

CITY OF HAMPTON, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

**CITY OF HAMPTON, FLORIDA
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SEPTEMBER 30, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council,
City of Hampton, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Hampton, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Hampton, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Hampton, Florida's 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.

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, and each major fund of City of Hampton, Florida, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

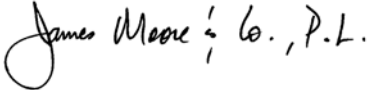
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents, 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 September 30, 2018, on our consideration of the City of Hampton, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 City of Hampton, Florida's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 23, 2020

**CITY OF HAMPTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

MDAAs management of the City of Hampton, Florida, we offer readers of the City of Hampton, Florida's financial statements this narrative overview and analysis of the financial activities of the City of Hampton, Florida for the fiscal year ended September 30, 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hampton, Florida's basic financial statements. The City of Hampton, Florida'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 other 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 City of Hampton, Florida's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Hampton, Florida's assets and liabilities, with the difference between the two 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 City of Hampton, Florida 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 as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City of Hampton, Florida 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 City of Hampton, Florida include general government, public safety, transportation, and culture/recreation. The business-type activities of the City of Hampton, Florida include water operations.

The government-wide financial statements can be found on pages 9 – 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hampton, Florida, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Hampton, Florida 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.

CITY OF HAMPTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

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 City of Hampton, Florida adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 – 14 of this report.

Proprietary funds. The City of Hampton, Florida maintains a proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Hampton, Florida uses enterprise funds to account for its water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water operation, which is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 15 – 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 – 26 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hampton, Florida, assets exceeded liabilities by \$1,242,572 at the close of the most recent fiscal year.

By far the largest portion of the City of Hampton, Florida's net position (85 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Hampton, Florida uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City of Hampton, Florida'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.

CITY OF HAMPTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

City of Hampton, Florida's Condensed Statement of Net Position

	Governmental		Business-type		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 275,523	\$ 288,977	\$ (55,514)	\$ 13,621	\$ 220,009	\$ 302,598
Capital assets	367,634	288,753	692,325	651,712	1,059,959	940,465
Total assets	643,157	577,730	636,811	665,333	1,279,968	1,243,063
Long-term liabilities outstanding	-	-	-	-	-	-
Other liabilities	25,376	43,701	12,020	95,253	37,396	138,954
Total liabilities	25,376	43,701	12,020	95,253	37,396	138,954
Net position:						
Net investment in capital assets	367,634	288,753	692,325	651,712	1,059,959	940,465
Restricted	-	-	-	-	-	-
Unrestricted	250,147	245,276	(67,534)	(81,632)	182,613	163,644
Total net position	\$ 617,781	\$ 534,029	\$ 624,791	\$ 570,080	\$ 1,242,572	\$ 1,104,109

The City of Hampton, Florida's net position does not have resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (182,613) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Hampton, Florida is able to report positive balances in two categories of net position for the government as a whole and one category for its separate governmental and business-type activities.

Governmental activities. Governmental activities increased the City of Hampton, Florida's net position by \$83,752. In 2018 the FDOT SCOP grant continued to have increased expenditures (\$40,000 more than the prior FY). We also had increases in professional services due to getting the audits caught up (almost an additional \$20,000) and we had increased costs under repairs and maintenance in culture and recreation due to vandalism.

CITY OF HAMPTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

City of Hampton, Florida's Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,702	\$ 982	\$ 100,475	\$ 89,930	\$ 102,177	\$ 90,912
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	101,256	56,008	65,964	105,530	167,220	161,538
General revenues:						
Taxes	147,461	141,428	-	-	147,461	141,428
Other state-shared	26,421	25,487	-	-	26,421	25,487
Other	853	253	534	12	1,387	265
Total revenues	277,693	224,158	166,973	195,472	444,666	419,630
Expenses:						
General government	116,878	87,584	-	-	116,878	87,584
Public safety	-	-	-	-	-	-
Transportation	52,555	84,042	-	-	52,555	84,042
Culture and recreation	24,508	21,642	-	-	24,508	21,642
Water	-	-	112,262	77,185	112,262	77,185
Total expenses	193,941	193,268	112,262	77,185	306,203	270,453
Increase (decrease) in Net position	83,752	30,890	54,711	118,287	138,463	149,177
Net position, beginning of year	534,029	503,139	570,080	451,793	1,104,109	954,932
Net position, end of year	\$ 617,781	\$ 534,029	\$ 624,791	\$ 570,080	\$ 1,242,572	\$ 1,104,109

Business-type activities. Business-type activities increased the City of Hampton, Florida's net position by \$54,711, due to continuation of Suwanee River Water Management Grant.

