

**TOWN OF HYPOLUXO, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022**



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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Hypoluxo, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Hypoluxo (the "Town") as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Hypoluxo, Florida's (the "Town") financial accomplishments provides an overview of the Town's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the Town's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements themselves.

FINANCIAL HIGHLIGHTS

The assets of the Town exceeded its liabilities at the close of the fiscal year ended September 30, 2022 by \$5,922,030 (net position). Of this amount, \$3,533,087 (unrestricted net position) may be used to meet the Town's ongoing obligations to residents.

The change in the Town's total net position in comparison with the prior fiscal year was \$664,356, an increase. The key components of the Town's net position and change in net position are reflected in the table in the government-wide financial analysis section.

At September 30, 2022, the Town's governmental funds reported combined ending fund balances of \$5,212,172, an increase of \$761,401 in comparison with the prior fiscal year. Of that amount, \$1,709,619 is restricted for infrastructure projects and the remainder is unassigned and available for spending at the Town's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The statement of net position presents information on all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being 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 as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes, grants and special assessments (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees. The Town does not have any business-type activities. The governmental activities of the Town include operation and management functions (general government, public safety, physical environment, and human resources) and capital project.

Fund Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The Town's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded cost of operations and depreciation expense.

Key elements of the change in net position are reflected in the following table:

CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2022	2021
Program revenues		
Charges for service	\$ 181,495	\$ 211,704
Operating grants and contributions	724,232	729,216
General revenues		
Property taxes	1,249,310	1,173,640
Other revenues and interest	724,232	1,093,023
Total revenues	<u>2,879,269</u>	<u>3,207,583</u>
Expenses:		
General government	264,680	255,471
Public safety	1,419,573	1,392,778
Physical environment	249,480	1,166,467
Human resources	281,180	256,414
Total expenses	<u>2,214,913</u>	<u>3,071,130</u>
Change in net position	664,356	136,453
Net position - beginning	5,257,674	5,121,221
Net position - ending	<u>\$ 5,922,030</u>	<u>\$ 5,257,674</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2022 was approximately \$2.2 million. The majority of these activities were financed through general revenues of approximately \$1.9 million, which consist primarily of ad valorem, utility and other taxes. Approximately \$914,000 of the total cost was paid by program revenues, which consist primarily of licenses and permits, special assessments, grant revenues and other revenue.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the Town's governmental funds 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. In particular, unassigned fund balance may serve as a useful measure of a government's resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,212,172. Approximately 67.2% constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and is only available for specific spending.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,502,553. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents approximately 163% of total general fund expenditures.

**TOWN OF HYPOLUXO, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	Governmental Activities
ASSETS	
Cash	\$ 1,237,072
Investments	3,976,077
Intergovernmental receivable	35,814
Other receivable	30,220
Interest receivable	9,181
Assessments receivable	40,922
Restricted assets:	
Intergovernmental receivable	16,352
Grant receivable	13,270
Capital assets:	
Depreciable assets, net of accumulated depreciation	415,518
Nondepreciable assets	263,806
Total assets	6,038,232
LIABILITIES	
Accounts and wages payable	96,854
Unearned revenue	8,960
Non-current liabilities:	
Due within one year	3,764
Due in more than one year	6,624
Total liabilities	116,202
NET POSITION	
Investment in capital assets	679,324
Restricted for infrastructure projects	1,709,619
Unrestricted	3,533,087
Total net position	\$ 5,922,030

See notes to the financial statements

**TOWN OF HYPOLUXO, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	Major Funds		Total
	General	Capital Projects	Governmental Funds
ASSETS			
Cash	\$ 971,305	\$ 265,767	\$ 1,237,072
Investments	3,976,077	-	3,976,077
Special assessments receivable	40,922	-	40,922
Intergovernmental receivable	35,814	16,352	52,166
Due from other fund	-	5,576	5,576
Other receivable	30,220	-	30,220
Grant receivable	13,270	-	13,270
Interest receivable	9,181	-	9,181
Total assets	\$ 5,076,789	\$ 287,695	\$ 5,364,484
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts and wages payable	\$ 96,854	\$ -	\$ 96,854
Due to other funds	5,576	-	5,576
Unearned revenue	8,960	-	8,960
Total liabilities	111,390	-	111,390
 Deferred Inflows Of Resources:			
Unavailable revenue - special assessments	40,922	-	40,922
Total deferred inflows of resources	40,922	-	40,922
 Fund balances:			
Restricted for:			
Infrastructure projects	1,421,924	287,695	1,709,619
Unassigned	3,502,553	-	3,502,553
Total fund balances	4,924,477	287,695	5,212,172
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,076,789	\$ 287,695	\$ 5,364,484

