

Town of Lake Hamilton, Florida



Annual Financial Report
Year ended September 30, 2022

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FINANCIAL SECTION

Independent Auditor's Report

Honorable Mayor and Town Council
Town of Lake Hamilton, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Lake Hamilton, Florida (the "Town"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3-9 and the budgetary comparison information on page 40 and the schedule of changes in the total other postemployment benefits payable liability and related ratios on page 41 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. 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 June 12, 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, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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.

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

In accordance with Chapter 10.550, *Rules of the Auditor General*, we have also issued our report dated June 12, 2023, on our examination of compliance with requirements of Section 218.415, *Florida Statutes*. The purpose of that report is to describe the scope of our examination and the issuance of an opinion on the Town of Lake Hamilton, Florida's compliance with requirements of Section 218.415, *Florida Statutes*.

Other Reporting Required by US Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program

In accordance with compliance with the US Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)" of the CSLFRF section of the 2022 OMB Compliance Supplement (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement"), we have also issued our report dated June 12, 2023, on our examination of compliance with the specified requirements. The purpose of that report is to describe the scope of our examination and the issuance of an opinion on the Town of Lake Hamilton, Florida's compliance with the specified requirements.

Ramos & Floyd CPAs PLLC

Lakeland, Florida
June 12, 2023

TOWN OF LAKE HAMILTON, FLORIDA

Management's Discussion and Analysis

September 30, 2022

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, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 11.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$11,373,363 (net position). Of this amount, \$508,510 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors compared to \$1,288,650 in the prior year.
- The government's total net position increased by \$1,762,691 as a result of operations compared to an increase of \$2,014,707 in the prior year.
- As of the close of the current fiscal year, the Town's general fund (governmental fund level) reported ending fund balance of \$1,157,734, a decrease of \$265,425 or 19%. Of this total amount, \$690,930 is available for spending at the government's discretion (unassigned and assigned fund balance) compared to \$991,233 in the prior year.

Overview of the Financial Statements

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

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

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

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

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

TOWN OF LAKE HAMILTON, FLORIDA

Management's Discussion and Analysis

September 30, 2022

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

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

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

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

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

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

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

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

All the Town's funds are considered major funds.

TOWN OF LAKE HAMILTON, FLORIDA

Management's Discussion and Analysis

September 30, 2022

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

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

Government-wide Financial Analysis

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 1,445,062	\$ 2,006,866	\$ 993,253	\$ 403,049	\$ 2,438,315	\$ 2,409,915
Capital assets	4,284,963	4,408,528	10,708,821	9,129,439	14,993,784	13,537,967
Total assets	<u>\$ 5,730,025</u>	<u>\$ 6,415,394</u>	<u>\$ 11,702,074</u>	<u>\$ 9,532,488</u>	<u>\$ 17,432,099</u>	<u>\$ 15,947,882</u>
Long-term liabilities outstanding	\$ 1,568,819	\$ 1,670,599	\$ 3,548,707	\$ 3,626,527	\$ 5,117,526	\$ 5,297,126
Other liabilities	310,729	607,108	630,481	432,976	941,210	1,040,084
Total liabilities	<u>\$ 1,879,548</u>	<u>\$ 2,277,707</u>	<u>\$ 4,179,188</u>	<u>\$ 4,059,503</u>	<u>\$ 6,058,736</u>	<u>\$ 6,337,210</u>
Net position:						
Net investment in capital assets	\$ 2,976,565	\$ 2,833,729	\$ 6,879,422	\$ 5,309,968	\$ 9,855,987	\$ 8,143,697
Restricted	29,027	27,284	979,839	151,041	1,008,866	178,325
Unrestricted	844,885	1,276,674	(336,375)	11,976	508,510	1,288,650
Total net position	<u>\$ 3,850,477</u>	<u>\$ 4,137,687</u>	<u>\$ 7,522,886</u>	<u>\$ 5,472,985</u>	<u>\$ 11,373,363</u>	<u>\$ 9,610,672</u>

Eighty-seven percent (87%) of the Town's net position reflects its net investment in capital assets (e.g., land, buildings, sewer and water system, machinery, and equipment); less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Nine percent (9%) of the Town's net position represents resources that are subject to external restrictions on how they may be used and are reported as restricted net position. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

TOWN OF LAKE HAMILTON, FLORIDA

Management's Discussion and Analysis

September 30, 2022

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

Statement of Activities (Summary)

For the year ended September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 563,639	\$ 604,181	\$ 735,003	\$ 673,080	\$ 1,298,642	\$ 1,277,261
Operating grants and contributions	4,607	49,891	-	-	4,607	49,891
Capital grants and contributions	54,972	667,235	2,244,224	1,380,188	2,299,196	2,047,423
<i>General revenues:</i>						
Taxes	1,318,429	1,274,676	-	-	1,318,429	1,274,676
Intergovernmental	240,863	158,274	-	-	240,863	158,274
Gain (loss) on disposal of property	-	52,381	-	-	-	52,381
Other	79,822	9,003	-	3,189	79,822	12,192
Total revenues	2,262,332	2,815,641	2,979,227	2,056,457	5,241,559	4,872,098
Expenses:						
General government	1,015,188	668,545	-	-	1,015,188	668,545
Law enforcement	863,087	784,128	-	-	863,087	784,128
Streets	190,655	146,256	-	-	190,655	146,256
Sanitation	271,208	251,449	-	-	271,208	251,449
Stormwater	26,438	2,155	-	-	26,438	2,155
Parks and recreation	125,194	82,191	-	-	125,194	82,191
Interest on long-term debt	57,772	59,491	-	-	57,772	59,491
Water utility	-	-	829,645	770,738	829,645	770,738
Sewer utility	-	-	99,681	92,438	99,681	92,438
Total expenses	2,549,542	1,994,215	929,326	863,176	3,478,868	2,857,391
Change in Net Position	(287,210)	821,426	2,049,901	1,193,281	1,762,691	2,014,707
Net position - October 1	4,137,687	3,367,212	5,472,985	4,288,696	9,610,672	7,655,908
Restatement	-	(50,951)	-	(8,992)	-	(59,943)
Net position - September 30	\$ 3,850,477	\$ 4,137,687	\$ 7,522,886	\$ 5,472,985	\$ 11,373,363	\$ 9,610,672