Financial Analysis of the Government's Funds

As noted earlier, the City of Hampton, Florida uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Hampton, Florida's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Hampton, Florida's financing requirements. In particular, *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.

The general fund is the chief operating fund of the City of Hampton, Florida. At the end of the current fiscal year, unassigned fund balance and total fund of the general fund was \$250,147. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 92 percent of total general fund expenditures.

The fund balance of the City of Hampton, Florida's general fund increased by \$4,871 during the 2017/2018 fiscal year due to the water fund starting to reimburse the general fund.

Proprietary fund. The City of Hampton, Florida's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

CITY OF HAMPTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

Unrestricted net position of the Water fund at the end of the year amounted to \$(67,534). The increases in net position for the Water fund was \$54,711. Other factors concerning the finances of this fund has already been addressed in the discussion of the City of Hampton, Florida's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Hampton, Florida's investment in capital assets for its governmental and business type activities as of September 30, 2018 amounts to \$1,059,959 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and vehicles and equipment, park facilities and roads. The total increase in the City of Hampton, Florida's investment in capital assets for the current fiscal year was \$119,494.

Major capital asset events during the current fiscal year included the following:

- Road work related to FDOT Grant.

City of Hampton, Florida's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 25,163	\$ 25,163	\$ 4,000	\$ 4,000	\$ 29,163	\$ 29,163
Construction in progress	150,265	56,008	0	100,030	150,265	156,038
Buildings and improvements	419,650	419,650	1,238,215	1,067,037	1,657,865	1,486,687
Vehicles and equipment	-	-	31,480	31,480	31,480	31,480
Accumulated depreciation	(227,444)	(212,068)	(581,370)	(550,835)	(808,814)	(762,903)
Total	\$ 367,634	\$ 288,753	\$ 692,325	\$ 651,712	\$ 1,059,959	\$ 940,465

Additional information on the City of Hampton, Florida's capital assets can be found in Note 5 on pages 24 – 25 of this report.

Long-term debt. The City of Hampton, Florida had no debt outstanding and due for both fiscal years 2016/2017 and 2017/2018.

Additional information on the City of Hampton, Florida's long-term debt can be found in Notes 6 on page 25 of this report.

CITY OF HAMPTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

Economic Factors and Next Year's Budgets and Rates

- The City was awarded a \$784,400 (which ended up being increased to \$831,000) road paving grant from FDOT and it continues to be a multi-year project.
- The City anticipates increases in revenues due to water rate increases, late fees and stopping service for non-payment.
- The City continues to incur additional costs of \$15,000 for audit preparation each audit year.
- The City is anticipating an incremental ad valorem tax increase.
- The City applied for a grant from DEO for CDBG Housing Rehabilitation in the amount of \$600,000 – which will also be a multi-year project.

All of these factors were considered in preparing the City of Hampton, Florida's budget for the 2018/2019 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Hampton, Florida's 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 Ms. Mary Lou Hildreth, City Administrator, P. O. Drawer 250, Hampton, Florida 32044.

