

Annual Financial Report

Town of Lake Hamilton, Florida

Year Ended September 30, 2019

THIS PAGE INTENTIONALLY LEFT BLANK.

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report.....	1-2
Management's Discussion and Analysis (unaudited required supplementary information).....	3-9

BASIC FINANCIAL STATEMENTS

Government Wide Financial Statements

Statement of Net Position.....	10
Statement of Activities.....	11

Fund Financial Statements

Balance Sheet – Governmental Fund.....	12
Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund to the Statement of Activities.....	15
Statement of Net Position – Proprietary Fund.....	16
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund.....	17
Statement of Cash Flows – Proprietary Fund.....	18
Notes to the Financial Statements.....	19-35

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund.....	36
---	----

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 <i>Government Auditing Standards</i>	37-38
Independent Accountant's Examination Report on Compliance with the Requirements of Section 218.415, <i>Florida Statutes</i>	39
Independent Auditor's Management Letter.....	40-41

OTHER SUPPLEMENTARY INFORMATION

Management's Affidavit of Compliance with Section 163.31801, Florida Statutes.....	42
--	----

Independent Auditor's Report

Honorable Mayor and Town Council
Town of Lake Hamilton, Florida

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Lake Hamilton, Florida (the "Town"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Member: AICPA, FICPA¹

4215 Old Road 37 • Lakeland, Florida 33813

Telephone: 863-701-7885 • 863-709-8306 • Fax: 863-701-7857 • Email: RAMOSCPA1@AOL.COM

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3-9 and the budgetary comparison information on page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 10, 2020, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

David R. Ramos, CPA

Lakeland, Florida
February 10, 2020

TOWN OF LAKE HAMILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

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, 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 10.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$7,651,730 (net position). Of this amount, \$910,873 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$169,253.
- As of the close of the current fiscal year, the Town's general fund (governmental fund level) reported ending fund balance of \$1,144,453. Of this total amount, \$818,501 is available for spending at the government's discretion (unassigned and assigned fund balance).

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

All the Town's funds are considered major funds.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 to 35 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's general fund's budgetary comparisons. Required supplementary information can be found on page 36 of this report.

TOWN OF LAKE HAMILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

Government-wide Financial Analysis

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$1,277,129	\$ 1,425,648	\$ 32,779	\$ 143,608	\$ 1,309,908	\$ 1,569,256
Capital assets	2,954,533	2,049,758	6,809,780	6,910,033	9,764,313	8,959,791
Total assets	<u>\$4,231,662</u>	<u>\$ 3,475,406</u>	<u>\$6,842,559</u>	<u>\$ 7,053,641</u>	<u>\$11,074,221</u>	<u>\$ 10,529,047</u>
Long-term liabilities						
outstanding	\$ 741,728	\$ 17,965	\$2,411,097	\$ 2,460,140	\$ 3,152,825	\$ 2,478,105
Other liabilities	136,876	108,420	132,790	121,539	269,666	229,959
Total liabilities	<u>\$ 878,604</u>	<u>\$ 126,385</u>	<u>\$2,543,887</u>	<u>\$ 2,581,679</u>	<u>\$ 3,422,491</u>	<u>\$ 2,708,064</u>
Net position:						
Net investment in capital assets	\$2,222,023	\$ 2,038,849	\$4,399,230	\$ 4,450,623	\$ 6,621,253	\$ 6,489,472
Restricted	27,179	17,950	92,425	81,998	119,604	99,948
Unrestricted	1,103,856	1,292,222	(192,983)	(60,659)	910,873	1,231,563
Total net position	<u>\$3,353,058</u>	<u>\$ 3,349,021</u>	<u>\$4,298,672</u>	<u>\$ 4,471,962</u>	<u>\$ 7,651,730</u>	<u>\$ 7,820,983</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 debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Two percent (2%) 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, 2019