Governmental activities: Governmental activities' change in net position for 2022 was an decrease of \$287,210 as compared to an increase of \$821,426 for the prior year. The main reasons for the decrease in the change in net position are as follows:

- Total revenue decreased by \$553,309 or 20% mainly due to a decrease in program revenues of \$698,089 (53%) caused by \$664,675 of Federal Community Development Block Grant funding received in the prior year to fund stormwater improvements that did not recur in the current year.
- Total expenses increased by \$555,327 or 28% mainly due to a \$346,643 increase in operational expenses of the general government function.
 - The increase in the general government expenses is due generally to the following:
 - Engineering expenses increased by \$83,643 due to increased plan review services needed driven by planned future residential construction within the Town.
 - Insurance expenses increased by \$15,870 or 36% due to premium increases.

TOWN OF LAKE HAMILTON, FLORIDA

Management's Discussion and Analysis

September 30, 2022

- New accounting software was purchased at a cost of approximately \$42,000.
- Personnel related costs increased by approximately \$59,400 or 33% mainly due to larger than normal sick and vacation payouts to employees who have terminated service with the Town.
- Depreciation expense increased by approximately \$30,000 or 300% as the Town Hall building was completed and placed into service during 2022.

Business-type activities: Business-type activities increased the Town's net position by \$2,049,901 in 2022, compared to a increase of \$1,193,281 in 2021.

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

- \$61,923 increase in charges for services or 9% due to new customers being added to the utility system and scheduled fee increases as planned.
- \$864,036 increase in capital grants and contributions due to increased impact fees revenue caused by increased construction within the Town.
- Expenses increased by \$66,150 or 8% due to a general increase in operating and noncapital expenses.

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the Town's governmental fund (the general fund) reported ending fund balances of \$1,157,734, a decrease of \$265,425 in comparison with the previously reported balance in the prior year. Of this total, \$193,013 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 decreased by \$555,092 due to a decline of \$574,480 in intergovernmental revenue. This decline was related to \$664,675 of Federal Community Development Block Grant funding received in the prior year to fund stormwater improvements that did not recur in the current year.
- Total governmental funds expenditures decreased by 16% or \$485,506 mainly due to decreased capital outlay of \$1,010,049 which was partially offset by increases in other categories, mainly general government expenditures which increased by \$326,201 or 51%.

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 2022 and 2021 are discussed above under the "business-type activities" heading.

TOWN OF LAKE HAMILTON, FLORIDA

Management's Discussion and Analysis

September 30, 2022

General Fund Budgetary Highlights

Actual revenue was more than the final budgeted amount by \$63,168, actual expenditures were \$1,187,694 less than the final budgeted amount and other financing sources (loan proceeds) were \$1,145,373 more than the final budgeted amount resulting in an overall favorable budget variance of \$105,489.

The original budget for the fiscal year ending September 30, 2022, was amended in November of 2022 resulting in a \$292,100 increase in budgeted expenditures. The budget amendment mainly reflected capital expenditures that were not anticipated during the preparation of the 2022 budget.

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, 2022, amounts to \$14,993,784 (net of accumulated depreciation) which is an increase of \$1,455,817 or 11%. This increase is the result of current year additions in excess of depreciation expense.

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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 348,426	\$ 348,426	\$ 581,717	\$ -	\$ 930,143	\$ 348,426
Buildings and improvements	1,916,423	1,937,091	-	-	1,916,423	1,937,091
Utility system, infrastructure and improvements	-	-	8,605,526	6,039,805	8,605,526	6,039,805
Equipment	341,338	422,567	144,243	204,449	485,581	627,016
Construction in progress	-	746,697	1,377,335	2,885,185	1,377,335	3,631,882
Infrastructure	1,678,776	953,747	-	-	1,678,776	953,747
Total	<u>\$ 4,284,963</u>	<u>\$ 4,408,528</u>	<u>\$ 10,708,821</u>	<u>\$ 9,129,439</u>	<u>\$ 14,993,784</u>	<u>\$ 13,537,967</u>

Additional information on the Town's capital assets can be found in note 5 on page 31-32 of this report.

Long-Term Debt: As shown in the table below, the Town had total long-term debt outstanding of \$5,041,652 which represents a decrease of \$176,767 (6%) over the prior year.

Revenue Notes and Notes Payable
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue notes	\$ -	\$ -	\$ 3,295,970	\$ 3,366,179	\$ 3,295,970	\$ 3,366,179
Notes payable	1,502,863	1,603,243	242,819	248,997	1,745,682	1,852,240
Total	<u>\$ 1,502,863</u>	<u>\$ 1,603,243</u>	<u>\$ 3,538,789</u>	<u>\$ 3,615,176</u>	<u>\$ 5,041,652</u>	<u>\$ 5,218,419</u>

Additional information on the Town's long-term debt can be found in note 6 on page 33-36 of this report.

