida (the "Town"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, and each major fund of the Town as of September 30, 2016, 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.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3-9 and the budgetary comparison information on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 30, 2016, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

A handwritten signature in blue ink that reads "David R. Ramos, CPA". The signature is written in a cursive, flowing style.

Lakeland, Florida
December 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 10.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$5,896,914 (net position). Of this amount, \$1,192,234 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$23,805.
- As of the close of the current fiscal year, the Town's general fund (governmental fund level) reported ending fund balance of \$1,157,436. Of this total amount, \$825,782 is available for spending at the government's discretion (unassigned fund balance).

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 department.

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2016

The government-wide financial statements can be found on pages 10 and 11 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.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

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 department. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 16 to 18 of this report.

All the Town's funds are considered major funds.

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. The notes to the financial statements can be found on pages 19 to 33 of this report.

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. Required supplementary information can be found on pages 34 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

Government-wide Financial Analysis

The following is a summary of the information presented in the Statement of Net Position on page 10 of this report.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 1,213,134	\$ 1,136,267	\$ 227,267	\$ 301,493	\$ 1,440,401	\$ 1,437,760
Capital assets	1,656,964	1,678,307	5,557,350	5,673,427	7,214,314	7,351,734
Total assets	<u>\$ 2,870,098</u>	<u>\$ 2,814,574</u>	<u>\$ 5,784,617</u>	<u>\$ 5,974,920</u>	<u>\$ 8,654,715</u>	<u>\$ 8,789,494</u>
Long-term liabilities						
outstanding	\$ 38,937	\$ 56,382	\$ 2,556,945	\$ 2,645,299	\$ 2,595,882	\$ 2,701,681
Other liabilities	55,698	74,730	106,221	92,364	161,919	167,094
Total liabilities	<u>\$ 94,635</u>	<u>\$ 131,112</u>	<u>\$ 2,663,166</u>	<u>\$ 2,737,663</u>	<u>\$ 2,757,801</u>	<u>\$ 2,868,775</u>
Net position:						
Net investment in capital assets	\$ 1,632,273	\$ 1,646,725	\$ 3,003,380	\$ 3,032,335	\$ 4,635,653	\$ 4,679,060
Restricted	13,570	14,102	55,457	46,779	69,027	60,881
Unrestricted	1,129,620	1,022,635	62,614	158,143	1,192,234	1,180,778
Total net position	<u>\$ 2,775,463</u>	<u>\$ 2,683,462</u>	<u>\$ 3,121,451</u>	<u>\$ 3,237,257</u>	<u>\$ 5,896,914</u>	<u>\$ 5,920,719</u>

Seventy-nine percent (79%) 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 debt used to acquire those assets that is still outstanding. 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.

One percent (1%) 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 224,221	\$ 232,501	\$ 446,349	\$ 434,469	\$ 670,570	\$ 666,970
Operating grants and contributions	20,036	-	-	-	20,036	-
Capital grants and contributions	5,843	6,675	6,237	125,951	12,080	132,626
<i>General revenues:</i>						
Taxes	945,829	925,779	-	-	945,829	925,779
Intergovernmental	116,671	110,338	-	-	116,671	110,338
Other	48,978	26,746	569	12,720	49,547	39,466
Total revenues	1,361,578	1,302,039	453,155	573,140	1,814,733	1,875,179
Expenses:						
General government	385,273	387,623	-	-	385,273	387,623
Law enforcement	488,273	480,283	-	-	488,273	480,283
Streets	98,052	68,974	-	-	98,052	68,974
Sanitation	170,104	147,035	-	-	170,104	147,035
Stormwater	7,923	-	-	-	7,923	-
Parks and recreation	85,255	71,051	-	-	85,255	71,051
Public utilities	-	-	603,658	555,085	603,658	555,085
Total expenses	1,234,880	1,154,966	603,658	555,085	1,838,538	1,710,051
Change in Net Position	126,698	147,073	(150,503)	18,055	(23,805)	165,128
Net position - October 1	2,683,462	2,536,389	3,237,257	3,219,202	5,920,719	5,755,591
Transfers	(34,697)	-	34,697	-	-	-
Net position - September 30	\$2,775,463	\$2,683,462	\$3,121,451	\$3,237,257	\$5,896,914	\$ 5,920,719

Governmental activities: Governmental activities' change in net position for 2016 was an increase of \$126,698, before transfers, as compared to an increase of \$147,073 for the prior year. The main reasons for the increase in the change in net position are as follows:

- Total revenue increased by \$59,539.
- Total expenses increased by \$79,914.