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 404,434	\$ 334,493	\$ 582,540	\$ 569,892	\$ 986,974	\$ 904,385
Operating grants and contributions	6,966	18,655	-	-	6,966	18,655
Capital grants and contributions	11,187	148,445	104,153	259,236	115,340	407,681
<i>General revenues:</i>						
Taxes	1,137,043	1,050,189	-	-	1,137,043	1,050,189
Intergovernmental	149,865	120,943	-	-	149,865	120,943
Gain (loss) on disposal of property	(59,569)	12,173	(65,492)	-	(125,061)	12,173
Other	27,562	34,099	-	1,050	27,562	35,149
Total revenues	1,677,488	1,718,997	621,201	830,178	2,298,689	2,549,175
Expenses:						
General government	535,054	412,502	-	-	535,054	412,502
Law enforcement	642,141	571,053	-	-	642,141	571,053
Streets	134,696	136,965	-	-	134,696	136,965
Sanitation	212,885	159,245	-	-	212,885	159,245
Stormwater	17,357	8,822	-	-	17,357	8,822
Parks and recreation	108,225	86,943	-	-	108,225	86,943
Interest on long-term debt	23,093	-	-	-	23,093	-
Water utility	-	-	741,245	547,034	741,245	547,034
Sewer utility	-	-	53,246	72,209	53,246	72,209
Total expenses	1,673,451	1,375,530	794,491	619,243	2,467,942	1,994,773
Change in Net Position	4,037	343,467	(173,290)	210,935	(169,253)	554,402
Net position - October 1	3,349,021	3,005,554	4,471,962	4,261,027	7,820,983	7,266,581
Net position - September 30	<u>\$ 3,353,058</u>	<u>\$ 3,349,021</u>	<u>\$ 4,298,672</u>	<u>\$ 4,471,962</u>	<u>\$ 7,651,730</u>	<u>\$ 7,820,983</u>

Governmental activities: Governmental activities' change in net position for 2019 was an increase of \$4,037 as compared to an increase of \$343,467 for the prior year. The main reasons for the decline in the change in net position are as follows:

- Total revenue decreased by \$41,509 or 2%.
- Total expenses increased by \$297,921 or 22% mainly due to costs for a temporary Town hall facility (\$74,187), an increase in interest expense (\$23,093), an increase in personnel costs of the law enforcement function (\$53,077), an increase in general sanitation functional expenses (\$53,640) and parks and recreation functional expenses (\$21,282).

Program revenues of the governmental activities decreased from \$501,593 in 2018 to \$422,587 in 2019, a 16% decrease.

TOWN OF LAKE HAMILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

Business-type activities: Business-type activities decreased the Town's net position by \$173,290 in 2019, compared to an increase of \$210,935 in 2018.

The main reason for the drop in the change in net position when compared to the prior year is mainly due to a \$175,248 (28%) increase in expenses and a \$65,492 loss on disposal of property coupled with a \$155,083 decline in capital grants and contributions which was partially offset by a \$12,648 (2%) increase in charges for service revenue.

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 \$1,144,453, a decline of \$172,775 in comparison with the previously reported balance in the prior year. Of this total, \$297,967 for the general fund constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, assigned to the economic uncertainties emergency reserve or restricted by enabling legislation or contract and can only be spent on the purposes for which it is intended.

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

- Total governmental funds revenues increased by \$18,353 due to increased tax revenue of \$86,189, increased charges for service of \$18,402, increased licenses and permits of \$31,511, increased fine and forfeitures revenue of \$20,029 coupled with decreased intergovernmental and other revenue of \$137,778.
- Total governmental funds expenditures increased by 59% or \$988,326 mainly due to increased capital outlay.

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 2019 and 2018 are discussed above under the "business-type activities" heading.

General Fund Budgetary Highlights

Actual revenue was less than the final budgeted amount by \$215,659, actual expenditures were \$245,790 less than the final budgeted amount and other financing sources (loan proceeds) were equal to the final budgeted amount resulting in an overall favorable budget variance of \$30,131.

The original budget for the fiscal year ending September 30, 2019 was amended on November 26, 2019 resulting in a \$586,000 decrease in budgeted revenue and a \$764,192 decrease in budgeted expenditures. The budget amendment mainly reflected capital expenditures and the related funding for projects that did not take place during the current fiscal year as originally anticipated.

TOWN OF LAKE HAMILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

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, 2019, amounts to \$9,764,313 (net of accumulated depreciation) which is an increase of \$804,522. 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	
	2019	2018	2019	2018	2019	2018
Land	\$ 348,426	\$ 312,569	\$ -	\$ -	\$ 348,426	\$ 312,569
Buildings and improvements	213,525	229,100	6,371,611	6,552,753	6,585,136	6,781,853
Equipment	471,345	415,883	74,155	138,830	545,500	554,713
Construction in progress	917,784	63,900	364,014	218,450	1,281,798	282,350
Infrastructure	1,003,453	1,028,306	-	-	1,003,453	1,028,306
Total	<u>\$ 2,954,533</u>	<u>\$ 2,049,758</u>	<u>\$ 6,809,780</u>	<u>\$ 6,910,033</u>	<u>\$ 9,764,313</u>	<u>\$ 8,959,791</u>

Additional information on the Town's capital assets can be found in note 5 on page 28 of this report.