See notes to the financial statements

**TOWN OF HYPOLUXO, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

	Major Funds		Total Governmental Funds
	General	Capital Projects	
REVENUES			
Ad valorem taxes	\$ 1,249,310	\$ -	\$ 1,249,310
Utility taxes	306,599	-	306,599
Other taxes	307,492	-	307,492
Franchise fees	64,327	-	64,327
Licenses and permits	206,922	-	206,922
Grant revenue	724,232	-	724,232
State revenue sharing	112,028	-	112,028
Sales infrastructure surtax	-	267,448	267,448
Special assessments	23,695	-	23,695
Net investment income	(387,810)	13	(387,797)
Miscellaneous revenues	54,135	-	54,135
Total revenues	<u>2,660,930</u>	<u>267,461</u>	<u>2,928,391</u>
EXPENDITURES			
Current:			
General government	246,783	-	246,783
Public safety	1,419,573	-	1,419,573
Physical environment	156,127	16,795	172,922
Human resources	282,232	-	282,232
Capital outlay	45,480	-	45,480
Total expenditures	<u>2,150,195</u>	<u>16,795</u>	<u>2,166,990</u>
Excess (deficiency) of revenues over (under) expenditures	510,735	250,666	761,401 <i>16</i>
Fund balances - beginning	<u>4,413,742</u>	<u>37,029</u>	<u>4,450,771</u>
Fund balances - ending	<u>\$ 4,924,477</u>	<u>\$ 287,695</u>	<u>\$ 5,212,172</u>

See notes to the financial statements

**TOWN OF HYPOLUXO, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

The Town was incorporated on July 4, 1955, as a municipal corporation by the State of Florida and exists as a Council-Strong Mayor form of municipal government. The Mayor serves as a chairperson of public meetings and executes certain documents authorized by charter, ordinance, or resolution. Each year, the Council elects a Vice Mayor who serves in the capacity of the Mayor when the Mayor is unable to perform his or her duties.

The financial statements were prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the Town Council is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that, if excluded, the financial statements of the Town would be considered incomplete or misleading. There are no entities considered to be component units of the Town; therefore, the financial statements include only the operations of the Town.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment (operating-type special assessments for maintenance and debt service are treated as charges for services) 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*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deposits and Investments

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The Town records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets which include property, plant and equipment, are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Equipment and furnishings	8
Park improvements	20

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Compensated Absences

Permanent full-time employees accrue paid time off at various rates depending on the number of years of service ranging from 3.75 to 5.25 hours per week with a maximum carryover each year. Permanent part-time employees accrue the same amounts based on the number of hours worked per day as a ratio to an 8 hour day. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Liability for accrued compensated absences of the governmental activities is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations. Payments are generally paid out of the general fund.

Upon separation from employment, the employees are paid for all accrued paid time off remaining up to the maximum carryover at the time of separation at the employee's current rate of pay.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

The Town is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the Town submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) Prior to October 1, the budget is legally adopted by the Town Council.
- d) All budget changes must be approved by the Town Council.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS

Deposits

The Town's cash balances as shown below were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The Town's investments were held as follows at September 30, 2022:

	Fair Value	Credit Risk	Level	Weighted Average Maturity
U.S. Government Sponsored				
Federal Farm Credit Bank Bonds	\$ 176,669	AA+	2	September 15, 2025 - September 8, 2026
Federal Home Loan Bank Bonds	1,020,276	AA+	2	August 26, 2025 - December 30, 2027
Federal Home Loan Mortgage	69,283	AA+	2	October 27, 2026
Federal National Mortgage	328,448	AA+	2	August 19, 2025 - November 25, 2026
Corporate Securities	1,525,613	BBB+ - A+	2	February 2, 2023 - September 15, 2027
Foreign Obligations	91,954	A & A-	2	September 15, 2023 - February 20, 2026
Preferred stocks nonconvertible	48,160	N/A	2	N/A
BMO Government Money Market	715,674	N/A	N/A	N/A
Total Investments	<u>\$ 3,976,077</u>			

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

NOTE 5 – SPECIAL ASSESSMENTS RECEIVABLE (Continued)

The special assessment is payable annually to the Town in equal installments, for a period not to exceed 20 years at an annual interest rate equal to 2.35% of the unpaid balance. There is no penalty for prepayments and the entire assessment may be paid through February 1, 2010 with no interest accruing to the property owner. There are 30 properties which have been assessed \$12,244.34 and will pay \$797 a year, commencing February 1, 2010.

