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**ANNUAL FINANCIAL REPORT**  
September 30, 2022  
CITY OF OAK HILL, FLORIDA

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**INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, and  
Members of the City Commission  
City of Oak Hill, Florida

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Oak Hill, Florida (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City'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, major fund, and the aggregate remaining fund information of the City as of September 30, 2022, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 City of Oak Hill, Florida 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 City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 City of Oak Hill, Florida'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.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions – Florida Retirement System Plan, and Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions – Florida Retirement System Health Insurance Subsidy Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses

to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oak Hill, Florida's basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by *Chapter 10.550, Rules of the Auditor General*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City's internal control over financial reporting and compliance.

BMC CPAs

May 9, 2023

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

As financial management of City of Oak Hill, Florida, (hereinafter referred to as the "City"), we offer the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year that ended on September 30, 2022. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section, taken as a whole.

**Financial Highlights**

- o The total assets of the City exceeded its liabilities (net position) at the close of the most recent fiscal year by \$6,096,329, compared to \$2,255,724 one year earlier. Of this amount, \$1,093,755 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors, compared to \$188,493 at the beginning of the year.
- o The City's total net position increased at a much higher rate compared to 2021, primarily due to several reasons. The first is a \$1,108,890 operational grant received by the American Rescue Plan Act in relation to COVID relieve, and the second is a large revolving state loan for the Indian Harbor Estates Septic to Sewer Project. This revolving state loan has a loan portion that is expected to about 21% of total proceeds received, with the remaining 79% of total proceeds being treated as a grant that will not need to be repaid. There was \$1,817,860 of grant funds received (net of the loan portions) during the year ending September 30, 2022. There is also supplemental grant funding for this project expected to be \$2,500,000 in total through the life of the project, of which \$886,345 of revenue was recognized during the year ending September 30, 2022. These three sources of revenue accounts for an increase of \$3,813,095 in revenue compared to 2021. Total net position increased by \$3,840,605 (or 170.2%) in 2022, compared to an increase of \$360,675 (or 19.0%) in 2021.
- o The City's general fund reported a total fund balance of \$1,516,330 at the end of the current fiscal year, which was an increase of \$972,356 above the \$543,974 reported at the end of the prior fiscal year. Approximately 87.3% of this amount (or \$1,324,819) is available for spending at the City's discretion (unassigned fund balance).
- o The unassigned portion of fund balance in the general fund totaled \$1,324,819, which represents 24.9% of current year expenditures or 91 days in reserve, compared to 15.2% and 56 days in reserve at the end of the prior year. This ratio increased in 2022 primarily due to American Rescue Plan Act funds received during the year of \$1,108,890.
- o The City's net investment in capital assets totaled \$4,811,183 at the end of 2022, compared to a net investment of \$1,915,212 at the end of 2021. The change resulted from current year net additions totaling \$3,410,892, current year depreciation recognized for the year of \$91,765, and an increase in debt of \$423,104. The largest capital additions during the year was for the Indian Harbor Estates Septic to Sewer Project.
- o The City's net pension liability totaled \$314,596, net of deferred outflows of \$117,585 and deferred inflows of \$10,831 at the end of 2022, compared to a net pension liability of \$124,500, net of deferred outflows of \$137,698 and net of deferred inflows of \$204,142 at the end of 2021.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2022**  
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- The City incurred one new debt arrangement during 2022. The City received \$512,728 under the Florida Department of Environmental Protection's Clean Water State Revolving Construction Loan during the year, for the purpose of funding the Indian Harbor Septic to Sewer Project. Principal repayments under this loan will not begin until September of 2024. The City made principal repayments of \$89,623 during the year, leaving unpaid balances of \$830,749 on all outstanding loans as of September 30, 2022.

**Overview of the Financial Statements**

The City's basic financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, including notes to the financial statements, and 3) required supplementary information, including budgetary comparisons.

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and financial performance as a whole. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, and other management tools were used for this analysis.

The basic financial statements include two kinds of statements that present different views of the City. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the City's overall financial status. These statements report information about the City using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the City's assets and liabilities, both financial and capital, and short-term and long-term debt, are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements. The governmental funds statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.

The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. This section also contains budgetary comparisons for the City's governmental fund activities.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The basic financial statements of the City include a statement of net position and a statement of activities, which are described as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2022  
CITY OF OAK HILL, FLORIDA

- o A statement of net position presents information on all of the City's assets and liabilities at the end of its fiscal year, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.
- o The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the City's net position changed during the 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent taxes, certain grant revenues, and earned but unused personal leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*government activities*). The governmental activities of the City include general government services, public safety (police and building inspection), roads and streets maintenance, solid waste management, and recreation and leisure services. The City does not have any business-type activities.

#### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds and not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City utilizes a single General Fund to account for all governmental activities.

**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. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. 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 City maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

**Financial Analysis of the City as a Whole**

**Net Position.** As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$6,096,329 at the close of the most recent fiscal year. This represents an increase of \$3,840,605, or 170.2%, above the previous year, all of which is attributable to operations. The following is a summary of Net Position at year end:

	<b>Net Position</b>	
	September 30,	
	<u>Governmental Activities</u>	
	2022	2021
Assets:		
Current and other assets	\$ 3,130,307	\$ 613,696
Capital assets, net	5,641,932	2,322,805
Total assets	<u>8,772,239</u>	<u>2,936,501</u>
Deferred outflows of resources	<u>117,585</u>	<u>137,698</u>
Liabilities:		
Current liabilities excluding current portion of debt	1,609,948	64,874
Debt including current portion	830,749	407,593
Other liabilities	341,967	141,866
Total liabilities	<u>2,782,664</u>	<u>614,333</u>
Deferred inflows of resources	<u>10,831</u>	<u>204,142</u>
Net position:		
Invested in capital assets, net of related debt	4,811,183	1,915,212
Restricted	191,391	152,019
Unrestricted	1,093,755	188,493
Total net position	<u>\$ 6,096,329</u>	<u>\$ 2,255,724</u>

The most significant component of the City's net position (\$4,811,183 or 78.9%) is, by far, its investment in capital assets (land, construction in progress, buildings and equipment), less any related debt used to acquire or construct those assets. The City uses these capital assets to provide services and amenities to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt (when they exist) must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$191,391 or 3.1%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 18.0% of unrestricted net position, representing amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled \$1,093,755 at the end of 2022, compared to \$188,493 at the end of 2021.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

**Changes in Net Position.** While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and source of those changes. The following is a summary of changes in net position at year-end:

**Changes in Net Position**  
For the Fiscal Years Ended September 30,

	Governmental Activities	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 427,038	\$ 371,332
Operating and capital grants/other	3,872,260	352,800
General revenues:		
Property taxes	816,521	742,088
Other taxes	564,035	523,719
Intergovernmental	96,670	77,484
Other revenues	21	27
Total revenues	5,776,545	2,067,450
Expenses:		
General government	673,399	479,689
Public safety	603,464	658,625
Physical environment	274,054	247,138
Transportation	279,242	235,429
Culture/recreation	98,519	83,721
Interest on long-term debt	7,263	2,173.00
Total expenses	1,935,940	1,706,775
Increase in net position	3,840,605	360,675
Net position, beginning of year	2,255,724	1,895,049
Net position, end of year	\$ 6,096,329	\$ 2,255,724

During 2022, the City's revenues increased by \$3,709,095 and totaled \$5,776,545 compared to \$2,067,450 in 2021. The increase in 2022 was mostly attributable to a \$1,108,890 grant from the American Rescue Plan Act, a capital grant of \$1,817,860 from the Florida Department of Environmental Protection's Revolving State Loan for the construction of the Indian Harbor Septic to Sewer Project, and another capital grant from St. John's River Management District of \$886,345 for the construction of the Indian Harbor Septic to Sewer Project.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

Approximately 14.1% of the City's gross revenues came from property tax collections in 2022, compared to 35.9% in 2021. Operating and capital grants represented 67.0% of the City's gross revenues in 2022, compared to 17.1% in 2021. Approximately 11.5% of all revenues earned by the City come from intergovernmental sources, other taxes and shared local taxes. Another 7.4% comes from fees that are charged to citizens for City services.

The total costs for all routine programs and City services increased by 13.4% in 2022, and totaled \$1,935,940, compared to \$1,706,775 one year earlier. Fiscal stability in each of the past six years has been primarily attributable to changes made in the City's Police Department, which on August 1, 2011, was eliminated by the City Commission. Subsequent to the elimination of the City's police department, the City entered into an interlocal agreement with the Volusia County Sheriff's Department to provide exclusive law enforcement services. This agreement, which originally expired on October 1, 2018, was renewed through October 1, 2024.