Long-Term Debt: As shown in the table below, the Town had total long-term debt outstanding of \$3,143,060 which represents an increase of \$672,741 (27%) over the prior year.

Revenue Notes and Notes Payable
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenue notes	\$ 128,711	\$ -	\$ 2,199,920	\$ 2,242,517	\$ 2,328,631	\$ 2,242,517
Notes payable	603,799	10,909	210,630	216,893	814,429	227,802
Total	<u>\$ 732,510</u>	<u>\$ 10,909</u>	<u>\$ 2,410,550</u>	<u>\$ 2,459,410</u>	<u>\$ 3,143,060</u>	<u>\$ 2,470,319</u>

Additional information on the Town's long-term debt can be found in note 6 on page 30 of this report.

TOWN OF LAKE HAMILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

Economic Factors and Next Year's Budgets and Rates

It is anticipated that the following significant items will affect the 2020 fiscal year:

- Long-term debt payments for water system long term debt.
- Ongoing Town Hall renovation project (approximately \$1,050,000 funded by a bank loan of which \$603,799 has been drawn as of September 30, 2019).
- Water distribution improvement project (approximately \$4,180,000 to be funded by a USDA loan of \$1,255,000, USDA grant of \$2,846,300 and Town contribution of \$78,700).
- Budgeted capital project expenditures include the following:
 - Approximately \$73,500 for Police Department improvements including radios, storage facilities, security fencing and a vehicle.
 - Approximately \$46,400 for a dump trailer purchase.
 - Approximately \$209,300 for sewer system expansion design costs.
 - Approximately \$34,300 for the claw truck loan debt service.
 - Approximately \$650,000 for stormwater improvements to be funded by a CDBG grant.
 - Approximately \$150,000 for road repaving.
 - Approximately \$255,000 for parks and recreation improvements to be funded with a Florida Recreation Development Assistance (FRDAP) program grant.

These significant factors were considered in preparing the Town's budget for the 2020 fiscal year and are expected to influence the Town's fiscal year 2020 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, 2019

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 924,566	\$ -	\$ 924,566
Receivables, current:			
Customer accounts, net	-	125,234	125,234
Franchise and public service taxes	26,611	-	26,611
Restricted assets:			
Pooled cash and cash equivalents	27,179	206,318	233,497
Internal balances	298,773	(298,773)	-
Capital Assets:			
Non-depreciable	1,266,210	364,014	1,630,224
Depreciable, net	1,688,323	6,445,766	8,134,089
TOTAL ASSETS	4,231,662	6,842,559	11,074,221
LIABILITIES			
Accounts payable	59,517	17,324	76,841
Due to other governments	59,919	-	59,919
Accrued payroll	13,240	1,573	14,813
Accrued interest payable	4,200	-	4,200
Customer deposits	-	113,893	113,893
Long-term obligations:			
Due within one year	39,789	50,209	89,998
Due in more than one year	701,939	2,360,888	3,062,827
TOTAL LIABILITIES	878,604	2,543,887	3,422,491
NET POSITION			
Net investment in capital assets	2,222,023	4,399,230	6,621,253
Restricted for:			
Debt service	-	92,375	92,375
Water system improvements	-	50	50
Law enforcement	27,179	-	27,179
Unrestricted	1,103,856	(192,983)	910,873
TOTAL NET POSITION	\$ 3,353,058	\$ 4,298,672	\$ 7,651,730