TOWN OF LAKE HAMILTON, FLORIDA

Management's Discussion and Analysis

September 30, 2022

Economic Factors and Next Year's Budgets and Rates

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

- Continued long-term debt payments for water and wastewater system long term debt.
- The Town has designed a new wastewater treatment facility that is expected to cost approximately \$4,000,000 to be funded by grant/loans. The design has been completed and construction is expected to begin in 2023.
- The Town's millage rate for the 2023 fiscal year remained constant at 8.4276 and the taxable value of the taxable property within the Town increased by 19% resulting in budgeted 2023 ad valorem tax revenue of \$925,370 which is a \$125,000 increase over the 2022 actual ad valorem revenue received.

These significant factors were considered in preparing the Town's budget for the 2023 fiscal year and are expected to influence the Town's fiscal year 2023 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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 805,556	\$ -	\$ 805,556
Receivables, current:			
Customer accounts, net	61,342	102,352	163,694
Franchise and public service taxes	28,860	-	28,860
Intergovernmental	-	189,017	189,017
Prepaid expenses	5,717	-	5,717
Restricted assets:			
Pooled cash and cash equivalents	111,527	1,133,944	1,245,471
Internal balances	432,060	(432,060)	-
Capital Assets:			
Non-depreciable	348,426	1,959,052	2,307,478
Depreciable, net	3,936,537	8,749,769	12,686,306
TOTAL ASSETS	5,730,025	11,702,074	17,432,099
LIABILITIES			
Accounts payable	158,331	183,108	341,439
Construction costs payable	10,389	290,610	300,999
Accrued payroll	17,435	2,658	20,093
Accrued interest payable	23,401	11,541	34,942
Unearned revenue	82,500	-	82,500
Customer deposits	15,724	142,564	158,288
Long-term obligations:			
Due within one year	104,348	79,809	184,157
Due in more than one year	1,464,471	3,468,898	4,933,369
TOTAL LIABILITIES	1,879,548	4,179,188	6,058,736
NET POSITION			
Net investment in capital assets	2,976,565	6,879,422	9,855,987
Restricted for:			
Debt service	-	196,301	196,301
Capital improvements (impact fees)	1,741	-	1,741
Water system improvements	-	345,575	345,575
Wastewater improvements	-	437,963	437,963
Law enforcement	27,286	-	27,286
Unrestricted	844,885	(336,375)	508,510
TOTAL NET POSITION	\$ 3,850,477	\$ 7,522,886	\$ 11,373,363

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA

Statement of Activities

for the year ended September 30, 2022

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 1,015,188	\$ 247,112	\$ 4,602	\$ 288	\$ (763,186)	\$ -	\$ (763,186)
Law enforcement	863,087	18,052	5	53,516	(791,514)	-	(791,514)
Streets	190,655	-	-	707	(189,948)	-	(189,948)
Sanitation	271,208	253,108	-	-	(18,100)	-	(18,100)
Stormwater	26,438	45,367	-	-	18,929	-	18,929
Parks and recreation	125,194	-	-	461	(124,733)	-	(124,733)
Interest	57,772	-	-	-	(57,772)	-	(57,772)
Total governmental activities	2,549,542	563,639	4,607	54,972	(1,926,324)	-	(1,926,324)
Business-type activities							
Water utility	829,645	681,327	-	848,099	-	699,781	699,781
Wastewater utility	99,681	53,676	-	1,396,125	-	1,350,120	1,350,120
Total business-type activities	929,326	735,003	-	2,244,224	-	2,049,901	2,049,901
TOTAL PRIMARY GOVERNMENT	\$ 3,478,868	\$ 1,298,642	\$ 4,607	\$ 2,299,196	(1,926,324)	2,049,901	123,577
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					800,376	-	800,376
Franchise taxes					159,242	-	159,242
Public service taxes					224,072	-	224,072
Fuel taxes for transportation purposes					134,739	-	134,739
State shared revenue					240,863	-	240,863
Investment earnings					1,029	-	1,029
Other revenues					78,793	-	78,793
Total general revenues					1,639,114	-	1,639,114
Change in net position					(287,210)	2,049,901	1,762,691
NET POSITION, beginning					4,137,687	5,472,985	9,610,672
NET POSITION, end of year					\$ 3,850,477	\$ 7,522,886	\$ 11,373,363

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA

Balance Sheet – Governmental Fund

September 30, 2022

	General Fund
ASSETS	
Pooled cash and cash equivalents	\$ 805,556
Receivables, current:	
Customers	61,342
Franchise and public service taxes	28,860
Due from enterprise fund	432,060
Prepaid expenditures	5,717
Restricted assets:	
Pooled cash and cash equivalents	111,527
Total assets	<u>\$ 1,445,062</u>
LIABILITIES	
Accounts payable	\$ 158,331
Construction costs payable	10,389
Accrued payroll	17,435
Due to other governments	2,949
Unearned revenue	82,500
Deposits	15,724
Total liabilities	<u>287,328</u>
FUND BALANCE	
Nonspendable:	
Due from enterprise fund	432,060
Prepaid expenditures	5,717
Restricted:	
Law enforcement expenditures	27,286
Public safety capital improvements (impact fees)	285
Transportation capital improvements (impact fees)	707
Parks and trails capital improvements (impact fees)	288
Municipal facilities improvements (impact fees)	461
Assigned:	
Emergency reserve	497,917
Unassigned	193,013
Total fund balance	<u>1,157,734</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,445,062</u></u>