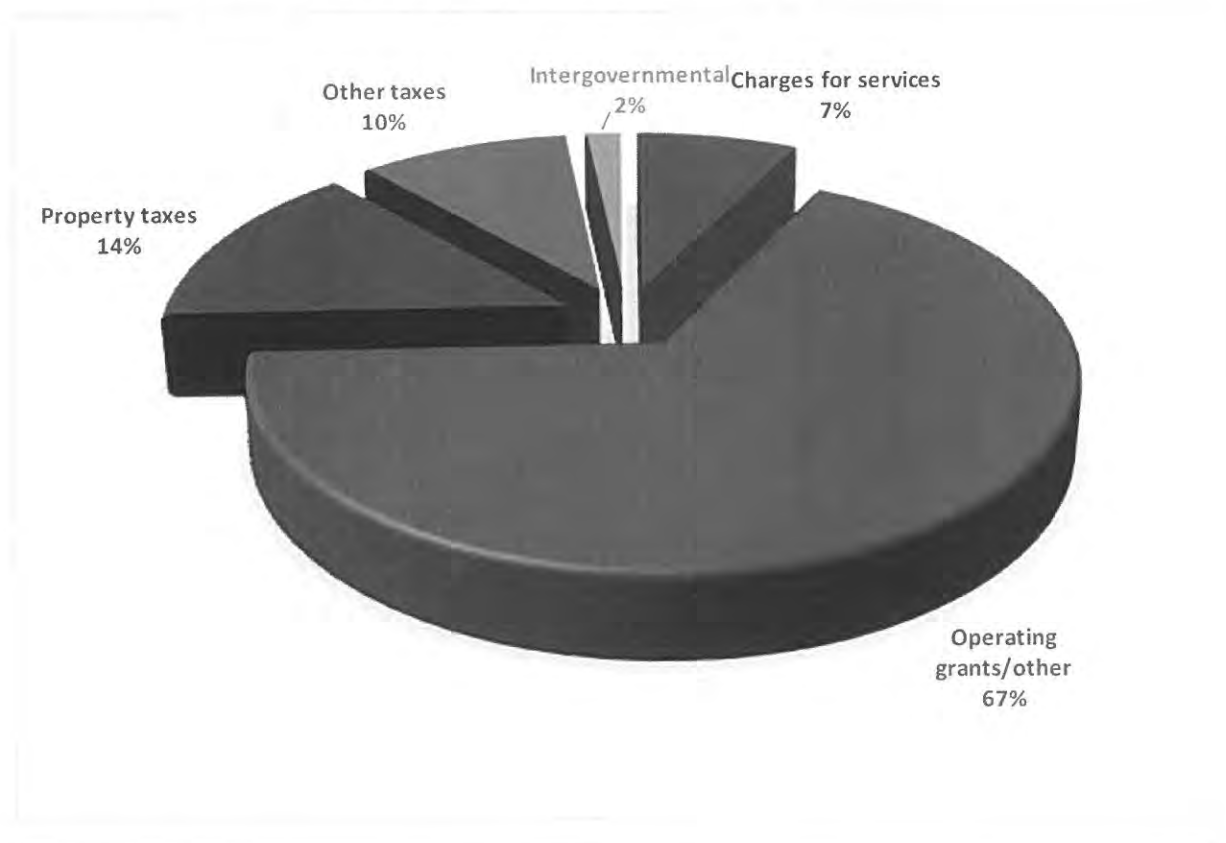
**Governmental Activities**

Revenues for the City's governmental activities totaled \$5,776,545 in 2022, which represents an overall increase of \$3,709,095, or 179.4% above the \$2,067,450 reported last year. During 2022, the City's ad valorem taxes represented approximately 14.1% of the City's total revenues, which are typically used to finance traditional city services. Ad valorem receipts in 2022, were based on a millage rate of 5.6820 mills (2021 levy), compared to 5.6820 mills (2020 levy) for 2021. Other public service taxes, franchise fees and intergovernmental revenues totaled \$660,705 or 11.4% of the City's total revenues, compared to \$601,203 one year earlier.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2022  
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The following is a summary of the City's governmental revenues - by source:

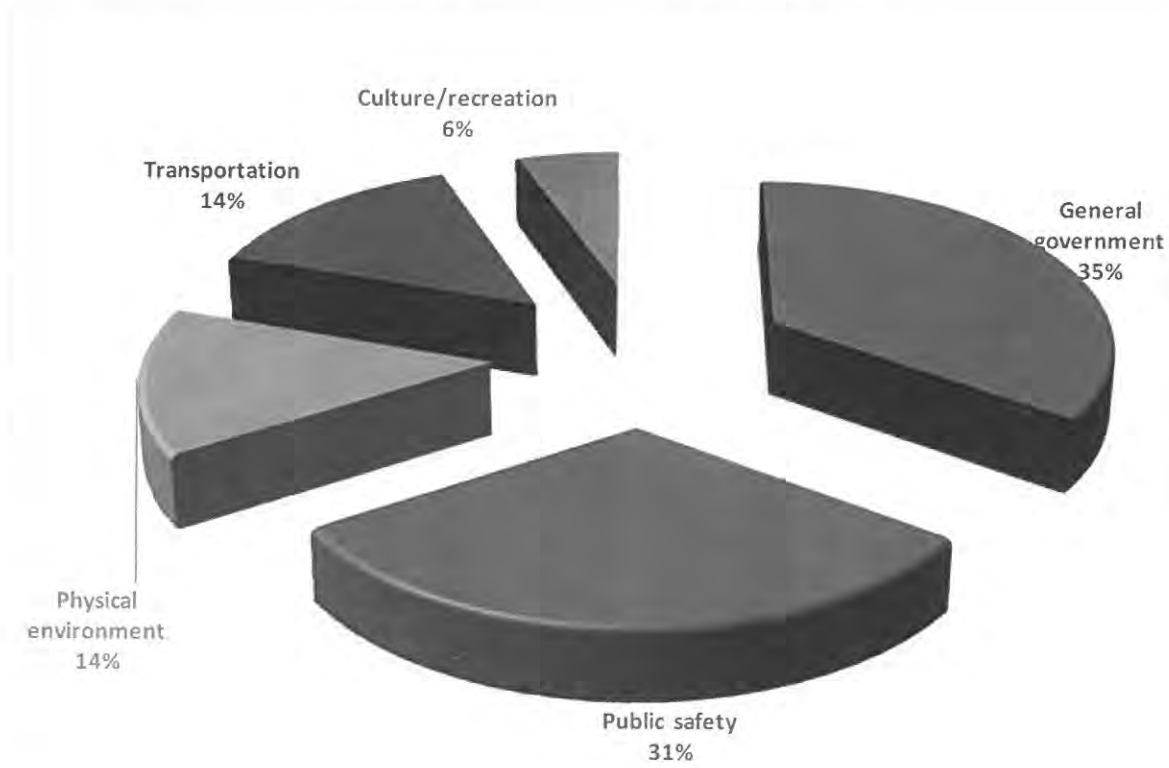


Expenses for the City's governmental activities experienced a 13.4% increase during 2022 and totaled \$1,935,940, compared to \$1,706,775, one year earlier.

During 2022, the City's capital spending was limited to the Indian Harbor Septic to Sewer Project (still ongoing as of September 30, 2022 so recognized as construction in progress) of \$3,241,641, expenditures for a new parking lot and ramp at VIA Hall of \$87,414, and general paving, road improvements, and other smaller projects in the amount of \$81,838. Depreciation expense recognized on the City's net investment in capital assets and allocated to the various governmental functions in 2022 totaled \$91,765, compared to \$82,847 for 2021.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2022  
**CITY OF OAK HILL, FLORIDA**

The following is a summary of the City's governmental expenses - by function:



**Financial Analysis of the City's Funds**

As stated previously, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund.** The focus of the City's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved 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 the City completed the year, its governmental fund reported a fund balance of \$1,516,330, which was \$972,356 above the \$543,974 reported last year. This increase was primarily attributed to American Rescue Plan Act receipts during the year.

The general fund is the only operating fund of the City. As of September 30, 2022, the unassigned fund balance in the general fund totaled \$1,324,819, which was \$932,984, or 238.1% more than the \$391,835 reported last year. The unassigned fund balance in the general fund represents 24.9% of current year expenditures, or 91 days in reserve, compared to 15.2% of 2021 expenditures, or 56 days in reserve, at the end of the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

**General Fund Budgetary Highlights**

Over the course of the year, the City Commission reviews their operating budgets to determine if any budget amendments are necessary. During 2022, several budget amendments were made. Differences between the original enacted budget and the final amended budget did not include significant changes.

Actual earned revenues were \$4,407,156 (or 234.0%) higher than the amounts anticipated to be received (\$1,882,988) during the year in the City's General Fund. This was primarily because the City did not budget for the American Rescue Plan Act funds of \$1,108,890, the Florida Department of Environmental Protection's Revolving loan funds of \$1,817,860, the St. John's River District capital grant of \$886,345, or the loan proceeds received of \$512,728. During 2022, the City did not change its millage rate of 5.6820 mills, compared to 5.6820 mills in 2021. Actual expenditures were over budget by \$3,304,800, for the following reasons:

- 1.) Capital expenditures for the Indian Harbor Septic to Sewer project of \$3,241,641 were not budgeted for.
- 2.) Debt principal and interest payments in the amount of \$96,886 were not budgeted for.

The failure of the City to appropriately budget for large items such as this has caused the Auditors to consider this a material weakness in internal controls. See the internal control letter.

**Capital Assets and Debt Administration**

**Capital Assets.** At September 30, 2022, the City had \$5,641,932 invested in a broad range of capital assets, including land, construction in progress, buildings, park facilities, transportation systems, and public works equipment. This investment in capital assets, net of depreciation, for all activities is reflected in the following schedule:

**Capital Assets**  
For the Fiscal Years Ended September 30,

	Governmental Activities	
	2022	2021
Land	\$ 663,740	\$ 663,740
Construction work in progress	3,511,955	270,314
Buildings	722,714	694,841
Improvements other than buildings	1,468,214	1,340,823
Machinery and equipment	242,998	229,011
	6,609,621	3,198,729
Accumulated depreciation	(967,689)	(793,077)
Net total	\$ 5,641,932	\$ 2,405,652

Additional information on the City's capital assets can be found in Note 7 to the financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

**Long-term Debt.** As of the end of 2022, the City had two outstanding long-term note obligations, both obtained during the year. Other long-term debt obligations consisting of compensated absence liabilities and the City's net pension liabilities are as follows at year end:

**Long-Term Debt Obligations**  
For the Fiscal Years Ended September 30,

	2022	2021
Notes payable:		
Capital Improvement Revenue Note, Series 2021	\$ 318,021	\$ 350,000
Capital Improvement Revenue Note, Series 2020	-	57,645
FDEP Clean Water State Revolving Construction Loan	512,728	-
Compensated absences (current portion estimated)	27,371	17,366
Net pension liabilities	314,596	124,500
Total long-term debt	\$ 1,172,716	\$ 549,511

**Economic Factors and Next Year's Budgets and Rates**

Many factors are considered each year by the City Commission in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform user fees that are reasonable, and more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

The most recent estimates available for unemployment data in Volusia County, Florida, are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Information Database Application (FREIDA). This agency estimates a countywide unemployment rate of 2.8%, which is favorable to the 4.3% rate experienced one year earlier. These estimates are slightly higher than the state's current 2.7% unemployment rate. Nationwide, the unemployment rate is stated at 3.5%, as of September 2022.