**CITY OF HAMPTON, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 52,422	\$ 79,284	\$ 131,706
Accounts receivables, net	5,911	14,523	20,434
Due from other governments	67,869	-	67,869
Capital assets, net	367,634	692,325	1,059,959
Internal balances	149,321	(149,321)	-
Total Assets	<u>643,157</u>	<u>636,811</u>	<u>1,279,968</u>
LIABILITIES			
Accounts payable	23,836	95	23,931
Accrued expenses	1,540	-	1,540
Customer deposits	-	11,925	11,925
Total Liabilities	<u>25,376</u>	<u>12,020</u>	<u>37,396</u>
NET POSITION			
Investment in capital assets	367,634	692,325	1,059,959
Unrestricted	250,147	(67,534)	182,613
Total Net Position	<u>\$ 617,781</u>	<u>\$ 624,791</u>	<u>\$ 1,242,572</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF HAMPTON, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 116,878	\$ 1,702	\$ -	\$ 6,399	\$ (108,777)	\$ -	\$ (108,777)
Transportation	52,555	-	-	93,857	41,302	-	41,302
Culture and recreation	24,508	-	-	1,000	(23,508)	-	(23,508)
Total governmental activities	<u>193,941</u>	<u>1,702</u>	<u>-</u>	<u>101,256</u>	<u>(90,983)</u>	<u>-</u>	<u>(90,983)</u>
Business-type activities:							
Water	112,262	100,475	-	65,964	-	54,177	54,177
Total business-type activities	<u>112,262</u>	<u>100,475</u>	<u>-</u>	<u>65,964</u>	<u>-</u>	<u>54,177</u>	<u>54,177</u>
Total primary government	<u>\$ 306,203</u>	<u>\$ 102,177</u>	<u>\$ -</u>	<u>\$ 167,220</u>	<u>(90,983)</u>	<u>54,177</u>	<u>(36,806)</u>
General revenues:							
Property taxes					2,427	-	2,427
Discretionary sales surtax					52,785	-	52,785
Local Option Gas Tax					19,217	-	19,217
Utility tax					29,304	-	29,304
Half Cent Sales Tax					25,186	-	25,186
Franchise fees					18,542	-	18,542
State revenue sharing					26,421	-	26,421
Miscellaneous revenues					853	534	1,387
Total general revenues and transfers					<u>174,735</u>	<u>534</u>	<u>175,269</u>
Change in net position					83,752	54,711	138,463
Net position - beginning					534,029	570,080	1,104,109
Net position - ending					<u>\$ 617,781</u>	<u>\$ 624,791</u>	<u>\$ 1,242,572</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF HAMPTON, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS - GENERAL FUND
SEPTEMBER 30, 2018**

ASSETS

Cash and cash equivalents	\$	52,422
Accounts receivable		5,911
Due from other governments		67,869
Advance to water fund		149,321
Total assets	\$	275,523

LIABILITIES

Accounts payable	\$	23,836
Accrued expenses		1,540
Total liabilities		25,376

FUND BALANCES

Nonspendable for advance to water fund		149,321
Assigned for subsequent year's budget: appropriation of fund balance		29,790
Unassigned		71,036
Total fund balances		250,147
Total liabilities and fund balances	\$	275,523

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF HAMPTON, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

Fund balances - total governmental funds		\$ 250,147
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Total governmental capital assets	595,078	
Less: Accumulated depreciation	<u>(227,444)</u>	367,634
Net position of governmental activities		<u><u>\$ 617,781</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HAMPTON, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes			
Property	\$ 2,361	\$ 2,427	\$ 66
Discretionary sales surtax	52,000	52,785	785
Local option gas tax	18,000	19,217	1,217
Utility tax	24,100	29,304	5,204
Franchise fees	14,400	18,542	4,142
Intergovernmental Revenues			
State revenue sharing	24,000	26,421	2,421
Half cent sales tax	24,000	25,186	1,186
Charges for services	174	288	114
Grant revenue	784,400	101,256	(683,144)
Fines and forfeitures	600	1,414	814
Miscellaneous	250	853	603
Total revenues	944,285	277,693	(666,592)
Expenditures			
Current:			
General government	130,300	116,878	13,422
Transportation	842,000	146,812	695,188
Culture and recreation	5,700	9,132	(3,432)
Total expenditures	978,000	272,822	705,178
Net change in fund balance	(33,715)	4,871	38,586
Fund balances, beginning of year	245,276	245,276	-
Fund balances, end of year	\$ 211,561	\$ 250,147	\$ 38,586

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF HAMPTON, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Net change in fund balances - total governmental funds	\$	4,871
Differences in amounts reported for governmental activities in the statement of		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlay expenditures		94,257
Depreciation expense		(15,376)
Change in net position of governmental activities	\$	<u>83,752</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF HAMPTON, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - WATER FUND
SEPTEMBER 30, 2018**

ASSETS

Current assets:

Cash and cash equivalents	\$ 79,284
Accounts receivable, net	14,523
Total current assets	93,807

Noncurrent assets:

Capital assets, net of accumulated depreciation	692,325
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Total assets	786,132
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LIABILITIES

Current liabilities:

Accounts payable	95
Customer deposits	11,925
Total current liabilities	12,020

Noncurrent liabilities:

Advance from general fund	149,321
Total noncurrent liabilities	149,321

Total liabilities	161,341
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NET POSITION