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, 2022

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	1,157,734
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		4,284,963
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable		(1,502,863)
Accrued interest payable		(23,401)
Compensated absences		(11,950)
Other postemployment benefits obligation		(54,006)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>3,850,477</u>

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, 2022**

	General Fund
REVENUES:	
Taxes	\$ 1,323,387
Licenses and permits	87,131
Intergovernmental revenue	294,099
Charges for services	460,607
Fines and forfeitures	17,642
Other	79,466
Total revenues	<u>2,262,332</u>
EXPENDITURES:	
Current:	
General government	965,529
Public safety	746,942
Physical environment	254,818
Transportation	148,406
Culture/recreation	109,629
Capital outlay	142,066
Debt service	160,367
Total expenditures	<u>2,527,757</u>
NET CHANGE IN FUND BALANCE	(265,425)
FUND BALANCE, beginning of year	<u>1,423,159</u>
FUND BALANCE, end of year	<u><u>\$ 1,157,734</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, 2022**

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(265,425)
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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.	112,090
--	---------

This is the amount of depreciation recorded in the current period.	(235,655)
--	-----------

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.	(2,233)
---	---------

This is the change in the other postemployment benefit obligation during the year.	3,633
--	-------

Repayment of loan principal reported as an expenditure in governmental funds.	100,380
---	---------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(287,210)
--	-----------	------------------

TOWN OF LAKE HAMILTON, FLORIDA
Statement of Net Position – Proprietary Fund
September 30, 2022

	Enterprise Fund
ASSETS	
Current assets:	
Pooled cash and cash equivalents	\$ -
Customer accounts receivable, net	102,352
Due from other governments	189,017
Total current assets	<u>291,369</u>
Noncurrent assets:	
Restricted assets:	
Pooled cash and cash equivalents	1,133,944
Capital assets:	
Non-depreciable	1,959,052
Depreciable, net	8,749,769
Total noncurrent assets	<u>11,842,765</u>
TOTAL ASSETS	<u><u>12,134,134</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	183,108
Construction costs payable	290,610
Accrued payroll	2,658
Due to general fund	432,060
Bonds and notes payable, current	79,809
Total current liabilities	<u>988,245</u>
Noncurrent liabilities:	
Compensated absences	389
Other postemployment benefit obligation	9,529
Liabilities payable from restricted assets:	
Customer deposits	142,564
Accrued interest payable	11,541
Bonds and notes payable, noncurrent portion	3,458,980
Total noncurrent liabilities	<u>3,623,003</u>
TOTAL LIABILITIES	<u><u>4,611,248</u></u>
NET POSITION	
Net investment in capital assets	6,879,422
Restricted for:	
Debt service	196,301
Water system improvements (impact fees)	345,575
Wastewater improvements (impact fees)	437,963
Unrestricted	(336,375)
TOTAL NET POSITION	<u><u>\$ 7,522,886</u></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, 2022**

	Enterprise Fund
OPERATING REVENUES:	
Charges for services	\$ 735,003
Total operating revenues	735,003
OPERATING EXPENSES:	
Personal services	216,926
Operating expenses	396,190
Depreciation	232,766
Total operating expenses	845,882
OPERATING INCOME	(110,879)
NONOPERATING REVENUE (EXPENSE)	
Interest expense and other fiscal charges	(83,444)
Total nonoperating revenues (expenses)	(83,444)
INCOME BEFORE CONTRIBUTIONS	(194,323)
Capital contributions (impact fees)	1,135,582
Grants	1,108,642
Total contributions	2,244,224
CHANGE IN NET POSITION	2,049,901
TOTAL NET POSITION, beginning of year	5,472,985
TOTAL NET POSITION, end of year	\$ 7,522,886

TOWN OF LAKE HAMILTON, FLORIDA
Statement of Cash Flows – Proprietary Fund
for the year ended September 30, 2022

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 721,921
Payments to suppliers	(291,487)
Payments for salaries and benefits	(218,359)
Net cash flows provided by operating activities	<u>212,075</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Advance from general fund	232,272
Net cash flows provided by noncapital financing activities	<u>232,272</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(1,725,833)
Principal paid on long-term debt	(77,017)
Interest paid on borrowings	(83,669)
Impact fees received	1,135,582
Capital grants	1,141,245
Loan proceeds	630
Net cash provided by capital and related financing activities	<u>390,938</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	835,285
POOLED CASH AND CASH EQUIVALENTS, beginning of year	<u>298,659</u>
POOLED CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,133,944</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (110,879)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	232,766
(Increase) decrease in accounts receivable	(19,794)
Increase (decrease) in customer deposits	6,712
Increase (decrease) in accounts payable	104,703
Increase (decrease) in other postemployment benefit obligation	(642)
Increase (decrease) in accrued wages and comp absences	(791)
Net cash flows provided by operating activities	<u><u>\$ 212,075</u></u>
As shown in the accompanying financial statements	
Pooled cash and cash equivalents	\$ -
Restricted pooled cash and cash equivalents	<u>1,133,944</u>
Total pooled cash and cash equivalents	<u><u>\$ 1,133,944</u></u>
Schedule of non-cash capital and related financing activities:	
None	<u><u>\$ -</u></u>

TOWN OF LAKE HAMILTON, FLORIDA

Statement of Fiduciary Net Position – Fiduciary Fund

September 30, 2022

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 36,743</u>
TOTAL ASSETS	<u>36,743</u>
LIABILITIES	
Due to other governments	<u>36,743</u>
TOTAL LIABILITIES	<u>36,743</u>
NET POSITION	
TOTAL NET POSITION	<u>\$ -</u>

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA**Statement of Changes in Fiduciary Net Position – Fiduciary Fund
for the year ended September 30, 2022**

	Custodial Fund
ADDITIONS:	
Fees collected on behalf of other governments	\$ 163,107
Total additions	163,107
DEDUCTIONS:	
Payments of fees to other governments	163,107
Total deductions	163,107
NET INCREASE (DECREASE)	-
NET POSITION - beginning of year	-
NET POSITION - end of year	\$ -

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

B. BASIS OF PRESENTATION

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

Government-wide Financial Statements - The required government-wide financial statements are the Statement of Net Position and the Statement of Activities, which report information on all of the nonfiduciary activities of the Town. The effects of interfund activity have been removed from these statements. The Town's fiduciary fund is excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation. The Town does not allocate the interest expense of governmental fund debt or indirect costs such as finance, personnel, legal, etc. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

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

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

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

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

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

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

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

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

CASH AND CASH EQUIVALENTS – Cash is reflected as though it was pooled to conform to actual operations. The amounts reported as cash represent each fund’s recorded equity in the pool of cash. For purposes of the Statement of Cash Flows, all pooled cash is considered cash and cash equivalents. The caption “pooled cash and cash equivalents” includes all bank demand deposits, certificates of deposit, money-market and savings accounts and all short-term highly liquid investment securities with a maturity of three months or less when purchased. On September 30, 2022, 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 \$32,921 at September 30, 2022. 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, 2022, the reserve for uncollectible accounts totaled \$63,033.

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

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

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

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

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

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

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

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

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

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

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

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

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

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

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

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

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

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

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

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

EQUITY CLASSIFICATIONS -

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

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

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

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

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 Administrator through the budgetary process. The Town Council has not established a formal policy regarding authorization to assign fund balance amounts for a specific purpose.
- *Unassigned* — all other spendable amounts.

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

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

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

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

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, 2022 was 8.4276.

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

NOTE 3 - BUDGETARY LAW AND PRACTICE

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

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Cash and cash equivalents:		
Cash on hand	\$	250
Deposits in financial institutions:		
Insured or fully collateralized bank deposits, including non-negotiable certificates of deposit		<u>2,050,777</u>
Total cash and cash equivalents	\$	<u>2,051,027</u>

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

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

NOTE 5 - CAPITAL ASSETS

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

	Balance October 1, 2021	Transfers	Increases	Decreases	Balance September 30, 2022
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 348,426	\$ -	\$ -	\$ -	\$ 348,426
Construction-in-progress	746,697	(774,867)	28,170	-	-
Total capital assets, not being depreciated	\$ 1,095,123	\$ (774,867)	\$ 28,170	\$ -	\$ 348,426
Capital assets, being depreciated:					
Buildings and improvements	2,020,581	-	31,171	-	2,051,752
Machinery and equipment	927,081	-	52,749	(2,250)	977,580
Infrastructure	1,242,637	774,867	-	-	2,017,504
Total capital assets, being depreciated	4,190,299	774,867	83,920	(2,250)	5,046,836
Less accumulated depreciation for:					
Buildings and improvements	(83,490)	-	(51,839)	-	(135,329)
Equipment and furniture	(504,514)	-	(133,978)	2,250	(636,242)
Infrastructure	(288,890)	-	(49,838)	-	(338,728)
Total accumulated depreciation	(876,894)	-	(235,655)	2,250	(1,110,299)
Total capital assets being depreciated, net	3,313,405	774,867	(151,735)	-	3,936,537
Governmental activities capital assets, net	<u>\$ 4,408,528</u>	<u>\$ -</u>	<u>\$ (123,565)</u>	<u>\$ -</u>	<u>\$ 4,284,963</u>
<u>Business-type activities:</u>					
Capital assets, not being depreciated:					
Land	\$ -	\$ -	\$ 581,717	\$ -	\$ 581,717
Construction-in-progress	2,885,185	(2,652,706)	1,144,856	-	1,377,335
Total capital assets, not being depreciated	\$ 2,885,185	\$ (2,652,706)	\$ 1,726,573	\$ -	\$ 1,959,052
Capital assets, being depreciated:					
Equipment and furniture	305,630	(119,587)	77,637	(1,383)	262,297
Utility system, infrastructure and improvements	7,628,955	2,772,293	7,938	-	10,409,186
Total capital assets, being depreciated	7,934,585	2,652,706	85,575	(1,383)	10,671,483
Less accumulated depreciation for:					
Equipment and furniture	(101,181)	-	(18,256)	1,383	(118,054)
Utility system, infrastructure and improvements	(1,589,150)	-	(214,510)	-	(1,803,660)
Total accumulated depreciation	(1,690,331)	-	(232,766)	1,383	(1,921,714)
Total capital assets being depreciated, net	6,244,254	2,652,706	(147,191)	-	8,749,769
Business-type activities capital assets, net	<u>\$ 9,129,439</u>	<u>\$ -</u>	<u>\$ 1,579,382</u>	<u>\$ -</u>	<u>\$ 10,708,821</u>