During a prior fiscal year, the Town utilized funds in the general fund to pay off the loans. The assessments to homeowners will be used to replenish the general fund. During fiscal year ended September 30, 2022, the Town collected \$23,695 for all special assessments from property owners.

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 218,326	\$ -	\$ -	\$ 218,326
Work in progress	-	45,480	-	45,480
Total capital assets, not being depreciated	218,326	45,480	-	263,806
Capital assets, being depreciated				
Park improvements	1,531,163	-	-	1,531,163
Buildings and improvements	715,873	-	-	715,873
Equipment and furnishings	164,578	-	-	164,578
Total capital assets, being depreciated	2,411,614	-	-	2,411,614
Less accumulated depreciation for:				
Park improvements	1,280,692	76,558	-	1,357,250
Buildings and improvements	456,371	17,897	-	474,268
Equipment and furnishings	164,578	-	-	164,578
Total accumulated depreciation	1,901,641	94,455	-	1,996,096
Total capital assets, being depreciated, net	509,973	(94,455)	-	415,518
Governmental activities capital assets, net	\$ 728,299	\$ (48,975)	\$ -	\$ 679,324

Depreciation expense was charged to function/programs as follows:

Governmental activities:	
General government	\$ 17,897
Physical Environment	76,558
Total depreciation expense	<u>\$ 94,455</u>

NOTE 11 – GRANTS

In the prior fiscal year, the Town was approved for American Rescue Plan Act grant of \$1,421,924 of which \$710,962 was received in prior fiscal year and \$710,962 was received in the current fiscal year.

In the current fiscal year the Town also was approved for Coronavirus Emergency Supplemental Funding (CESF) of \$13,270 which was received shortly subsequent to fiscal year end.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to fiscal year end the Town purchased a building located on 7200 S. Dixie Highway, for \$2,825,000. The Town is in discussion with the County to utilize the building as a library.

**TOWN OF HYPOLUXO, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

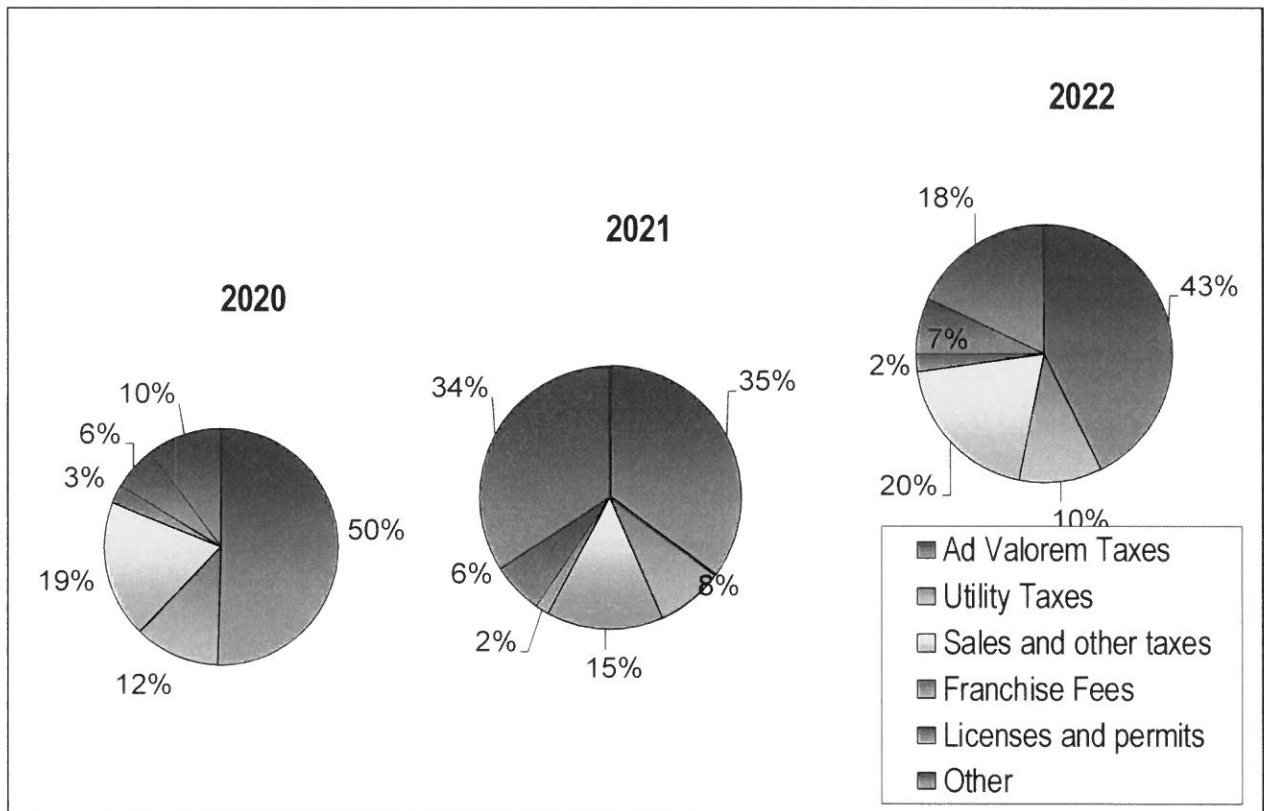
The Town Charter requires that the Town establish a budgetary system and an approved Annual Budget. The Town's budgeting process is based on estimates of cash receipts and cash expenditures, which are approved by the Town Council and approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed the budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Town Council. Actual general fund expenditures for the fiscal year ended September 30, 2022 exceeded appropriations by \$74,638. The over expenditures were funded by current year revenue.

**TOWN OF HYPOLUXO, FLORIDA
SELECTED TREND INFORMATION
(Continued)**

Revenues Governmental Funds Selected Financial Trend

	2020	2021	2022
Ad Valorem Taxes	\$ 1,135,000	\$ 1,174,000	\$ 1,249,000
Utility Taxes	265,000	280,000	307,000
Sales and other taxes	423,000	486,000	575,000
Franchise Fees	57,000	57,000	64,000
Licenses and permits	137,000	212,000	207,000
Other	232,000	1,144,000	526,000
Total Revenues	\$ 2,249,000	\$ 3,353,000	\$ 2,928,000





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

To the Town Council
Town of Hypoluxo, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Hypoluxo (the "Town"), as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our opinion thereon dated May 9, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter involving the internal control over financial reporting and compliance that we have reported to management of the Town in a separate letter dated May 9, 2023.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Town Council
Town of Hypoluxo, Florida

We have examined the Town of Hypoluxo, Florida's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2022. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2022.

This report 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, management, and the Town Council of the Town of Hypoluxo, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

May 9, 2023

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2022-01 Adjusting Journal Entries

Observation: During the audit, it was necessary to propose numerous adjusting journal entries to correct the Town's trial balance.

Recommendation: We recommend that staff be provided training and a knowledgeable individual perform a quarterly review of reconciliations and financial transactions recorded.

Reference Number for Prior Year Finding: 2019-01, 2020-01, 2021-1

Management Response: Management continues to provide on-going training to appropriate staff to ensure the Town's accounting transactions are properly recorded. Management will review reconciliations of accounts throughout the year to identify any discrepancies in the accounting records. All adjusting journal entries that were required to be made by the auditor will be reviewed and every attempt will be made to prevent these adjustments in the future.

2022-02 Budget:

Observation: Actual expenditures exceeded appropriations in the general fund for the fiscal year ended September 30, 2022.

Recommendation: The Town should amend the budget during the fiscal year or within statutory guidelines to ensure that all expenditures are properly budgeted.

Management Response: Management will make every effort in the future to submit an amended budget when necessary if expenditures exceed the budget.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2019-01, 2020-01 and 2021-01: Adjusting journal entries

Current Status: See finding no. 2022-01 above.

2021-02: Budget

Current Status: See finding no. 2022-02 above.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2021, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2022, except as noted above.