Investment in capital assets	692,325
Unrestricted	(67,534)
Total net position	\$ 624,791

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HAMPTON, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND - WATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Operating revenues	
Water sales	\$ 100,475
Operating expenses	
Personnel services	9,000
Contractual services	40,768
Repairs and Maintenance	16,618
Materials, supplies, and other operating expenses	8,771
Utilities	6,570
Depreciation	30,535
Total operating expenses	<u>112,262</u>
Operating income (loss)	<u>(11,787)</u>
Nonoperating revenues (expenses)	
Interest income	534
Total nonoperating revenues (expenses)	<u>534</u>
Income before capital grants	<u>(11,253)</u>
Capital grant revenue	65,964
Change in net position	<u>54,711</u>
Net position, beginning of year	570,080
Net position, end of year	<u><u>\$ 624,791</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF HAMPTON, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - WATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Cash flows from operating activities	
Receipt from customers	\$ 185,039
Payment to employees	(49,768)
Payments to suppliers of goods and services	(47,232)
Net cash provided by operating activities	88,039
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(71,148)
Principal payments on line of credit	(129,068)
Proceeds from issuance of line of credit	58,583
Receipt from capital grants	65,964
Net cash provided by (used in) capital and related activities	(75,669)
Cash flows from investing activities	
Interest received	534
Net change in cash and cash equivalents	12,904
Cash and cash equivalents, beginning of year	66,380
Cash and cash equivalents, end of year	\$ 79,284
Reconciliation of operating loss to net cash provided by operating activities:	
Operating income (loss)	\$ (11,787)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:	
Depreciation	30,535
Changes in assets and liabilities:	
Accounts receivable	82,039
Accounts payable and accrued liabilities	(15,273)
Customer deposits	2,525
Net cash provided by operating activities	\$ 88,039

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HAMPTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:**

The financial statements of the City of Hampton, Florida (the City), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City was incorporated as a municipality established under the laws of the State of Florida. The City operates under a Mayor-Council form of government and provides services to its citizens including public safety, sanitation, streets and other general governmental activities. In addition, the City owns and operates a water and sewer system.

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable funds governed by the City Council of the City of Hampton, Florida, the reporting entity of government for which the City Council is considered to be financially accountable. In evaluating the City as a reporting entity, management has addressed all potential component units that may or may not fall within the City's oversight and control, and thus, be included in the City's financial statements.

(b) **Government-wide and fund financial statements**—The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long term assets and receivables as well as long term debt and obligations.

The government-wide statement of activities reflects both the gross and net costs per functional category (public safety, transportation, culture and recreation, etc.), which are otherwise being supported by general government revenues (property, sales taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column, if any.

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the City's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented

CITY OF HAMPTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

on the page following the Governmental Funds – Balance Sheet and the Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

As a general rule the effect of interfund City activities has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

(c) **Measurement focus and basis of accounting**—The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are 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.

Governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected 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 compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

(d) **Financial statement presentation**—The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification 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. Any non-major funds are combined in a column in the fund financial statements and detailed in the combining section. There are no non-major funds to report.

CITY OF HAMPTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

The City reports the following major governmental funds:

The *General Fund* accounts for several of the City's primary services (police, fire, public works, community development, parks and recreation, etc.) and is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

The *Water Fund* accounts for the activities of the City's water distribution system, sewage treatment plant, sewage pumping stations and collection systems.

(e) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(f) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental fund's budgets are prepared on the modified accrual basis of accounting. The proprietary fund's budgets are prepared on a full accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. Sixty days prior to October 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and means of financing them.
- ii. Budget workshops are scheduled by the City Clerk as needed.
- iii. The general summary of the budget and notice of public hearing is published in the local newspaper.
- iv. Public hearings are conducted to obtain taxpayer comments.
- v. Prior to October 1, the budgets are legally enacted through passage of a resolution.
- vi. The City Clerk is authorized to transfer budgeted amounts between divisions and departments; however, any revisions that alter the total appropriations of any fund must be approved by the City Council.
- vii. The level of classification detail at which expenditures may not legally exceed appropriations is the fund level.
- viii. Appropriations lapse at the close of the fiscal year to the extent they have not been expended.
- ix. Budget for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The governmental funds have legally adopted annual budgets contained within a separate document.
- x. The City Council, by resolution, may make supplemental appropriations in excess of those originally estimated for the year, up to the amount of available revenues.