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

NOTE 5 - CAPITAL ASSETS (concluded)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$	39,477
Law enforcement		98,172
Streets		42,428
Parks		15,141
Sanitation		22,937
Stormwater		17,502
Total depreciation expense - governmental activities	\$	<u>235,657</u>

Business-type Activities:

Water	\$	197,442
Sewer		35,324
Total depreciation expense - business-type activities	\$	<u>232,766</u>

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2022:

	Balance October 1, 2021	Increases	Decreases	Balance September 30, 2022	Amounts Due within One Year
<u>Governmental Activities:</u>					
Long-term liabilities:					
Bonds and notes payable:					
Capital improvement revenue bond, Series 2018	\$ 1,485,859	\$ -	\$ (56,742)	\$ 1,429,117	\$ 58,907
Equipment financing note 2018	68,366	-	(32,086)	36,280	33,433
Equipment financing note 2021	49,018	-	(11,552)	37,466	12,008
Total bonds and notes payable	1,603,243	-	(100,380)	1,502,863	104,348
Compensated absences	9,717	2,233	-	11,950	-
Total other postemployment obligation	57,639	-	(3,633)	54,006	-
Total long-term liabilities	\$ 1,670,599	\$ 2,233	\$ (104,013)	\$ 1,568,819	\$ 104,348
Less amounts due in one year				(104,348)	
Net long-term liabilities in excess of one year				\$ 1,464,471	
<u>Business-type Activities:</u>					
Long-term liabilities:					
Bonds and notes payable:					
Water system revenue bonds, Series 2012	\$ 2,111,179	\$ -	\$ (46,209)	\$ 2,064,970	\$ 47,480
WW531640 installment note to FDEP	51,430	630	-	52,060	329
Water system revenue bond, Series 2020	1,255,000	-	(24,000)	1,231,000	25,000
DW531610 installment note to FDEP	197,567	-	(6,808)	190,759	7,000
Total bonds and notes payable	3,615,176	630	(77,017)	3,538,789	79,809
Compensated absences	1,180	-	(791)	389	-
Total other postemployment obligation	10,171	-	(642)	9,529	-
Total long-term liabilities	\$ 3,626,527	\$ 630	\$ (78,450)	\$ 3,548,707	\$ 79,809
Less amounts due in one year				(79,809)	
Net long-term liabilities in excess of one year				\$ 3,468,898	

Notes to Long-Term Obligations Table

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

Governmental Activities:

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

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

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

Governmental Activities (concluded):

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

Business-Type Activities:

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

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

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

- The State of Florida Department of Environmental Protection Revolving Fund Water Loan Agreement WW531640 is secured by the amounts on deposit in the loan repayment reserve bank account. The loan is payable semiannually with principal and interest payments due on November 15 and May 15. The loan bears interest at a rate of .47% per annum with a final maturity of May 15, 2041. The loan agreement included a \$209,306 principal forgiveness grant that was applied to the outstanding balance on May 15, 2021. The loan agreement requires the amounts on deposit in the loan repayment reserve bank account be at least equal to the outstanding principal due on the non-grant forgiveness portion of the loan. Because of this, a sinking fund is not required. The amounts on deposit in the loan repayment reserve bank account on September 30, 2022 was \$58,030. The loan proceeds were used to construct a gravity sewer system and a master pumping station to transfer wastewater.
- Effective May 12, 2022, the Town entered into the State of Florida Department of Environmental Protection Revolving Fund Clean Water State Revolving Fund Construction Loan agreement to fund the construction of a wastewater treatment facility. The agreement provides for a total loan amount of \$5,896,645 of which \$4,452,835 will be forgiven through a principal forgiveness grant through the FDEP. The remaining \$1,443,810 is repayable semi-annually over 20 years at a zero percent interest rate. The first scheduled loan payment is due August 15, 2024. No funds had been drawn on this loan as of September 30, 2022 and \$1,883,174 had been drawn at May 31, 2023 of which \$1,422,075 were forgiven leaving an outstanding amount due at May 31, 2023 of \$461,099.

Maturities: Annual requirements to repay all bonds, notes payable and lease obligations of the business-type activities as of September 30, 2022, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 104,348	\$ 55,819	\$ 79,809	\$ 79,929
2024	76,485	52,229	83,768	75,658
2025	76,463	49,393	85,325	73,789
2026	65,909	46,458	87,926	71,865
2027	68,424	43,944	89,570	69,896
2028-2032	383,325	178,513	479,133	318,201
2033-2037	462,243	99,595	535,553	261,056
2038-2042	265,666	15,249	597,522	196,342
2043-2047	-	-	599,581	126,432
2048-2052	-	-	562,602	53,165
2053-2057	-	-	184,000	14,863
2058-2062	-	-	154,000	3,369
Total	<u>\$ 1,502,863</u>	<u>\$ 541,200</u>	<u>\$ 3,538,789</u>	<u>\$ 1,344,565</u>

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

Notes to Long-Term Obligations Table (concluded)

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

- Equipment financing note – The lender has a right to terminate the Town’s right to use the equipment and has the right to forcibly repossess and sell or otherwise dispose of the equipment and apply the net proceeds of the disposition towards the amount owed by the Town. The Town would remain liable for any deficiency while any sale proceeds in excess of the amounts owed is retained by the lender.
- Water system revenue bonds, Series 2012 and Series 2020 – The lender may declare the entire outstanding principal amount and accrued interest immediately due and payable, incur and pay reasonable expenses for repair, maintenance and operation of the utility systems and such other reasonable expenses as may be necessary to cure the cause of default or take possession and repair, maintain, rent or operate the systems.
- DW531610 and WW531640 installment notes to FDEP – The lender, subject to the rights of superior liens on the pledged revenues, may request a court to appoint a receiver to manage the Town’s utility systems, intercept the delinquent amount from any unobligated funds due to the Town under any revenue or tax sharing fund established by the State of Florida, impose a penalty in the amount not to exceed a rate of 18 percent per annum on the amount due, notify financial market credit rating agencies and potential creditors and may accelerate the repayment schedule or increase the interest rate on the unpaid principal of the loan to as much as 1.667 times the loan interest rate.

NOTE 7 - INTERFUND TRANSACTIONS

Interfund Receivables and payables as of September 30, 2022:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 432,060

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

Interfund transfers for the year ended September 30, 2022, consisted of:

There were no interfund transfers during the year ended September 30, 2022.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN

The Town Council has established by Resolution an Internal Revenue Code Section 457 and a 401(a) defined contribution pension plan. The plan trust is administered by the Florida League of Cities, Inc. and the assets of the plans are not considered part of the Town's reporting entity. Participation is voluntary, and the employee determines the amount of their contribution. Employees that participate in the plan may contribute up to the lesser of \$7,500 or 33 1/3% percent of their wages. The Town contributes a matching amount up to 6% of each employee's wages. Pension costs are accrued and funded on a current basis and all required contributions for the year were made. Contributions for the fiscal year ended September 30, 2022 totaled \$98,762 which consisted of \$64,525 contributed by employees and \$34,507 contributed by the Town. The Town's payroll totaled approximately \$1,046,600, of which pension contributions were provided on approximately \$627,400.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

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

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

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

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (cont...)

Total OPEB Liability – The Town’s total OPEB liability was determined by an actuarial valuation as of October 1, 2021 updated to September 30, 2022 (measurement date) using the assumptions below.

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	4.77%
Initial Trend Rate	7.50%
Ultimate Trend Rate	4.00%
Year to Ultimate Trend Rate	53

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

Discount Rate – The discount rate was based on a high-quality municipal bond rate of 4.77%. The high-quality bond rate was based on the week closest but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal Bond 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated AA by Standard and Poor’s Ratings Services, Aa2 by Moody’s or AA by Fitch, if there are multiple ratings, the lowest rate is used.

OPEB Expense – For the year ended September 30, 2022, the Town recognized OPEB expense of \$2,336.

Changes in Total OPEB Liability:

	Total OPEB Liability
Reporting period ending September 30, 2021	\$ 67,810
Changes for the year:	
Service cost	12,289
Interest	2,039
Differences between expected and actual experience	5,603
Changes of assumptions	(20,595)
Benefit payments	(3,611)
Net changes	(4,275)
Reporting period ending September 30, 2022	\$ 63,535

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

	1% Decrease (3.77%)	Discount Rate (4.77%)	1% Increase (5.77%)
Total other postemployment benefits liability	\$ 68,569	\$ 63,535	\$ 59,130

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (concluded)

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

	1% Decrease (3.00% to 6.50%)	Discount Rate (4.00% to 7.50%)	1% Increase (5.00% to 8.50%)
Total other postemployment benefits liability	\$ 58,290	\$ 63,535	\$ 69,666

NOTE 10 - 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, 2022 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 11 - 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, 2022, the Town believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Town.

Construction commitments - The Town has construction commitments of \$10,209,690 as of September 30, 2022 related to wastewater treatment facility construction, wastewater system expansion and various water projects. These projects are expected to be funded by grants, loans and developer contributions.

Impact fee credits – During the fiscal year ended September 30, 2022, the Town received \$1,095,574 from a land developer. These payments were made pursuant to developer agreements and were to assist the Town in making the necessary utility system improvements to be able to provide water and wastewater service to the areas being developed. In return for these payments, the developer receives credit for future water and wastewater impact fee payments. As of September 30, 2022, the remaining impact fee credits totaled \$345,574 of water impact fee credits and \$750,000 of wastewater impact fee credits. The impact fees are recorded as revenue when received as they are not refundable and the exchange transaction is considered to be completed at that time.

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

NOTE 12 - 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 6.

<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	\$ 4,826,336	\$ 156,248	\$ 128,860	82.47%

NOTE 13 – JOINT VENTURE

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

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

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

The terms of the interlocal agreement require each Member Government to contribute their proportionate share of the PRWC's annual working capital needs which are established annually by a resolution of the PRWC's Board of Directors. For the year ended September 30, 2022, the total annual working capital needs of the PRWC was \$198,000 of which the Town's proportionate share was \$864.

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

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

TOWN OF LAKE HAMILTON, FLORIDA

Notes to the Financial Statements

September 30, 2022

NOTE 14 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions - the Town had no material violations of finance related legal and contractual provisions with the exception that the Town's water segment did not generate sufficient net revenues to satisfy the debt service coverage requirement of the DW531610 installment note to FDEP. The net revenues were \$36,205 less than the minimum required by this installment note.

Deficit Fund Balance or Net Position of Individual Funds - As of September 30, 2022, no individual fund had a deficit fund balance or net position deficit.

Excess of Expenditures Over Budget Appropriations in Individual Funds - For the year ended September 30, 2022, no budgetary fund department had an excess of expenditures over appropriations.

NOTE 15 – IMPLEMENTATION OF ACCOUNTING PRINCIPLE

During the fiscal year ended September 30, 2022, the Town implemented the provisions of GASB Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Due to the immaterial nature of the Town's lease agreements, adoption of the new guidance had no effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LAKE HAMILTON, FLORIDA**Budgetary Comparison Schedule – General Fund**

for the year ended September 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 1,316,662	\$ 1,316,662	\$ 1,323,387	\$ 6,725
Licenses and permits	80,743	80,743	87,131	6,388
Intergovernmental revenue	295,572	295,572	294,099	(1,473)
Charges for services	435,687	435,687	460,607	24,920
Fines and forfeitures	52,500	52,500	17,642	(34,858)
Other	18,000	18,000	79,466	61,466
Total revenues	2,199,164	2,199,164	2,262,332	63,168
Expenditures:				
General government				
Council	305,148	490,948	468,360	22,588
Finance and administration	332,604	332,604	308,525	24,079
Building and planning	244,521	350,821	345,851	4,970
Total general government	882,273	1,174,373	1,122,736	51,637
Law enforcement	871,785	871,785	804,115	67,670
Sanitation	301,941	301,941	283,308	18,633
Streets	1,138,685	1,138,685	201,886	936,799
Parks	228,667	228,667	115,712	112,955
Total expenditures	3,423,351	3,715,451	2,527,757	1,187,694
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,224,187)	(1,516,287)	(265,425)	1,250,862
OTHER FINANCING SOURCES				
Interfund transfer	645,373	645,373	-	(645,373)
Loan proceeds	500,000	500,000	-	(500,000)
CHANGE IN FUND BALANCE	<u>\$ (78,814)</u>	<u>\$ (370,914)</u>	<u>\$ (265,425)</u>	<u>\$ 105,489</u>

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

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

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

Notes to Schedule:

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

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

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

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



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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

We 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, each major fund, and the aggregate remaining fund information of the Town of Lake Hamilton, Florida (the "Town") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 12, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town 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.

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 may exist that have not been 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described as item 2022-001.

Town of Lake Hamilton, Florida's Response to Findings

Town of Lake Hamilton, Florida's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Lake Hamilton, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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.

Ramos & Floyd CPAs PLLC

Lakeland, Florida
June 12, 2023

TOWN OF LAKE HAMILTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified		
Internal control over financial reporting:			
Material weakness identified?	<u> </u> Yes	<u> x </u> No	
Significant deficiency identified?	<u> </u> Yes	<u> x </u> No	
Noncompliance material to financial statements noted?	<u> x </u> Yes	<u> </u> No	

Section II – Status of Prior Year Findings

2021-001 Compliance with Debt Covenant
Current Year Status: Not Cleared

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

Section III – Current Year Financial Statement Findings

2022-001: Compliance with Debt Covenant

Type of Finding: Material Noncompliance

Criteria or specific requirement: Management is responsible for establishing and maintaining compliance with debt covenants.

Condition: During the current fiscal year, the Town failed to generate sufficient net revenues to satisfy the debt service coverage requirement of the DW531610 installment note to FDEP. The net revenues were \$36,205 less than the minimum required by this installment note. The deficiency was \$6,300 in the prior year.

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

Cause: The Town’s water usage billing rates are insufficient to meet the net revenue requirement.

Effect: The insufficient water usage billing rates may lead to the Town’s inability to meet the repayment obligations.

Repeat Finding: Yes.

Recommendation: We recommend the Town increase its water usage billing rates.

Views of responsible officials: Management concurs with this recommendation.



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

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

We have examined the Town of Lake Hamilton, Florida's (the "Town") compliance with Section 218.415, *Florida Statutes*, concerning the investment of public funds during the year ended September 30, 2022. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

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

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

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

In our opinion, Town of Lake Hamilton, Florida complied, in all material respects, with the aforementioned requirements of Section 218.415 for the year ended September 30, 2022.

Ramos & Floyd CPAs PLLC

Lakeland, Florida
June 12, 2023



Independent Accountants' Examination Report on Compliance with the US Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program

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

We have examined the Town of Lake Hamilton, Florida's (the "Town") compliance with the US Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)" of the CSLFRF section of the 2022 OMB Compliance Supplement (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended September 30, 2022. Management of the Town of Lake Hamilton, Florida is responsible for Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements based on our examination.

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

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

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

In our opinion, Town of Lake Hamilton, Florida complied, in all material respects, with the aforementioned requirements of the US Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program for the year ended September 30, 2022.

Ramos & Floyd CPAs PLLC

Lakeland, Florida

June 12, 2023

Independent Auditor's Management Letter

Honorable Mayor and Town Council
Town of Lake Hamilton, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Lake Hamilton, Florida (the "Town"), as of and for the year ended September 30, 2022, and have issued our report thereon dated November xx, 2022.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Examination Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements of Section 218.415, *Florida Statutes*, in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 12, 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 significant findings and recommendations made in the preceding annual financial audit report. Refer to the schedule below:

Prior Year Findings		Cleared	Partially Cleared	Not Cleared	Current Year Finding #	2020-2021 Year Finding #	2019-2020 Year Finding #
Debt Covenant Requirements	Compliance			X	2022-001	2021-001	Not Reported
Budgeted Expenditures	Compliance	X			Not Reported	2021-002	Not Reported

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. For the legal authority of the Town of Lake Hamilton, Florida, refer to the summary of significant accounting policies in the notes to the financial statements.

Financial Condition and Management

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

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

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

Additional Matters

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

Purpose of this Letter

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

Ramos & Floyd CPAs PLLC

Lakeland, Florida
June 12, 2023