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA
STATEMENT OF ACTIVITIES
for the year ended September 30, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	Governmental Business-Type		Total
					Activities	Activities	
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 535,054	\$ 104,751	\$ 6,966	\$ -	\$ (423,337)	\$ -	\$ (423,337)
Law enforcement	642,141	53,457	-	1,187	(587,497)	-	(587,497)
Streets	134,696	12,984	-	-	(121,712)	-	(121,712)
Sanitation	212,885	192,208	-	-	(20,677)	-	(20,677)
Stormwater	17,357	41,034	-	10,000	33,677	-	33,677
Parks and recreation	108,225	-	-	-	(108,225)	-	(108,225)
Interest	23,093	-	-	-	(23,093)	-	(23,093)
Total governmental activities	1,673,451	404,434	6,966	11,187	(1,250,864)	-	(1,250,864)
Business-type activities							
Water utility	741,245	568,932	-	65,597	-	(106,716)	(106,716)
Wastewater utility	53,246	13,608	-	38,556	-	(1,082)	(1,082)
Total business-type activities	794,491	582,540	-	104,153	-	(107,798)	(107,798)
TOTAL PRIMARY GOVERNMENT	\$ 2,467,942	\$ 986,974	\$ 6,966	\$ 115,340	(1,250,864)	(107,798)	(1,358,662)
GENERAL REVENUES							
Taxes:							
					661,412	-	661,412
					149,874	-	149,874
					198,966	-	198,966
					126,791	-	126,791
					149,865	-	149,865
					7,613	-	7,613
					(59,569)	(65,492)	(125,061)
					19,949	-	19,949
					1,254,901	(65,492)	1,189,409
					4,037	(173,290)	(169,253)
					3,349,021	4,471,962	7,820,983
					\$ 3,353,058	\$ 4,298,672	\$ 7,651,730

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUND
September 30, 2019

	General Fund
ASSETS	
Pooled cash and cash equivalents	\$ 924,566
Receivables, current:	
Franchise and public service taxes	26,611
Due from enterprise fund	298,773
Restricted assets:	
Pooled cash and cash equivalents	27,179
Total assets	<u>\$ 1,277,129</u>
LIABILITIES	
Accounts payable	\$ 59,517
Accrued payroll	13,240
Due to other governments	59,919
Total liabilities	<u>132,676</u>
FUND BALANCE	
Nonspendable:	
Due from enterprise fund	298,773
Restricted:	
Law enforcement expenditures	27,179
Assigned:	
Emergency reserve	360,534
Road repaving	160,000
Unassigned	297,967
Total fund balance	<u>1,144,453</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,277,129</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, 2019

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	1,144,453
---	-----------	------------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		2,954,533
---	--	-----------

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	(732,510)
-------------------------	-----------

Accrued interest payable	(4,200)
--------------------------	---------

Compensated absences	(9,218)
----------------------	---------

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	3,353,058
--	-----------	------------------

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, 2019

	General Fund
REVENUES:	
Taxes	\$ 1,138,848
Licenses and permits	84,983
Intergovernmental revenue	161,051
Charges for services	251,772
Fines and forfeitures	67,679
Other	33,017
Total revenues	<u>1,737,350</u>
EXPENDITURES:	
Current:	
General government	452,724
Public safety	571,467
Physical environment	202,021
Transportation	99,735
Culture/recreation	87,256
Capital outlay	1,194,227
Debt service	61,247
Total expenditures	<u>2,668,677</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(931,327)</u>
OTHER FINANCING SOURCES (USES)	
Debt proceeds	758,552
Total other financing sources (uses)	<u>758,552</u>
NET CHANGE IN FUND BALANCE	(172,775)
FUND BALANCE, beginning of year	<u>1,317,228</u>
FUND BALANCE, end of year	<u><u>\$ 1,144,453</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, 2019

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (172,775)
---	---------------------

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.	1,113,291
This is the amount of depreciation recorded in the current period.	(148,655)
This is the book value of capital assets disposed in the current period.	(59,861)

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.	(2,162)
Loan proceeds reported as an other financing source in governmental funds.	(758,552)
Repayment of loan principal reported as an expenditure in governmental funds.	36,951
This is the change in accrued interest payable during the year.	(4,200)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 4,037
--	-----------------

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUND
September 30, 2019

	Enterprise Fund
ASSETS	
Current assets:	
Pooled cash and cash equivalents	\$ -
Customer accounts receivable, net	125,234
Total current assets	<u>125,234</u>
Noncurrent assets:	
Restricted assets:	
Pooled cash and cash equivalents	206,318
Capital assets:	
Non-depreciable	364,014
Depreciable, net	6,445,766
Total noncurrent assets	<u>7,016,098</u>
TOTAL ASSETS	<u><u>7,141,332</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	17,324
Accrued payroll	1,573
Due to general fund	298,773
Bonds and notes payable, current	50,209
Total current liabilities	<u>367,879</u>
Noncurrent liabilities:	
Compensated absences	547
Liabilities payable from restricted assets:	
Customer deposits	113,893
Bonds and notes payable, noncurrent portion	2,360,341
Total noncurrent liabilities	<u>2,474,781</u>
TOTAL LIABILITIES	<u><u>2,842,660</u></u>
NET POSITION	
Net investment in capital assets	4,399,230
Restricted for:	
Debt service	92,375
Water system improvements	50
Unrestricted	(192,983)
TOTAL NET POSITION	<u><u>\$ 4,298,672</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, 2019