CITY OF HAMPTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Cash and cash equivalents**—Cash consists of amounts held in demand deposits. Cash equivalents consist of short term investments having a maturity date of less than three months from the date acquired.

(h) **Deposits and investments**—All deposits are placed in a bank that qualifies as a public depository, as required by law (Florida Security For Public Deposits Act). Accordingly, all deposits are insured by Federal depository insurance and/or entirely collateralized pursuant to Chapter 280, Florida Statutes. The City only invests excess public funds in certificates of deposit with qualified public depositories, which is an authorized form of investment pursuant to the provisions of Section 218.415, Florida Statutes. Such investments are stated at cost and are entirely insured or collateralized. The City does not have any investments recorded a fair value.

(i) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade, governmental, and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered monthly. Unbilled accounts receivable are accrued by the City at year-end to recognize the sales revenues earned through the end of the fiscal year.

(j) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the City.

Capital assets are defined by the City as assets with an initial individual cost of \$1,500 or more and an estimated useful life in excess of one years. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses. Donated assets are recorded at estimated fair market value at the date of donation.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Water Plant and Buildings Improvements	20 – 40
Equipment and Vehicles	5 – 15

CITY OF HAMPTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **Compensated absences**—The City Council has adopted a policy requiring all vacation leave to be used in the year earned, with no carryover of unused leave. Sick leave can be carried forward, but unused sick leave is not compensated at the termination of employment. Accordingly, no liability for compensated absences exists at September 30, 2018.

(l) **Long-term obligations**—In the government-wide financial statements and proprietary fund financial statements, long-term debt 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when paid.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(m) **Net position flow assumption**—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the City's policy to consider restricted net position to have been used before unrestricted net position is applied.

(n) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed - Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Council are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

CITY OF HAMPTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

Assigned - Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the City Council.

Unassigned - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, is the City's policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unrestricted.

(o) **Reserve policy** —The City Council has approved a reserve policy, which addresses the City's optimal level of general fund reserve has been determined to be 25% of the respective operating budgets at the beginning of the fiscal year plus 25% of the amount of all outstanding indebtedness through any five-year forecast period. The reserve policy also addresses the City's optimal level of enterprise fund reserve, which has been determined to be 25% of the respective operating budgets at the beginning of the fiscal year through any five-year forecast period. The term Reserve includes all uncommitted balances, such as those referred to as carryover, emergency fund, fund balance, contingency, and surplus.

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Property Taxes Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City for the fiscal year ended September 30, 2018, was 0.3192 per \$1,000.

All property is assessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties.

Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, 1% in the month of February, and without discount in March.

CITY OF HAMPTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(3) **Property Taxes Calendar:** (Continued)

The City recognizes property tax revenues as received. Delinquent tax receivables are inconsequential to the financial statements and have not been recorded. Delinquent taxes on real 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. After sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. The City tax calendar is as follows:

Valuation Date:	January 1, 2017
Levy Date:	November 1, 2017
Due Date:	March 31, 2018
Lien Date:	June 1, 2018

(4) **Receivables:**

The City's receivables consist of the following at September 30, 2018:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund			
Accounts receivable	\$ 5,911	\$ -	\$ 5,911
Totals – Governmental Type Activities	<u>\$ 5,911</u>	<u>\$ -</u>	<u>\$ 5,911</u>
Business-Type Activities:			
Water Fund			
Accounts receivable	\$ 20,923	\$ (6,400)	\$ 14,523
Totals – Business-Type Activities	<u>\$ 20,923</u>	<u>\$ (6,400)</u>	<u>\$ 14,523</u>

(5) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2018, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 25,163	\$ -	\$ -	\$ 25,163
Construction in progress	56,008	94,257	-	150,265
Total capital assets, not being depreciated	<u>81,171</u>	<u>94,257</u>	<u>-</u>	<u>175,428</u>
Capital assets, being depreciated				
Buildings and Improvements	419,650	-	-	419,650
Total capital assets, being depreciated	419,650	-	-	419,650
Less: accumulated depreciation	(212,068)	(15,376)	-	(227,444)
Total capital assets, being depreciated, net	<u>207,582</u>	<u>(15,376)</u>	<u>-</u>	<u>192,206</u>
Governmental activities capital assets, net	<u>\$ 288,753</u>	<u>\$ 78,881</u>	<u>\$ -</u>	<u>\$ 367,634</u>

CITY OF HAMPTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(5) **Capital Assets:** (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in progress	100,030	-	(100,030)	-
Total capital assets, not being depreciated	<u>104,030</u>	<u>-</u>	<u>(100,030)</u>	<u>4,000</u>
Capital assets, being depreciated				
Water plant and improvements	1,067,037	171,178	-	1,238,215
Equipment	31,480	-	-	31,480
Total capital assets, being depreciated	<u>1,098,517</u>	<u>171,178</u>	<u>-</u>	<u>1,269,695</u>
Less: accumulated depreciation	<u>(550,835)</u>	<u>(30,535)</u>	<u>-</u>	<u>(581,370)</u>
Total capital assets, being depreciated, net	<u>547,682</u>	<u>140,643</u>	<u>-</u>	<u>688,325</u>
Business-type activities capital assets, net	<u>\$ 651,712</u>	<u>\$ 140,643</u>	<u>\$ (100,030)</u>	<u>\$ 692,325</u>

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

Governmental activities:	
Culture and recreation	\$ 15,376
Total depreciation expense – governmental activities	<u>\$ 15,376</u>

(6) **Long-term Debt:**

Business-type Activities

The City entered into agreement with a financial institution for a line of credit in the amount of \$90,000 payable on demand with interest only payments due each month. Interest on the outstanding balance is 3.5% per annum. The line is collateralized by revenues from agreement with water management district and non-ad valorem revenue. The City subsequently entered into an additional line of credit agreement with a financial institution in the amount of \$67,500 at a rate of 3.5% per annum. There was no outstanding balances on the line of credits at September 30, 2018.

(7) **Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The City is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the City's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the City.

CITY OF HAMPTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(8) Subsequent Events:

In January 2019, the City received \$600,000 Community Development Block Grant from the U.S. Department of Housing and Urban Development for Housing Rehabilitation.

In December 2019, the City received \$182,250 Department of Environmental Protection Grant from the State of Florida, Department of Environmental Protection.

Subsequent to September 30, 2018, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of October 23, 2020, management believes that a material impact on City's financial position and results of future operations is reasonably possible.

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

To the Honorable Mayor and City Council
City of Hampton, 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 and each major fund of the City of Hampton, Florida, as of and for the year ended September 30, 2018, and the related notes, which collectively comprise the City of Hampton, Florida's basic financial statements and have issued our report thereon dated October 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hampton, Florida's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hampton, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hampton, Florida's internal control.

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

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

2018-001, formerly 2017-001 – Segregation of duties

Due to the limited number of people working for the City, many of the critical duties are combined and assigned to the available employees. Presently, a single individual performs the majority of the accounting functions. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible.

2018-002, formerly 2017-002 – Preparation of financial statements

Professional standards promulgated by the American Institute of Certified Public Accountants provide a system of internal control over financial reporting should allow the City to prepare financial statements, including note disclosures, in accordance with generally accepted accounting principles (GAAP). While auditors can assist with the preparation of financial statements and related footnotes, the financial statements are the responsibility of management. A control deficiency exists in instances where the City is not positioned to draft financial statements and all required disclosures. However, the outsourcing of these services is not unusual in governmental entities of similar budget and personnel size. For subsequent audits, management may wish to take an active role in the drafting of the financial statements and related disclosures.

2018-003, formerly 2017-003 – The Water Fund has not been covering its costs without support from the General Fund

In connection with our audit, we determined the City met the condition described in Section 218.39(5)(b), Florida Statutes; and therefore, we are required to notify each member of the governing body. The City reported a deficit unrestricted net position in the enterprise fund of \$67,534 as of September 30, 2018.

2018-004, formerly 2017-004 – Bank reconciliations

Accounting personnel perform the bank reconciliation function; however, the City has bank reconciliations with numerous old outstanding items and there is currently no procedure in place to review the bank reconciliation after it is completed. Additionally, the City is utilizing electronic fund transfers (EFT) payments for some monthly services; however, a review and approval is not being performed over those disbursements by a City council member. The practice of performing a review of the bank reconciliation and EFT payments would greatly enforce the disbursements and balances necessary for strong controls over cash. We suggest that bank accounts be reconciled and reviewed and all differences between book and bank balances be investigated on a timely basis by appropriate accounting personnel so errors and adjustments can be quickly identified and corrected.

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 charge with governance. We consider the findings below to be significant deficiencies:

2018-005, formerly 2017-005 – Journal entry authorization

We noted journal entries lack authorization as the City has does not have a formal approval process. We recommend that management categorize journal entries into recurring journal entries and nonrecurring journal entries, where authorization for recurring journal entries is established at the beginning of the year. Nonrecurring journal entries would require individual authorization by management. Good documentation, including authorization, serves as an accounting record and facilitates future follow-up as well as additional insight for other users.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hampton, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests

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

City of Hampton, Florida's Response to Findings

The City of Hampton, Florida's response to these findings is disclosed in the accompanying auditee's response section at the end of this document.

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 23, 2020

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor and City Council,
City of Hampton, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of Hampton, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated October 23, 2020.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated October 23, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below under the heading Prior Year Findings and Recommendations. Findings 2017-001 through 2017-005 are repeat findings for at least the past two preceding years.

Prior Year Findings and Recommendations

2017-001 – Segregation of duties – Corrective action not taken. See repeat recommendation 2018-001.

2017-002 – Audit adjustments and preparation of GAAP-based financial statements – Corrective action not taken. See repeat recommendation 2018-002.

2017-003 – The Water Fund has not been covering its costs without support from the General Fund – Corrective action not taken. See repeat recommendation 2018-003.

2017-004 – Bank reconciliations – Corrective action not taken. See repeat recommendation 2018-004.

2017-005 – Journal entry authorization and support – Corrective action taken, but finding not fully addressed. See repeat recommendation 2018-005.

2017-006 – Budgetary compliance – Corrective taken.

2017-007 – Reserve fund policy – Corrective action not taken. See repeat recommendation 2018-006.

Official Title and Legal Authority

Section 10.554 (1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the primary government and blended component unit of the reporting entity is disclosed in Note 1(a) of the basic financial statements.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2018. It is management's responsibility to monitor the City of Hampton, 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 noted the following recommendations:

2018-006, formerly 2017-007 – Reserve fund policy

The City's Financial Policies and Practices manual indicates the City maintain a level of General Fund unassigned fund balance and Water Fund unrestricted net position balance of 25% of the next year's operating budget. We noted the City is not in compliance with this requirement. We recommend a review of the current policy to ensure that it's appropriate for the City and implement a plan to monitor and communicate the reserve levels to the City Council.

Additional Matters

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

City of Hampton, Florida's Response to Findings

City of Hampton, Florida's response to the findings identified in our audit are described starting on page 34. City of Hampton, 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 Letter

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

James Moore & Co., P.L.

Gainesville, Florida
October 23, 2020

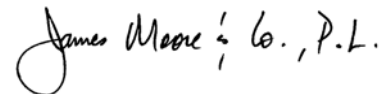
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor and City Council,
City of Hampton, Florida:

We have examined City of Hampton's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018. The City's management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City'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 City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of risks of material noncompliance with those requirements, 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.

In our opinion, City of Hampton, complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.



Gainesville, Florida
October 23, 2020



CITY OF HAMPTON

PO Drawer 250
5784 Navarre Ave.
Hampton, FL
32044

(352) 468-1201
FAX (352) 468-1350
coh1@outlook.com

CITY COUNCIL

Dale Wiseman
Mayor

Bill Goodge
Chairman

Douglas Williamson
Vice Chairman

Lillian Sams
Council

Frank Bryant
Council

Dorothy Shealey
Council

Mary Lou Hildreth, MMC
City Clerk/Administrator

Will Sexton
City Attorney

October 23, 2020

State of Florida, Auditor General
Claude Pepper Bldg., Room 401
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Sir or Madam,

I would like to take this opportunity to respond to the comments made by the auditors in the City of Hampton, Florida's audit report for the fiscal year ended September 30, 2014. The following are responses to the comments included in the audit report.

2018-001, formerly 2017-001 – Segregation of Duties

Due to the limited number of people working for the City, many of the critical duties are combined and assigned to the available employees. Presently, a single individual performs the majority of the accounting functions. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible.

Response 2018-001: The city hired an independent contracted bookkeeper (October 2014) that performs the bank reconciliations and payroll taxes. Also, checks now require two signers, with Mayor or Council initialing the invoices. Council reviews all vendors paid monthly.

2018-002, formerly 2017-002 – Preparation of financial statements

Professional standards promulgated by the American Institute of Certified Public Accountants provide a system of internal control over financial reporting should allow the City to prepare financial statements, including note disclosures, in accordance with generally accepted accounting principles (GAAP). While auditors can assist with the preparation of financial statements and related footnotes, the financial statements are the responsibility of management. A control deficiency exists in instances where the City is not positioned to draft financial statements and all required disclosures. However, the outsourcing of these services is not unusual in governmental entities of similar budget and personnel size. For subsequent audits, management may wish to take an active role in the drafting of the financial statements and related disclosures.

Response 2018-002: The city has hired an audit firm that prepares the financial statements and provides the journal entries that the bookkeeper performs. The city sought to outsource these services with a CPA/accounting firm but the one recommended did not

have the capacity to take us on as a new client and also the cost was prohibitive. The City Clerk/Administrator has reached out to JMCO for other potential alternatives.

2018-003, formerly 2017-003 – The Water Fund has not been covering its costs without support from the General Fund

In connection with our audit, we determined the City met the condition described in Section 218.39(5)(b), Florida Statutes; and therefore, we are required to notify each member of the governing body. The City reported a deficit unrestricted net position in the enterprise funds of \$67,534 as of September 30, 2018.

Response 2018-003: The City has addressed this. We no longer flat bill – we bill for actual usage, charge late fees, and perform cutoffs for non-paying customers on a regular basis. SERCAP performed a water rate study resulting in an increase in water rates, deposits, late fees, etc. which was passed as an Ordinance effective 7/1/17, and is raised each year by the CPI. The increase in revenues as a result of these policies will be used to pay back the General Fund, for a percentage of yearly administrative costs as well as reducing the deficit. In addition, the city has received several grants for maintenance of the water utility and continues to seek additional funding sources for future needs. The trend each year continues to bring this figure down.

2018-004, formerly 2017-004 – Bank reconciliations

Accounting personnel perform the bank reconciliation function; however, the City currently has several bank reconciliations that do not reconcile to the general ledger balance. Additionally, there is currently no procedure in place to review the bank reconciliation after it is completed. This practice would greatly enforce the checks and balances necessary for strong controls over cash. We suggest that bank accounts be reconciled and reviewed and all differences between book and bank balances be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected.

Response 2018-004: It is an ongoing issue with Quickbooks as there are years old outstanding bills/invoices/entries that need to be cleared out. We requested assistance from the accountant but it was never forthcoming. We continue to seek external assistance. The city clerk/administrator will review the bookkeeper's reconciliations monthly.

2018-005, formerly 2017-005 – Journal Entry Authorization and Support

We noted most journal entries were not authorized and some did not have supporting documentation. We recommend that management categorize journal entries into recurring journal entries and nonrecurring journal entries, where authorization for recurring journal entries is established at the beginning of the year. Nonrecurring journal entries would require individual authorization by management. Journal entries should always be supported by appropriate documentation where possible. Good documentation serves as an accounting record and facilitates future follow-up as well as additional insight for other users.

Response 2018-005: The bookkeeper only performs journal entries under the direction of the auditor for the end of the fiscal year. Again, we did have an outside accounting firm come in and perform journal entries for us, however it was only for one year. We continue to seek external assistance. We will maintain supporting documentation and the City Clerk/Administrator will review and formally approve journal entries moving forward.

2018-006, formerly 2017-007 – Reserve Fund Policy

The City's Financial Policies and Practices manual indicated the City maintain a level of General Fund unassigned fund balance and Water Fund unrestricted net position balance of 25% of the next year's operating budget. We noted the City is not in compliance with this requirement. We recommend a review of the current policy to ensure that it's appropriate for the City and implement a plan to monitor and communicate the reserve levels to the City Council.

Response 2018-006

The City will review and adjust the current policy to ensure that it is appropriate for the City and in line with the current process, and implement a plan to monitor it and communicate the reserve levels to the City Council. However, the City feels that the recent grant awards (especially the large \$800,000 FDOT SCOP grant) skews the numbers. If 25% is calculated on an over million dollar budget, the bulk of which is grant funding, it would be impossible to have that balance.

I hope this letter meets the requirements of the Auditor General Rule 10.558(1). If you have any questions concerning this audit report or my response to the audit comments, please call our office.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dale Wiseman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dale Wiseman, Mayor