

# **CITY OF OAK HILL, FLORIDA**



## ***ANNUAL FINANCIAL REPORT***

***FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018***

### **CITY COMMISSION**

[JUNE 27, 2019]

HONORABLE DOUGLAS GIBSON, MAYOR

LINDA HYATT, VICE MAYOR

KATHY BITTLE

JEFF BRACY

BILL LINDLAU

### **CITY CLERK**

KOHN EVANS

### **CITY ATTORNEY**

SCOTT E. SIMPSON, ESQ.

### **INDEPENDENT AUDITORS**

BMC CPAS, INC.

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September 30, 2018  
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 Financial Statements**

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility 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.

### ***Auditor's Responsibility***

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

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

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

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

### ***Opinions***

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, 2018, 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.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Schedule of Funding Progress - Other Postemployment Benefits Plan, 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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, 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

June 27, 2019



***MANAGEMENT'S DISCUSSION AND ANALYSIS***

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2018. 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 \$1,181,578, compared to \$1,084,520 one year earlier. Of this amount, \$224,699 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors, compared to \$259,975 at the beginning of the year.
- o The City's total net position continues to remain relatively stable for the fourth consecutive year. Total net position increased by \$97,058 (or 8.9%) in 2018, compared to a decrease of \$15,360 (or 1.4%) in 2017.
- o The City's general fund reported a total fund balance of \$345,299 at the end of the current fiscal year, which was *an increase* of \$207,651 above the \$137,648 reported at the end of the prior fiscal year. Approximately 70.5% of this amount \$243,389 is available for spending at the City's discretion (unassigned fund balance).
- o The unassigned portion of fund balance in the general fund totaled \$243,389, which represents 13.6% of prior year expenditures or 50 days in reserve, compared to 5.4% and 20 days in reserve at the end of the prior year. This ratio increased in 2018 primarily due to a decrease in expenditures incurred by the City for disaster relief and cleanup.
- o The City's net investment in capital assets totaled \$855,089 at the end of 2018, compared to a net investment of \$774,981 at the end of 2017. The change resulted from current year additions totaling \$103,184 and current year depreciation recognized for the year of \$23,076.
- o The City's net pension liability totaled \$195,570, net of deferred outflows of \$84,563 and deferred inflows of \$20,119 at the end of 2018, compared to a net pension liability of \$187,248, net of deferred outflows of \$86,128 and net of deferred inflows of \$12,259 at the end of 2017. While the net pension liabilities increased overall, the City's proportionate share increased by 1.02%, while the FRS Health Insurance Subsidy also increased 1.07% in 2018.

### 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:

- 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.

## **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 \$1,181,578 at the close of the most recent fiscal year. This represents an increase of \$97,058, or 8.9%, above the previous year, all of which is attributable to operations. The following is a summary of Net Position at year end:

**Net Position**  
September 30,

	<u>2018</u>	<u>2017</u>
Assets:		
Current and other assets.....	\$ 497,801	\$ 600,849
Capital assets, net.....	<u>855,089</u>	<u>774,981</u>
Total assets.....	<u>1,352,890</u>	<u>1,375,830</u>
Deferred outflows of resources.....	<u>84,563</u>	<u>86,128</u>
Liabilities:		
Current liabilities.....	31,567	161,699
Other liabilities.....	<u>204,189</u>	<u>203,480</u>
Total liabilities.....	<u>235,756</u>	<u>365,179</u>
Deferred inflows of resources.....	<u>20,119</u>	<u>12,259</u>
Net position:		
Invested in capital assets, net of related debt.....	855,089	774,981
Restricted.....	101,790	49,564
Unrestricted.....	<u>224,699</u>	<u>259,975</u>
Total net position.....	<u>\$ 1,181,578</u>	<u>\$ 1,084,520</u>

The most significant component of the City's net position (\$855,089 or 72.4%) 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 (\$101,790 or 8.6%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 19.0% 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 \$224,699 at the end of 2018, compared to \$259,975 at the end of 2017.

**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,

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services.....	\$ 331,585	\$ 328,444
Operating grants/other.....	200,098	343,259
General revenues:		
Property taxes.....	569,482	521,855
Other taxes.....	445,186	416,384
Intergovernmental.....	67,190	63,377
Other revenues.....	43	427
Total revenues.....	<u>1,613,584</u>	<u>1,673,746</u>
Expenses:		
General government.....	327,926	339,577
Public safety.....	705,926	925,104
Physical environment.....	205,109	199,911
Transportation.....	199,942	161,074
Culture/recreation.....	74,556	32,720
Interest on long-term debt.....	3,067	-
Total expenses.....	<u>1,516,526</u>	<u>1,658,386</u>
Increase (decrease) in net position.....	97,058	15,360
Net position, beginning of year.....	<u>1,084,520</u>	<u>1,069,160</u>
Net position, end of year.....	<u>\$ 1,181,578</u>	<u>\$ 1,084,520</u>

During 2018, the City's revenues decreased by \$60,162 and totaled \$1,613,584 (in 2018) from \$1,673,746 in 2017. The decrease in 2018 was mostly attributable to a decrease in disaster assistance accrued revenue.

Approximately 35.3% of the City's gross revenues came from property tax collections in 2018, compared to 31.2% in 2017. Operating and capital grants represented 12.4% of the City's gross revenues in 2018, compared to 20.6% in 2017. Approximately 31.8% of all other revenues earned by the City come from intergovernmental sources, other taxes and shared local taxes. Another 20.5% comes from fees that are charged to citizens for City services.

The total costs for all routine programs and City services decreased by 8.6% in 2018, and totaled \$1,516,526, compared to \$1,658,386 one year earlier. Fiscal stability in each of the past five 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, 2015, was renewed through October 1, 2018.

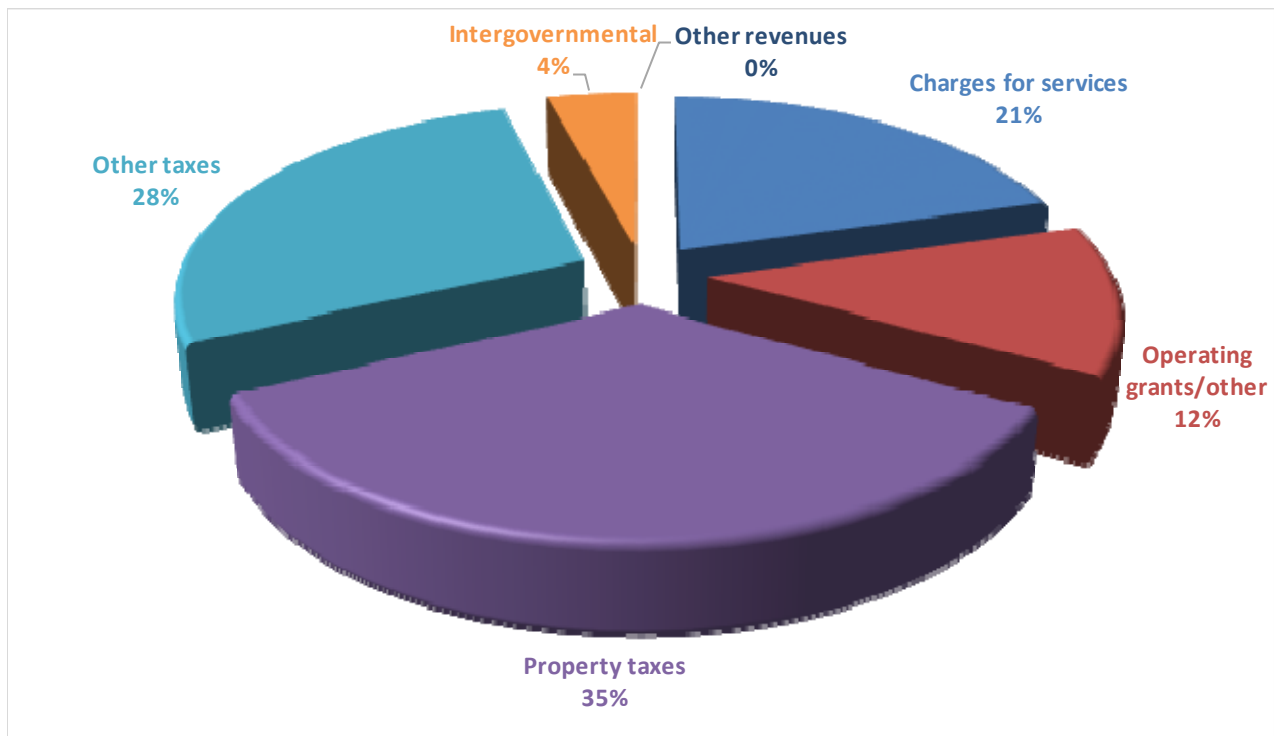
## Governmental Activities

Revenues for the City's governmental activities totaled \$1,613,584 in 2018, which represents an overall decrease of \$60,162, or 3.6% below the \$1,673,746 reported last year. During 2018, the City's ad valorem taxes represented approximately 35.3% of the City's total revenues, which are typically used to finance traditional city services. Ad valorem receipts in 2018 were based on a millage rate of 5.6820 mills (2017 levy), compared to 5.6820 mills (2016 levy) for 2017. Other public service taxes, franchise fees and intergovernmental revenues totaled \$512,376 or 31.8% of the City's total revenues, compared to \$479,791 one year earlier. Miscellaneous revenues and investment earnings increased by \$3,429 in 2018, while overall charges for municipal services recognized an increase of \$3,141 in 2018.

The following is a summary of the City's governmental revenues - by source:

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### Revenues by Source – Governmental Activities



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Expenses for the City's governmental activities experienced an 8.5% decrease during 2018 and totaled \$1,516,526, compared to \$1,658,386, one year earlier. This represents a decrease of \$141,860 over last year's reported operating expenses. The decrease was primarily attributable to Public Safety, as a result of decreases in emergency disaster and cleanup expenses in 2018.

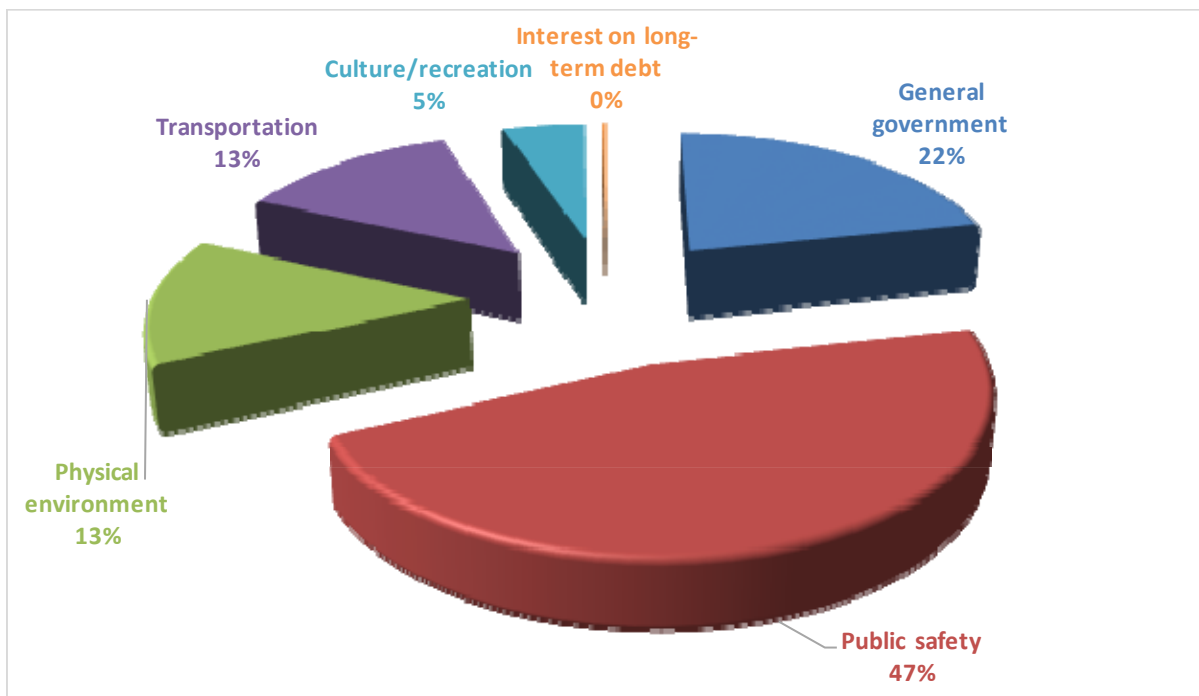
During 2018, the City's capital spending was limited to the acquisition of new security cameras and lights in the amount of \$2,792 and improvement costs to two of the City's parks in the amount of \$100,392. Depreciation expense recognized on the City's net investment in capital assets and allocated to the various governmental functions in 2018 totaled \$23,076, compared to \$23,381 for 2017.



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

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### Expenses by Function – Governmental Activities



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### 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 \$345,299, which was \$207,651 above the \$137,648 reported last year. This increase was primarily attributed to decreased disaster cleanup expenditures incurred in the current year.

The general fund is the only operating fund of the City. As of September 30, 2018, the unassigned fund balance in the general fund totaled \$243,389, which was \$155,425, or 176.7% greater than the \$87,964 reported last year. The unassigned fund balance in the general fund represents 13.6% of prior year expenditures, or 50 days in reserve, compared to 5.4% of 2017 expenditures, or 20 days in reserve, at the end of the prior year.

### 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 2018, one budget amendment was made. Differences between the original enacted budget and the final amended budget did not include significant changes.

Actual earned revenues were \$71,540 (or 3.8%) less than the amounts anticipated to be received (\$1,865,691) during the year in the City's General Fund. During 2018, the City did not change its millage rate 5.6820 mills in 2018, compared to 5.6820 mills in 2017. Actual expenditures were \$3,541 less than the amounts budgeted.

### Capital Assets and Debt Administration

**Capital Assets.** At September 30, 2018, the City had \$855,089 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,

	<u>2018</u>	<u>2017</u>
Land.....	\$ 297,517	\$ 297,517
Construction in progress.....	100,392	-
Buildings.....	694,841	694,841
Improvements other than buildings.....	295,937	295,937
Machinery and equipment.....	<u>196,879</u>	<u>194,087</u>
	1,585,566	1,482,382
Accumulated depreciation.....	<u>(730,477)</u>	<u>(707,401)</u>
Net total.....	<u>\$ 855,089</u>	<u>\$ 774,981</u>

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

**Long-term Debt.** As of the end of 2018, the City had no outstanding long-term bond or note obligations, but had incurred related interest expense in the amount of \$3,067 due to temporary funds borrowed in connection with the unanticipated disaster recovery costs related to Hurricanes Matthew and Irma. Other long-term debt obligations consisting of compensated absence liabilities, other postemployment benefit obligations, and the City's net pension liabilities are as follows at year end:

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

	<u>2018</u>	<u>2017</u>
Compensated absences (current portion estimated).....	\$ 8,619	\$ 10,142
Net pension liabilities.....	195,570	187,248
Other postemployment benefit obligation.....	<u>-</u>	<u>6,090</u>
Total long-term debt.....	<u>\$ 204,189</u>	<u>\$ 203,480</u>

### Significant Budget Differences – General Fund

At the beginning of fiscal year 2018, the City anticipated General Fund expenditures totaling \$1,376,441. Near the end of the year, the City amended the operating budget to reflect a net increase in anticipated spending of \$411,100 for expenditures, which were not originally anticipated to be funded in the current

fiscal year. While authorized spending levels were level throughout the year, the following is a summary of the significant changes that occurred, by function:

Public Safety:

- Unanticipated expenditures totaling \$86,840 were incurred by the City for disaster relief and cleanup associated with Hurricane Irma.

### **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 3.2%, which is favorable to the 3.7% rate experienced one year earlier. These estimates are consistent with the state's current 3.5% unemployment rate. Nationwide, the unemployment rate is stated at 3.7%, as of September 2018.

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

The overall Just Value of real and personal property on the 2018 levy (the ad valorem taxes from which will be received in fiscal 2019) increased 8.9% from \$190.7 million to \$207.7 million in October 2017 and 2018, respectively. The overall Taxable Value (Just Value less statutory exemptions) of real and personal property on the 2018 levy increased 8.2% from \$102.4 million to \$110.8 million in October 2017 and 2018, respectively. While property values continue to reflect gains for the fourth consecutive year, the City is also facing many challenges in the fiscal year 2019 budget due to relatively unchanged revenue projections, a sluggish economy, and from the residual volatility in real estate property tax values. At the same time, the City is experiencing rising prices for many of its basic operating expenses, such as wages, operating supplies, utilities, and insurance costs.

The City Commission voted to keep the same operating millage for the 2018 levy at 5.682 mills, which was 5.5% above the current rolled-back rate of 5.386 mills, and the same as the 5.682 mills in the 2017 levy. The rolled-back rate of 5.386 mills is the reduced rate that produces the equivalent of no increase in current year ad valorem taxes when levied against appreciated current year taxable values.

In developing its 2019 budget estimates, the City has anticipated appropriating \$30,000 in prior year surplus reserve funds in the General Fund to balance the City's combined overall financing needs, which are estimated to be approximately \$1.46 million for fiscal 2019.

### **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.

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***BASIC FINANCIAL STATEMENTS***

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**STATEMENT OF NET POSITION**

September 30, 2018

CITY OF OAK HILL, FLORIDA

Primary Government  
Governmental Activities

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Assets:		
Cash and cash equivalents.....	\$ 305,014	
Receivables, net of \$185 allowance for uncollectible accounts.....	192,667	
Refundable deposits.....	120	
Capital assets, net of accumulated depreciation.....	<u>855,089</u>	
Total assets.....		<u>1,352,890</u>
Deferred Outflows of Resources:		
Deferred outflows on pensions.....		<u>84,563</u>
Liabilities:		
Accounts payable and accrued liabilities.....	27,748	
Unearned revenue.....	3,819	
Compensated absences payable.....	8,619	
Net pension liabilities.....	<u>195,570</u>	
Total liabilities.....		<u>235,756</u>
Deferred Inflows of Resources:		
Deferred inflows on pensions.....		<u>20,119</u>
Net Position:		
Net investment in capital assets.....	855,089	
Restricted for transportation improvements.....	37,595	
Restricted for public safety.....	64,195	
Unrestricted.....	<u>224,699</u>	
Total net position.....		<u>\$ 1,181,578</u>

The accompanying notes are an integral part of the financial statements.

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**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2018  
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	Governmental Activities
Primary Government:					
Governmental activities:					
General government.....	\$ 327,926	31,728	-	-	(296,198)
Public safety.....	705,926	56,349	78,292	-	(571,285)
Physical environment.....	205,109	195,576	-	-	(9,533)
Transportation.....	199,942	47,932	24,774	19,407	(107,829)
Culture/recreation.....	74,556	-	77,625	-	3,069
Interest on long-term debt.....	3,067	-	-	-	(3,067)
Total primary government....	<u>\$ 1,516,526</u>	<u>331,585</u>	<u>180,691</u>	<u>19,407</u>	<u>(984,843)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes.....					569,482
Public service taxes.....					203,484
Sales taxes.....					114,180
Franchise fees.....					127,522
Intergovernmental revenues.....					67,190
Investment earnings.....					43
Total general revenues.....					<u>1,081,901</u>
Change in net position.....					97,058
Net position - beginning of year.....					<u>1,084,520</u>
Net position - end of year.....					<u>\$ 1,181,578</u>

The accompanying notes are an integral part of the financial statements.

**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
September 30, 2018  
CITY OF OAK HILL, FLORIDA

	<u>Governmental Fund</u>
	<u>General Fund</u>
<hr/>	
Assets:	
Cash and cash equivalents.....	\$ 305,014
Receivables, net of \$185 allowance for uncollectible accounts.....	37,126
Due from other governments.....	155,541
Refundable deposits.....	<u>120</u>
Total assets.....	<u>\$ 497,801</u>
Liabilities:	
Accounts payable.....	\$ 26,621
Accrued liabilities.....	1,127
Unearned revenue.....	<u>124,754</u>
Total liabilities.....	152,502
Fund Balance:	
Nonspendable:	
Refundable deposits.....	120
Restricted for:	
Transportation.....	37,595
Building inspections.....	64,195
Unassigned.....	<u>243,389</u>
Total fund balance.....	<u>345,299</u>
Total liabilities and fund balance.....	<u>\$ 497,801</u>

The accompanying notes are an integral part of the financial statements.

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL  
FUND TO THE STATEMENT OF NET POSITION**

September 30, 2018

CITY OF OAK HILL, FLORIDA

<hr/>		
Fund balance - governmental fund.....		\$ 345,299
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.....		855,089
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.....		120,935
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.....	73,198	
FRS Health Insurance Subsidy.....	<u>10,597</u>	83,795
Deferred inflows on pension liabilities:		
Florida Retirement System.....	(13,661)	
FRS Health Insurance Subsidy.....	<u>(5,690)</u>	(19,351)
Long-term liabilities, including notes payable, are not due and payable in 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.....	(8,619)	
Net pension obligation - Florida Retirement System.....	(145,418)	
Net pension obligation - FRS Health Insurance Subsidy.....	<u>(50,152)</u>	<u>(204,189)</u>
Net position of governmental activities.....		<u>\$ 1,181,578</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**

For the Year Ended September 30, 2018  
 CITY OF OAK HILL, FLORIDA

	<u>Governmental Fund</u>
	<u>General Fund</u>
<hr/>	
Revenues:	
Taxes.....	\$ 819,947
Permits and fees.....	182,004
Intergovernmental revenue.....	522,059
Charges for services.....	247,883
Fines and forfeitures.....	2,524
Miscellaneous revenue.....	<u>19,734</u>
Total revenues.....	1,794,151
Expenditures:	
Current:	
General government.....	321,039
Public safety.....	704,912
Physical environment.....	205,109
Transportation.....	189,614
Culture/recreation.....	162,759
Debt Service:	
Principal retirement.....	197,500
Interest and fiscal charges.....	<u>3,067</u>
Total expenditures.....	<u>1,784,000</u>
Excess of revenue over expenditures.....	10,151
Other Financing Sources:	
Proceeds of long-term debt.....	<u>197,500</u>
Net change in fund balance	207,651
Fund balance, beginning of year.....	<u>137,648</u>
Fund balance, end of year.....	<u>\$ 345,299</u>

The accompanying notes are an integral part of the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2018  
CITY OF OAK HILL, FLORIDA

Net change in fund balances - total governmental funds.....		\$ 207,651
Amounts reported for governmental activities in the statement of activities are different because:		
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.....	103,184	
Depreciation expense.....	<u>(23,076)</u>	80,108
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Increase (decrease) in delinquent taxes and deferred revenues.....		(180,567)
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.....	(1,565)	
Deferred inflows for pensions.....	(7,860)	
Net pension liability - Florida Retirement System (FRS).....	(5,937)	
Net pension liability - FRS Health Insurance Subsidy.....	(2,385)	
Accrued postemployment benefit obligation.....	<u>6,090</u>	(11,657)
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.....		<u>1,523</u>
Change in net position of governmental activities.....		<u>\$ 97,058</u>

The accompanying notes are an integral part of the financial statements.

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the Fiscal Year Ended September 30, 2018  
 CITY OF OAK HILL, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenue:</b>				
<b>Taxes:</b>				
General property taxes.....	\$ 582,268	609,268	565,279	(43,989)
Local option gas taxes.....	36,500	40,500	44,181	3,681
Public service taxes.....	184,000	188,000	203,484	15,484
Local business taxes.....	<u>5,000</u>	<u>5,000</u>	<u>7,003</u>	<u>2,003</u>
	<u>807,768</u>	<u>842,768</u>	<u>819,947</u>	<u>(22,821)</u>
<b>Permits and Fees:</b>				
Building permits.....	25,000	45,000	53,664	8,664
Franchise fees.....	105,030	120,030	127,522	7,492
Other permits and fees.....	<u>750</u>	<u>750</u>	<u>818</u>	<u>68</u>
	<u>130,780</u>	<u>165,780</u>	<u>182,004</u>	<u>16,224</u>
<b>Intergovernmental Revenue:</b>				
Federal grants.....	-	267,000	265,801	(1,199)
State grants.....	-	76,500	73,705	(2,795)
County grants.....	-	37,250	1,183	(36,067)
<b>State shared revenues:</b>				
State revenue sharing.....	55,000	57,000	63,230	6,230
Mobile home licenses.....	1,800	1,800	1,530	(270)
Alcoholic beverage licenses.....	1,000	1,000	804	(196)
Local one-half cent sales tax.....	94,000	94,000	114,180	20,180
<b>Other shared revenues:</b>				
County shared revenue.....	<u>1,400</u>	<u>1,400</u>	<u>1,626</u>	<u>226</u>
	<u>153,200</u>	<u>535,950</u>	<u>522,059</u>	<u>(13,891)</u>
<b>Charges for Services:</b>				
General Government.....	1,300	31,300	4,216	(27,084)
Public Safety.....	50	50	160	110
Transportation.....	47,843	47,943	47,931	(12)
Garbage/solid waste charges.....	<u>185,000</u>	<u>190,000</u>	<u>195,576</u>	<u>5,576</u>
	<u>234,193</u>	<u>269,293</u>	<u>247,883</u>	<u>(21,410)</u>
<b>Fines and Forfeitures:</b>				
Fines and forfeitures .....	<u>2,000</u>	<u>2,000</u>	<u>2,524</u>	<u>524</u>
	<u>2,000</u>	<u>2,000</u>	<u>2,524</u>	<u>524</u>
<b>Miscellaneous Revenues:</b>				
Interest earnings.....	250	250	43	(207)
Lease and rental revenue.....	18,250	19,650	19,691	41
Miscellaneous revenue .....	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
	<u>48,500</u>	<u>49,900</u>	<u>19,734</u>	<u>(30,166)</u>
<b>Total revenues.....</b>	<u>1,376,441</u>	<u>1,865,691</u>	<u>1,794,151</u>	<u>(71,540)</u>

The accompanying notes are an integral part of the financial statements.

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the Fiscal Year Ended September 30, 2018  
CITY OF OAK HILL, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures:				
General Government:				
Legislative:				
Personal services.....	\$ 29,065	29,065	29,065	-
	<u>29,065</u>	<u>29,065</u>	<u>29,065</u>	<u>-</u>
Financial and Administrative:				
Personal services.....	106,426	106,426	107,697	(1,271)
Operating expenditures.....	<u>25,000</u>	<u>28,000</u>	<u>25,989</u>	<u>2,011</u>
	<u>131,426</u>	<u>134,426</u>	<u>133,686</u>	<u>740</u>
Legal Counsel:				
Operating expenditures.....	<u>25,000</u>	<u>20,000</u>	<u>13,875</u>	<u>6,125</u>
Comprehensive Planning:				
Operating expenditures.....	<u>96,500</u>	<u>86,400</u>	<u>42,669</u>	<u>43,731</u>
Other General Government:				
Operating expenditures.....	107,782	115,982	100,832	15,150
Capital outlay.....	<u>-</u>	<u>-</u>	<u>912</u>	<u>(912)</u>
	<u>107,782</u>	<u>115,982</u>	<u>101,744</u>	<u>14,238</u>
Total general government.....	<u>389,773</u>	<u>385,873</u>	<u>321,039</u>	<u>64,834</u>
Public Safety:				
Law Enforcement:				
Operating expenditures.....	<u>586,425</u>	<u>586,425</u>	<u>586,345</u>	<u>80</u>
	<u>586,425</u>	<u>586,425</u>	<u>586,345</u>	<u>80</u>
Protective Inspections:				
Operating expenditures.....	<u>20,704</u>	<u>20,704</u>	<u>20,361</u>	<u>343</u>
Emergency and disaster relief:				
Operating expenditures.....	<u>-</u>	<u>-</u>	<u>86,840</u>	<u>(86,840)</u>
Other Public Safety:				
Operating expenditures.....	<u>12,250</u>	<u>12,250</u>	<u>11,366</u>	<u>884</u>
Total public safety.....	<u>619,379</u>	<u>619,379</u>	<u>704,912</u>	<u>(85,533)</u>
Physical Environment:				
Garbage/Solid Waste Control Services:				
Operating expenditures.....	<u>175,000</u>	<u>175,000</u>	<u>205,109</u>	<u>(30,109)</u>
Total physical environment.....	<u>175,000</u>	<u>175,000</u>	<u>205,109</u>	<u>(30,109)</u>

The accompanying notes are an integral part of the financial statements.

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the Fiscal Year Ended September 30, 2018  
CITY OF OAK HILL, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Transportation:				
Road and Street Facilities:				
Personal services.....	\$ 107,633	138,233	122,766	15,467
Operating expenditures.....	<u>65,756</u>	<u>68,856</u>	<u>66,848</u>	<u>2,008</u>
Total transportation.....	<u>173,389</u>	<u>207,089</u>	<u>189,614</u>	<u>17,475</u>
Culture/Recreation:				
Parks and Recreation:				
Operating expenditures.....	18,900	21,900	60,487	(38,587)
Capital outlay.....	<u>-</u>	<u>178,000</u>	<u>102,272</u>	<u>75,728</u>
Total culture/recreation.....	<u>18,900</u>	<u>199,900</u>	<u>162,759</u>	<u>37,141</u>
Debt Service:				
Principal retirement:				
Public safety.....	<u>-</u>	<u>200,000</u>	<u>197,500</u>	<u>2,500</u>
	<u>-</u>	<u>200,000</u>	<u>197,500</u>	<u>2,500</u>
Interest and fiscal charges:				
Public safety.....	<u>-</u>	<u>300</u>	<u>3,067</u>	<u>(2,767)</u>
	<u>-</u>	<u>300</u>	<u>3,067</u>	<u>(2,767)</u>
Total debt service.....	<u>-</u>	<u>200,300</u>	<u>200,567</u>	<u>(267)</u>
Total expenditures.....	<u>1,376,441</u>	<u>1,787,541</u>	<u>1,784,000</u>	<u>3,541</u>
Excess of revenue over (under) expenditures.....	<u>-</u>	<u>78,150</u>	<u>10,151</u>	<u>(67,999)</u>
Other Financing Sources (Uses):				
Proceeds of long-term debt.....	-	192,500	197,500	5,000
Appropriated fund balance.....	<u>-</u>	<u>(270,650)</u>	<u>-</u>	<u>270,650</u>
Total other financing sources (uses).....	<u>-</u>	<u>(78,150)</u>	<u>197,500</u>	<u>275,650</u>
Net change in fund balances.....	-	-	207,651	207,651
Fund balance, beginning of year.....	<u>137,648</u>	<u>137,648</u>	<u>137,648</u>	<u>-</u>
Fund balance, end of year.....	<u>\$ 137,648</u>	<u>137,648</u>	<u>345,299</u>	<u>207,651</u>

The accompanying notes are an integral part of the financial statements.



***NOTES TO THE FINANCIAL STATEMENTS***

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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

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 – (Continued)

September 30, 2018

CITY OF OAK HILL, FLORIDA

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### 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 – (Continued)

September 30, 2018

CITY OF OAK HILL, FLORIDA

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**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 – (Continued)**

September 30, 2018

CITY OF OAK HILL, FLORIDA

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**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, vacation, and sick leave. Accumulated unused personal and vacation leave is payable to employees upon separation from service. Accumulated unused sick leave does not vest with the employee and all credits are forfeited upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary related benefits, where applicable.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2018

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. Sick leave accumulates at the rate of one day for every full month of service, not to exceed 50 days of accumulated benefits. Vacation benefits vest with the employee while sick leave credits can only be used during the employee’s term of employment.

The following is a summary of the annual benefits:

	<u>Annual Leave</u>	<u>Sick Leave</u>	<u>Personal Leave</u>
All personnel:			
After 3 months to 5 years service (earned in monthly increments) .....	10 days	12 days	0 days
After 5 years service .....	15 days	12 days	0 days

**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.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2018

CITY OF OAK HILL, FLORIDA

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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.



## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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CITY OF OAK HILL, FLORIDA

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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. New Accounting Standards**

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

- Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2018

CITY OF OAK HILL, FLORIDA

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- Statement 85, “*Omnibus 2017.*” The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

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

- Statement 84, “*Fiduciary Activities.*” The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement is currently under review to evaluate the impact it may have on the City’s financial statement presentation. The provisions of this statement are effective for fiscal years beginning December 15, 2018.
- Statement 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 by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is currently under review to evaluate the impact it may have on the City’s financial statement presentation. The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
- Statement No. 88, *Certain Disclosures Related to Debt.* The objective of this Statement is to better improve the disclosure in notes to governmental financial statements related to debt, including direct borrowings and direct placements. 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, 2018.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are to improve relevance and comparability about capital assets and the related cost of borrowing as well as simplify the accounting for interest costs incurred before the end of a construction period. 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, 2019.
- Statement No. 90, *Major Equity Interests.* The objective of this Statement is to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization. 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, 2018.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2018

CITY OF OAK HILL, FLORIDA

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### 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.

#### 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.

**B. Excess of Expenditures over Appropriations** - During the year ended September 30, 2018, none of the City's funds reported actual expenditures that exceeded budgetary appropriations for the year.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2018

CITY OF OAK HILL, FLORIDA

**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 (2017 levy collected in the year ended September 30, 2018).

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" style="margin-left: 40px;"> <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												

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2018

CITY OF OAK HILL, FLORIDA

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### NOTE 5 -CASH DEPOSITS AND INVESTMENTS

**Deposits.** At September 30, 2018, the carrying value of the City's cash deposit accounts totaled \$304,864 and the bank balances totaled \$299,073. 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).

**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, 2018, all of the City's deposits were adequately covered by a combination of federal depository insurance and the statutory provisions of the Act.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2018

CITY OF OAK HILL, FLORIDA

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**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, 2018:

Delinquent taxes receivable .....	\$ 6,862	
Franchise/utility fees .....	36,445	
Due from other governments .....	148,679	
Other miscellaneous receivables .....	<u>866</u>	
	192,852	
Less: allowance for doubtful accounts .....	<u>(185)</u>	
Total governmental activities receivables, net .....		<u>\$ 192,667</u>

**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, 2018:

Accounts payable .....	\$ 26,232	
Abandoned property .....	390	
Accrued wages payable .....	<u>1,126</u>	
Total governmental activities payables .....		<u>\$ 27,748</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2018

CITY OF OAK HILL, FLORIDA

**NOTE 7 - CAPITAL ASSETS**

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

	Balances 9/30/2017	Additions	Deletions	Balances 9/30/2018
Capital assets not being depreciated:				
Land.....	\$ 297,517	\$ -	\$ -	\$ 297,517
Construction in progress.....	-	100,392	-	100,392
Total capital assets not being depreciated....	<u>297,517</u>	<u>100,392</u>	<u>-</u>	<u>397,909</u>
Capital assets being depreciated:				
Buildings.....	694,841	-	-	694,841
Improvements other than buildings.....	295,937	-	-	295,937
Machinery and equipment.....	194,087	2,792	-	196,879
Total capital assets being depreciated.....	<u>1,184,865</u>	<u>2,792</u>	<u>-</u>	<u>1,187,657</u>
Less accumulated depreciation for:				
Buildings.....	(278,890)	(17,337)	-	(296,227)
Improvements other than buildings.....	(248,238)	(2,923)	-	(251,161)
Machinery and equipment.....	(180,273)	(2,816)	-	(183,089)
Total accumulated depreciation.....	<u>(707,401)</u>	<u>(23,076)</u>	<u>-</u>	<u>(730,477)</u>
Total capital assets being depreciated, net...	<u>477,464</u>	<u>(20,284)</u>	<u>-</u>	<u>457,180</u>
Total capital assets, net.....	<u>\$ 774,981</u>	<u>\$ 80,108</u>	<u>\$ -</u>	<u>\$ 855,089</u>

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

General government.....	\$ 2,732
Public safety.....	1,014
Transportation.....	5,261
Culture/recreation .....	<u>14,069</u>
Total depreciation expense - governmental activities.....	<u>\$ 23,076</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2018

CITY OF OAK HILL, FLORIDA

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

The City’s long-term debt outstanding at September 30, 2018, is as follows:

	<u>Balance Due</u>	<u>Current Maturities</u>
Compensated absences (current portion estimated).....	\$ 8,619	\$ 2,155
Net pension liabilities.....	<u>195,570</u>	<u>-</u>
Total long-term debt.....	<u>\$ 204,189</u>	<u>\$ 2,155</u>

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

	<u>Balances 9/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 9/30/2018</u>
Compensated absences.....	\$ 10,142	\$ 2,536	\$ (4,059)	\$ 8,619
Net pension liabilities.....	187,248	8,322	-	195,570
Other postemployment benefit obligation.....	6,090	-	(6,090)	-
Long-term debt.....	<u>-</u>	<u>197,500</u>	<u>(197,500)</u>	<u>-</u>
Totals.....	<u>\$ 203,480</u>	<u>\$ 208,358</u>	<u>\$ (207,649)</u>	<u>\$ 204,189</u>

The City entered into a loan with a financial institution during the year ended September 30, 2018 specifically related to the unanticipated disaster recovery costs incurred with Hurricanes Matthew and Irma. This loan was used to fund cleanup costs related to debris removal. This loan carrying an interest rate of 2.53% was repaid once the Federal and State awards related to these disasters was received.

**NOTE 9 – OPERATING LEASE**

The City is committed under a non-cancelable operating lease for office equipment funded in the General Fund which not extending beyond five years. This lease is accounted for as an operating lease which contains an option to be cancelled in the event annual appropriations are not authorized. The minimum future rental payments required under this operating lease amount to \$483.

**NOTE 10 -LEASE INCOME**

The City entered into an operating lease agreement to lease a portion of its real property for the construction and maintenance of a cellular telephone tower. This lease was dated September 20, 2000, and had an initial term of five years, with four successive five-year renewal options. The lease was amended on December 7, 2016, and provided a bonus payment of \$20,000 to extend the new renewal terms to include eight additional five-year renewal options. The amended lease provides for rentals of \$18,250 annually through each of the first 5 years. Commencing on March 6, 2021, and on the beginning of each renewal term thereafter, rentals will increase by 15% for each successive renewal term period. In addition, the City is entitled to 25% of any future revenue obtained by the lessee from any sublease or assignment of the lease. Lease revenue totaled \$18,250 for the year ended September 30, 2018. Future minimum rentals to be received over the remaining term of the lease are as follows: 2019 - \$18,250; and 2020 - \$18,250.



## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2018

CITY OF OAK HILL, FLORIDA

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### NOTE 11 - RESTRICTED NET POSITION

The government-wide statement of net position reports \$101,790 in restricted net position, which is restricted for public safety building inspection and transportation improvement activities by enabling state legislation.

### NOTE 12 – 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, 2018.

### NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

**Plan Description.** City of Oak Hill, Florida, Post-employment Benefits Plan (the “Plan”) is a single-employer healthcare plan administered by the City. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the Plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Eligible individuals include all regular employees of the City who retire from active service under the pension plan sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. The Plan does not issue a publicly available financial report.

**Funding Policy.** The contribution requirements of plan members and the City are based on composite health insurance premium costs which are established by state statutes and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements and is subject to constant revision. The City has opted to not fund the net OPEB obligation.

**Annual OPEB Cost and Net OPEB Obligation.** Since the contributions of the retirees and the age-adjusted premiums are equal, there is no implicit subsidy and the liability would be \$-0-. Consequently, the liability in the amount of \$6,090 as of September 30, 2017 has been written off at September 30, 2018.

### NOTE 14 - 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

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2018

CITY OF OAK HILL, FLORIDA

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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/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/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.

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.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2018

CITY OF OAK HILL, FLORIDA

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>

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 2017-18 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>		
	<u>Employee</u>	<u>Employer (1)</u>	
		<u>Pre 7/01/18</u>	<u>Post 6/30/18</u>
FRS, Regular	3.00	7.92	8.26
FRS, Senior Management Service	3.00	21.71	24.06
FRS, Special Risk	3.00	23.27	24.50
DROP - Applicable to Members of the Above Class	0.00	13.26	14.03
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 7/01/18 and Post 6/30/18, 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

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2018

CITY OF OAK HILL, FLORIDA

The City’s employer and employee contributions to the FRS Plan totaled \$12,321 and \$2,761, respectively, for the fiscal year ended September 30, 2018. This excludes HIS defined benefit pension plan contributions of \$2,637 and FRS Investment Plan contributions of \$6,247.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At September 30, 2018, the City reported a liability of \$145,466 for its proportionate share of the FRS Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City’s proportionate share of the net pension liability was based on the City’s 2017-18 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members based on a June 30, 2018 fiscal year. At June 30, 2018, the City’s proportionate share was 0.000482946 percent, which was an increase of 0.000011397 percent from its proportionate share measured as of June 30, 2017 of 0.000471549 percent.

For the fiscal year ended September 30, 2018, the City recognized the Plan pension expense of \$15,641. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,323	447
Change of assumptions	47,531	-
Net difference between projected and actual earnings on pension plan investments	-	11,239
Changes in proportion and differences between City contributions and proportionate share of contributions	9,338	2,743
Contributions subsequent to the measurement date	<u>4,006</u>	<u>-</u>
Total	<u>\$ 73,198</u>	<u>14,429</u>

The deferred outflows of resources related to pensions, totaling \$4,006, 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, 2019. The remaining \$54,763 reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ 19,981
2020	14,055
2021	3,095
2022	9,800
2023	6,990
Thereafter	<u>842</u>
	<u>\$ 54,763</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2018

CITY OF OAK HILL, FLORIDA

**Actuarial Assumptions.** The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.00 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, 2018, valuation were based on the most recent actuarial experience study for the period July 1, 2008, through June 30, 2013.

**Long-Term Expected Rate of Return.** The long-term expected rate of return assumption of 7.00 percent consists of two building block components: 1) a real (in excess of inflation) return of 4.40 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 Investment Consulting; and 2) a long-term average annual inflation assumption of 2.60 percent as adopted in October 2018 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 7.00 percent return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice. The 7.00 percent reported investment return assumption differs from the 7.10 percent investment return assumption chosen by the 2018 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		2.60%		1.90%

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

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2018

CITY OF OAK HILL, FLORIDA

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**Calculation of Money-Weighted Rate of Return.** For the year ended June 30, 2018, the annual money-weighted rate of return on FRS pension plan investments, net of pension plan investment expense, was 9.28 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 7.00 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 7.00 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 (6.00 percent) or 1 percentage-point higher (8.00 percent) than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
The City's proportionate share of the net pension liability	\$265,481	\$145,466	\$ 45,786

**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, 2018, the City had no amounts payable to the FRS Plan required for the fiscal year ended September 30, 2018.

**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, 2018, 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.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2018

CITY OF OAK HILL, FLORIDA

**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, 2018, the HIS contribution rates for the period from October 1, 2017 through June 30, 2018, and from July 1, 2018 through September 30, 2018, 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 \$2,637 for the fiscal year ended September 30, 2018.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.** At September 30, 2018, the City reported a net pension liability of \$50,152 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was 0.000473845 percent, which was an increase of 0.000027114 percent from its proportionate share measured as of June 30, 2017, of 0.000446731 percent.

For the fiscal year ended September 30, 2018, the City recognized the Plan pension expense of \$2,106. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	768	85
Change of assumptions	5,578	5,303
Net difference between projected and actual earnings on pension plan investments	30	-
Changes in proportion and differences between City contributions and proportionate share of contributions	4,283	302
Contributions subsequent to the measurement date	<u>706</u>	<u>-</u>
Total	<u>\$ 11,365</u>	<u>5,690</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2018

CITY OF OAK HILL, FLORIDA

The deferred outflows of resources related to pensions, totaling \$706, 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, 2019. The remaining \$4,969 reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ 1,486
2020	1,484
2021	1,278
2022	904
2023	125
Thereafter	<u>(308)</u>
	<u>\$ 4,969</u>

**Actuarial Assumptions.** The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	3.87 percent

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

The following changes in actuarial assumptions occurred in 2018:

The municipal rate used to determine total pension liability was increased from 3.58% to 3.87%.

**Discount Rate.** The discount rate used to measure the total pension liability was 3.87 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 3.87 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 (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
City’s proportionate share of the net pension liability	\$ 57,121	\$ 50,152	\$ 44,344



**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2018

CITY OF OAK HILL, FLORIDA

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**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, 2018, the City had no amounts payable to the HIS Plan required for the fiscal year ended September 30, 2018.

**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.

Allocations to the investment member's accounts during the 2017-18 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee/Employer</u>	
	<u>Pre 7/01/17</u>	<u>Post 6/30/17</u>
FRS, Regular	3.00/3.30	3.00/3.30
FRS, Senior Management Service	3.00/4.67	3.00/4.67

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, 2018, 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.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2018

CITY OF OAK HILL, FLORIDA

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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.

The City's employer and employee contributions to the Investment Plan totaled \$4,242 and \$2,005, respectively, for the fiscal year ended September 30, 2018.

***Payable to the FRS Investment Plan*** - At September 30, 2018, the City had no amounts payable to the FRS Investment Plan required for the fiscal year ended September 30, 2018.

### NOTE 15 - 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, 2018.

### NOTE 16 -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.

### NOTE 17 - 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, 2018, contract services for law enforcement support from the County totaled \$586,345.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2018

CITY OF OAK HILL, FLORIDA

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**NOTE 18 - SUBSEQUENT EVENTS**

*Unanticipated Disaster Recovery Costs.* On September 4, 2017, the incident period commenced for the expenditure of disaster relief funds associated with Hurricane Irma, a presidentially declared disaster occurring during fiscal year ended September 30, 2017. In responding to the demand to establish sufficient disaster relief efforts, the City expended significant funds to finance the cleanup efforts well in advance of receiving any financial support from the federal or state governments. Unanticipated expenditures totaling in excess of \$87,000 were incurred and funded through the City's General Fund. The City expects to recover approximately 80% of these costs in the next fiscal year.

*Evaluation of Events and Transactions.* In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 27, 2019, the date the financial statements were available to be issued.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**CHANGE IN TOTAL OPEB LIABILITY**  
**CITY OF OAK HILL, FLORIDA**

	<u>2018</u>
Reporting Period - September 30, 2017	\$ 6,090
Other changes	<u>(6,090)</u>
Net changes	<u>(6,090)</u>
Reporting Period - September 30, 2018	<u><u>\$ -</u></u>

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

	2018	2017	2016
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**Schedule of the Proportionate Share of the Net Pension Liability:**

City proportion of the net pension liability	0.000482946%	0.000471549%	0.000487034%
City proportionate share of the net pension liability	\$ 145,466	\$ 139,481	\$ 122,976
City covered employee payroll	\$ 158,856	\$ 144,140	\$ 143,126
City proportionate share of the net pension liability as a percentage of covered payroll	91.57%	96.77%	85.92%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%

**Schedule of Contributions:**

Contractually required contribution	\$ 16,468	\$ 14,702	\$ 14,365
Contributions in relation to the contractually required contribution	\$ (16,468)	\$ (14,702)	\$ (14,365)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City covered employee payroll	\$ 158,856	\$ 144,140	\$ 143,126
Contributions as a percentage of covered employee payroll	10.37%	10.20%	10.04%

**Notes:**

The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2017, calculated based on the discount rate and actuarial assumptions below:

	<u>06/30/2018</u>	<u>06/30/2017</u>
Discount Rate	7.00%	7.10%
Long-term expected rate of return, net of investment expense	7.00%	7.10%
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 7.00 percent rate of return assumption used in the June 30, 2018, calculations was determined by the consulting actuary, Milliman, to be reasonable and appropriate per Actuarial Standard of Practice Number 27 (ASOP 27).



Fiscal Year						
2015	2014	2013	2012	2011	2010	2009
0.000501648%	0.000474100%	n/a	n/a	n/a	n/a	n/a
\$ 64,795	\$ 28,927	n/a	n/a	n/a	n/a	n/a
\$ 134,526	\$ 130,324	n/a	n/a	n/a	n/a	n/a
48.17%	22.20%	n/a	n/a	n/a	n/a	n/a
92.00%	96.09%	n/a	n/a	n/a	n/a	n/a
\$ 13,628	\$ 12,369	n/a	n/a	n/a	n/a	n/a
\$ (13,628)	\$ (12,369)	n/a	n/a	n/a	n/a	n/a
\$ -	\$ -	n/a	n/a	n/a	n/a	n/a
\$ 134,526	\$ 130,324	n/a	n/a	n/a	n/a	n/a
10.13%	9.49%	n/a	n/a	n/a	n/a	n/a

-- On 10/01/2013, GASB 67 was adopted. Comparative data for all prior years is not available. --

### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2017, were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013

Valuation Date	July 1, 2018
Measurement Date	June 30, 2018
Asset Valuation Method	Fair Market Value
Inflation	2.60%
Salary increases including inflation	3.25%
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age Normal

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

	2018	2017	2016
<b>Schedule of the Proportionate Share of the Net Pension Liability:</b>			
City proportion of the net pension liability	0.000473845%	0.000446731%	0.000450977%
City proportionate share of the net pension liability	\$ 50,152	\$ 47,767	\$ 52,560
City covered employee payroll	\$ 158,856	\$ 144,140	\$ 143,126
City proportionate share of the net pension liability as a percentage of covered payroll	31.57%	33.14%	36.72%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%

**Schedule of Contributions:**

Contractually required contribution	\$ 2,637	\$ 2,393	\$ 2,376
Contributions in relation to the contractually required contribution	\$ (2,637)	\$ (2,393)	\$ (2,376)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered employee payroll	\$ 158,856	\$ 144,140	\$ 143,126
Contributions as a percentage of covered employee payroll	1.66%	1.66%	1.66%

**Notes:**

The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2017, calculated based on the discount rate and actuarial assumptions below:

	<u>06/30/2018</u>	<u>06/30/2017</u>
Discount Rate	3.87%	3.58%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	3.87%	3.58%

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 2018 valuation was updated from 3.58 percent to 3.87 percent reflecting the change in the Bond Municipal Bond Index.

Fiscal Year						
2015	2014	2013	2012	2011	2010	2009
0.000443442%	0.000427254%	n/a	n/a	n/a	n/a	n/a
\$ 45,224	\$ 39,949	n/a	n/a	n/a	n/a	n/a
\$ 134,526	\$ 130,324	n/a	n/a	n/a	n/a	n/a
33.62%	30.65%	n/a	n/a	n/a	n/a	n/a
0.50%	0.99%	n/a	n/a	n/a	n/a	n/a
\$ 1,814	\$ 1,582	n/a	n/a	n/a	n/a	n/a
<u>\$ (1,814)</u>	<u>\$ (1,582)</u>	n/a	n/a	n/a	n/a	n/a
<u>\$ -</u>	<u>\$ -</u>	n/a	n/a	n/a	n/a	n/a
\$ 134,526	\$ 130,324	n/a	n/a	n/a	n/a	n/a
1.35%	1.21%	n/a	n/a	n/a	n/a	n/a

-- On 10/01/2013, GASB 67 was adopted. Comparative data for all prior years is not available. --

#### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2016, were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

Valuation Date	July 1, 2018
Measurement Date	June 30, 2018
Inflation	2.60%
Salary increases including inflation	3.25%
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age Normal

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2019.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. This matter is referenced as SD01 (2009).

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

### **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*.

### **City of Oak Hill, Florida's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

June 27, 2019



## SCHEDULE OF FINDINGS AND RESPONSES

Year Ended September 30, 2018  
CITY OF OAK HILL, FLORIDA

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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* in fiscal year 2017. The prior year reference number indicates the fiscal year that the comment was first addressed in the schedule of findings and responses.

	Corrective Action Not Yet Complete	Comment Has Been Addressed Or Is No Longer Relevant	Prior Year Reference Number
Internal Control-Significant Deficiencies Reported in 2017:			
SD01 (2009) Segregation of Duties	x		#SD01 (2009)

The following pages contain a summary of the status of items (which have been renumbered to indicate the fiscal year originally reported in parentheses) for which corrective action is not yet completed. These matters are organized under the above sections in the same order as listed.

### **Internal Control Over Financial Reporting**

#### **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.*

**Matters Related to Compliance and Other Matters** - None

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**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, 2018, and have issued our report thereon dated June 27, 2019.

**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 June 27, 2019, 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 2017). 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 *Exhibit A* under the heading of *Prior Year Findings*:

	Corrective Action Not Yet Complete	Comment Has Been Addressed Or Is No Longer Relevant	Prior Year Reference Number
Tabulation of Corrected and Uncorrected Audit Findings:			
Information Systems Security	x		#ML 2015-03
Financial Condition Assessment Procedures		x	#ML 2017-01

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

### **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. As part of our fiscal year end assessment, we evaluated the results of financial indicators developed by the Office of the Auditor General for quantitative analysis financial information, the results of which show a negative trend when compared to prior years. See our commentary of our results of our financial condition assessment procedures in the attached Management Letter Comments.

### **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, 2018, 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, 2018. 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.

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

**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

June 27, 2019

**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 2017:

**ML 2015-03 Information Systems Security**

While the City currently has informal information systems security policies in place, we continued to note that comprehensive, formal and written security policies are not in place to define the security objectives for the City.

Recommendation: To reduce the exposure to unauthorized access to the City's IT systems, we recommend that the City create a comprehensive Information Security Policy that defines the requirements for granting access, terminating access, periodically reviewing access, password security, confidentiality of information, segregation of duties, physical and logical access to sensitive data, network security, backup and disaster recovery procedures. In addition, this policy should be reviewed and updated annually to accurately reflect changes in the information systems environment.

Auditee Response: *The City is currently in the process of finalizing the development of written and formally approved IT Systems policies and procedures. The development of this documentation has been hampered due primarily to the small size of the City, and the lack of onsite IT personnel. The City is currently working with its independent IT contractor to appropriately evaluate the extent of procedures that can be managed within the City, as well as to obtain assistance in preparing the documentation which is necessary to identify the City's information technology processes for the development of our formal IT security policies.*



## 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, 2017 to September 30, 2018. 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, 2017 to September 30, 2018.

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*

June 27, 2019

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