	Enterprise Fund
OPERATING REVENUES:	
Charges for services	\$ 582,540
Total operating revenues	<u>582,540</u>
OPERATING EXPENSES:	
Personal services	182,410
Operating expenses	342,662
Depreciation	<u>201,358</u>
Total operating expenses	<u>726,430</u>
OPERATING INCOME	<u>(143,890)</u>
NONOPERATING REVENUE (EXPENSE)	
Interest expense and other fiscal charges	(68,061)
Loss on disposal of property	<u>(65,492)</u>
Total nonoperating revenues (expenses)	<u>(133,553)</u>
INCOME BEFORE CONTRIBUTIONS	<u>(277,443)</u>
Capital contributions	<u>104,153</u>
Total contributions	<u>104,153</u>
CHANGE IN NET POSITION	<u>(173,290)</u>
TOTAL NET POSITION, beginning of year	<u>4,471,962</u>
TOTAL NET POSITION, end of year	<u><u>\$ 4,298,672</u></u>

See Accompanying Notes to Financial Statements

TOWN OF LAKE HAMILTON, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
for the year ended September 30, 2019

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 601,709
Payments to suppliers	(340,654)
Payments for salaries and benefits	(181,625)
Net cash flows provided by operating activities	79,430
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Advance from general fund	118,637
Net cash flows provided by noncapital financing activities	118,637
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(166,597)
Principal paid on long-term debt	(48,860)
Interest paid on borrowings	(68,061)
Impact fees received	104,153
Net cash (used for) capital and related financing activities	(179,365)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,702
POOLED CASH AND CASH EQUIVALENTS, beginning of year	187,616
POOLED CASH AND CASH EQUIVALENTS, end of year	<u>\$ 206,318</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (143,890)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	201,358
(Increase) decrease in accounts receivable	10,894
Increase (decrease) in customer deposits	8,275
Increase (decrease) in accounts payable	2,008
Increase (decrease) in accrued wages and comp absences	785
Net cash flows provided by operating activities	<u>\$ 79,430</u>
As shown in the accompanying financial statements	
Pooled cash and cash equivalents	\$ -
Restricted pooled cash and cash equivalents	206,318
Total pooled cash and cash equivalents	<u>\$ 206,318</u>
Schedule of non-cash capital and related financing activities:	
None	<u>\$ -</u>

See Accompanying Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

B. BASIS OF PRESENTATION

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

Government-wide Financial Statements - The required government-wide financial statements are the Statement of Net Position and the Statement of Activities, which report information on all of the nonfiduciary activities of the Town. The effects of interfund activity have been removed from these statements. The Town has no fiduciary funds, however, if it did they would be excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

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.

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, 2019

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

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

CASH AND CASH EQUIVALENTS – Cash is reflected as though it was pooled to conform to actual operations. The amounts reported as cash represent each fund's recorded equity in the pool of cash. For purposes of the Statement of Cash Flows, all pooled cash is considered cash and cash equivalents. The caption "pooled cash and cash equivalents" includes all bank demand deposits, certificates of deposit, money-market and savings accounts and all short-term highly liquid investment securities with a maturity of three months or less when purchased. At September 30, 2019, all of the Town's cash and investments met this definition.

RECEIVABLES - The Town accrues the unbilled service of its enterprise fund which represents the estimated value of service from the last billing date to year end and totaled \$9,403 at September 30, 2019. 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, 2019, the reserve for uncollectible accounts totaled \$52,508.

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

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

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

INTEREST COSTS - Interest costs are capitalized when incurred on debt the proceeds of which were used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest cost was capitalized for the year ended September 30, 2019.

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.

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

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

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

CONNECTION FEES AND IMPACT FEES - Water connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities and are recorded as operating revenue when received. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Prepaid impact fees received, which reserve capacity in the Town's future water facilities, are deferred and reported as capital contributions when the requirements of the Developer agreements are met by the Town.