Inflationary trends for Volusia County are consistent with those trends experienced at the state and national levels.

The City Commission voted to keep the same operating millage for the 2022 levy at 5.682 mills - an increase in current year ad valorem taxes when levied against appreciated current year taxable values is projected.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the City Clerk, City of Oak Hill, Florida, 234 S. US 1, Oak Hill, Florida 32759.

**BASIC FINANCIAL STATEMENTS**

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**STATEMENT OF NET POSITION**  
**September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

Assets:	
Cash and cash equivalents	\$ 1,433,268
Receivables, net of \$185 allowance for uncollectible accounts	1,696,919
Refundable deposits	120
Capital assets, net of accumulated depreciation	<u>5,641,932</u>
Total assets	<u>8,772,239</u>
Deferred Outflows of Resources:	
Deferred outflows on pensions	<u>117,585</u>
Liabilities:	
Accounts payable and accrued liabilities	1,603,323
Unearned revenue	6,625
Net pension liabilities	314,596
Long-term debt:	
Due within one year	32,615
Due in more than one year	798,134
Compensated absences payable	<u>27,371</u>
Total liabilities	<u>2,782,664</u>
Deferred Inflows of Resources:	
Deferred inflows on pensions	<u>10,831</u>
Net Position:	
Net investment in capital assets	4,811,183
Restricted for transportation improvements	12,999
Restricted for public safety	178,392
Unrestricted	<u>1,093,755</u>
Total net position	<u>\$ 6,096,329</u>

See Independent Auditors' Report.

**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

Functions / Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets-Primary Government
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 673,399	\$ 61,969	\$ 1,108,890	\$ -	\$ 497,461
Public safety	603,464	81,539	-	-	(521,925)
Physical environment	274,054	229,039	-	2,704,205	2,659,190
Transportation	279,242	54,491	34,395	24,770	(165,586)
Culture/recreation	98,519	-	-	-	(98,519)
Interest on debt	7,263	-	-	-	(7,263)
<b>Total primary government</b>	<b>\$ 1,935,940</b>	<b>\$ 427,038</b>	<b>\$ 1,143,285</b>	<b>\$ 2,728,975</b>	<b>\$ 2,363,358</b>

General revenues:	
Taxes:	
Property taxes, levied for general purposes	816,521
Public service taxes	248,833
Sales taxes	146,387
Franchise fees	168,815
Intergovernmental revenues	96,670
Investment earnings	21
<b>Total general revenues</b>	<b>1,477,247</b>
Change in net position	3,840,605
Net position - beginning of year	2,255,724
Net position - end of year	<b>\$ 6,096,329</b>

See Independent Auditors' Report.



**BALANCE SHEET – GOVERNMENTAL FUND**  
**September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

	<u>General Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,433,268
Receivables, net of \$185 allowance for uncollectible accounts	51,709
Due from other governments	1,641,181
Refundable deposits	120
Total assets	<u>\$ 3,126,278</u>
<b>Liabilities:</b>	
Accounts payable	\$ 1,591,057
Accrued liabilities	12,266
Unearned revenue	6,625
Total liabilities	1,609,948
<b>Fund Balance:</b>	
Nonspendable:	
Refundable deposits	120
Restricted for:	
Transportation	12,999
Building inspections	178,392
Unassigned	1,324,819
Total fund balance	1,516,330
Total liabilities and fund balance	<u>\$ 3,126,278</u>

See Independent Auditors' Report.

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL  
FUND TO THE STATEMENT OF NET POSITION  
September 30, 2022  
CITY OF OAK HILL, FLORIDA**

Fund balance - governmental fund		\$ 1,516,330
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		5,641,932
Delinquent tax revenues and other grant revenues deferred in governmental activities are recognized in the period in which they are earned, regardless of the date of their anticipated receipt		4,029
Deferred outflows and inflows of resources are not available in the current period and, therefore, are not reported in the governmental fund. Deferred outflows and inflows of resources at year end consist of:		
Deferred outflows on pension liabilities:		
Florida Retirement System	\$ 98,329	
FRS Health Insurance Subsidy	<u>19,256</u>	117,585
Deferred inflows on pension liabilities:		
Florida Retirement System	(150)	
FRS Health Insurance Subsidy	<u>(10,681)</u>	(10,831)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, other debt and related obligations consist of the following:		
Compensated absences	(27,371)	
Debt, current and long-term portion	(830,749)	
Net pension obligation - Florida Retirement System	(247,898)	
Net pension obligation - FRS Health Insurance Subsidy	<u>(66,698)</u>	<u>(1,172,716)</u>
Net position of governmental activities		<u>\$ 6,096,329</u>

See Independent Auditors' Report.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**For the Fiscal Year Ended September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

	General Fund
Revenues:	
Taxes	\$ 1,130,623
Permits and fees	247,404
Intergovernmental revenue	4,056,152
Charges for services	304,103
Fines and forfeitures	3,481
Loan proceeds received	512,728
Miscellaneous revenue	35,653
Total revenues	6,290,144
Expenditures:	
Current:	
General government	644,312
Public safety	602,451
Physical environment	274,054
Transportation	254,428
Culture/recreation	34,764
	1,810,009
Capital Outlay:	
Physical environment - Septic to Sewer Project	3,241,641
Transportation	47,365
Culture/recreation	121,887
	3,410,893
Debt Service:	
Principal retirement	89,623
Interest and fiscal charges	7,263
	96,886
Total expenditures	5,317,788
Excess of revenue over expenditures	972,356
Net change in fund balance	972,356
Fund balance, beginning of year	543,974
Fund balance, end of year	\$ 1,516,330

See Independent Auditors' Report.

**RECONILATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2022  
CITY OF OAK HILL, FLORIDA**

Net change in fund balances - total governmental funds	\$	972,356
Amounts reported for governmental activities in the statement of activities are different because:		
Change in delinquent taxes receivable		(871)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlay expenditures	\$ 3,410,893	
Depreciation expense	<u>(91,765)</u>	3,319,128
The (increase) decrease in net pension liabilities, deferred outflows and inflows, and postemployment benefits costs are reported in the statement of activities, but not in the individual governmental funds, as follows:		
Deferred outflows for pensions	(20,113)	
Deferred inflows for pensions	193,311	
Net pension liability - Florida Retirement System (FRS)	(198,225)	
Net pension liability - FRS Health Insurance Subsidy	<u>8,129</u>	(16,898)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The following is a summary of these elements:		
(Increase) decrease in compensated absences payable		(10,005)
Receipt of loan proceeds is a revenue in the governmental fund, but the proceeds increase long-term liabilities in the statement of net assets		(512,728)
Repayment of principal on long-term debt obligations is an expenditure in the governmental fund, but the repayments reduce long-term liabilities in the statement of net assets		<u>89,623</u>
Change in net position of governmental activities	\$	<u><u>3,840,605</u></u>

See Independent Auditors' Report.

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Taxes:				
General property taxes	\$ 849,645	\$ 849,645	\$ 817,340	\$ (32,305)
Local option gas taxes	41,500	59,500	59,105	(395)
Public service taxes	224,500	225,500	248,833	23,333
Local business taxes	3,700	3,700	5,345	1,645
	<u>1,119,345</u>	<u>1,138,345</u>	<u>1,130,623</u>	<u>(7,722)</u>
Permits and Fees:				
Building permits	35,000	60,000	78,008	18,008
Franchise fees	130,030	145,030	168,815	23,785
Other permits and fees	750	750	581	(169)
	<u>165,780</u>	<u>205,780</u>	<u>247,404</u>	<u>41,624</u>
Intergovernmental Revenue:				
Federal grants	-	-	1,108,890	1,108,890
State grants	-	-	2,704,205	2,704,205
State shared revenues:				
State revenue sharing	62,000	67,000	91,404	24,404
Mobile home licenses	1,500	1,500	1,649	149
Alcoholic beverage licenses	1,000	1,000	755	(245)
Local one-half cent sales tax	119,000	129,000	146,387	17,387
Other shared revenues:				
County shared revenue	1,400	1,400	2,862	1,462
	<u>184,900</u>	<u>199,900</u>	<u>4,056,152</u>	<u>2,747,362</u>
Charges for Services:				
General Government	6,800	26,800	20,522	(6,278)
Public Safety	50	50	50	-
Transportation	47,943	50,913	54,492	3,579
Garbage/solid waste charges	228,000	228,000	229,039	1,039
	<u>282,793</u>	<u>305,763</u>	<u>304,103</u>	<u>(1,660)</u>
Fines and Forfeitures:				
Fines and forfeitures	7,000	7,000	3,481	(3,519)
	<u>7,000</u>	<u>7,000</u>	<u>3,481</u>	<u>(3,519)</u>
Miscellaneous Revenues:				
Interest earnings	250	250	21	(229)
Loan proceeds received	-	-	512,728	512,728
Miscellaneous revenue	19,950	25,950	35,632	9,682
	<u>20,200</u>	<u>26,200</u>	<u>548,381</u>	<u>522,181</u>
 Total revenues	 <u>1,780,018</u>	 <u>1,882,988</u>	 <u>6,290,144</u>	 <u>4,407,156</u>

See Independent Auditors' Report.