Program revenues of the governmental activities increased from \$239,176 in 2015 to \$250,100 in 2016, a 5% increase. Total governmental activities expenses increased 7% from \$1,154,966 in 2015 to \$1,234,880 in 2016.

Business-type activities: Business-type activities decreased the Town's net position by \$150,503 in 2016, before transfers, compared to an increase of \$18,055 in 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2016

The main reason for decline in the change in net position when compared to the prior year is mainly due to a decrease of \$117,934 in grant revenues related to the CDBG Mary Jane Heights water expansion project that was completed in the prior year. Charges for service increased 3% or \$11,880 and expenses increased 9% or \$48,573.

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 \$1,157,436, an increase of \$95,899 in comparison with the previously reported balance in the prior year. Of this total, \$825,782 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 \$59,540 due to increased tax revenue of \$19,664, increased charges for service of \$32,054, increased intergovernmental revenue of \$25,537, increased other revenue of \$22,619 coupled with decreased licenses and permit revenue of \$39,739 and decreased fines and forfeitures of \$595.
- Total governmental funds expenditures increased by 5% or \$54,227.

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 2016 and 2015 are discussed above under the "business-type activities" heading.

General Fund Budgetary Highlights

Actual resources were more than budgeted resources by \$36,610 and actual charges to appropriations were \$159,289 less than budgeted resulting in an overall favorable budget variance of \$195,899.

The original budget was amended for the fiscal year ended September 30, 2016.

Actual expenditures were lower than the original budgeted amounts due mainly to lower than expected capital outlay expenditures of approximately \$120,000 due to parks and recreation improvements delayed until the subsequent fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

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, 2016, amounts to \$7,214,314 (net of accumulated depreciation) which is a decrease of \$137,420. This increase is the result of current year depreciation expense more than the current year additions.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 312,569	\$ 312,569	\$ -	\$ -	\$ 312,569	\$ 312,569
Buildings and improvements	97,702	104,899	5,460,473	5,578,303	5,558,175	5,683,202
Equipment	139,084	129,702	96,877	95,124	235,961	224,826
Construction in progress	97,991	97,991	-	-	97,991	97,991
Infrastructure	1,009,618	1,033,146	-	-	1,009,618	1,033,146
Total	\$ 1,656,964	\$ 1,678,307	\$ 5,557,350	\$ 5,673,427	\$ 7,214,314	\$ 7,351,734

Additional information on the Town's capital assets can be found in note 6 on page 28 of this report.

Long-Term Debt: As shown in the table below, the Town had total long-term debt outstanding of \$2,578,661 which represents a decrease of approximately 4% over the prior year.

Revenue Notes and Notes Payable
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue notes	\$ -	\$ -	\$ 2,324,322	\$ 2,363,590	\$ 2,324,322	\$ 2,363,590
Lease payable	-	-	-	10,204	-	10,204
Notes payable	24,691	31,582	229,648	267,298	254,339	298,880
Total	\$ 24,691	\$ 31,582	\$ 2,553,970	\$ 2,641,092	\$ 2,578,661	\$ 2,672,674

Additional information on the Town's long-term debt can be found in note 7 on page 30 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

Economic Factors and Next Year's Budgets and Rates

It is anticipated that the following significant items will affect the 2017 fiscal year:

- Long-term debt payments for water system long term debt.
- The 16-17 fiscal year will be the first full year of the stormwater department operations with budgeted revenue of \$30,480 and with budgeted expenditures totaling \$25,000.
- Capital project expenditures:
 - Approximately \$100,000 of park improvements to be funded 100% by a Florida Recreation Development Assistance Program (FRDAP) grant.
 - Approximately \$35,000 for law enforcement vehicles purchases.
 - Approximately \$40,000 for transportation capital improvements.

These significant factors were considered in preparing the Town's budget for the 2017 fiscal year, and are expected to influence the Town's fiscal year 2017 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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 1,136,623	\$ -	\$ 1,136,623
Receivables, current:			
Customer accounts, net	-	97,422	97,422
Franchise and public service taxes	20,358	-	20,358
Intergovernmental	20,036	-	20,036
Restricted assets:			
Pooled cash and cash equivalents	13,570	152,392	165,962
Internal balances	22,547	(22,547)	-
Capital Assets:			
Non-depreciable	410,560	-	410,560
Depreciable, net	1,246,404	5,557,350	6,803,754
TOTAL ASSETS	2,870,098	5,784,617	8,654,715
LIABILITIES			
Accounts payable	45,864	10,755	56,619
Accrued payroll	9,834	531	10,365
Customer deposits	-	94,935	94,935
Long-term obligations:			
Due within one year	6,891	48,329	55,220
Due in more than one year	32,046	2,508,616	2,540,662
TOTAL LIABILITIES	94,635	2,663,166	2,757,801
NET POSITION			
Net investment in capital assets	1,632,273	3,003,380	4,635,653
Restricted for:			
Debt service	-	55,407	55,407
Water system improvements	-	50	50
Law enforcement	13,570	-	13,570
Unrestricted	1,129,620	62,614	1,192,234
TOTAL NET POSITION	\$ 2,775,463	\$ 3,121,451	\$ 5,896,914

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA
STATEMENT OF ACTIVITIES
for the year ended September 30, 2016

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 Business-Type		Total
					Activities	Activities	
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 385,273	\$ 22,396	\$ -	\$ -	\$ (362,877)	\$ -	\$ (362,877)
Law enforcement	488,273	17,600	-	5,843	(464,830)	-	(464,830)
Streets	98,052	-	-	-	(98,052)	-	(98,052)
Sanitation	170,104	175,245	-	-	5,141	-	5,141
Stormwater	7,923	8,980	-	-	1,057	-	1,057
Parks and recreation	85,255	-	20,036	-	(65,219)	-	(65,219)
Total governmental activities	1,234,880	224,221	20,036	5,843	(984,780)	-	(984,780)
Business-type activities							
Water utility	603,658	446,349	-	6,237	-	(151,072)	(151,072)
Total business-type activities	603,658	446,349	-	6,237	-	(151,072)	(151,072)
TOTAL PRIMARY GOVERNMENT	\$ 1,838,538	\$ 670,570	\$ 20,036	\$ 12,080	(984,780)	(151,072)	(1,135,852)
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					513,922	-	513,922
Franchise taxes					127,124	-	127,124
Public service taxes					188,817	-	188,817
Fuel taxes for transportation purposes					115,966	-	115,966
State shared revenue					116,671	-	116,671
Investment earnings					6,538	569	7,107
Other revenues					42,440	-	42,440
TRANSFERS					(34,697)	34,697	-
Total general revenues					1,076,781	35,266	1,112,047
Change in net position					92,001	(115,806)	(23,805)
NET POSITION, beginning of year					2,683,462	3,237,257	5,920,719
NET POSITION, end of year					\$ 2,775,463	\$ 3,121,451	\$ 5,896,914

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUND
September 30, 2016

	General Fund
ASSETS	
Pooled cash and cash equivalents	\$ 1,136,623
Receivables, current:	
Franchise and public service taxes	20,358
Intergovernmental	20,036
Due from enterprise fund	22,547
Restricted assets:	
Pooled cash and cash equivalents	13,570
TOTAL ASSETS	\$ 1,213,134
LIABILITIES	
Accounts payable	45,864
Accrued payroll	9,834
TOTAL LIABILITIES	55,698
FUND BALANCE	
Restricted:	
Law enforcement expenditures	\$ 13,570
Assigned:	
Emergency reserve	318,084
Unassigned	825,782
TOTAL FUND BALANCE	1,157,436
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,213,134

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND TO THE
STATEMENT OF NET POSITION**

September 30, 2016

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,157,436
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,656,964
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(38,937)
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,775,463</u></u>
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See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUND
for the year ended September 30, 2016

	General Fund
REVENUES:	
Taxes	\$ 947,921
Licenses and permits	20,686
Intergovernmental revenue	142,550
Charges for services	187,198
Fines and forfeitures	16,337
Other	46,886
Total revenues	<u>1,361,578</u>
EXPENDITURES:	
Current:	
General government	367,377
Public safety	487,551
Physical environment	179,531
Transportation	63,218
Culture/recreation	60,851
Capital outlay	67,285
Debt service	5,169
Total expenditures	<u>1,230,982</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>130,596</u>
OTHER FINANCING USES	
Transfer out	<u>(34,697)</u>
NET CHANGE IN FUND BALANCE	95,899
FUND BALANCE, beginning of year	<u>1,061,537</u>
FUND BALANCE, end of year	<u><u>\$ 1,157,436</u></u>

See Accompanying Notes to Financial Statements

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, 2016

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	95,899
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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	30,504
This is the amount of depreciation recorded in the current period	(51,847)

Long-term obligations including bonds and notes payable and compensated absences 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	10,554
Repayment of loan principal reported as an expenditure in governmental funds	6,891

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	92,001
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See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUND
September 30, 2016

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Pooled cash and cash equivalents	\$ -
Customer accounts receivable, net	97,422
Total current assets	<u>97,422</u>
Noncurrent assets:	
Restricted assets:	
Pooled cash and cash equivalents	152,392
Capital assets:	
Non-depreciable	-
Depreciable, net	5,557,350
Total noncurrent assets	<u>5,709,742</u>
TOTAL ASSETS	<u>5,807,164</u>
LIABILITIES	
Current liabilities:	
Accounts payable	10,755
Accrued payroll	531
Due from general fund	22,547
Bonds and notes payable, current	48,329
Total current liabilities	<u>82,162</u>
Noncurrent liabilities:	
Compensated absences	2,975
Liabilities payable from restricted assets	
Customer deposits	94,935
Bonds and notes payable, noncurrent portion	2,505,641
Total noncurrent liabilities	<u>2,603,551</u>
TOTAL LIABILITIES	<u>2,685,713</u>
NET POSITION	
Net investment in capital assets	3,003,380
Restricted for:	
Debt service	55,407
Water system improvements	50
Unrestricted	62,614
TOTAL NET POSITION	<u>\$ 3,121,451</u>

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION – PROPRIETARY FUND
for the year ended September 30, 2016

	Enterprise Fund
OPERATING REVENUES:	
Charges for services	\$ 446,349
Total operating revenues	<u>446,349</u>
OPERATING EXPENSES:	
Personal services	120,136
Operating expenses	253,744
Depreciation	156,591
Total operating expenses	<u>530,471</u>
OPERATING INCOME	<u>(84,122)</u>
NONOPERATING REVENUE (EXPENSE)	
Interest expense	(73,187)
Interest revenue	569
Total nonoperating revenues (expenses)	<u>(72,618)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(156,740)</u>
Capital contributions - impact fees	6,237
Transfers in	34,697
CHANGE IN NET POSITION	<u>(115,806)</u>
TOTAL NET POSITION, beginning of year	<u>3,237,257</u>
TOTAL NET POSITION, end of year	<u>\$ 3,121,451</u>

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
for the year ended September 30, 2016

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 449,064
Payments to suppliers	(254,176)
Payments for salaries and benefits	(122,269)
Net cash flows provided by operating activities	<u>72,619</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from other funds, net of interfund receivables/payables	57,244
Net cash flows provided by noncapital financing activities	<u>57,244</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(40,514)
Principal paid on long-term debt	(87,122)
Interest paid on borrowings	(73,187)
Impact fees received	6,237
Net cash (used for) capital and related financing activities	<u>(194,586)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on invested funds	569
Net cash flows from investing activities	<u>569</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(64,154)
POOLED CASH AND CASH EQUIVALENTS, beginning of year	216,546
POOLED CASH AND CASH EQUIVALENTS, end of year	<u>\$ 152,392</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (84,122)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	156,591
(Increase) decrease in accounts receivable	(12,475)
Increase (decrease) in customer deposits	15,190
Increase (decrease) in accounts payable	(432)
Increase (decrease) in accrued wages and comp absences	(2,133)
Net cash flows from operating activities	<u>\$ 72,619</u>
As shown in the Accompanying Financial Statements	
Pooled cash and cash equivalents	\$ -
Restricted pooled cash and cash equivalents	152,392
Total pooled cash and cash equivalents	<u>\$ 152,392</u>

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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 has no fiduciary funds, however, if it did they would be 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 FINANCIAL STATEMENTS

September 30, 2016

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 to area residents.

TOWN OF LAKE HAMILTON, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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 FINANCIAL STATEMENTS

September 30, 2016

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. At September 30, 2016, 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 \$9,403 at September 30, 2016. 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, 2016, all customer receivables are considered collectible and no reserve for doubtful accounts is recorded.

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 fair market 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 FINANCIAL STATEMENTS

September 30, 2016

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 are capitalized when incurred on debt the proceeds of which were used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest cost was capitalized for the year ended September 30, 2016.

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 FINANCIAL STATEMENTS

September 30, 2016

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. Prepaid impact fees received, which reserve capacity in the Town's future water facilities, are deferred and reported as capital contributions when the requirements of the Developer agreements are met by the Town.

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:

- a) 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.
- b) Restricted net position - Consists of restricted assets reduced by liabilities related to those assets. The government-wide statement of net position reports \$69,027 of restricted net position, of which \$13,570 is restricted by enabling legislation.
- c) 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 FINANCIAL STATEMENTS

September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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 Manager 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.

TOWN OF LAKE HAMILTON, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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, 2016 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.

NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions - Pursuant to the loan agreement DW531610 with the State of Florida Department of Environmental Protection (DEP), the Town is required to maintain rates and charges for the services furnished by the water system which will be sufficient to provide annual pledged revenues equal to or exceeding 115% of the annual principal and interest due on the loan.

For the year ended September 30, 2016, the Town's water system was unable to generate sufficient pledged revenues to satisfy the coverage requirements of the DEP loan agreement DW531610.

TOWN OF LAKE HAMILTON, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE 5 - 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; direct obligations of the U.S. Treasury and federal agencies and instrumentalities or repurchase agreements fully collateralized by such securities; and interest in an entity registered under the Investment Company Act of 1940 whose investments are limited to U.S. Governments.

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>1,302,335</u>
Total cash and cash equivalents	<u>\$ 1,302,585</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 FINANCIAL STATEMENTS

September 30, 2016

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2016 was as follows:

	Balance October 1, 2015	Transfers	Increases	Decreases	Balance September 30, 2016
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 312,569	\$ -	\$ -	\$ -	\$ 312,569
Construction-in-progress	97,991	-	-	-	97,991
Total capital assets, not being depreciated	\$ 410,560	\$ -	\$ -	\$ -	\$ 410,560
Capital assets, being depreciated:					
Buildings	331,635	-	-	-	331,635
Machinery and equipment	723,533	-	30,504	(11,000)	743,037
Infrastructure	1,176,449	-	-	-	1,176,449
Total capital assets, being depreciated	2,231,617	-	30,504	(11,000)	2,251,121
Less accumulated depreciation for:					
Buildings	(226,736)	-	(7,197)	-	(233,933)
Equipment and furniture	(593,831)	-	(21,122)	11,000	(603,953)
Infrastructure	(143,303)	-	(23,528)	-	(166,831)
Total accumulated depreciation	(963,870)	-	(51,847)	11,000	(1,004,717)
Total capital assets being depreciated, net	1,267,747	-	(21,343)	-	1,246,404
Governmental activities capital assets, net	\$ 1,678,307	\$ -	\$ (21,343)	\$ -	\$ 1,656,964
<u>Business-type activities:</u>					
Capital assets, not being depreciated:					
Construction-in-progress	\$ -	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	\$ -	\$ -	\$ -	\$ -	\$ -
Capital assets, being depreciated:					
Buildings	105,953	-	30,507	-	136,460
Equipment and furniture	270,217	-	10,007	-	280,224
Improvements other than buildings	6,158,630	-	-	-	6,158,630
Total capital assets, being depreciated	6,534,800	-	40,514	-	6,575,314
Less accumulated depreciation for:					
Buildings	(105,953)	-	-	-	(105,953)
Equipment and furniture	(175,093)	-	(8,254)	-	(183,347)
Improvements other than buildings	(580,327)	-	(148,337)	-	(728,664)
Total accumulated depreciation	(861,373)	-	(156,591)	-	(1,017,964)
Total capital assets being depreciated, net	5,673,427	-	(116,077)	-	5,557,350
Business-type activities capital assets, net	\$ 5,673,427	\$ -	\$ (116,077)	\$ -	\$ 5,557,350

TOWN OF LAKE HAMILTON, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE 6 - CAPITAL ASSETS (concluded)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$ 7,165
Law enforcement	9,462
Streets	24,408
Parks	10,318
Sanitation	494
Total depreciation expense - governmental activities	<u>\$ 51,847</u>

Business-type Activities:

Water	<u>\$ 156,591</u>
Total depreciation expense - business-type activities	<u>\$ 156,591</u>

TOWN OF LAKE HAMILTON, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2016:

	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016	Amounts Due within One Year
<u>Governmental Activities:</u>					
<u>Long-term liabilities:</u>					
Notes payable:					
John Deere Financial Loan	\$ 31,582	\$ -	\$ (6,891)	\$ 24,691	\$ 6,891
Compensated absences	24,800	-	(10,554)	14,246	-
Total long-term liabilities	<u>\$ 56,382</u>	<u>\$ -</u>	<u>\$ (17,445)</u>	<u>38,937</u>	<u>\$ 6,891</u>
Less amounts due in one year				(6,891)	
Net long-term liabilities in excess of one year				<u><u>\$ 32,046</u></u>	
<u>Business-type Activities:</u>					
<u>Long-term liabilities:</u>					
Bonds, notes payable and capital lease obligations:					
Water system revenue bonds, Series 2012	\$ 2,363,590	\$ -	\$ (39,268)	\$ 2,324,322	\$ 40,348
DW531600 installment note to FDEP	29,884	-	(29,884)	-	-
DW531610 installment note to FDEP	237,414	-	(7,766)	229,648	7,981
Capital lease obligation	10,204	-	(10,204)	-	-
Total bonds, notes payable and capital lease obligations	<u>2,641,092</u>	<u>-</u>	<u>(87,122)</u>	<u>2,553,970</u>	<u>48,329</u>
Compensated absences	4,207	-	(1,232)	2,975	-
Total long-term liabilities	<u>2,645,299</u>	<u>-</u>	<u>(88,354)</u>	<u>2,556,945</u>	<u>\$ 48,329</u>
Less amounts due in one year				(48,329)	
Net long-term liabilities in excess of one year				<u><u>\$ 2,508,616</u></u>	

Notes to Long-Term Obligations Table

Governmental Activities:

- The John Deere Financial note payable is financing for a utility tractor and a grooming mower. The loan requires 60 monthly principal payments of \$574 to fully payoff the loan by maturity in April 2020. Management has assessed the application of *GASB Cod. Section 130 – Interest Costs – Imputation*. Because of management's assessment, the amount of any potential imputed interest is immaterial and management has elected not to apply the interest imputation provisions of GASB Cod. Section 130.

Business-Type Activities:

- The State of Florida Department of Environmental Protection Revolving Fund Water Loan Agreement DW531600 was secured by the net revenues of the water system. The loan bore interest at a weighted average rate of 2.57% with an original maturity date of January 15, 2040. This loan was paid off during the current fiscal year. The loan proceeds were used to construct extensions and improvements to the water system.

TOWN OF LAKE HAMILTON, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Notes to Long-Term Obligations Table (concluded)

- The State of Florida Department of Environmental Protection 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 capital lease payable was financing for the purchase of water meters with radio-read technology. Principal and interest on the lease obligation were due monthly in the amount of \$2,576 and was paid off during the current fiscal year. The interest rate on the lease obligation was 4.75%.

Maturities: Annual requirements to repay all bonds, notes payable and lease obligations of the business-type activities as of September 30, 2016, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 6,891	\$ -	\$ 48,329	\$ 70,188
2018	6,891	-	49,659	68,858
2019	6,891	-	51,027	67,490
2020	4,018	-	52,432	66,085
2021	-	-	53,875	64,642
2022-2026	-	-	292,468	300,117
2027-2031	-	-	335,015	257,570
2032-2036	-	-	383,754	208,831
2037-2041	-	-	386,790	154,914
2042-2046	-	-	419,969	101,366
2047-2051	-	-	480,652	40,355
Total	<u>\$ 24,691</u>	<u>\$ -</u>	<u>\$2,553,970</u>	<u>\$ 1,400,416</u>

TOWN OF LAKE HAMILTON, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended September 30, 2016, consisted of:

Receiving Fund	Paying Fund	Amount
Enterprise Fund	General Fund	\$ 34,697

Interfund Receivables and payables:

There were no interfund receivables and payables as of September 30, 2016.

Other interfund transactions:

The Town's enterprise fund charged \$2,346 for the water supplied to general fund operations.

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN

The Town council has established by Resolution an Internal Revenue Code Section 457 defined contribution pension plan. The plan trust is administered by the Lincoln Financial Group 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 three percent of each employee's wages. Most employees of the Town were eligible and did participate in the plan during the year ended September 30, 2016. 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, 2016 totaled \$10,841 which consisted of \$6,442 contributed by employees and \$4,399 contributed by the Town. The Town's payroll totaled approximately \$626,308, of which pension contributions were provided on approximately \$146,640.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS

Pursuant to the provisions of section 112.08011, Florida Statutes, former employees and eligible dependents who retire from the Town may continue to participate in the Town's fully insured health and hospitalization plan. These retirees are completely responsible for payment of their insurance premiums and the Town does not contribute toward this payment. Based upon prior experience, the assumed participation rate is zero percent and current insurance premiums are not affected by the requirements of section 112.08011, Florida Statutes. An actuarial projection with a zero assumed participation rate, which is consistent with actual results, would result in a Other Post Employment Benefit (OPEB) obligation of zero. Accordingly there is no OPEB obligation recorded in the financial statements.

TOWN OF LAKE HAMILTON, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE 11 - 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, 2016 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 12 - 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, 2016, 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.

NOTE 13 - 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.

<u>Pledged Revenue</u>	<u>Total Principal and Interest Outstanding</u>	<u>Current Year Principal and Interest Paid</u>	<u>Current Year Revenue</u>	<u>% of Revenues to Principal and Interest Paid</u>
Water system net revenue	\$ 3,954,386	\$ 150,105	\$ 73,038	48.66%

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LAKE HAMILTON, FLORIDA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
for the year ended September 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
RESOURCES (inflows):				
Taxes	\$ 948,026	\$ 948,026	\$ 947,921	\$ (105)
Licenses and permits	50,000	50,000	20,686	(29,314)
Intergovernmental revenue	120,137	120,137	142,550	22,413
Charges for services	178,605	179,425	187,198	7,773
Fines and forfeitures	14,500	14,500	16,337	1,837
Other	13,700	22,551	46,886	24,335
Total resources	<u>1,324,968</u>	<u>1,334,639</u>	<u>1,361,578</u>	<u>26,939</u>
CHARGES TO APPROPRIATIONS (outflows):				
General government				
Council	149,533	149,533	145,973	3,560
Finance and administration	161,768	161,768	157,865	3,903
Building and planning	90,214	90,214	83,800	6,414
Total general government	<u>401,515</u>	<u>401,515</u>	<u>387,638</u>	<u>13,877</u>
Law enforcement	543,203	543,203	493,208	49,995
Sanitation	167,208	179,370	171,608	7,762
Streets	93,534	91,043	94,195	(3,152)
Parks	184,811	184,811	84,333	100,478
Total charges to appropriations	<u>1,390,271</u>	<u>1,399,942</u>	<u>1,230,982</u>	<u>168,960</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	<u>\$ (65,303)</u>	<u>\$ (65,303)</u>	<u>\$ 130,596</u>	<u>\$ 195,899</u>

OTHER REPORTS

**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

I have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Lake Hamilton, Florida (the "Town") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued my report thereon dated December 30, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Lake Hamilton'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.

My 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Noncompliance that I consider to be a material weakness: 2009-1 and 2016-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Noncompliance as items 2013-4 and 2016-1.

The Town's Response to Findings

The Town's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Noncompliance. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with the *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "David R. Ramo, CPA". The signature is written in a cursive, flowing style.

Lakeland, Florida
December 30, 2016

TOWN OF LAKE HAMILTON
SCHEDULE OF FINDINGS AND NONCOMPLIANCE
YEAR ENDED SEPTEMBER 30, 2016

MATERIAL WEAKNESSES

Condition 2009-1:

A lack of segregation of duties was observed. Administrative personnel continue to perform conflicting duties due to a limited number of personnel.

Criteria:

There should be a segregation of duties.

Context:

My review of job descriptions and interviews of administrative personnel determines whether a segregation of duties is present.

Cause:

Budget constraints prevent the hiring of additional administrative personnel, whose employment would allow for a segregation of duties.

Effect:

The lack of segregation of duties increases the opportunity for fraud or error to occur and not be detected in a timely manner.

Recommendation:

Consider hiring additional staff to provide the additional control. However, it is my understanding that no corrective action is planned for lack of segregation of duties due to cost and budgetary constraints.

Corrective Action Plan:

None planned.

Condition 2016-2:

Water deposits payable were not reconciled to the general ledger control account. This condition still exists.

Criteria:

Water deposits payable should be reconciled to the general ledger account each month to ensure actual payable amounts are recorded in the financial statements.

Context:

My test of controls over fund accounts included an examination of the water deposits payable for reconciliation of account detail to the general ledger.

Cause:

Record keeping was insufficient to provide accurate recording of accounts receivable, making reconciling difficult.

Effect:

Unreconciled water deposits payable could result in erroneous deposits payable disbursements and in improperly recorded revenues, expenses, assets and liabilities.

Recommendation:

I recommend the detail be reconciled to the general ledger control account monthly.

Corrective Action Plan:

Town employees have been instructed to reconcile the detailed records to the general ledger each month.

SIGNIFICANT DEFICIENCIES

None to report.

NONCOMPLIANCE

Condition 2013-4:

The Town did not maintain water rates and charges sufficient to satisfy bond requirements.

Criteria:

The Town must adequately increase water rates and charges so they are sufficient to satisfy bond requirements.

Context:

My standard audit procedures disclosed that the Town did not maintain water rates and charges sufficient to satisfy bond requirements.

Cause:

The Town does not have staff with sufficient technical ability to determine the proper rates to charge for water.

Effect:

The Town is non-compliant with bond requirements.

Recommendation:

I recommend the Town maintain water rates and charges sufficient to satisfy bond requirements.

Corrective Action Plan:

The Town will begin charging rates sufficient to cover the debt service during fiscal year ended September 30, 2016.

Condition 2016-1:

The Town's streets department's actual expenditures exceeded the budget by \$3,152.

Criteria:

The Town must limit expenditures to amounts provided in the adopted and revised budget.

Context:

My standard audit procedures disclosed that the Town over-expended by \$3,152 in its sanitation department.

Cause:

The Town did not sufficiently monitor actual expenditures and compare them to budget.

Effect:

The Town violated a budget-related resolution.

Recommendation:

I recommend the Town expend only within its adopted and subsequently revised budget.

Corrective Action Plan:

The Town will monitor actual expenditures and compare them to budget, doing so with more care.

Independent Accountant's Examination Report

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

I have examined the compliance of Town of Lake Hamilton, Florida (the "Town") with Section 218.415, Florida Statutes for the year ended September 30, 2016. Management is responsible for the Town's compliance with those requirements. My responsibility is to express an opinion the Town's compliance based on my examination.

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

In my opinion, Town of Lake Hamilton, Florida complied, in all material respects, with the requirements of Section 218.415, Florida Statutes for the year ended September 30, 2016.

David R. Ramos, CPA

Lakeland, Florida
December 30, 2016

Management Letter

Honorable Mayor and Town Council
Town of Lake Hamilton, Florida

I have audited the financial statements of the Town of Lake Hamilton, Florida (the "Town"), as of and for the year ended September 30, 2016, and have issued my report thereon dated December 30, 2016.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States; and Chapter 10.550, Rules of the Auditor General. I have issued my 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*; Schedule of Findings and Noncompliance; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated December 30, 2016, should be considered in conjunction with this management letter.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that I determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. All the conditions reported last year in the Schedule of Findings and noncompliance remained in effect during fiscal year ended September 30, 2016, and they were also included in the second preceding year's financial report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires that I address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In this regard, I have no new comments or recommendations resulting from the current year engagement other than what is referenced in the following bullet point.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that I address violations of provisions of contracts and grant agreements or abuse that has an effect on the financial statements that is less than material, but more than inconsequential. Such a matter is included in the Schedule of Findings and Noncompliance as Condition 2016-1.
- 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 the management letter, unless disclosed in the notes to the financial statements. For the legal authority of the Town of Lake Hamilton, Florida, refer to Note 1, the summary of significant accounting policies in the notes to financial statements of the basic financial statements.

- Section 10.554(1)(i)5.a., Rules of the Auditor General, requires a statement to be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. I found no evidence that the Town of Lake Hamilton, Florida met any of the conditions described in Section 218.503(1), Florida Statutes.
- Sections 10.554(1)(i)5.b., Rules of the Auditor General, requires that I determine whether the annual financial report for the Town of Lake Hamilton, Florida for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with my audit, I determined that these two reports were in agreement.
- Section 10.554(1)(i)5.c., Rules of the Auditor General, requires that I apply financial condition assessment procedures. In connection with my audit, I applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by the same. I found no evidence that the Town's overall financial condition, as defined by the Auditor General's guidelines, was deteriorating.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require me to indicate that this letter is intended solely for the information and use management of the Town of Lake Hamilton, Florida, the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

David R. Ramos, CPA

Lakeland, Florida
December 30, 2016