EQUITY CLASSIFICATIONS -

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

- *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. The government-wide statement of net position reports \$119,604 of restricted net position, of which \$27,179 is restricted by 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.

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, 2019

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, 2019 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, 2019

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>1,157,813</u>
Total cash and cash equivalents	<u>\$ 1,158,063</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, 2019

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2019 was as follows:

	Balance October 1, 2018	Transfers	Increases	Decreases	Balance September 30, 2019
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 312,569	\$ -	\$ 35,857	\$ -	\$ 348,426
Construction-in-progress	63,900	-	853,884	-	917,784
Total capital assets, not being depreciated	\$ 376,469	\$ -	\$ 889,741	\$ -	\$ 1,266,210
Capital assets, being depreciated:					
Buildings and improvements	479,287	-	1,872	(177,496)	303,663
Machinery and equipment	1,136,406	-	221,678	(449,724)	908,360
Infrastructure	1,242,637	-	-	-	1,242,637
Total capital assets, being depreciated	2,858,330	-	223,550	(627,220)	2,454,660
Less accumulated depreciation for:					
Buildings and improvements	(250,187)	-	(9,917)	169,966	(90,138)
Equipment and furniture	(720,523)	-	(113,885)	397,393	(437,015)
Infrastructure	(214,331)	-	(24,853)	-	(239,184)
Total accumulated depreciation	(1,185,041)	-	(148,655)	567,359	(766,337)
Total capital assets being depreciated, net	1,673,289	-	74,895	(59,861)	1,688,323
Governmental activities capital assets, net	<u>\$ 2,049,758</u>	<u>\$ -</u>	<u>\$ 964,636</u>	<u>\$ (59,861)</u>	<u>\$ 2,954,533</u>
<u>Business-type activities:</u>					
Capital assets, not being depreciated:					
Construction-in-progress	\$ 218,450	\$ -	\$ 145,564	\$ -	\$ 364,014
Total capital assets, not being depreciated	<u>\$ 218,450</u>	<u>\$ -</u>	<u>\$ 145,564</u>	<u>\$ -</u>	<u>\$ 364,014</u>
Capital assets, being depreciated:					
Buildings	136,460	-	-	-	136,460
Equipment and furniture	354,107	-	21,033	(238,904)	136,236
Improvements other than buildings	7,566,398	-	-	(105,953)	7,460,445
Total capital assets, being depreciated	8,056,965	-	21,033	(344,857)	7,733,141
Less accumulated depreciation for:					
Buildings	(105,953)	-	-	105,953	-
Equipment and furniture	(215,277)	-	(20,216)	173,412	(62,081)
Improvements other than buildings	(1,044,152)	-	(181,142)	-	(1,225,294)
Total accumulated depreciation	(1,365,382)	-	(201,358)	279,365	(1,287,375)
Total capital assets being depreciated, net	6,691,583	-	(180,325)	(65,492)	6,445,766
Business-type activities capital assets, net	<u>\$ 6,910,033</u>	<u>\$ -</u>	<u>\$ (34,761)</u>	<u>\$ (65,492)</u>	<u>\$ 6,809,780</u>

TOWN OF LAKE HAMILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 5 - CAPITAL ASSETS (concluded)

Depreciation expense was charged to the following programs and functions:

<u>Governmental Activities:</u>	
General government	\$ 6,753
Law enforcement	66,311
Streets	35,524
Parks	15,896
Sanitation	24,171
Total depreciation expense - governmental activities	<u>\$ 148,655</u>
 <u>Business-type Activities:</u>	
Water	\$ 170,074
Sewer	31,284
Total depreciation expense - business-type activities	<u>\$ 201,358</u>

TOWN OF LAKE HAMILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2019:

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019	Amounts Due within One Year
<u>Governmental Activities:</u>					
<u>Long-term liabilities:</u>					
Bonds and notes payable:					
John Deere financial loan	\$ 10,909	\$ -	\$ (10,909)	\$ -	\$ -
Capital improvement revenue bond, Series 2018	-	603,799	-	603,799	10,237
Equipment financing note	-	154,753	(26,042)	128,711	29,552
Total bonds and notes payable	10,909	758,552	(36,951)	732,510	39,789
Compensated absences	7,056	41,174	(39,012)	9,218	-
Total long-term liabilities	\$ 17,965	\$ 799,726	\$ (75,963)	741,728	\$ 39,789
Less amounts due in one year				(39,789)	
Net long-term liabilities in excess of one year				\$ 701,939	
<u>Business-type Activities:</u>					
<u>Long-term liabilities:</u>					
Bonds and notes payable:					
Water system revenue bonds, Series 2012	\$ 2,242,517	\$ -	\$ (42,597)	\$ 2,199,920	\$ 43,769
DW531610 installment note to FDEP	216,893	-	(6,263)	210,630	6,440
Total bonds and notes payable	2,459,410	-	(48,860)	2,410,550	50,209
Compensated absences	730	3,641	(3,824)	547	-
Total long-term liabilities	\$ 2,460,140	\$ 3,641	\$ (52,684)	2,411,097	\$ 50,209
Less amounts due in one year				(50,209)	
Net long-term liabilities in excess of one year				\$ 2,360,888	

Notes to Long-Term Obligations Table

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

Governmental Activities:

- The John Deere Financial note payable was financing for a utility tractor and a grooming mower. The loan required 60 monthly principal payments of \$574, was secured by the utility tractor and grooming mower and was fully repaid in the current fiscal year.
- The equipment financing note 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, 2019

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

Governmental Activities (concluded):

- The Capital Improvement Revenue Bond, Series 2018 is being utilized to finance the construction, renovation and improvements of the Town Hall complex. Proceeds of the bond may be drawn to fund this project in an amount not-to-exceed \$1,050,000. Interest-only payments are due semiannually at a rate of 3.75% until May 1, 2020 when principal and interest are due semiannually 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 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.

Maturities: Annual requirements to repay all bonds, notes payable and lease obligations of the business-type activities as of September 30, 2019, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 39,789	\$ 18,108	\$ 50,209	\$ 66,352
2021	51,852	25,744	51,594	64,967
2022	53,948	23,648	53,017	63,543
2023	56,129	21,476	54,480	62,080
2024	26,411	19,742	55,984	60,577
2025-2029	132,003	84,473	303,956	278,849
2030-2034	159,180	57,297	348,265	234,539
2035-2039	191,951	24,525	399,034	183,770
2040-2044	21,247	401	438,507	125,857
2045-2049	-	-	455,578	65,757
2050-2054	-	-	199,926	8,280
Total	<u>\$ 732,510</u>	<u>\$ 275,414</u>	<u>\$ 2,410,550</u>	<u>\$ 1,214,571</u>

TOWN OF LAKE HAMILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

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 – 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 installment note 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, 2019:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 298,773

Interfund transfers for the year ended September 30, 2019, consisted of:

There were no interfund transfers during the year ended September 30, 2019.

Other interfund transactions:

The Town's enterprise fund charged \$5,416 for the water supplied to general fund operations.

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 three percent 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, 2019 totaled \$46,700 which consisted of \$32,385 contributed by employees and \$14,315 contributed by the Town. The Town's payroll totaled approximately \$813,300, of which pension contributions were provided on approximately \$477,200.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

The Town follows GASB Cod. Sec. P50 for certain post-employment 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.

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, 2019

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (concluded)

Total OPEB Liability – The Town’s total OPEB liability as of September 30, 2019 was determined by an actuarial valuation as of October 1, 2017. The actuarial assumptions used in the October 1, 2017 valuation were as follows:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	4.18%
Initial Trend Rate	8.50%
Ultimate Trend Rate	4.00%
Year to Ultimate Trend Rate	55

For all lives, mortality rates were RP-2000 Combined Healthy Mortality Tables projected to the valuation date using projection scale AA.

Discount Rate – The discount rate was based on a high-quality municipal bond rate of 4.18%. The high-quality bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp.’s AA.

The results of the October 1, 2017 actuarial valuation produced an estimated actuarial determined OPEB obligation and OPEB expense that was immaterial to the Town’s financial statements and accordingly, there is no OPEB liability recorded in the financial statements.

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, 2019 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, 2019, 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.

TOWN OF LAKE HAMILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

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.

	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Revenue	% of Revenues to Principal and Interest Paid
Pledged Revenue				
Water system net revenue	\$ 3,625,121	\$ 116,921	\$ 65,822	56.30%

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.

Membership fees - 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, 2019, the total annual working capital needs of the PRWC was \$195,000 of which the Town's proportionate share was \$940.