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures:				
General Government:				
Legislative:				
Personal services	\$ 38,754	\$ 38,754	\$ 39,031	\$ (277)
	<u>38,754</u>	<u>38,754</u>	<u>39,031</u>	<u>(277)</u>
Financial and Administrative:				
Personal services	183,782	190,282	200,037	(9,755)
Operating expenditures	28,000	28,000	24,924	3,076
	<u>211,782</u>	<u>218,282</u>	<u>224,961</u>	<u>(6,679)</u>
Legal Counsel:				
Operating expenditures	25,000	55,000	68,991	(13,991)
Comprehensive Planning:				
Operating expenditures	124,000	154,000	163,102	(9,102)
	<u>124,000</u>	<u>154,000</u>	<u>163,102</u>	<u>(9,102)</u>
Other General Government:				
Operating expenditures	122,582	243,352	148,227	95,125
	<u>122,582</u>	<u>243,352</u>	<u>148,227</u>	<u>95,125</u>
Total general government	<u>522,118</u>	<u>709,388</u>	<u>644,312</u>	<u>65,076</u>
Public Safety:				
Law Enforcement:				
Operating expenditures	609,981	609,981	568,872	41,109
	<u>609,981</u>	<u>609,981</u>	<u>568,872</u>	<u>41,109</u>
Protective Inspections:				
Operating expenditures	28,950	36,950	28,284	8,666
Other Public Safety:				
Operating expenditures	24,750	14,750	5,295	9,455
Total public safety	<u>663,681</u>	<u>661,681</u>	<u>602,451</u>	<u>59,230</u>
Physical Environment:				
Garbage/Solid Waste Control Services:				
Operating expenditures	245,000	245,000	274,054	(29,054)
Capital outlay - Septic to Sewer Project	-	-	3,241,641	(3,241,641)
Total physical environment	<u>245,000</u>	<u>245,000</u>	<u>3,515,695</u>	<u>(3,270,695)</u>

See Independent Auditors' Report.

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
Transportation:				
Road and Street Facilities:				
Personal services	\$ 160,643	\$ 162,343	\$ 172,887	\$ (10,544)
Operating expenditures	79,540	67,540	81,541	(14,001)
Capital outlay	132,096	57,096	47,365	9,731
Total transportation	<u>372,279</u>	<u>286,979</u>	<u>301,793</u>	<u>(14,814)</u>
Culture/Recreation:				
Parks and Recreation:				
Operating expenditures	26,940	29,940	34,764	(4,824)
Capital outlay	-	80,000	121,887	(41,887)
Total culture/recreation	<u>26,940</u>	<u>109,940</u>	<u>156,651</u>	<u>(46,711)</u>
Debt Service:				
Principal repayments	-	-	89,623	(89,623)
Interest payments	-	-	7,263	(7,263)
Total debt service	<u>-</u>	<u>-</u>	<u>96,886</u>	<u>(96,886)</u>
Total expenditures	<u>1,830,018</u>	<u>2,012,988</u>	<u>5,317,788</u>	<u>(3,304,800)</u>
Fund balance appropriations	<u>(50,000)</u>	<u>(130,000)</u>	<u>-</u>	<u>130,000</u>
Excess of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>972,356</u>	<u>972,356</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>972,356</u>	<u>972,356</u>
Fund balance, beginning of year	<u>446,128</u>	<u>446,128</u>	<u>543,974</u>	<u>97,846</u>
Fund balance, end of year	<u>\$ 446,128</u>	<u>\$ 446,128</u>	<u>\$ 1,516,330</u>	<u>\$ 1,070,202</u>

See Independent Auditors' Report.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The City was incorporated on June 4, 1927, under the Laws of Florida, Special Acts of 1927, Chapter 13156 - (No. 1351) and operates under the City Commission form of government. The legislative branch of the City is composed of an elected five-member City Commission consisting of the Mayor and four commissioners. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the City's appointed department heads, who serve at the discretion of the Commission.

The accompanying financial statements present the financial position and results of operations of the applicable funds governed by or dependent on the City (the primary government). In evaluating the City as a reporting entity, management has addressed all potential component units for which the entity may or may not be financially accountable and, as such, be included within the City's financial statements. No component units exist that require inclusion in the City's financial statements.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements, comprised of the statement of net position and the statement of activities, report aggregated information for the overall government for all of the activities of the primary government. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements, when required. The effect of interfund activity has been removed from these statements, when applicable.

All of the City's activities are governmental activities which are supported from ad valorem and other taxes, licenses and permits, intergovernmental revenues, charges for services, fines and forfeitures, and other nonexchange revenues. The City does not engage in any business-type activities.

The Statement of Net Position presents the overall government's financial position at year-end. The Statement of Activities presents direct expenses of a given function or segment offset by program revenues for the fiscal reporting period. The resulting net expense or revenue is then totaled and offset by general revenues producing the aggregate change in net position for the period. 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 of the government, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other nonexchange revenues not properly included among program revenues are reported as general revenues.

NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2022  
CITY OF OAK HILL, FLORIDA

**C. 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 as earned. Expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized and grouped into four classes, based on their principal characteristics. The accounting treatment for each type of transaction is as follows:

*Derived Tax Revenue*, defined as assessments imposed on exchange transactions. Examples include: sales taxes, franchise tax, utility taxes, etc. Assets from derived tax revenue are recognized in the period when the exchange transaction on which the tax is imposed or when resources are received, whichever occurs first. Revenues are recognized, net of estimated uncollectible amounts, in the same period that the assets are recognized. Resources received in advance are recorded as unearned revenue until the period of the exchange.

*Imposed Nonexchange Revenue*, result from assessments on nongovernmental entities, other than assessments on exchange transactions. Examples include: ad valorem (property) taxes, fines and penalties, and property forfeitures. Assets from imposed nonexchange revenues are recognized in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Property taxes are recognized in the period for which the taxes are levied. All other imposed nonexchange revenues are recognized in the same period that the assets are recognized.

*Government-mandated Nonexchange Transactions*, frequently establish eligibility requirements before a transaction can occur. Examples include federal awards and state financial assistance. Until the requirements are met, the recipient does not have a receivable and the recognition of revenue received in advance is deferred. The providers (usually federal, state, and county governments) often offer resources on a reimbursement ("expenditure-driven") basis at the time the recipient has incurred allowable costs under the applicable program.

NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2022  
CITY OF OAK HILL, FLORIDA

*Voluntary Nonexchange Transactions*, result from legislative or contractual agreements other than exchanges, entered into willingly by two or more parties. Examples include certain grants, entitlements, and donations by nongovernmental entities. Principal characteristics of these types of transactions are (1) they are not imposed on the provider or recipient, and (2) fulfillment of eligibility requirements is essential for a transaction to occur. Assets and revenues are recognized when all applicable eligibility requirements, including time requirements, are met. Resources received in advance are reported as unearned revenue.

The City's accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The focus of the governmental fund financial statements is on major funds.

The City reports the following major governmental fund:

*General Fund* - The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City are financed through revenues received by the General Fund.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments (when applicable). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, except those that are statutorily restricted for special functional cost elements.

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

**D. Assets, Liabilities, and Net Assets or Equity**

*Deposits and Investments.* The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City's investment policies are governed by state statutes and local resolution. Allowable investment instruments include: bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits. All of the City's investments are reported at fair value.

*Receivables and payables.* All trade and property tax receivables and amounts due from other governments are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends.

All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed.

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

**Prepaid Items** 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. The cost of prepaid items is recorded as expenditures or expenses when consumed rather than when purchased.

**Capital Assets.** Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the City. The City has elected to report all known infrastructure assets and related depreciation expense on all infrastructure assets in the entity-wide statement of net position and statement of activities.

Capital assets are defined by the City as assets with an initial individual cost of \$750 or more and an estimated useful life of more than one-year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to operating expense as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction period interest is capitalized net of interest earned on unexpended construction funds and, therefore, depreciated over the remaining useful life of the related asset, when applicable.

Depreciation is reported for the primary government using the straight-line method (half-year convention in year of acquisition) calculated on a service-life basis to amortize the cost of the assets over their estimated economic useful lives, which are as follows:

<u>Assets</u>	<u>Years</u>
Buildings.....	15-40 years
Improvements other than buildings.....	15-40 years
Equipment.....	5-7 years
Infrastructure.....	15-50 years

The City has historically recorded all easements and rights of way that are determined to have limited useful lives at estimated fair market value on the date received. The City has elected to not retroactively report intangible assets that are determined to have indefinite useful lives. The City does not have any intangible assets previously subjected to amortization that have now been determined to have indefinite useful lives.

**Accrued Payroll and Compensated Absences.** The portion of employees' payroll costs paid subsequent to year end attributable to services performed prior to year end is recorded and recognized as a current liability.

The City's personnel policies permit employees to accumulate a limited amount of earned, but unused personal time off (PTO). Accumulated PTO does not vest with the employee and all credits are forfeited upon separation from service. The liability for compensated absences includes salary related benefits, where applicable.

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

All regular full-time and probationary full-time employees are eligible to earn and use vacation leave benefits after three months of service

The following is a summary of the annual benefits:

	<u>Hours</u>
All personnel:	
After 3 months to 5 years service (earned in monthly increments) .....	250
After 5 years to 9 years .....	300
After 9 years to 25 years .....	350

**Unearned Revenue.** Unearned revenues are reported when potential revenue does not meet both the “measurable” and “available” criteria for the current period. Unearned revenue also arises when resources are received before it has legal claim to them. The revenue received in advance in the General Fund consists of prepaid occupational license revenue which will be recognized as revenue in future periods when collected and/or earned, and grant funds which will be recognized as revenue when they become available or as qualified grant expenditures are incurred.

**Deferred Outflows/Inflows of Resources.** In addition to assets, the statement of net position reports 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 future periods and so will not be recognized as an outflow of resources expense until then. The City has one item that qualifies for reporting in this category. It is the deferred amount on defined benefit pension liabilities associated with the Florida Retirement System (FRS) and Florida Retirement System Health Insurance Subsidy (HIS). The deferred outflows related pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. A deferred amount on pension results from the recognition of the City's proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to the pension plan. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liabilities in future reporting years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises from FRS and HIS pensions, that qualifies for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Pensions / Net Pension Liabilities.** In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting. In general, the City recognizes a net pension liability, which represents the City’s proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan.

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For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the FRS defined benefit plan and the HIS defined benefit plan, and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans.

**Fund Balance Flow Assumptions.** Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

**Restricted.** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources from external resource providers and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation). The City has classified forfeitures as being restricted because their use is restricted by State Statute for police investigative expenditures. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Infrastructure Projects are restricted by State Statute and County laws and are legally segregated for funding of infrastructure improvements.

**Committed.** When applicable, this classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. The City Commission is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.



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**Assigned.** When applicable, this classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Administrator through the budgetary process, as is authorized by the City's Code of Ordinances.

**Unassigned.** This classification includes the residual fund balance for the General Fund and fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The City would typically use 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.

**Net Position.** The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. Net investment in capital assets groups all capital assets into one component of net position; accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category. Restricted net position includes all net position with external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Unrestricted net position is the residual amount of net position of the City that is not restricted for any particular purpose.

**Net Position Flow Assumption.** Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

**E. Recent Accounting Standards**

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

- Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It is anticipated that no action will be required by the City to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

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- Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.
- Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The provisions of this Statement are effective for reporting periods ending after December 15, 2021.

The City is currently evaluating the effects that the following Governmental Accounting Standards Board (GASB) Statements, which will be implemented in future financial statements for those that will have an impact on its financial statements for subsequent fiscal years.

- Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. It is anticipated that no action will be required by the City to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after December 15, 2021.
- Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

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- Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

- Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets**

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

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**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-Wide Statement of Activities**

Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information** - An annual budget was adopted for the City's sole governmental fund. The basis on which the budget was prepared is consistent with generally accepted accounting principles for the fund. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

1. On or before July 1st, the City Clerk submits a preliminary budget to the City Commission for the ensuing fiscal year.
2. Budget workshop sessions are scheduled by the City Commission, as needed.
3. A general summary of the budget and notice of public hearing is published in a local newspaper.
4. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
5. The City Commission, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue in accordance with the City Charter. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
6. The City Commission must approve all inter-departmental budget amendments and/or appropriations transfers. Budgetary control is exercised at the fund level.
7. Every appropriation lapses at the close of the fiscal year.

**NOTE 4 - PROPERTY TAX CALENDAR**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City was 5.6820 mills (2021 levy collected in the year ended September 30, 2022).

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The property tax calendar is as follows:

Valuation Date	January 1												
Property Appraiser prepares the assessment roll with values as of January 1, submits preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.	July 1												
City Commission holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.	September												
Property Appraiser certified the assessment roll and all real and tangible personal property taxes are due and payable (levy date).	November 1												
A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November through March, with the following applicable discounts:	November 1												
<table border="0"> <thead> <tr> <th style="text-align: left;"><u>Month Paid</u></th> <th style="text-align: left;"><u>Discount</u></th> </tr> </thead> <tbody> <tr> <td>November .....</td> <td>4%</td> </tr> <tr> <td>December.....</td> <td>3%</td> </tr> <tr> <td>January.....</td> <td>2%</td> </tr> <tr> <td>February.....</td> <td>1%</td> </tr> <tr> <td>March.....</td> <td>None</td> </tr> </tbody> </table>	<u>Month Paid</u>	<u>Discount</u>	November .....	4%	December.....	3%	January.....	2%	February.....	1%	March.....	None	
<u>Month Paid</u>	<u>Discount</u>												
November .....	4%												
December.....	3%												
January.....	2%												
February.....	1%												
March.....	None												
All unpaid taxes on real and tangible personal property become delinquent.	April 1												
A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.	April/May												
Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date).	June 1												
A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent taxes	August												

**NOTE 5 -CASH DEPOSITS AND INVESTMENTS**

**Deposits.** At September 30, 2022, the carrying value of the City's cash deposit accounts totaled \$1,433,119 and the bank balances totaled \$1,445,333. The cash deposits are held by banks that qualify as public depositories under the Florida Security for Public Deposits Act (mentioned below) as required by Chapter 280, Florida Statutes and are fully insured. Amounts do not include \$150 in cash funds on hand at the end of the fiscal year.

**Interest Rate Risk.** Generally, the City limits its exposure to fair value losses arising from increases in interest rates by limiting the investment of its operating funds in investments with maturities of less than one year. Substantially all of the City's surplus funds are invested in the City's interest bearing demand deposit (Savings Account).

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**Credit Risk.** The provisions of Section 218.415, Florida Statutes, require that the investment activity of the City be conducted in accordance with a written investment plan adopted by the governing body. Under that plan, allowable investment instruments include: bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits, including those held with the Florida State Board of Administration investment pool.

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act* ("the Act"), the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to the security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State's Chief Financial Officer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State's Chief Financial Officer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Chief Financial Officer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State Chief Financial Officer.

At September 30, 2022, all of the City's deposits were adequately covered by a combination of federal depository insurance and the statutory provisions of the Act.

**NOTE 6 – DISAGGREGATION OF RECEIVABLES AND PAYABLES**

**Receivables:** Amounts are aggregated into single accounts receivable (net of allowance for uncollectible accounts) lines for certain funds and aggregated columns. Below is a detail of receivables anticipated to be collected within an operating cycle at September 30, 2022:

Delinquent taxes receivable	\$ 4,029
Franchise/utility fees	51,895
Due from other governments - Septic to Sewer	1,598,154
Due from other governments	43,026
	1,697,104
Less: allowance for doubtful accounts	(185)
Total governmental activities receivables, net	\$ 1,696,919

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**Payables:** Amounts are aggregated into single accounts payable and accrued liabilities lines for certain funds and aggregated columns. Below is a detail of payables anticipated to be paid within an operating cycle at September 30, 2022:

Accounts payable	\$ 1,590,667
Abandoned property	390
Accrued wages payable	8,050
Other accrued expenses	<u>4,216</u>
Total governmental activities payable	<u>\$ 1,603,323</u>

**NOTE 7 - CAPITAL ASSETS**

The following is a summary of changes in capital assets during the year:

	Balances 9/30/2021	Additions	Deletions	Balances 9/30/2022
Capital assets not being depreciated:				
Land	\$ 663,740	\$ -	\$ -	\$ 663,740
Construction in progress	270,314	3,241,641	-	3,511,955
Total capital assets not being depreciated	<u>934,054</u>	<u>3,241,641</u>	<u>-</u>	<u>4,175,695</u>
Capital assets being depreciated:				
Buildings	694,841	27,873	-	722,714
Improvements other than buildings	1,340,823	127,391	-	1,468,214
Machinery and equipment	229,011	13,987	-	242,998
Total capital assets being depreciated	<u>2,264,675</u>	<u>169,251</u>	<u>-</u>	<u>2,433,926</u>
Less accumulated depreciation for:				
Buildings	(347,904)	(17,272)	-	(365,176)
Improvements other than buildings	(327,930)	(66,040)	-	(393,970)
Machinery and equipment	(200,090)	(8,453)	-	(208,543)
Total accumulated depreciation	<u>(875,924)</u>	<u>(91,765)</u>	<u>-</u>	<u>(967,689)</u>
Total capital assets being depreciated, net	<u>1,388,751</u>	<u>77,486</u>	<u>-</u>	<u>1,466,237</u>
Total capital assets, net	<u>\$ 2,322,805</u>	<u>\$ 3,319,127</u>	<u>\$ -</u>	<u>\$ 5,641,932</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 15,635
Public safety	1,013
Transportation	11,362
Culture/recreation	63,755
Total depreciation expense - governmental activities	\$ 91,765

**NOTE 8 - GENERAL LONG-TERM DEBT**

**Capital Improvement Revenue Note, Series 2020**

In December of 2020, the City issued a Capital Improvement Revenue Note, Series 2020, which was originally issued for \$250,000 and was originally payable through December of 2023. Proceeds from the note were used to finance the cleanup and restoration efforts after Hurricane Irma in 2020, specifically the repair and refurbishment of a fishing pier badly damaged during the hurricane. The note bears interest at a fixed rate of 1.49% and is payable annually. This loan was paid in full in November of 2021.

**Capital Improvement Revenue Note, Series 2021**

In July of 2021, the City issued a Capital Improvement Revenue Note, Series 2021, which was originally issued for \$350,000 and is payable through July of 2031. Proceeds from the note were used to finance the purchase of land to be used as the site for a future City Hall. The note bears interest at a fixed rate of 1.99% and is payable annually in July of each year until maturity in 2031. The balance due on this obligation was \$318,021 as of September 30, 2022.

**Florida Department of Environmental Protection Clean Water State Revolving Loan**

In April of 2022, The City entered into a loan agreement with the Florida Department of Environmental Protection to fund the ongoing Indian Harbor Septic to Sewer Project. The agreement has a grant portion (that does not need to be repaid) and a loan portion (that will have to be repaid). The full proceeds are expected to be \$4,764,013, \$3,811,210 of which will be considered a grant, leaving an expected principal balance at the end of the project of \$952,803. There will also be a loan service fee of \$95,280 that will be added onto the principal balance, so the full expected principal balance will be \$1,048,080. The City makes draws on this loan as the Septic to Sewer Project progresses. The principal balance of the draw downs as of September 30, 2022 is \$512,728.

Semi-annual payments of \$26,202 begin on September 15, 2024 and continue until the loan is paid in full on September 15, 2044. The loan has a 0% interest rate. Once the project is completed and loan payments become due, it is expected that the County of Volusia will lease part of the system from the City for a minimum of 5 years. The lease payments are expected to equal the required semi-annual loan payments. Also, once loan repayments start to become due, the City of Oak Hill must have certain revenues pledged for payment of the loan that must equal 1.15 times the annual debt service.



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The City's long-term debt outstanding at September 30, 2022, is as follows:

	<u>Balance Due</u>	<u>Current Maturities</u>
Compensated absences (current portion estimated)	\$ 27,371	\$ 6,843
Long-term debt	830,749	32,615
Net pension liabilities	<u>314,596</u>	<u>-</u>
Total long-term debt	<u>\$ 1,172,716</u>	<u>\$ 39,458</u>

A summary of changes in the City's long-term debt for the year is as follows:

	<u>Balances 9/30/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 9/30/2022</u>
Notes payable:				
Capital Improvement Revenue Note, Series 2021	\$ 350,000	\$ -	\$ (31,979)	\$ 318,021
Capital Improvement Revenue Note, Series 2020	57,645	-	(57,645)	-
FDEP Clean Water State Revolving Construction Loan	-	512,728	-	512,728
Compensated absences	17,366	10,005	-	27,371
Net pension liabilities	<u>124,500</u>	<u>190,096</u>	<u>-</u>	<u>314,596</u>
Totals	<u>\$ 549,511</u>	<u>\$ 712,829</u>	<u>\$ (89,624)</u>	<u>\$ 1,172,716</u>

**Debt Service to Maturity**

Aggregate debt service requirements to maturity on long-term debt obligations are as follows: (note that this schedule does not include the FDEP loan as this loan is still being drawn upon and balances are not yet final)

Fiscal Year Ended	Capital Improvement Note Series 2021		Capital Improvement Note Series 2020		Total
	Principal	Interest	Principal	Interest	
September 30					
2023	\$ 32,615	\$ 6,329	\$ -	\$ -	\$ 38,944
2024	33,264	5,680	-	-	38,944
2025	33,926	5,018	-	-	38,944
2026	34,601	4,342	-	-	38,943
2027	35,290	3,654	-	-	38,944
Thereafter	<u>148,325</u>	<u>11,106</u>	<u>-</u>	<u>-</u>	<u>159,431</u>
	<u>\$ 318,021</u>	<u>\$ 36,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,150</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 9 - RESTRICTED NET POSITION**

The government-wide statement of net position reports \$191,391 in restricted net position, which is restricted for public safety building inspection and transportation improvement activities by enabling state legislation.

**NOTE 10 – RELATED PARTY TRANSACTIONS**

The City purchases pest control services from a member of the City Commission at prices that approximate fair market value. These purchases totaled \$3,000 for the year ended September 30, 2022.

**NOTE 11 - PENSION PLANS**

**1. Florida Retirement System (FRS) (Defined Benefit Pension Plan)**

**General Information About the FRS.** The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially, membership in the State-administered FRS and HIS plans is limited to those remaining regular employees of the Town who were employed before January 1, 1996, at which time active membership in these plans was terminated for new employees hired after December 31, 1995. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:  
[www.dms.myflorida.com/workforceoperations/retirement/publications](http://www.dms.myflorida.com/workforceoperations/retirement/publications)

**Plan Description.** The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The City's general classes of membership are as follows:

- Regular Class - Members of the FRS who do not qualify for membership in the other classes; and
- Senior Management Service Class (SMSC) - Members in senior management level positions.

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Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

**Benefits Provided.** Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<b><i>Regular Class members initially enrolled before July 1, 2011:</i></b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b><i>Regular Class members initially enrolled on or after July 1, 2011:</i></b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b><i>Senior Management Service Class</i></b>	<b>2.00</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

**Contributions.** The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2020-21 fiscal year were as follows:

Class	Percent of Gross Salary		
	Employee	Employer (1)	
		Pre 7/01/22	Post 6/30/22
FRS, Regular	3.00	10.82	11.91
FRS, Senior Management Service	3.00	29.01	31.57
FRS, Special Risk	3.00	25.89	27.83
DROP - Applicable to Members of the Above Class	0.00	16.41	18.60
FRS, Reemployed Retiree		(2)	(2)

Notes: (1) Employer rates include 1.66 percent and 1.66 percent for the postemployment health insurance subsidy for Pre 7/01/22 and Post 6/30/22, respectively. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The City's employer contributions to the FRS Plan totaled \$28,435 for the fiscal year ended September 30, 2022.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At September 30, 2022, the City reported a liability of \$247,898 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The City's proportionate share of the net pension liability was based on the City's 2021-22 fiscal year contributions relative to the 2021-22 fiscal year contributions of all participating members based on a June 30, 2022 fiscal year. At June 30, 2022, the City's proportionate share was 0.000666368 percent, which was an increase of 0.000008196 percent from its proportionate share measured as of June 30, 2021 of 0.000658172 percent.

For the fiscal year ended September 30, 2022, the City recognized Plan pension expense of \$14,291. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NOTES TO THE FINANCIAL STATEMENTS**  
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Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,776	\$ -
Change of assumptions	30,535	-
Net difference between projected and actual earnings on pension plan investments	16,372	-
Changes in proportion and differences between City contributions and proportionate share of contributions	31,379	150
Contributions subsequent to the measurement date	8,267	-
<b>Total</b>	<b>\$ 98,329</b>	<b>\$ 150</b>

The deferred outflows of resources related to pensions, totaling \$8,267, resulting from the City's contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023. The remaining \$89,912 reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	
2023	\$ 16,031
2024	25,764
2025	2,895
2026	42,699
2027	2,675
Thereafter	(152)
	<b>\$ 89,912</b>

**Actuarial Assumptions.** The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	6.70 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2022, valuation were based on the most recent actuarial experience study for the period July 1, 2013, through June 30, 2018.

**Long-Term Expected Rate of Return.** The long-term expected rate of return assumption of 6.70 percent consists of two building block components: 1) a real (in excess of inflation) return of 4.20 percent, consistent with the currently articulated real return target in the current Florida State Board of Administration's investment policy, developed using capital market assumptions calculated by Aon Hewitt

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Investment Consulting; and 2) a long-term average annual inflation assumption of 2.40 percent as adopted in October 2019 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 6.70 percent return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice. The 6.70 percent reported investment return assumption differs from the 6.90 percent investment return assumption chosen by the 2022 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards.

For reference, the table below contains a summary of Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.00%	3.00%	1.80%
Fixed income	18.00%	4.50%	4.40%	4.20%
Global equity	53.00%	7.80%	6.60%	17.00%
Real Estate (Property)	10.00%	6.60%	5.90%	12.80%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	12.00%	6.10%	5.60%	9.70%
Total	<u>100.00%</u>			
Assumed Inflation - Mean		2.40%		1.90%

Note: (1) As outlined in the Plan's Investment Policy

**Calculation of Money-Weighted Rate of Return.** For the year ended June 30, 2022, the annual money-weighted rate of return on FRS pension plan investments, net of pension plan investment expense, was 3.35 percent. The money-weighted rate of return considers the changing amounts estimated as invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. Cash flows are estimated on a monthly basis and are assumed to occur at the beginning of each month. Cash inflows are netted with cash outflows, resulting in a net cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

**Discount Rate.** The discount rate used to measure the total pension liability was 6.70 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate.** The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.70 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.70 percent) or 1 percentage-point higher (7.70 percent) than the current rate:

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	1% Decrease ▼ (2.54%)	Current Discount Rate ▼ (3.54%)	1% Increase ▼ (4.54%)
The City's proportionate share of the net pension liability	\$ 76,308	\$ 66,698	\$ 58,746

**Pension Plan Fiduciary Net Position.** Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**Payables to the FRS Pension Plan.** At September 30, 2022, the City had no amounts payable to the FRS Plan required for the fiscal year ended September 30, 2022.

**2. HIS Pension Plan (Defined Benefit Pension Plan)**

**Plan Description.** The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**Benefits Provided.** For the fiscal year ended June 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

**Contributions.** The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2022, the HIS contribution rates for the period from October 1, 2021 through June 30, 2022, and from July 1, 2022 through September 30, 2022, were 1.66% and 1.66%, respectively, of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$3,810 for the fiscal year ended September 30, 2022.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.** At September 30, 2022, the City reported a net pension liability of \$66,698 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The City's proportionate share of the net pension liability was based on the City's 2021-22 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2022, the City's proportionate share was 0.000629727 percent, which was an increase of 0.000019726 percent from its proportionate share measured as of June 30, 2021, of 0.000610001 percent.

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

For the fiscal year ended September 30, 2022, the City recognized the Plan pension expense of \$2,607. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,024	\$ 293
Change of assumptions	3,823	10,318
Net difference between projected and actual earnings on pension plan investments	97	-
Changes in proportion and differences between City contributions and proportionate share of contributions	12,237	70
Contributions subsequent to the measurement date	1,075	-
<b>Total</b>	<b>\$ 19,256</b>	<b>\$ 10,681</b>

The deferred outflows of resources related to pensions, totaling \$1,075, resulting from the City's contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023. The remaining \$7,500 reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	
2023	\$ 777
2024	6,924
2025	583
2026	487
2027	(577)
Thereafter	(694)
	<u>\$ 7,500</u>

**Actuarial Assumptions.** The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	3.54 percent

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.



**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2022**  
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The following changes in actuarial assumptions occurred in 2022:

The municipal rate used to determine total pension liability was increased from 2.16% to 3.54%.

**Discount Rate.** The discount rate used to measure the total pension liability was 3.54 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**Sensitivity of the Entity's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.54 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
The City's proportionate share of the net pension liability	\$ 76,308	\$ 66,698	\$ 58,746

**Pension Plan Fiduciary Net Position.** Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**Payable to the HIS Pension Plan -** At September 30, 2022, the City had no amounts payable to the HIS Plan required for the fiscal year ended September 30, 2022.

**3. FRS – Investment Plan (Defined Contribution Pension Plan)**

The City contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

**NOTES TO THE FINANCIAL STATEMENTS**  
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Allocations to the investment member's accounts during the 2021-22 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee/Employer	
	Pre 7/01/22	Post 6/30/22
FRS, Regular	6.3	6.3
FRS, Senior Management Service	7.67	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the FRS Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of FRS Investment Plan members. For the fiscal year ended June 30, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

**Payable to the FRS Investment Plan** - At September 30, 2022, the City had no amounts payable to the FRS Investment Plan required for the fiscal year ended September 30, 2022.

**NOTE 12 - LEGAL MATTERS**

The City is from time to time engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of Counsel to the City, no legal proceedings are pending or threatened against the City, not covered by insurance, which would inhibit the City's ability to perform its operations or materially affect its financial condition at September 30, 2022.

**NOTE 13 -RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2022  
CITY OF OAK HILL, FLORIDA

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**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**Grants.** Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**Law Enforcement Services.** On October 1, 2015, the City renewed its Interlocal Agreement with the County of Volusia, Florida, whereby the County will continue to provide municipal law enforcement services and equipment to the City in lieu of the City using its own personnel and equipment. Under the renewal Agreement, the City has committed to pay a minimum of \$520,015 in the first of the three fiscal years ending September 30, 2016 to 2018. Adjustments to the amount can be made annually, subject to the approval of the City Commission, to compensate for increases in the actual costs of services provided. During the year ended September 30, 2022, contract services for law enforcement support from the County totaled \$568,872.

**NOTE 16 - SUBSEQUENT EVENTS**

**Evaluation of Events and Transactions.** In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 9, 2023, the date the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN**  
**CITY OF OAK HILL, FLORIDA**

	Fiscal Year		
	2022	2021	2020
<b>Schedule of the Proportionate Share of the Net Pension Liability:</b>			
City proportion of the net pension liability	0.000666368%	0.000658172%	0.000557580%
City proportionate share of the net pension liability	\$ 247,898	\$ 49,717	\$ 241,619
City covered employee payroll	\$ 242,100	\$ 216,841	\$ 187,740
City proportionate share of the net pension liability as a percentage of covered payroll	102.39%	22.93%	128.70%
Plan fiduciary net position as a percentage of the total pension liability	82.89%	96.40%	78.85%
<b>Schedule of Contributions:</b>			
Contractually required contribution	\$ 28,435	\$ 22,542	\$ 13,329
Contributions in relation to the contractually required contribution	\$ (28,435)	\$ (22,542)	\$ (13,329)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City covered employee payroll	\$ 242,100	\$ 216,841	\$ 187,740
Contributions as a percentage of covered employee payroll	11.75%	10.40%	7.10%

**Notes:**

The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2021, calculated based on the discount rate and actuarial assumptions below:

	<u>06/30/2022</u>	<u>06/30/2021</u>
Discount Rate	6.70%	6.80%
Long-term expected rate of return, net of investment expense	6.70%	6.80%
Bond Buyer General Obligation 20-Bond Municipal Bond Index	N/A	N/A

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees if future experience follows assumptions and the Actuarially Determined Contribution (ADC) is contributed in full each year. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The 6.70 percent rate of return assumption used in the June 30, 2022, calculations was determined by the consulting actuary, Milliman, to be reasonable and appropriate per Actuarial Standard of Practice Number 27 (ASOP 27).

See Independent Auditors' Report.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN**  
**CITY OF OAK HILL, FLORIDA**

Fiscal Year							
2019	2018	2017	2016	2015	2014	2013	
0.000496185%	0.000482946%	0.000471549%	0.000487034%	0.000501648%	0.000474100%	n/a	
\$ 170,831	\$ 145,466	\$ 139,481	\$ 122,976	\$ 64,795	\$ 28,927	n/a	
\$ 168,333	\$ 158,856	\$ 144,140	\$ 143,126	\$ 134,526	\$ 130,324	n/a	
101.48%	91.57%	96.77%	85.92%	48.17%	22.20%	n/a	
82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	n/a	
\$ 16,468	\$ 14,702	\$ 14,365	\$ 13,628	\$ 12,369	n/a	n/a	
\$ (16,468)	\$ (14,702)	\$ (14,365)	\$ (13,628)	\$ (12,369)	n/a	n/a	
\$ -	\$ -	\$ -	\$ -	\$ -	n/a	n/a	
\$ 168,333	\$ 158,856	\$ 144,140	\$ 143,126	\$ 134,526	n/a	n/a	
9.78%	9.25%	9.97%	9.52%	9.19%	n/a	n/a	

**Other Key Actuarial Assumptions**

The actuarial assumptions that determined the total pension liability as of June 30, 2021, were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

Valuation Date	July 1, 2022
Measurement Date	June 30, 2022
Asset Valuation Method	Fair Market Value
Inflation	2.40%
Salary increases including inflation	3.25%
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age Normal

See Independent Auditors' Report.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**FRS HEALTH INSURANCE SUBSIDY DEFINED BENEFIT PENSION PLAN**  
**CITY OF OAK HILL, FLORIDA**

	Fiscal Year		
	2022	2021	2020
<b>Schedule of the Proportionate Share of the Net Pension Liability:</b>			
City proportion of the net pension liability	0.000629727%	0.000610001%	0.000511439%
City proportionate share of the net pension liability	\$ 66,698	\$ 74,827	\$ 62,446
City covered employee payroll	\$ 242,100	\$ 216,841	\$ 187,740
City proportionate share of the net pension liability as a percentage of covered payroll	27.55%	34.51%	33.26%
Plan fiduciary net position as a percentage of the total pension liability	4.81%	3.56%	3.00%
<b>Schedule of Contributions:</b>			
Contractually required contribution	\$ 3,810	\$ 3,600	\$ 3,116
Contributions in relation to the contractually required contribution	\$ (3,810)	\$ (3,600)	\$ (3,116)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City covered employee payroll	\$ 242,100	\$ 216,841	\$ 187,740
Contributions as a percentage of covered employee payroll	1.57%	1.66%	1.66%

**Notes:**

The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2021, calculated based on the discount rate and actuarial assumptions below:

	06/30/2022	06/30/2021
Discount Rate	3.54%	2.16%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	3.54%	2.16%

In general, the discount rate for calculating the total pension liability under GASB 67 is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate. The single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The discount rate used in the 2022 valuation was updated from 2.16 percent to 3.54 percent reflecting the change in the Bond Municipal Bond Index.



**REQUIRED SUPPLEMENTARY INFORMATION  
FRS HEALTH INSURANCE SUBSIDY DEFINED BENEFIT PENSION PLAN  
CITY OF OAK HILL, FLORIDA**

Fiscal Year						
2019	2018	2017	2016	2015	2014	2013
0.000497641%	0.000473845%	0.000446731%	0.000450977%	0.000443442%	\$ 0	n/a
\$ 55,681	\$ 50,152	\$ 47,767	\$ 52,560	\$ 45,224	\$ 39,949	n/a
\$ 168,333	\$ 158,856	\$ 144,140	\$ 143,126	\$ 134,526	\$ 130,324	n/a
33.08%	31.57%	33.14%	36.72%	33.62%	30.65%	n/a
2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	n/a
\$ 2,794	\$ 2,637	\$ 2,393	\$ 2,376	\$ 1,814	\$ 1,582	n/a
\$ (2,794)	\$ (2,637)	\$ (2,393)	\$ (2,376)	\$ (1,814)	n/a	n/a
\$ -	\$ -	\$ -	\$ -	\$ -	n/a	n/a
\$ 168,333	\$ 158,856	\$ 144,140	\$ 143,126	\$ 134,526	n/a	n/a
1.66%	1.66%	1.66%	1.66%	n/a	n/a	n/a

**Other Key Actuarial Assumptions**

The actuarial assumptions that determined the total pension liability as of June 30, 2021, were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

Valuation Date	July 1, 2022
Measurement Date	June 30, 2022
Inflation	2.40%
Salary increases including inflation	3.25%
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age Normal

See Independent Auditors' Report.

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**SUPPLEMENTAL AUDIT REPORTS**

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**INDEPENDENT AUDITORS' 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***

The Honorable Mayor, and  
Members of the City Commission  
City of Oak Hill, 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, major fund, and the aggregate remaining fund information of City of Oak Hill, Florida (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 9, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of City'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 identified the following material weakness:

**MW01 (2022): Budget Deficiencies**

The City is required to budget for all reasonably foreseeable revenues and expenditures for each fiscal year. However, during fiscal year 2022 the City did not budget for the following revenues:

- 1.) American Rescue Plan Act grant of \$1,108,890

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- 2.)Florida Department of Environmental Protection's Revolving loan funds of \$1,817,860 (grant portion)
- 3.)Florida Department of Environmental Protection's Revolving loan funds of \$512,728 (loan portion)
- 4.)St. John's River District capital grant of \$886,345

The City also did not budget for the following expenditures:

- 1.)Capital expenditures for the Indian Harbor Septic to Sewer project of \$3,241,641
- 2.)Debt principal and interest payments of \$96,886

This resulted in actual revenues being over budgeted revenues by \$4,407,156 and actual expenditures being over budgeted expenditures by \$3,304,800. This is considered a material weakness and is disclosed on the management letter and the report on compliance for each major state project and report on internal control over compliance required by Chapter 10.550, Rules of the Auditor General.

Recommendation: We recommend that City Management budget for every foreseeable revenue and expenditure for the upcoming year, and if new revenues or expenditures come up during the year, that a formal budget amendment be passed.

Auditee Response: *While all such revenues and expenditures identified by the auditor was approved by proper channels (either the board of commissioners or an appropriately appointed committee), such approvals and budgetary amendments did not get added to the comprehensive city budget that the auditor used during his audit. We typically don't have large grants and expenditures such as this, so we were unaware that they needed to be incorporated into the overall budget. Now we are aware, and going forward the city budget will incorporate all appropriate revenues and expenditures under grants and loans of this type.*

During the year, we also identified the following significant deficiency:

**SD01 (2009): Segregation of Duties**

The City's general stewardship responsibilities include the development and utilization of management and internal control systems that provide reasonable assurance to management and the City's elected officials that its governmental resources are effectively and efficiently used in accordance with applicable laws, ordinances, and other guidelines. During the current year audit, we continued to note that the City's ability to implement adequate managerial and internal control systems is affected by the City's limited staffing (only 2 employees), the extent of the accounting staff's overlapping administrative duties, and financial resources.

We also continued to note that the City has not completed the drafting and reviewing of formal accounting policies and procedures in order to provide adequate controls as it relates to the accounting functions and processes. Due to the limited number of staff working within the administrative and finance departments, many of the critical overlapping duties are combined with virtually no managerial oversight or control. Presently, a single individual performs the majority of the accounting functions. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible.

Recommendation: We continue to recommend the City complete formal written accounting policies and procedures. Strictly following formal written procedures will ensure that all accounting functions are performed in a timely manner while maintaining proper segregation of duties. This change will greatly benefit the organization with more efficient accounting processes that produce more timely financial statements, which will aid in the planning and budgeting process. We also suggest that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal control.

*Auditee Response: Due to budgetary constraints the City's finance functions continue to be performed by only two administrative staff members. The City will continue to consider its limited options and constraints to separate the important finance functions and duties to further strengthen internal controls.*

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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*.

**Purpose of this Report**

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

BMC CPAs

May 9, 2023



**REPORT ON COMPLIANCE FOR THE U.S. DEPARTMENT OF TREASURY CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS PROGRAM (CSLFRF) REQUIREMENTS FOR AN ALTERNATIVE CSLFRF COMPLIANCE EXAMINATION ENGAGEMENT**

The Honorable Mayor  
Members of the City Commission  
City of Oak Hill, Florida

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

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

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

Our examination does not provide a legal determination on the City of Oak Hill, Florida's compliance with specified requirements.

In our opinion, the City of Oak Hill, Florida complied, in all material respects, with the specified requirements referenced above during the year ended September 30, 2022.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and noncompliance with provisions of laws, regulation, contracts, or grant agreements that have a material effect on the City of Oak Hill, Florida's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on the City of Oak Hill, Florida's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

**Intended Purpose**

The purpose of this examination report is solely to express an opinion on whether the City of Oak Hill, Florida complied, in all material respects with the specified requirements referenced above during the year ended September 30, 2022. Accordingly, this report is not suitable for any other purpose.

BMC CPAs

May 9, 2023



**REPORT ON COMPLIANCE FOR EACH STATE PROJECT AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550 , RULES OF THE  
AUDITOR GENERAL**

The Honorable Mayor  
Members of the City Commission  
City of Oak Hill, Florida

**Report on Compliance for Each Major State Program**

**Opinion on Each Major State Program**

We have audited City of Oak Hill, Florida's compliance with the types of compliance requirements identified as subject to audit by Chapter 10.550, Rules of the Auditor General that could have a direct and material effect on each of City of Oak Hill, Florida's major state programs for the year ended September 30, 2022. City of Oak Hill, Florida's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Oak Hill, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2022.

**Basis for Opinion on Each Major State Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Oak Hill, Florida and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state program. Our audit does not provide a legal determination of City of Oak Hill, Florida's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Oak Hill, Florida's state programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Oak Hill, Florida's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Oak Hill, Florida's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Oak Hill, Florida's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Oak Hill, Florida's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of City of Oak Hill, Florida's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item "MW01 (2022): Budget Deficiencies" to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item “SD01 (2009): Segregation of Duties” to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on City of Oak Hill, Florida’s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. City of Oak Hill, Florida’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing, this report is not suitable for any other purpose.

**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For year ended September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

Federal Grantor/Pass-Through Grantor/ Grant Program	CSFA Number	Grant ID Number	Expenditures
Florida Department of Environmental Protection; Wastewater Treatment and Stormwater Management TF	37.077	WW011600	\$ 2,330,588
Passed through St. John's River Management District: Statewide Water Quality Restoration Projects	39.039	36511	<u>886,345</u>
Total State Expenditures			<u>\$ 3,216,933</u>

**Notes to Schedule of Expenditures of State Financial Assistance**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of state financial assistance projects includes the state award activity of the City of Oak Hill, Florida and is presented on the modified accrual basis of accounting

**Note 2 - Summary of significant accounting policies**

Expenditures are recognized following the cost principles contained in the Rules to the Department of Financial Services as governed by the State Single Audit Act, wherein certain types of expenditures are not allowable or entity are limited as to reimbursement. Pass through entity identifying numbers are presented where available and applicable

As applicable, nonmonetary assistance is reported in the schedule at fair value of the goods received.



MANAGEMENT LETTER

The Honorable Mayor, and  
Members of the City Commission  
City of Oak Hill, Florida

**Report on the Financial Statements**

We have audited the financial statements of City of Oak Hill, Florida (the "City") as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated May 9, 2023.

**Auditors' Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Schedule of Findings and Responses and Independent Accountant's 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 May 9, 2023, should be considered in conjunction with this management letter.

**Current Audit Findings**

The City is required to budget for all reasonably foreseeable revenues and expenditures for each fiscal year. However, during fiscal year 2022 the City did not budget for the following revenues:

- 5.) American Rescue Plan Act grant of \$1,108,890
- 6.) Florida Department of Environmental Protection's Revolving loan funds of \$1,817,860 (grant portion)
- 7.) Florida Department of Environmental Protection's Revolving loan funds of \$512,728 (loan portion)
- 8.) St. John's River District capital grant of \$886,345

The City also did not budget for the following expenditures:

- 3.) Capital expenditures for the Indian Harbor Septic to Sewer project of \$3,241,641
- 4.) Debt principal and interest payments of \$96,886

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This resulted in actual revenues being over budgeted revenues by \$4,407,156 and actual expenditures being over budgeted expenditures by \$3,304,800. This is considered a material weakness and is disclosed on the management letter and the report on compliance for each major state project and report on internal control over compliance required by Chapter 10.550, Rules of the Auditor General.

Recommendation: We recommend that City Management budget for every foreseeable revenue and expenditure for the upcoming year, and if new revenues or expenditures come up during the year, that a formal budget amendment be passed.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report (FY 2021). Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below, and as addressed in the accompanying Schedule of Findings and Responses:

<u>Tabulation of Corrected and Uncorrected Audit Findings</u>	<u>Corrective Action Not Yet Complete</u>	<u>Comment Has Been Addressed Or Is No Longer Relevant</u>	<u>Prior Year Reference Number</u>
<u>Segregation of Duties</u>	x		SD01 (2009)

**Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority is disclosed 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 that we apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management’s responsibility to monitor the City’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The assessment was done as of the fiscal year end.

Section 10.554(1)(i)2., Rules of Auditor General, requires that we communicate any recommendations to improve financial management. See our commentary in the attached Schedule of Findings and Responses.

**Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2022, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2022. In connection with our audit, we determined that these two reports were in agreement.

**Additional Matters**

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

**Purpose of this Letter**

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

*BMC CPAs*

May 9, 2023



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS**  
**For year ended September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

**Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes MW01(2022)
Significant deficiency identified?	Yes SD01(2009)
Noncompliance material to financial statements noted?	No

**State Awards and Projects**

Internal control over major State projects:	
Material weakness identified?	Yes MW01(2022)
Significant deficiency identified?	Yes SD01(2009)
Type of auditor's report issued on compliance for major State projects:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a) or Chapter 10.557, Rules of the Auditor General?	No
Identification of major State Projects:	
Florida Department of Environmental Protection: Wastewater Treatment and Stormwater Management TF	CFSA # 37.077
Passed through St. John's River Management District: Statewide Water Quality Restoration Projects	CFSA # 39.039
Dollar threshold used to distinguish between Type A and Type B state projects:	\$ 750,000

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended September 30, 2022**  
**CITY OF OAK HILL, FLORIDA**

The following table summarizes the status of the prior year findings and responses included in the prior year's Independent Auditors' 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*.

**Auditors' Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountant's 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 and schedule, which are dated May 9, 2023 should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report (FY 2021). Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, and are addressed in Exhibit A, except as noted below:

Tabulation of Corrected and Uncorrected Audit Findings:	Comment Has		Prior Year Reference Number
	Corrective Action Not Yet Complete	Been Addressed Or Is No Longer Relevant	
Segregation of Duties	x		SD01 (2009)

**Official Title and Legal Authority**

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

**Purpose of this Letter**

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

*BMC CPAs*

May 9, 2023

**PRIOR YEAR MATTERS**

Pursuant to Section 10.554(1)(i)(1), Rules of the Auditor General, the following is a summary of the status of any unresolved prior year findings and management letter comments issued by the external auditor in fiscal year 2021:

**SD01 (2009): Segregation of Duties**

The City's general stewardship responsibilities include the development and utilization of management and internal control systems that provide reasonable assurance to management and the City's elected officials that its governmental resources are effectively and efficiently used in accordance with applicable laws, ordinances, and other guidelines. During the current year audit, we continued to note that the City's ability to implement adequate managerial and internal control systems is affected by the City's limited staffing (only 2 employees), the extent of the accounting staff's overlapping administrative duties, and financial resources.

We also continued to note that the City has not completed the drafting and reviewing of formal accounting policies and procedures in order to provide adequate controls as it relates to the accounting functions and processes. Due to the limited number of staff working within the administrative and finance departments, many of the critical overlapping duties are combined with virtually no managerial oversight or control. Presently, a single individual performs the majority of the accounting functions. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible.

Recommendation: We continue to recommend the City complete formal written accounting policies and procedures. Strictly following formal written procedures will ensure that all accounting functions are performed in a timely manner while maintaining proper segregation of duties. This change will greatly benefit the organization with more efficient accounting processes that produce more timely financial statements, which will aid in the planning and budgeting process. We also suggest that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal control.

Auditee Response: *Due to budgetary constraints the City's finance functions continue to be performed by only two administrative staff members. The City will continue to consider its limited options and constraints to separate the important finance functions and duties to further strengthen internal controls.*



INDEPENDENT ACCOUNTANTS' REPORT

To the Honorable Mayor, and  
Members of the City Commission  
City of Oak Hill, Florida

We have examined City of Oak Hill, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the period October 1, 2021 to September 30, 2022. Management of the City is responsible for City's compliance with the specified requirements. Our responsibility is to express an opinion on City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature timing and extent of the procedures selected depend on our judgement, including assessment of the risks of material noncompliance, whether due to fraud or error. We believe that 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 City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the period October 1, 2021 to September 30, 2022.

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

*BMC CPAs*

May 9, 2023

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