Combined projects background - The Member Governments, except for the City of Frostproof, entered into a combined projects implementation agreement on March 16, 2017. This agreement established three combined projects to be pursued by the PRWC with a total estimated cost of \$23,000,000. The South West Florida Water Management District (SWFWMD) is funding 50% of the total estimated cost and the remainder is funded by the Member Governments based upon their average water use in comparison to the total average water use by all Member Governments. The City's required contribution for the combined projects totaled \$4,948 and was paid to the PRWC in a prior year.

Contact - 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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LAKE HAMILTON, FLORIDA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
for the year ended September 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 1,118,673	\$ 1,135,673	\$ 1,138,848	\$ 3,175
Licenses and permits	60,000	60,000	84,983	24,983
Intergovernmental revenue	1,052,216	412,216	161,051	(251,165)
Charges for services	240,504	243,504	251,772	8,268
Fines and forfeitures	43,000	67,000	67,679	679
Other	24,616	34,616	33,017	(1,599)
Total revenues	2,539,009	1,953,009	1,737,350	(215,659)
Expenditures:				
General government				
Council	1,177,930	1,069,132	1,043,050	26,082
Finance and administration	211,927	211,927	201,332	10,595
Building and planning	164,191	164,191	149,545	14,646
Total general government	1,554,048	1,445,250	1,393,927	51,323
Law enforcement	672,598	672,598	579,007	93,591
Sanitation	385,604	395,604	390,467	5,137
Streets	851,204	185,810	179,309	6,501
Parks	215,205	215,205	125,967	89,238
Total expenditures	3,678,659	2,914,467	2,668,677	245,790
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,139,650)	(961,458)	(931,327)	30,131
OTHER FINANCING SOURCES				
Loan proceeds	750,000	758,552	758,552	-
CHANGE IN FUND BALANCE	\$ (389,650)	\$ (202,906)	\$ (172,775)	\$ 30,131

OTHER REPORTS

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Honorable Mayor and Town Council
Town of Lake Hamilton, Florida

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Lake Hamilton, Florida (the "Town") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued my report thereon dated February 10, 2020.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

David R. Ramos, CPA

Lakeland, Florida
February 10, 2020

**Independent Accountant's 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

I 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, 2019. Management is responsible for the Town's compliance with those requirements. My responsibility is to express an opinion the Town's compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that I 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 my judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. I believe that the evidence I obtained is sufficient and appropriate to provide a reasonable basis for my opinion.

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

In my opinion, Town of Lake Hamilton, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

This report is intended solely for the information and use of the Town of Lake Hamilton, Florida, and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

David R. Ramos, CPA

Lakeland, Florida
February 10, 2020

Independent Auditor's Management Letter

Honorable Mayor and Town Council
Town of Lake Hamilton, Florida

Report on the Financial Statements

I have audited the financial statements of the Town of Lake Hamilton, Florida (the "Town"), as of and for the year ended September 30, 2019, and have issued my report thereon dated February 10, 2020.

Auditor's Responsibility

I conducted my 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 Reports and Schedule

I have issued my Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Examination 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 February 10, 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 I determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions were not necessary as there were no significant findings or recommendations made in the prior year annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. 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 me to apply appropriate procedures and communicate the results of my 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 my audit, I 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.c. and 10.556(8), Rules of the Auditor General, I applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Lake Hamilton, Florida's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that I address noncompliance with provisions of contracts and grant agreements, or abuse, that have occurred, or are likely to 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 my audit. In connection with my audit, I 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.

David R. Ramos, CPA

Lakeland, Florida
February 10, 2020

OTHER SUPPLEMENTARY INFORMATION

AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Sara Irvine, who being duly sworn, deposes and says on oath that:

1. I am the Town Administrator of Town of Lake Hamilton which is a municipality of the State of Florida;
2. Town of Lake Hamilton adopted (Ordinance No. 2018-03 or Resolution No. _____) implementing an impact fee; and
3. Town of Lake Hamilton has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

Sara Irvine

Town Administrator, Town of Lake Hamilton

STATE OF FLORIDA
COUNTY OF POLK

SWORN TO AND SUBSCRIBED before me this 18th day of February, 2020.

Brittney Sandoval Soto

NOTARY PUBLIC

Print Name Brittney Sandoval Soto

Personally known ☒ or produced identification _____

Type of identification produced: _____

My Commission Expires:

