

TOWN OF HILLIARD, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2019

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INTRODUCTORY SECTION

TOWN OF HILLIARD, FLORIDA
LIST OF ELECTED AND APPOINTED OFFICIALS
September 30, 2019

LIST OF ELECTED OFFICIALS

Mayor and Chairman of the Board	Floyd L. Vanzant
Town Council President	John P. Beasley
Town Council	Kenny Sims Callie Kay Bishop Lee Pickett Jared Wollitz

APPOINTED OFFICIALS

Town Clerk	Lisa Purvis
Town Attorney	Christian W. Waugh

FINANCIAL STATEMENTS



Powell & Jones
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Hilliard
Hilliard, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, analysis and budgetary comparison, other post-employment benefit plan, and schedules of proportionate share of net pension liability and contribution information 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Hilliard, Florida's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2020, on our consideration of the Town of Hilliard, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Town of Hilliard, Florida's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Powell & Jones".

POWELL & JONES
Certified Public Accountants
February 12, 2020

TOWN OF HILLIARD, FLORIDA
Management's Discussion and Analysis

The Town of Hilliard, Florida (the Town) offers its readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2019. We hope this will assist readers in identifying significant financial issues and changes in the Town's financial position.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Hilliard, Florida exceeded its liabilities at the close of the most recent fiscal year by \$11,801,921 (*net position*). Of this amount, \$1,042,607 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$224,854. A decrease of \$335,363 was attributable to governmental activities and an increase of \$560,217 for business-type activities.
- As of the close of the current fiscal year, the Town of Hilliard, Florida's governmental funds reported a combined ending fund balances of \$1,797,042, an decrease of \$396,070 in comparison with the prior year. Of this amount, \$702,841 is available for spending at the government's discretion (unassigned or assigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$702,841, or 20.8% of the total general fund expenditures and transfers out.
- The Town of Hilliard, Florida's total debt decreased by \$32,801 during the current fiscal year, due to the net of annual debt service payments, and the recognition of the Town's net pension liability related to their participation in the Florida Retirement System.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The funds used by the Town are as follows:

	Number	Fund Type
Governmental Fund	001	General Fund
Governmental Fund	101	Special Revenue (Local Option Gas Tax)
Governmental Fund	120	Special Revenue (Discretionary Sales Tax)
Proprietary Fund	401	Water and Sewer

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

The statement of net position presents information on all of the Town of Hilliard, Florida's assets and liabilities, with the difference between the two reported as net position. Over time, increases or

decreases in net position may serve as a useful indicator of whether the financial position of the Town's is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e. g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the Town of Hilliard, Florida that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, transportation, human services, and culture and recreation. The business-type activities of the Town include water and sewer utilities.

The government-wide financial statements can be found on pages 23 - 25 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Hilliard, Florida, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a town'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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Hilliard, Florida maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General, Local Option Gas Tax and Discretionary Sales Tax, all of which are considered to be major funds.

The Town adopts an annual appropriated budget for all its major funds. A budgetary comparison statement has been provided for general and special revenue funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26 - 28 of this report.

Proprietary Funds: The Town of Hilliard, Florida maintains only one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its Water and Sewer Utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Utilities.

The basic proprietary fund financial statements can be found on pages 29 - 32 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 - 61 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town of Hilliard, Florida, assets exceeded liabilities by \$11,801,921 at the close of the most recent fiscal year.

By far, the largest portion of the Town's net position (79.2%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Hilliard, Florida Statement of Net Position September 30, 2019

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 1,855,306	\$ 2,315,658	\$ 1,967,499	\$ 2,065,695	\$ 3,822,805	\$ 4,381,353
Capital assets, net	4,569,605	4,384,760	9,046,387	8,504,029	13,615,992	12,888,789
Total assets	<u>6,424,911</u>	<u>6,700,418</u>	<u>11,013,886</u>	<u>10,569,724</u>	<u>17,438,797</u>	<u>17,270,142</u>
Deferred outflows	244,470	265,475	90,422	80,496	334,892	345,971
Current liabilities	82,008	143,368	384,550	458,004	466,558	601,372
Long-term liabilities	890,031	771,263	4,534,125	4,566,926	5,424,156	5,338,189
Total liabilities	<u>972,039</u>	<u>914,631</u>	<u>4,918,675</u>	<u>5,024,930</u>	<u>5,890,714</u>	<u>5,939,561</u>
Deferred inflows	59,170	77,727	21,884	21,758	81,054	99,485
Invested in capital assets, net of related debt	4,569,605	4,384,760	4,768,387	4,144,029	9,337,992	8,528,789
Restricted	1,076,007	1,430,048	345,315	351,271	1,421,322	1,781,319
Unrestricted	(7,440)	158,727	1,050,047	1,108,232	1,042,607	1,266,959
Total net position	<u>\$ 5,638,172</u>	<u>\$ 5,973,535</u>	<u>\$ 6,163,749</u>	<u>\$ 5,603,532</u>	<u>\$ 11,801,921</u>	<u>\$ 11,577,067</u>

An additional portion of the Town’s net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$1,042,607 may be used to meet the Town’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Hilliard, Florida is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental Activities – Governmental activities decreased the Town’s net position by \$335,363.

**Town of Hilliard, Florida
Changes in Net Position
For the Year Ended September 30, 2019**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Charges for service	\$ 155,072	\$ 135,365	\$ 999,982	\$ 931,487	\$ 1,155,054	\$ 1,066,852
Capital grants contributions	99,389	160,060	384,614	309,077	484,003	469,137
General revenues	1,802,608	1,469,958	74,537	54,095	1,877,145	1,524,053
Total revenues	2,057,069	1,765,383	1,459,133	1,294,659	3,516,202	3,060,042
Expenses						
General government	608,791	523,589	-	-	608,791	523,589
Public safety	136,599	101,678	-	-	136,599	101,678
Transportation	599,158	315,873	-	-	599,158	315,873
Health services	9,392	11,629	-	-	9,392	11,629
Parks and Recreation	419,220	537,337	-	-	419,220	537,337
Interest on long-term debt	-	-	133,048	135,912	133,048	135,912
Water and sewer	-	-	1,385,140	1,216,063	1,385,140	1,216,063
Total expenses	1,773,160	1,490,106	1,518,188	1,351,975	3,291,348	2,842,081
Increase (decrease) in						
net position before transfers	283,909	275,277	(59,055)	(57,316)	224,854	217,961
Transfers	(619,272)	(119,101)	619,272	119,101	-	-
Change in net position	(335,363)	156,176	560,217	61,785	224,854	217,961
Net position, beginning of year	5,973,535	5,817,359	5,603,532	5,541,747	11,577,067	11,359,106
Net position, end of year	\$ 5,638,172	\$ 5,973,535	\$ 6,163,749	\$ 5,603,532	\$ 11,801,921	\$ 11,577,067

Business-Type Activities – Business-type activities increased the Town’s net position by \$560,217.

Financial Analysis of the Town’s Funds

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

Governmental funds - The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town’s net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the Town’s governmental funds reported combined ending fund balances of \$1,797,042, a decrease of \$396,070 in comparison with the prior year. The unassigned fund balance is \$702,841 which is available for spending at the Town’s discretion. The

remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service, 2) to cover annual contracts, or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the Town, with the streets, recreation, fire and airpark departments all reporting within the general fund. The Public Service Tax revenue along with the Communications Service Tax is also reported within this fund and can be spent at the Town's discretion.

One Special Revenue Fund consists of the local option gas tax revenue which is transferred to the General Fund to cover the street transportation expenditures.

The other Special Revenue Fund maintains the Discretionary Sales Surtax and is budgeted annually to the various departments for capital purchases for improvements within the Town.

Proprietary Fund - The Town of Hilliard, Florida's proprietary fund provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$1,050,047. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

2019 Budgetary Highlights

The following is a brief summary of the differences between the original and the final amended budget:

- Capital Improvement Fund expenditures in the General & Proprietary Fund that were budgeted and not expended during the current fiscal year were amended.
- In the General & Proprietary Funds the Town places the majority of its funds with the State Board of Administrations and it was not known at budget time what the increase in interest revenue the Town's SBA accounts would generate.
- In the General Fund at budget time the planning grant funds that would be expended during the 2018/2019 fiscal year was undetermined. Therefore, the budget was amended at year end.
- In the General Fund the Town was uncertain if recreation grant funds that were previously awarded would be eligible to be expended during the 2018/2019 fiscal year. Therefore, the budget was amended at year end.
- In the General Fund at budget time the amount of airpark grant funds that would be expended during the 2018/2019 fiscal year was undetermined. Therefore, the budget was amended at year end to actual.
- The General Fund Inter Fund Transfers by department were adjusted based on the fiscal year 2018/2019 need for additional or decreased funds at year end creating an overall decrease in funds transferred.
- In the Proprietary Fund at budget time the amount of grant funds that would be expended during the 2018/2019 fiscal year was undetermined. Therefore, the budget was amended at year end to actual.
- In the Proprietary Fund it was not known at budget time of all the repairs and replacements that would be needed during the 2018/2019 fiscal year. Therefore, the Repairs & Maintenance and Operating Supplies line items were grossly under budgeted.

Schedules of budget and actual comparisons for the general and special revenue major funds appear on pages 61 - 63 of this report.

Capital Asset and Debt Administration

Capital Assets – The Town of Hilliard, Florida’s investment in capital assets for its governmental and business type activities as of September 30, 2019, amounts to \$13,615,992 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system, improvements, machinery and equipment and park facilities. The total decrease in the Town’s investment in capital assets for the current fiscal year was 5.34% (a 4.22% decrease for governmental activities and a 6.38% decrease for business-type activities).

Major capital asset events during the fiscal year include the following:

2019 Major capital asset events during the fiscal year include the following:

GENERAL GOVERNMENT

Building

- The Town of Hilliard expended funds to make improvements to the exteriors of both of the Town Hall Facility. The improvements consisted of the following:

Roof replacement	\$23,415.
Exterior Painting & Wood Replacement	\$ 6,909.
Exterior Siding & Painting (Fire Dept.)	\$29,122.

 - 2018/2019 fiscal year expenditures totaled \$59,446
- The Town of Hilliard expended funds in an effort to improve the sound and reduce the electricity use in the Town Hall Council Chambers by installing drapery window treatments.
 - 2018/2019 fiscal year expenditures totaled \$12,454.

Machinery & Equipment

Work In Process – Town Facilities Connect/Network Technology & Communications

- The Town of Hilliard expended funds for the final phase in connecting all of the Town’s Facilities by completing the Town Hall Facility, Parks & Recreation Department and adding the Water and Wastewater Treatment Plant Facilities by means of fiber optics and internet connection which will allow all departments to work together on the same network technology & communications. In addition to new software and technology upgrades.
 - 2018/2019 fiscal year expenditures totaled \$38,676.

TRANSPORTATION – STREETS:

Infrastructure

- The Town of Hilliard expended funds to improve the drainage in the West Fourth & West Fifth Streets area.
 - 2018/2019 fiscal year expenditures totaled \$9,624.

- The Town of Hilliard expended funds to replace 11,022 square feet of sidewalks along the Town streets in ten different locations throughout the Town.
 - 2018/2019 fiscal year expenditures totaled \$29,678.
- The Town of Hilliard expended funds to patch 2,722 square feet of asphalt pavement in nineteen different location throughout the Town.
 - 2018/2019 fiscal year expenditures totaled \$11,647.

Work In Process – FEMA #Z0219 Orange Street Box Culvert Replacement Project

- The Town of Hilliard received funds through The State of Florida, Division of Emergency Management following Hurricane Irma. Federal obligated funds \$1,245,121 (90%) and State obligated funds \$69,174 (5%), with the local participation \$69,174 (5%) total eligible obligated project totaling \$1,383,468.
 - 2018/2019 fiscal year expenditures totaled \$88,300.

Machinery & Equipment

- The Town of Hilliard expended funds to purchase equipment to make drainage and streets improvements. The equipment consisted of the following:

Kubota Excavator (mini)	\$52,388.
Big Tex Trailer	\$ 5,368.
John Deere Utility Vehicle	\$10,000.

 - 2018/2019 fiscal year expenditures totaled \$67,756.

TRANSPORTATION – AIRPARK:

Land

Project completed fiscal year 2018/2019 – Environmental Study \$143,142.

- Federal grant funds provided by the Federal Aviation Administration (FAA) Air Grant, consisting of 90% grant funding, for the following project: Conduct Environmental Study for the Acquisition of Runway 18/36 Protection Zone Land, totaling \$131,478.
 - 2018/2019 fiscal year federal expenditures totaled \$10,989.
 - 2018/2019 fiscal year federal project completed totaling \$128,828.
- State grant funds provided by the Florida Department of Transportation (FDOT) Joint Participation Agreement (JPA), consisting of 10% state match grant funding for the following project: Hilliard Airpark – Environmental Assessment for Pea Farm Road relocation totaling \$14,610.
 - 2018/2019 fiscal year state expenditures totaled: \$1,221.
 - 2018/2019 fiscal year state project completed totaling \$14,314.

Work in Process – Land Acquisition Runway 36 (South End)

- Federal grant funds provided by the Federal Aviation Administration (FAA) Air Grant, consisting of 90% grant funding, for the following project: Acquire 5.42 AC for Runway Protection Zone RPZ to Runway 36, totaling \$150,000.
 - 2018/2019 fiscal year federal expenditures totaled \$12,100.
- State grant funds provided by the Florida Department of Transportation (FDOT) Joint Participation Agreement (JPA), consisting of 10% state grant funding for the following project: Acquire land for the Runway Protection Zone (RPZ) on the south side of the airpark which is not located within the airpark property totaling \$150,000.
 - 2018/2019 fiscal year state expenditures totaled \$1,344.

Building

Work in Process – Renovation of Existing Hangars & Design & Construct New Box Hangar

- State grant funds provided by the Florida Department of Transportation (FDOT) Joint Participation Agreement (JPA), consisting of 100% state grant funding for the following project: The renovation of existing hangars and the design and construction of new box hanger at Hilliard Airpark totaling \$240,000.
 - 2018/2019 fiscal year state expenditures totaled \$29,470.

Work in Process – Design & Construct Maintenance Building

- State grant funds provided by the Florida Department of Transportation (FDOT) Public Transportation Grant Agreement (PTGA), consisting of 100% state grant funding for the following project: Hilliard Airpark Design & Construct Maintenance Building totaling \$287,500.
 - 2018/2019 fiscal year state expenditures totaled \$16,792.

Machinery & Equipment

Work in Process – Design & Construct Security System

- State grant funds provided by the Florida Department of Transportation (FDOT) Public Transportation Grant Agreement (PTGA), consisting of 100% state grant funding for the following project: The Design and Construction of a Security Camera and Video Recording System at the Hilliard Airpark totaling \$227,000.
 - 2018/2019 fiscal year state expenditures totaled \$20,548.

CULTURE & RECREATION:

Building

- The Town of Hilliard expended funds to make improvements by painting the recreation facilities buildings to include the Oxford Street Park interior and exteriors of Fitness Center,

and exterior only of the Swimming Pool Restroom Facility and Annex Building; North Oxford Street Park exteriors only of Restroom Building; and the Buck Buchanan Park Skate Park ramps.

- 2018/2019 fiscal year expenditures totaled \$25,639.

Machinery & Equipment

- The Town of Hilliard expended funds to replace the picnic pavilion at the North Oxford Street Park with a 24' x 24' steel structure with galvanized metal roof.
 - 2018/2019 fiscal year expenditures totaled \$32,472.

PUBLIC SAFETY:

Machinery & Equipment

- The Town of Hilliard expended funds to purchase 8 SCBA Air Pack Units to replace expiring units for the Hilliard Volunteer Fire Department.
 - 2018/2019 fiscal year expenditures totaled \$61,410.
- The Hilliard Volunteer Fire Department applied for and was granted a 50/50 Forestry Fire Grant to purchase 4 Motorola APX 4000 Radios with Chargers & Accessories. The Town of Hilliard approved the purchase and the additional purchase of the replacement of the APX 1500 Base Radio with Chargers & Accessories for the Hilliard Volunteer Fire Department.
 - 2018/2019 fiscal year expenditures totaled \$16,969.

ENTERPRISE FUND

WATER & SEWER:

Plant

Project completed fiscal year 2018/2019 – CDBG Water Main & Force Main Project \$1,052,877.

- Federal grant funds provided by the Florida Department of Economic Opportunity – Community Development Block Grant in the Neighborhood Revitalization category. For a Water Main Replacement & Force Main Project totaling \$700,000. (\$697,084/actual), with the Town providing matching funds \$50,000. (\$270,841/actual). The funding for Readiness to Proceed & Construction Phase Services for this project was funded in prior fiscal years by the Town of Hilliard totaling \$84,952. The construction phase of this project span over two fiscal years as follows:
 - 2017/2018 fiscal year Town funds \$4,050. Federal funds \$312,470.
 - 2018/2019 fiscal year Town funds \$266,791. Federal funds \$384,615.

- 2018/2019 fiscal year project completed totaling \$1,052,877.
- The Town of Hilliard expended funds to make improvements to its Wastewater Treatment Facility by replacing the roof to the storage building.
 - 2018/2019 fiscal year expenditures totaled \$6,420.
- The Town of Hilliard expended funds for several areas that were in need of sewer rehabilitation around the Town.
 - 2018/2019 fiscal year expenditures totaled \$98,750.
- The Town of Hilliard expended funds for the repair and/or replacement of several inoperable fire hydrants around Town.
 - 2018/2019 fiscal year expenditures totaled \$32,749.
- The Town of Hilliard expended funds to flow test 105 fire hydrants which included all of the existing fire hydrants as well as the new fire hydrants that were added in the CDBG Water Main Project.
 - 2018/2019 fiscal year expenditures totaled \$8,500.
- The Town of Hilliard expended funds to make repairs to or replace the control panels or/and pumps in several of the Town's lift stations.
 - 2018/2019 fiscal year expenditures totaled \$47,213.

Work in Process – CDBG Water Main & Oxford Street Lift Station Fixed Generator

- Federal grant funds provided by the Florida Department of Economic Opportunity – Community Development Block Grant in the Neighborhood Revitalization category. For a Water Main Replacement & Oxford Street Lift Station Fixed Generator Project totaling \$700,000., with the Town providing matching funds \$50,000.
 - 2018/2019 fiscal year Town funds \$653. Federal funds \$2,687.

Work In Process – Water Treatment Plant & Wastewater Treatment Plant Facilities Improvements

- The Town of Hilliard expended funds to make major repairs and improvements to both the water and wastewater treatment plant facilities.
 - 2018/2019 fiscal year expenditures totaled \$38,169.

Machinery & Equipment

- The Town of Hilliard expended funds to purchase equipment to make improvements in the water and sewer department. The equipment consisted of the following:

F-350 Ford Work Truck	\$73,980.
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- Welder & Generator \$ 5,297.
 - John Deere Utility Vehicle \$10,000.
 - 2018/2019 fiscal year expenditures totaled \$89,277.
- The Town of Hilliard expended funds to purchase 2 SCBA Air Pack Units to replace expiring units at the Water & Wastewater Treatment Plant Facilities.
 - 2018/2019 fiscal year expenditures totaled \$10,979.

**Town of Hilliard, Florida
Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 801,523	\$ 775,870	\$ -	\$ -	\$ 801,523	\$ 775,870
Construction in progress	256,570	144,117		401,472	256,570	545,589
Infrastructure	2,798,822	2,823,192	8,805,081	8,013,958	11,603,903	10,837,150
Machinery and equipment	576,859	484,716	241,306	88,599	818,165	573,315
Other depreciable	135,831	156,865	-	-	135,831	156,865
Capital assets, net	<u>\$4,569,605</u>	<u>\$4,384,760</u>	<u>\$9,046,387</u>	<u>\$8,504,029</u>	<u>\$ 13,615,992</u>	<u>\$ 12,888,789</u>

Long-Term Debt – At the end of the current fiscal year, the Town of Hilliard, Florida had total outstanding bonds and compensated absences in the amount of \$4,416,029. The bond balance is not pledged by any specific tax revenue and is only secured by revenues earned in the proprietary fund.

At present the Town of Hilliard, Florida’s debt other than compensated absences is a 1996 Series Water and Sewer Revenue Bond that is financed through USDA Rural Development with a 38-year term at 4.5% interest rate and the 2010 Series Water and Sewer Revenue Bond that is also financed through USDA Rural Development with a 38-year term at 2.75% interest rate.

**Town of Hilliard, Florida
Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds payable	\$ -	\$ -	\$ 4,278,000	\$ 4,360,000	\$ 4,278,000	\$ 4,360,000
Compensated absences	94,975	83,289	43,054	38,849	138,029	122,138
Net pension liability	710,605	632,573	262,825	208,855	973,430	841,428
Other post-employment benefits	108,195	76,223	40,016	48,992	148,211	125,215
Total	<u>\$ 913,775</u>	<u>\$ 792,085</u>	<u>\$ 4,623,895</u>	<u>\$ 4,656,696</u>	<u>\$ 5,537,670</u>	<u>\$ 5,448,781</u>

The Town of Hilliard, Florida’s outstanding debt increased by \$88,889 during the current fiscal year due to scheduled payments plus the increase in compensated absences, post-employment

benefits, and the result of the implementation of GASB 68 showing the Town's proportionate share of their participation in the Florida Retirement System.

Additional information on the Town of Hilliard, Florida's long-term debt can be found in the notes to the financial statements on pages 47 - 49 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Town of Hilliard, Florida's finances and to demonstrate the Town's accountability. If you have questions concerning any of the information provided in this report or requests for additional financial information, contact the Office of the Town Clerk at 15859 West CR 108, Hilliard, Florida 32046 or (904) 845-3555.

BASIC FINANCIAL STATEMENTS

TOWN OF HILLIARD, FLORIDA
STATEMENT OF NET POSITION
September 30, 2019

	Governmental Activities	Business - type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,535,679	\$ 1,388,637	\$ 2,924,316
Accounts receivable, net	34,457	78,830	113,287
Due from other governmental units	238,679	-	238,679
Inventory	-	9,015	9,015
Prepaid items	35,614	16,427	52,041
Total current assets	1,844,429	1,492,909	3,337,338
Restricted assets:			
Educational impact fees	10,877	-	10,877
Bond interest and sinking	-	18,031	18,031
System development	-	73,228	73,228
Reserve fund	-	254,056	254,056
Customer deposits	-	129,275	129,275
Total restricted assets	10,877	474,590	485,467
Non-current assets:			
Capital assets, net	4,569,605	9,046,387	13,615,992
Total non-current assets	4,569,605	9,046,387	13,615,992
Total assets	6,424,911	11,013,886	17,438,797
DEFERRED OUTFLOWS	244,470	90,422	334,892
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	\$ 51,710	\$ 138,671	\$ 190,381
Accrued liabilities	833	52	885
Unearned revenue	5,721	16,425	22,146
Compensated absences, current	23,744	7,770	31,514
Total current liabilities (payable from current assets)	82,008	162,918	244,926
Current liabilities (payable from restricted assets):			
Accrued interest payable	-	10,357	10,357
Customer deposits	-	129,275	129,275
Revenue bonds payable, current	-	86,000	86,000
Total current liabilities (payable from restricted assets)	-	225,632	225,632
Total current liabilities	82,008	388,550	470,558

See notes to financial statements.

TOWN OF HILLIARD, FLORIDA
STATEMENT OF NET POSITION
September 30, 2019

	Governmental Activities	Business - type Activities	Total
Long-term liabilities			
Revenue bond payable	-	4,192,000	4,192,000
Accrued compensated absences	71,231	35,284	106,515
Other post-employment benefits	108,195	40,016	148,211
Net pension liability	710,605	262,825	973,430
Total long-term liabilities	890,031	4,530,125	5,420,156
Total liabilities	972,039	4,918,675	5,890,714
DEFERRED INFLOWS	\$ 59,170	\$ 21,884	\$ 81,054
NET POSITION			
Invested in long-term assets, net of related debt	4,569,605	4,768,387	9,337,992
Restricted for:			
Debt service	-	272,087	272,087
System development	-	73,228	73,228
Non-debt service expenditures	1,058,587	-	1,058,587
Educational impact fee	10,877	-	10,877
Voluntary fire department	6,543	-	6,543
Unrestricted	(7,440)	1,050,047	1,042,607
Total net position	\$ 5,638,172	\$ 6,163,749	\$ 11,801,921

TOWN OF HILLIARD, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 608,791	\$ 1,914	\$ -	\$ -	\$ (606,877)	\$ -	\$ (606,877)
Public safety	136,599	-	-	6,927	(129,672)	-	(129,672)
Transportation	599,158	-	-	92,462	(506,696)	-	(506,696)
Health services	9,392	-	-	-	(9,392)	-	(9,392)
Culture and recreation	419,220	153,158	-	-	(266,062)	-	(266,062)
Total governmental activities	1,773,160	155,072	-	99,389	(1,518,699)	-	(1,518,699)
Business-type activities							
Water and sewer services	1,385,140	999,982	-	384,614	-	(544)	(544)
Interest on long-term debt	133,048	-	-	-	-	(133,048)	(133,048)
Total business-type activities	1,518,188	999,982	-	384,614	-	(133,592)	(133,592)
Total government	\$ 3,291,348	\$ 1,155,054	\$ -	\$ 484,003	(1,518,699)	(133,592)	(1,652,291)
General revenues							
Taxes					258,305	-	258,305
Intergovernmental					1,199,946	-	1,199,946
Licenses and permits					60,139	-	60,139
Franchise fees					184,419	-	184,419
Fines and forfeitures					4,946	-	4,946
Rents and leases					13,452	14,979	28,431
Interest					49,757	36,693	86,450
Other fees and miscellaneous					31,644	22,865	54,509
Interfund transfers					(619,272)	619,272	-
Total general revenues					1,183,336	693,809	1,877,145
Change in net position					(335,363)	560,217	224,854
Net position - beginning					5,973,535	5,603,532	11,577,067
Net position - ending					\$ 5,638,172	\$ 6,163,749	\$ 11,801,921

TOWN OF HILLIARD, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2019

	General Fund	Special Revenue		Total Governmental Funds
		Local Option Gas Tax Fund	Discretionary Sales Tax Fund	
ASSETS				
Cash and cash equivalents	\$ 544,190	\$ 150,265	\$ 841,224	\$ 1,535,679
Accounts receivable	34,457	-	-	34,457
Due from other governmental units	178,124	18,210	42,345	238,679
Prepaid items	35,614	-	-	35,614
	<u>792,385</u>	<u>168,475</u>	<u>883,569</u>	<u>1,844,429</u>
Restricted assets				
Restricted cash and cash equivalents	10,877	-	-	10,877
Total assets	<u>803,262</u>	<u>168,475</u>	<u>883,569</u>	<u>1,855,306</u>
LIABILITIES				
Accounts payable	51,710	-	-	51,710
Accrued liabilities	833	-	-	833
Unearned revenue	5,721	-	-	5,721
Total liabilities	<u>58,264</u>	<u>-</u>	<u>-</u>	<u>58,264</u>
FUND BALANCES				
Nonspendable - prepaid items	35,614	-	-	35,614
Restricted	6,543	168,475	883,569	1,058,587
Unassigned	702,841	-	-	702,841
Total fund balances	<u>\$ 744,998</u>	<u>\$ 168,475</u>	<u>\$ 883,569</u>	<u>1,797,042</u>

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 governmental funds.	4,569,605
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds.	244,470
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the governmental funds.	(59,170)
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds	(913,775)
Net assets of governmental activities	<u><u>\$ 5,638,172</u></u>

TOWN OF HILLIARD, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended September 30, 2019

	General Fund	Special Revenue		Total Governmental Funds
		Local Option Gas Tax Fund	Discretionary Sales Tax Fund	
REVENUES				
Property taxes	\$ 178,257	\$ -	\$ -	\$ 178,257
Other taxes	99,817	-	-	99,817
Intergovernmental	676,529	168,475	434,562	1,279,566
Licenses and permits	60,139	-	-	60,139
Franchise fees	184,419	-	-	184,419
Fines and forfeitures	4,946	-	-	4,946
Charges for service	155,072	-	-	155,072
Rents and leases	13,452	-	-	13,452
Other fees and miscellaneous	31,644	-	-	31,644
Total revenues	1,404,275	168,475	434,562	2,007,312
EXPENDITURES				
Current				
General government	475,814	-	-	475,814
Public safety	74,128	-	-	74,128
Transportation	389,870	-	-	389,870
Health services	9,392	-	-	9,392
Culture and recreation	338,130	-	-	338,130
Capital outlay	546,533	-	-	546,533
Total expenditures	1,833,867	-	-	1,833,867
Excess (deficit) of revenues over expenditures	(429,592)	168,475	434,562	173,445
OTHER FINANCING SOURCES (USES)				
Interest income	36,692	-	13,065	49,757
Interfund transfers in	900,996	-	-	900,996
Interfund transfers out	(557,512)	-	(962,756)	(1,520,268)
Total other financing sources (uses)	380,176	-	(949,691)	(569,515)
Net change in fund balance	(49,416)	168,475	(515,129)	(396,070)
Fund balance at beginning of year	794,414	-	1,398,698	2,193,112
Fund balance at end of year	\$ 744,998	\$ 168,475	\$ 883,569	\$ 1,797,042

See notes in financial statements.

TOWN OF HILLIARD, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2019

Net change in fund balance - total governmental funds	\$	(396,070)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p style="padding-left: 20px;">Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Expenditures for capital assets	\$	546,533
Less current year depreciation		(361,688)
		184,845
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Also recognition of certain obligations related to prior and subsequent periods are not recognized in governmental funds but are recognized in the statement of activities.</p>		
Decrease in compensated absences		(11,686)
(Increase) in other post-employment benefits		(31,972)
(Increase) in net pension liability		(78,032)
Change in deferred inflows and outflows		(2,448)
		(124,138)
Change in net position of governmental activities	\$	(335,363)

**TOWN OF HILLIARD, FLORIDA
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 September 30, 2019**

	Water and Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,388,637
Accounts receivable, net	78,830
Inventory	9,015
Prepaid Items	16,427
Total current assets	1,492,909
Restricted cash and cash equivalents	
Bond interest and sinking	18,031
System development	73,228
Reserve fund	254,056
Customer deposits	129,275
Total restricted cash and cash equivalents	474,590
Noncurrent assets	
Fixed assets	
Property, plant and equipment	15,806,350
Allowance for depreciation	(6,759,963)
Total noncurrent assets	9,046,387
Total assets	11,013,886
DEFERRED OUTFLOWS	90,422
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	138,671
Accrued liabilities	52
Unearned revenue	16,425
Accrued interest	10,357
Compensated absences	7,770
Customer deposits	129,275
Revenue bonds payable, current	86,000
Total current liabilities	388,550

(continued)

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2019

	Water and Sewer Fund
Long-term liabilities	
Revenue bonds payable	\$ 4,192,000
Accrued compensated absences	35,284
Other post-employment benefits	40,016
Net pension liability	262,825
Total long-term liabilities	4,530,125
Total liabilities	4,918,675
 DEFERRED INFLOWS	 21,884
 NET POSITION	
Invested in capital assets, net of related debt	4,768,387
Restricted for:	
Debt service	272,087
System development	73,228
Unrestricted	1,050,047
Total net position	\$ 6,163,749

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2019

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Water sales	\$ 451,595
Sewer sales	460,647
Fees and penalties	87,740
Total operating revenues	<u>999,982</u>
OPERATING EXPENSES	
Water utility	
Personnel services	167,761
Operating expenses	180,603
Sewer utility	
Personnel services	251,641
Operating expenses	340,690
Depreciation expense	444,445
Total operating expenses	<u>1,385,140</u>
Total operating income (loss)	<u>(385,158)</u>
NONOPERATING REVENUES (EXPENSES)	
Grant revenue	384,614
Rentals and leases	14,979
Interest earnings	36,693
Miscellaneous income (expenses)	22,865
Interest expense	(133,048)
Interfund transfers in	619,272
Total nonoperating revenues (expenses)	<u>945,375</u>
Change in net position	560,217
Net position, beginning of year	5,603,532
Net position, end of year	<u>\$ 6,163,749</u>

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2019

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 986,268
Cash paid to suppliers	(589,949)
Cash paid to employees	(228,450)
Net cash provided by operating activities	167,869
Cash flows from non-capital related financing activities:	
Rental and lease income	14,979
Miscellaneous revenues	22,865
Transfers from other funds	620,121
Net cash provided by non-capital related financing activities	657,965
Cash flows from capital and related financing activities:	
Grant receipts	384,614
Principal payments	(82,728)
Interest payments	(133,048)
Acquisition and construction of capital assets	(986,803)
Net cash used for capital and related financing activities	(817,965)
Cash flows from investing activities:	
Investment income	36,693
Net cash provided by investing activities	36,693
Net change in cash	44,562
Cash, at beginning of year	1,818,665
Cash, at end of year	\$ 1,863,227
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (385,158)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	444,445
Changes in assets decrease (increase) and liabilities (decrease) increase:	
Accounts receivable, net	(9,525)
Prepaid items	(3,342)
Due from other governments	154,775
Deferred outflows	(9,926)
Accounts payable	(65,315)
Accrued liabilities	(12,198)
Compensated absences	4,205
Customer deposits	4,787
Other post-employment benefits	(8,976)
Deferred inflows	126
Net pension liability	53,970
Total adjustments	553,026
Net cash provided by operating activities	\$ 167,868

TOWN OF HILLIARD, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Hilliard, Florida (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB Statement 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement 34-Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments. As provided by GASB 34, the Town has elected not to report retroactive infrastructure improvements in its financial statements due to the fact that its annual revenues are less than \$10 million. The Town has implemented all other applicable provisions of this Statement.

A. Reporting Entity – The Town is a political subdivision of the State of Florida. The Town was established in Nassau County pursuant to Chapter 24561, Laws of Florida, Special Acts of 1947, as amended. It is governed by elected Town Council Members (the Council) and an elected Mayor, who are governed by federal and state statutes, regulations, and Town ordinances. The Town Clerk, who is an appointed official, is the Clerk and Chief Accountant of the Town of Hilliard, Florida.

The Town maintains its accounts in accordance with the uniform classification of accounts as prescribed by the Florida Department of Financial Services, pursuant to Section 218.33, *Florida Statutes*.

The basic financial statements of the Town for the year ended September 30, 2019, were prepared in accordance with accounting principles generally accepted in the United States of America.

There are no entities that are classified as component units who are financially accountable to the Town of Hilliard, Florida.

B. Measurement Focus and Basis of Accounting - The basic financial statements of the Town are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 - Accounting and Financial Reporting for Nonexchange Transactions.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. As applicable, the Town also chooses to eliminate the indirect costs between governmental activities to avoid the "doubling up" effect.

2. Fund Financial Statements

The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be 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. Governmental 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.

Fund financial statements for the Town's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate for governmental and enterprise funds.

Governmental Funds - 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are

recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, 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 only when cash is received by the Town.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be measure of "available spendable resources." Governmental funds operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Any non-current portions of long-term receivables (special assessments) due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds - The Town's Water and Sewer Enterprise Fund is a proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. The Town applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Proprietary fund operation revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

C. Basis of Accounting - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The Town has used GASB 34 minimum criteria for major fund determination. The Town has five major funds and four nonmajor funds.

1. Governmental Major Funds:

The **Discretionary Sales Tax Fund** is used for recording the discretionary sales taxes received from the State of Florida. In accordance with Nassau County ordinances, these funds are restricted for operational expenses of any infrastructure and any other purpose, excluding debt, as determined by the Town Council.

The **Local Option Gas Tax Fund** is used to record local option fuel tax revenues distributed by the State of Florida. In accordance with Chapter 336, *Florida Statutes*, these funds are restricted for transportation expenditures, including debt service and current expenditures for transportation capital projects, as determined by the Town Council.

2. Proprietary Major Fund:

The **Water and Sewer Fund** is used to account for operations either (1) that are financed, and operated in a manner similar to provide business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management, control, accountability, or other purposes.

3. Non-current Governmental Assets/Liabilities:

GASB Statement 34 requires non-current governmental assets, such as land and building, and non-current governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities column in the government-wide statement of net position.

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity

1. Cash and Investments - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, when utilized, consists of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.

2. Cash Equivalents - For purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2019, the Town's cash consisted solely of checking accounts and money market accounts; it has no other cash equivalents.

3. Allowance for Doubtful Accounts - The Town provides an allowance for Water and Sewer Fund accounts receivable that may become uncollectible. At September 30, 2019, this allowance account totaled \$28,759 based upon prior collection history. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered to be fully collectible as reported at September 30, 2019.

4. **Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."
5. **Inventories** - The costs of governmental inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any such inventory type goods on hand at year end would not be material.
6. **Restricted Assets** - As applicable, year to year, certain proceeds of enterprise fund debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The customer deposits account is used to accept and refund deposits paid by customers for utility services.

The system development account retains impact fees and is restricted for expansion of the town's water and sewer plant.

The education impact fee account is used to accept money and is collected for the Nassau County School Board (the Board). These funds are remitted quarterly to the Board and the Town retains a three percent administration fee. The funds retained by the Town through the administration fee are not subject to any use restrictions.

The voluntary fire department account is used to accept donations on behalf of the Town's voluntary fire department. These funds are used in accordance with the department's direction based upon their operational needs.

7. **Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the Town.
8. **Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, right-of-ways, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Buildings	39 - 40
Infrastructure	10 - 30
Machinery and equipment	5 - 20
Plant	45
Improvements	15 - 25
Computer equipment	5

- 9. Capitalization of Interest** - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the Town did not have any capitalized interest.
- 10. Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. At September 30, 2019, the Town reported \$22,146 in unearned revenues.
- 11. Accrued Compensated Absences** - The Town accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.
- 12. Capital Contributions** - Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.
- 13. Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on pensions in the government-wide statement of net position. Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Town's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which is related to pensions and another related to other post-employment benefits (OPEB). Deferred inflows on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Town's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Deferred inflows on OPEB relate to differences between expected and actual experience.

14. Fund Balances -

A. Governmental Funds

As of September 30, 2019, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Commission. The Commission is the highest level of decision making authority for the Commission. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Commission.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's adopted policy, only the Commission may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of September 30, 2019, fund balances are composed of the following:

	<u>General Fund</u>	<u>Local Option Gas Tax Fund</u>	<u>Sales Tax Fund</u>	<u>Total</u>
Nonspendable	\$ 35,614	\$ -	\$ -	\$ 35,614
Restricted	6,543	168,475	883,569	1,058,587
Unassigned	702,841	-	-	702,841
	<u>\$ 744,998</u>	<u>\$ 168,475</u>	<u>\$ 883,569</u>	<u>\$ 1,797,042</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an

expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spend first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commission has provided otherwise in its commitment or assignment actions.

B. Proprietary Funds

Restrictions of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses.

As of September 30, 2019, net position balances are composed of the following:

	<u>Water and Sewer Fund</u>
Nonspendable	\$ 4,768,387
Restricted	345,315
Unrestricted	1,050,047
	<u>\$ 6,163,749</u>

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

A. Explanation of Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position.

“Total fund balances” of the Town’s governmental funds \$1,790,115 differs from “net position” of governmental activities \$5,631,245 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 8,614,002
Accumulated depreciation	<u>(4,044,397)</u>
Total	<u>\$ 4,569,605</u>

Long-term debt transactions

Long-term liabilities applicable to the Town’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2019, were:

Compensated absences	\$ (94,975)
Other post-employment benefits	(108,195)
Net pension liability	<u>(710,605)</u>
	<u>\$ (913,775)</u>

Deferred outflows/inflows of resources

Deferred outflows of resources represent a consumption of net position in a future period while deferred inflows of resources represent an acquisition of net position in a future period and accordingly, are not reported in the governmental fund statements. However, the statement of net position included those deferred outflows/inflows of resources.

Deferred outflows	\$ 244,470
Deferred inflows	<u>(59,170)</u>
	<u>\$ 185,300</u>

TOWN OF HILLIARD, FLORIDA

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

A. Explanation of Differences Between the Government Fund Balance Sheet and the Government-wide Statement of Net Position

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long - Term Debt Transactions	Eliminations	Statement of Net Position
ASSETS						
Current assets						
Cash and cash equivalents	\$ 1,535,679	\$ -	\$ -	\$ -	\$ -	\$ 1,535,679
Accounts receivable	34,457	-	-	-	-	34,457
Due from other governmental units	238,679	-	-	-	-	238,679
Prepaid items	35,614	-	-	-	-	35,614
	<u>1,844,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,844,429</u>
Restricted assets						
Restricted cash and cash equivalents	10,877	-	-	-	-	10,877
Capital assets, net	-	4,569,605	-	-	-	4,569,605
Total assets	<u>1,855,306</u>	<u>4,569,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,424,911</u>
	-	-	244,470	-	-	244,470
DEFERRED OUTFLOWS						
LIABILITIES						
Accounts payable	51,710	-	-	-	-	51,710
Accrued liabilities	833	-	-	-	-	833
Unearned revenue	5,721	-	-	-	-	5,721
Compensated absences	-	-	-	94,975	-	94,975
Other post-employment benefits	-	-	-	108,195	-	108,195
Net pension liability	-	-	-	710,605	-	710,605
Total liabilities	<u>58,264</u>	<u>-</u>	<u>-</u>	<u>913,775</u>	<u>-</u>	<u>972,039</u>
	-	-	59,170	-	-	59,170
DEFERRED INFLOWS						
FUND BALANCES/NET POSITION						
Invested in capital assets	-	4,569,605	-	-	-	4,569,605
Nonspendable - prepaid items	35,614	-	-	-	-	35,614
Restricted	1,058,587	-	-	-	-	1,058,587
Unassigned	702,841	-	185,300	(913,775)	-	(25,634)
Total fund balances/net position	<u>\$ 1,797,042</u>	<u>\$ 4,569,605</u>	<u>\$ 185,300</u>	<u>\$ (913,775)</u>	<u>\$ -</u>	<u>\$ 5,638,172</u>

B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for governmental funds \$(396,070) differs from the “change in net position” for governmental activities \$(335,363) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense charges for the year.

Capital outlay	\$ 546,533
Depreciation expense	(361,688)
Difference	<u>\$ 184,845</u>

Long-term debt related items

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net increase in compensated absences	\$ (11,686)
Net increase in other post-employment benefits	(31,972)
Net increase in net pension liability	(78,032)
	<u>\$ (121,690)</u>

Deferred outflows/inflows of resources

Recognition of certain obligations related to prior and subsequent periods are not recognized in governmental funds.

Net decrease in deferred outflows	\$ (21,006)
Net increase in deferred inflows	18,558
	<u>\$ (2,448)</u>

TOWN OF HILLIARD, FLORIDA

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

B. Explanation of Differences Between Government Fund Operating Statements and the Statement of Activities

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long-Term Debt/Elimination Transactions	Statement of Activities
REVENUES					
Property taxes	\$ 178,257	\$ -	\$ -	\$ -	\$ 178,257
Other taxes	99,817	-	-	-	99,817
Intergovernmental	1,279,566	-	-	-	1,279,566
Licenses and permits	60,139	-	-	-	60,139
Franchise fees	184,419	-	-	-	184,419
Fines and forfeitures	4,946	-	-	-	4,946
Charges for service	155,072	-	-	-	155,072
Rents and leases	13,452	-	-	-	13,452
Other fees and miscellaneous	31,644	-	-	-	31,644
Total revenues	<u>2,007,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,007,312</u>
EXPENDITURES					
Current expenditures					
General government	475,814	42,987	7,154	82,836	608,791
Public safety	74,128	62,471	-	-	136,599
Transportation	389,870	165,099	(11,726)	55,915	599,158
Health services	9,392	-	-	-	9,392
Culture and recreation	338,130	91,131	7,020	(17,061)	419,220
Capital outlay	546,533	(546,533)	-	-	-
Total expenditures	<u>1,833,867</u>	<u>(184,845)</u>	<u>2,448</u>	<u>121,690</u>	<u>1,773,160</u>
Excess (deficit) of revenues over expenditures	173,445	184,845	(2,448)	(121,690)	234,152
OTHER FINANCING SOURCES (USES)					
Interest income	49,757	-	-	-	49,757
Interfund transfers in	900,996	-	-	(900,996)	-
Interfund transfers out	(1,520,268)	-	-	900,996	(619,272)
Total other financing sources (uses)	<u>(569,515)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(569,515)</u>
Net change in fund balance	(396,070)	184,845	(2,448)	(121,690)	(335,363)
Fund balance at beginning of year	2,193,112	4,384,760	187,748	(792,085)	5,973,535
Fund balance at end of year	<u>\$ 1,797,042</u>	<u>\$ 4,569,605</u>	<u>\$ 185,300</u>	<u>\$ (913,775)</u>	<u>\$ 5,638,172</u>

NOTE 3. LEGAL COMPLIANCE–BUDGETS

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

1. Prior to September 1, the Town Clerk develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted by the Town Council through passage of an ordinance.
4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the Town Council.
5. Budgets for all Town funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Council.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The bank balances of the Town deposits totaling \$517,289 were insured by federal depository insurance or pledged collateral under state law. Other Town funds totaling \$2,942,780 were invested in Local Government Surplus Funds Trust (Florida PRIME) and are included as cash equivalents in the Statement of Net Position due to their short maturities. These funds are covered by federal depository insurance or pledged collateral under state law. Funds in the amount of \$600 remained uninvested for use as petty cash in the Town's daily operations.

Investments. The Town's investment in Florida PRIME is administered by the Florida State Board of Administration (SBA). Florida PRIME is an external investment pool that is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. Florida PRIME is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME. Additionally, the State of Florida, Office of the Auditor General performs the operational audit of the activities and investments of the SBA. Throughout the year and as of September 30, 2019, Florida PRIME contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one- and three-month LIBOR. These floating rate and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Exposure to a single issuer is limited to 5% of the portfolio's amortized cost. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The current rating for the Florida PRIME is AAAM by Standard and Poors. The weighted average of days to maturity of the Florida PRIME at September 30, 2019 is 33 days. The fair value of the Town's position in the pool approximates the value of the pool shares. At September 30, 2019, the Town had \$2,942,780 invested in Florida PRIME. Florida PRIME's most recent financial statements can be found at <https://www.sbafla.com/prime/Audits/tabid/582Default.aspx>.

Credit Risk. Investments in the Florida State Board of Administration Pools (SBA) consist of the Local Government Surplus Funds Trust (Florida PRIME). The Florida PRIME is rated by Standard

and Pooors. The current rating is AAAM. The Investment Manager of the Florida PRIME manages credit risk by purchasing only high quality securities, performing a credit analysis to develop a database of issuers and securities that meet the Investment Manager's minimum standard and by regularly reviewing the portfolio's securities financial data, issuer news and developments, and ratings of the nationally recognized statistical rating organizations.

Interest Rate Risk. The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2019 was 37 days. The next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

Fair Value Measurements

In February 2015, GASB issued GASB Statement No. 72. GASB 72 applicability related to the application of fair value is limited to assets and liabilities that are currently measured at fair value and certain investments that are not currently measured at fair value.

Florida PRIME currently meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Therefore, the participant account balance is considered the fair value of the investment. Florida PRIME investment is exempt from the GASB 72 fair value hierarchy disclosures.

As of September 30, 2019, the Town's investment in the Florida PRIME investment pool is rated AAAM by Standard & Pooors.

Investment Objectives

The primary investment objectives for Florida PRIME, in priority order, are safety, liquidity, and competitive returns with minimization of risks. Investment performance of Florida PRIME will be evaluated on a monthly basis against the Standard & Pooors U.S. AAA & AA Rated GIP All 30 Day Net Yield Index. While there is no assurance that Florida PRIME will achieve its investment objectives, it endeavors to do so by following the investment strategies described in this Policy.

Interest Rate Risk

The dollar weighted average days to maturity (WAM) of Florida PRIME at September 30, 2019, is 37 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at September 30, 2019, is 85 days.

Foreign Currency Risk

Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2018 through September 30, 2019.

Securities Lending

Florida PRIME did not participate in a securities lending program in the period October 1, 2018 through September 30, 2019.

Fair Value Hierarchy

Florida PRIME currently meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost; therefore, participant account balances should be also reported at amortized cost.

NOTE 5. PROPERTY TAX REVENUES

All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified by the County Property Appraiser. The County Tax Collector mails to each property owner on the assessment roll a notice of taxes levied by the Town and other governmental entities in the County. Taxes may be paid upon receipt of such notice with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount. All unpaid taxes on real and tangible personal property become delinquent taxes, including applicable tax certificate sales, tax deed sales, and tangible personal property seizure and sales are provided for by the laws of Florida. Due to those collection procedures, no material amounts of delinquent taxes were due the Town at year end. Collections of Town taxes and remittances are accounted for in the County Tax Collector's office.

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Reclassifications	Additions	Deletions	Ending Balance
Governmental activities:					
Capital assets:					
Land	\$ 775,870	\$ -	\$ 25,653	\$ -	\$ 801,523
CIP	144,117	(81,333)	193,786	-	256,570
Buildings	3,818,843	-	97,538	-	3,916,381
Infrastructure	1,747,095	81,333	50,949	-	1,879,377
Machinery and equipment	1,415,318	-	178,607	(52,168)	1,541,757
Other depreciable assets	218,394	-	-	-	218,394
Total capital assets	8,119,637	-	546,533	(52,168)	8,614,002
Less accumulated depreciation	(3,734,877)	-	(361,688)	52,168	(4,044,397)
Governmental activities capital assets, net	\$ 4,384,760	\$ -	\$ 184,845	\$ -	\$ 4,569,605
Business-type activities:					
CIP	\$ 401,472	\$ (401,472)	\$ -	\$ -	\$ -
Buildings and improvements	14,047,358	401,472	801,165	-	15,249,995
Machinery and equipment	370,718	-	185,638	-	556,356
Total capital assets	14,819,548	-	986,803	-	15,806,351
Less accumulated depreciation	(6,315,519)	-	(444,445)	-	(6,759,964)
Business-type activities capital assets, net	\$ 8,504,029	\$ -	\$ 542,358	\$ -	\$ 9,046,387

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

Governmental activities:	
General Government	\$ 42,987
Public Safety	62,471
Transportation	165,099
Parks and recreation	91,131
Total depreciation expense - governmental entities	\$ 361,688
Business-type activities:	
Water and sewer utility	\$ 444,445

NOTE 7. INTERFUND TRANSFERS

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

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 900,996	\$ 557,512
Discretionary Sales Tax	-	962,756
Water and Sewer	619,272	-
	<u>\$ 1,520,268</u>	<u>\$ 1,520,268</u>

Transfers were used for grant matching fund reimbursements and capital projects.

NOTE 8. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2019, were as follows:

	<u>Accounts</u>	<u>Due from Others/ Governmental Units</u>	<u>Total Receivables</u>
Governmental activities:	\$ 34,457	\$ 238,679	\$ 273,136
Business-type activities:	78,830	-	78,830
	<u>\$ 113,287</u>	<u>\$ 238,679</u>	<u>\$ 351,966</u>

Based upon collection history, the Town has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$28,759.

Payables

Payables at September 30, 2019, were as follows:

	<u>Vendors</u>
Governmental activities:	\$ 51,710
Business-type activities:	138,671
	<u>\$ 190,381</u>

NOTE 9. OPERATING LEASES

The Town has an operating lease agreement for postage equipment with Pitney Bowes Credit Corporation. Under the terms of this lease, the Town is obligated to pay sixty monthly payments of \$54. The future minimum lease payments at September 30, 2019, are as follows:

<u>September 30</u>	<u>Minimum Lease Payments</u>
2020	\$ 648
2021	540
	<u>\$ 1,188</u>

NOTE 10. LONG-TERM LIABILITIES

Governmental Activities

Summary of changes in governmental activities long-term liabilities

The following summarizes the changes in the Town’s governmental long-term liabilities during the year ended September 30, 2019:

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019	Due Within One Year
Compensated absences	\$ 83,289	\$ 35,088	\$ (23,402)	\$ 94,975	\$ 23,744
Other post-employment benefits	76,223	31,972	-	108,195	-
Net pension liability	632,573	78,032	-	710,605	-
Total	\$ 792,085	\$ 145,092	\$ (23,402)	\$ 913,775	\$ 23,744

Business-type Activities

A summary of proprietary fund debt as of September 30, 2019, follows:

Water and Sewer Revenue Bonds 1996 - The Town issued Water and Sewer Revenue Bonds, Series 1996 to finance the costs of acquisition, construction of additions, extensions and improvements to the Town's water and sewer system. The bonds were secured by gross revenues of the Town's water and sewer system. The bonds covenants specify that the Town must fund and maintain a sinking fund by depositing one-twelfth of the yearly principal and interest payments in a sinking fund. The bonds covenants also require that a reserve fund be established by depositing a monthly amount of \$481 in a reserve fund until a balance of \$57,671 is achieved. Funds in the Reserve Account may be used to (1) pay the cost of repairing or replacing any damage to the system which shall be caused by an unforeseen catastrophe, (2) constructing improvements or extensions to the system which shall increase its net revenues and which shall be approved by the consulting engineers, and (3) paying the principal of and interest on the bonds in the event that the moneys in the sinking fund shall ever be insufficient to meet such payments. The bonds bear interest at a rate of 4.5% per annum. Such bonds are payable annually on September 1st of each year through 2038.

In the event of default, the bond holder has the right to take whatever action necessary to collect the amounts due and may, at their option, declare the outstanding principal and accrued interest to be due and payable immediately and may take possession of the water and wastewater system to repair, maintain, operate or rent the facilities as may be necessary to cure the default.

Water and Sewer Revenue Bonds 2010 - The Town issued Water and Sewer Revenue Bonds, Series 2010 to refund the Tax Anticipation Notes, Series 2011, in the amount of \$3,873,000. The Tax Anticipation Notes, Series 2011 were issued for interim financing to acquire and construct additions, extensions and improvements to the Town's water and sewer system. The bonds were secured by gross revenues of the Town's water and sewer system. The bonds covenants specify that the Town must fund and maintain a sinking fund by depositing one-twelfth of the yearly principal and interest payments in a sinking fund. The bonds covenants also require that a reserve fund be established, not expected to exceed \$247,070, to (1) pay the cost of repairing or replacing any damage to the system which shall be caused by an unforeseen catastrophe, and (2) paying

operating expenses and debt service expenditures on the bonds in the event that the moneys in the sinking fund shall ever be insufficient to meet such payments. The bonds bear interest at a rate of 2.75% per annum. Such bonds are payable annually on September 1st of each year through 2051.

In the event of default, the bond holder has the right to take whatever action necessary to collect the amounts due and may, at their option, declare the outstanding principal and accrued interest to be due and payable immediately and may take possession of the water and wastewater system to repair, maintain, operate or rent the facilities as may be necessary to cure the default.

Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water and sewer system improvements	4.50%	\$ 726,000
Water and sewer system improvements	2.75%	3,552,000
		<u>\$ 4,278,000</u>

Future principal and interest payments for these bonds are as follows:

<u>Fiscal Year Ending September</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 86,000	\$ 130,350	\$ 216,350
2021	89,000	127,548	216,548
2022	92,000	124,645	216,645
2023	95,000	121,643	216,643
2024	100,000	118,540	218,540
2025-2029	560,000	540,985	1,100,985
2030-2034	678,000	441,298	1,119,298
2035-2039	762,000	320,392	1,082,392
2040-2044	664,000	214,417	878,417
2045-2049	793,000	116,297	909,297
2050-2051	359,000	14,905	373,905
	<u>\$ 4,278,000</u>	<u>\$ 2,271,020</u>	<u>\$ 6,549,020</u>

A schedule of changes in proprietary fund debt follows:

	<u>Balance October 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2019</u>	<u>Due Within One Year</u>
Bonds payable	\$ 4,360,000	\$ -	\$ (82,000)	\$ 4,278,000	\$ 86,000
Other post-employment benefits	48,992	-	(8,976)	40,016	-
Compensated absences	38,849	19,999	(15,794)	43,054	7,770
Net pension liability	208,855	53,970		262,825	-
	<u>\$ 4,656,696</u>	<u>\$ 73,969</u>	<u>\$ (106,770)</u>	<u>\$ 4,623,895</u>	<u>\$ 93,770</u>

NOTE 11. COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS - FLORIDA RETIREMENT SYSTEM PENSION PLAN AND THE RETIREE HEALTH INSURANCE SUBSIDY PROGRAM

Florida Retirement System

General Information - All of the Town's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, *Florida Statutes*, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, *Florida Statutes*, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

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.

Pension Plan

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0%

(3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, *Florida Statutes*, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three 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 three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019, respectively, were as follows: Regular—8.26% and 8.47%; Special Risk Administrative Support—34.98% and 38.59%; Special Risk—24.50% and 25.48%; Senior Management Service—24.06% and 25.41%; Elected Officers'—48.70% and 48.82%; and DROP participants—14.03% and 14.60%. These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019, respectively.

The Town's contributions, including employee contributions, to the Pension Plan totaled \$71,541 for the fiscal year ended September 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2019, the Town reported a liability of \$740,151 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Town's proportionate share of the net pension liability was based on the Town's 2018-19 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2019, the Town's proportionate share was 0.002149189 percent, which was an increase of 2.63 percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the Town recognized pension expense of \$71,541. In addition the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,900	\$ 459
Changes in assumptions	190,103	-
Net difference between projected and actual earnings on Pension Plan investments	-	40,949
Changes in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	24,218	8,663
Town Pension Plan contributions subsequent to the measurement date	18,573	-
Total	\$ 276,794	\$ 50,071

The deferred outflows of resources related to the Pension Plan, totaling \$18,573 resulting from Town 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 September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2020	\$ 75,488
2021	22,772
2022	55,020
2023	41,505
2024	10,704
Thereafter	2,661
	\$ 208,150

Actuarial Assumptions – The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.90%, 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, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. 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>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.30%	3.30%	1.20%
Fixed Income	18.00%	4.10%	4.10%	3.50%
Global Equity	54.00%	8.00%	6.80%	16.50%
Real Estate	11.00%	6.70%	6.10%	11.70%
Private Equity	10.00%	11.20%	8.40%	25.80%
Strategic Investments	6.00%	5.90%	5.70%	6.70%
Total	100.00%			
Assumed Inflation - Mean			2.60%	1.70%

(1) As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 6.90%. The Pension 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 calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate:

	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
Town's proportionate share of the net pension liability	<u>\$ 1,279,475</u>	<u>\$ 740,151</u>	<u>\$ 289,725</u>

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension 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 Pension Plan - At September 30, 2019, the Town had no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2019.

HIS Plan

Plan Description - The 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 September 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2019, the HIS contribution for the period October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019 was 1.66% and 1.66%, respectively. The Town contributed 100% of its statutorily required contributions for the current and preceding three 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 legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town’s contributions including employee contributions to the HIS Plan totaled \$12,428 for the fiscal year ended September 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2019, the Town reported a liability of \$233,279 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Town’s proportionate share of the net pension liability was based on the Town’s 2018-19 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2019, the Town’s proportionate share was 0.002084895 percent, which was an increase of 4.74 percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the Town recognized pension expense of \$7,541. In addition the Town reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,833	\$ 286
Changes in assumptions	27,011	19,066
Net difference between projected and actual earnings on HIS Plan investments	151	-
Changes in proportion and differences between Town HIS Plan contributions and proportionate share of contributions	14,738	6,812
Town HIS Plan contributions subsequent to the measurement date	3,162	-
Total	\$ 47,895	\$ 26,164

The deferred outflows of resources related to the HIS Plan, totaling \$3,162 resulting from Town contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2020	\$ 7,913
2021	6,333
2022	3,468
2023	(2,517)
2024	457
Thereafter	2,915
	<u>\$ 18,569</u>

Actuarial Assumptions - The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.50%

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

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 3.50%. 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 Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 3.50%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Town's proportionate share of the net pension liability	<u>\$ 266,300</u>	<u>\$ 233,279</u>	<u>\$ 205,776</u>

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS 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 Pension Plan - At September 30, 2019, the Town had no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2019.

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

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. Town 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, Elected Town Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2018-19 fiscal year, as established by Section 121.72, *Florida Statutes*, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and Town Elected Officers class 11.34%.

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 Pension Plan is transferred to the Investment Plan, the member must have the years of service required for 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. For the fiscal year ended September 30, 2019, 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 Town.

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 Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Town did not have any participants in the Investment Plan for the fiscal year ended September 30, 2019.

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Town has previously established and maintains an employee group health insurance plan (the Plan) that it makes available to eligible retirees in accordance with the State of Florida law and City ordinance. The Plan is a single employer, experience rated insurance plan that provides medical, dental and vision benefits to eligible retirees and their eligible dependents. The postretirement benefit portion of the Plan refers to the medical, dental and vision benefits applicable to current and future retirees and their eligible dependents. The Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

Membership of each plan consisted of the following:

Date of Actuarial Valuation:	<u>9/30/2019</u>
Retirees and Beneficiaries Receiving Benefits	-
Active Plan Members	<u>16</u>
Total	<u><u>16</u></u>

Funding Policy

In prior years, the Town has followed a pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit cost and expenses. The contribution requirements of plan members, if any, are established by the Town. Eligible retirees pay the full cost of blended rate premiums associated with the medical plan elected; no direct Town subsidy is currently applicable. However, there are implicit costs of the medical plan for retirees, as their claims experience is higher than the blended rate premiums. State of Florida Law prohibits the Town from separately rating retirees and active employees specifically for medical plan benefits. The Town, therefore, assigns eligible active employees and eligible retirees equal, blended-rate premiums and makes available to both groups the same plan options. Although both groups are assigned the same blended rate premiums, generally accepted auditing principles (GAAP) requires the actuarial liabilities presented below to be calculated using age-adjusted premiums approximating claim costs for eligible retirees separate from active eligible members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

Due to the fact that no retirees participated in the plan during the year, management determined that its OPEB obligation at year end would be of a de minimis amount. Management will monitor this situation in the future and take appropriate steps to properly comply with GASB Statement 75.

Basis of Accounting

The OPEB is recorded in the government-wide financial statements, and the enterprise fund only on the accrual basis of accounting.

Annual OPEB Costs and Net OPEB Obligation

The Annual OPEB Cost is the amount that was expensed for the fiscal year. For the year ended September 30, 2019, the Town recognized an OPEB expense of \$12,192. Since the Town's OPEB plan is currently unfunded, the offset to that expense comes from subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution, and equals the total age-adjusted premiums paid by the Town for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year). The cumulative difference between the Annual OPEB Cost for the year and the Employer Contribution for the year is called the Net OPEB Obligation. The Net OPEB Obligation is reflected as a liability in the statement of net position.

Total OPEB Liability – The Town's total OPEB liability as of September 30, 2019 was determined by an actuarial valuation as of October 1, 2018 using September 30, 2019 as the measurement date. The actuarial assumptions used in the October 1, 2018 valuation were as follows:

Inflation	Same as healthcare cost trend rate
Salary Increases	3.00%
Discount Rate	3.58%
Initial Trend Rate	8.00% for 2018
Ultimate Trend Rate	5.00%
Year to Ultimate Trend Rate	7

Mortality rates were based on the RP-2014 mortality table with the MP 2016 mortality improvement scale

The discount rate used to discount all future benefit payments is 3.58% per annum and is based on the return of the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

Changes in the Total OPEB Liability:

	Total OPEB Liability
Reporting period ending September 30, 2018	<u>\$ 125,215</u>
Changes for the year:	
Service Cost	7,102
Interest	4,558
Difference between expected and actual experience	10,321
Changes in assumptions	<u>1,015</u>
Net changes	<u>22,996</u>
Reporting period ending September 30, 2019	<u><u>\$ 148,211</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following table presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total other postemployment benefits liability	\$ 165,143	\$ 148,211	\$ 131,279

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following table presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage-point lower (4.00% to 7.00%) or 1-percentage-point higher (6.00% to 9.00% than the current healthcare cost trend rates:

	1% Decrease (4.00% to 7.00%)	Current Discount Rate (5.00% to 8.00%)	1% Increase (6.00% to 9.00%)
Total other postemployment benefits liability	\$ 122,719	\$ 148,211	\$ 179,039

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2019, the Town reported an amount of \$148,211 for its OPEB liability.

For the fiscal year ended September 30, 2019, the Town recognized OPEB expense of \$10,637. In addition the Town 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	\$ 9,289	\$ 4,820
Changes in assumptions	913	-
Net difference between projected and actual earnings on OPEB Plan investments	-	-
Total	<u>\$ 10,202</u>	<u>\$ 4,820</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB Plan will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30	Amount
2020	\$ 532
2021	532
2022	532
2023	532
2024	532
Thereafter	2,722
	<u>\$ 5,382</u>

NOTE 13. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability
- Employee Dishonesty Bond

NOTE 14. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State and Federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 15. SUBSEQUENT EVENT

The Town entered into an agreement with Utility Service Company to provide service for the implementation of the Meter Maintenance Program. The program will provide electronic meter reading for the utility department. The town entered into a five-year contract, the first (5) annual fees shall be \$109,553 per contract year. There will be an additional maintenance fees of \$24,190 at each anniversary date and will be adjusted to reflect the current cost of service. The adjustment of the annual Maintenance Fee shall be limited to a maximum of 5% per annum.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) was characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HILLIARD, FLORIDA
GOVERNMENTAL FUND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2019

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 186,756	\$ 178,257	\$ 178,257	\$ -
Other taxes	94,000	99,816	99,817	1
Intergovernmental	3,055,084	695,455	676,529	(18,926)
Licenses and permits	62,600	34,285	60,139	25,854
Franchise fees	200,000	184,419	184,419	-
Fines and forfeitures	13,500	4,946	4,946	-
Charges for service	147,578	\$155,071	155,072	1
Rents and leases	13,451	\$13,451	13,452	1
Other fees and miscellaneous	25,900	21,209	31,644	10,435
Total revenues	3,798,869	1,386,909	1,404,275	17,366
EXPENDITURES				
Current				
General government				
Legislative	57,780	57,788	57,788	-
Executive	111,665	111,686	111,686	-
Finance and administration	298,138	282,208	282,355	(147)
Comprehensive planning	18,000	18,375	18,375	-
Other general government	5,000	5,610	5,610	-
Public safety	78,970	74,128	74,128	-
Transportation	402,295	394,370	389,870	4,500
Health Services	15,000	9,392	9,392	-
Culture and recreation	273,919	338,129	338,130	(2)
Capital outlay	3,468,706	546,221	546,533	(312)
Total expenditures	4,729,473	1,837,907	1,833,867	4,040
Excess (deficit) of revenues over expenditures	(930,604)	(450,998)	(429,592)	21,406
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	1,424,888	900,997	900,996	(1)
Interfund transfers out	(576,805)	(557,512)	(557,512)	-
Interest income	20,100	36,693	36,692	(1)
Total other financing sources (uses)	868,183	380,178	380,176	(2)
Net change in fund balance	(62,421)	(70,820)	(49,416)	21,404
Fund balance at beginning of year	722,293	722,289	794,414	72,125
Fund balance at end of year	\$ 659,872	\$ 651,469	\$ 744,998	\$ 93,529

TOWN OF HILLIARD, FLORIDA
SPECIAL REVENUE
LOCAL OPTION GAS TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2019

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 134,395	\$ 168,475	\$ 168,475	\$ -
Total revenues	<u>134,395</u>	<u>168,475</u>	<u>168,475</u>	<u>-</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	134,395	168,475	168,475	-
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	134,395	168,475	168,475	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ 134,395</u>	<u>\$ 168,475</u>	<u>\$ 168,475</u>	<u>\$ -</u>

TOWN OF HILLIARD, FLORIDA
SPECIAL REVENUE
DISCRETIONARY SALES TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2019

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 466,374	\$ 434,562	\$ 434,562	-
Total revenues	<u>466,374</u>	<u>434,562</u>	<u>434,562</u>	<u>-</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	466,374	434,562	434,562	-
OTHER FINANCING SOURCES (USES)				
Interest income	10,000	13,065	13,065	-
Interfund transfers in	-	-	-	-
Interfund transfers out	(1,777,083)	(962,756)	(962,756)	-
Total other financing sources (uses)	<u>(1,767,083)</u>	<u>(949,691)</u>	<u>(949,691)</u>	<u>-</u>
Net change in fund balance	(1,300,709)	(515,129)	(515,129)	-
Fund balance at beginning of year	1,138,879	1,138,879	1,398,698	259,819
Fund balance at end of year	<u>\$ (161,830)</u>	<u>\$ 623,750</u>	<u>\$ 883,569</u>	<u>\$ 259,819</u>

**TOWN OF HILLIARD, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019**

I. Stewardship, Compliance, and Accountability

A. Budgetary Information. The Town, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The Town prepares a tentative budget, which is used by the Town at a public workshop to prepare the budgets for the coming year. Public hearings are conducted to obtain taxpayer comments. Subsequently, these budgets are legally adopted through the passage of a resolution at an advertised public session. Such actions are recorded in the town's minutes.

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). The only exception to the GAAP basis is the Enterprise Fund, where depreciation is not budgeted for capital assets, while capital outlay expenditures are budgeted and are reclassified into fixed assets. These are then eliminated from the results of operations for financial reporting purposes in the Enterprise Fund. Estimated beginning fund balances are considered in the budgetary process, but are not included in the financial statements as budgeted revenues.

The annual budget serves as the legal authorization for expenditures. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the Town Council.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the Town Council, by resolution, may make supplemental appropriations for the year up to the amount of such excess.

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

1. Prior to September 1, the Town Clerk submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in August and September to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the Town Council may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.

5. **Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.**

TOWN OF HILLIARD, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFIT PLAN
SEPTEMBER 30, 2019**

The Town obtains an actuarial report every year. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the actuarial valuation follows:

Valuation date	October 1, 2018
Actuarial cost method	Aggregate actuarial cost method
Amortization method	Level dollar payment
Remaining amortization period	10 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	3.58%
Projected salary increases	3.00%
Cost-of-living adjustments	None
Healthcare inflation rates	8.00%

As of October 1, 2018, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$120,000, and the actuarial value of assets was \$-0-

The following Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) EAN (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a% of Covered Payroll ((b-1)/c)
10/01/2011	\$ -	\$ 100,000	\$ 100,000	0.0%	\$ 490,000	20.4%
10/01/2014	-	130,000	130,000	0.0%	560,000	23.0%
10/01/2017	-	120,000	120,000	1.1%	650,000	18.0%
10/01/2018	-	120,000	120,000	0.0%	730,000	16.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Annual OPEB Cost	Deferred Inflows/Outflows	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2013	\$ 20,000	\$ -	0%	\$ 20,000
9/30/2014	20,000	-	0%	40,000
9/30/2015	20,000	-	0%	60,000
9/30/2015	20,000	-	0%	80,000
9/30/2016	20,000	-	0%	100,000
9/30/2017	20,000	-	0%	120,000
9/30/2018	10,637	(5,422)	0%	125,215
9/30/2019	12,192	5,382	0%	148,211

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN OF HILLIARD'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
Town's proportion of the FRS net pension liability (asset)	0.002149189%	0.002094049%	0.002017062%	0.002102171%	0.002091187%	0.002133527%
Town's proportionate share of the FRS net pension liability (asset)	\$ 740,151	\$ 630,739	\$ 596,633	\$ 530,800	\$ 275,574	\$ 127,593
		\$ 632,757				
Town's proportion of the HIS net pension liability (asset)	0.002084895%	0.001990617%	0.001942035%	0.001970390%	0.002005955%	0.002140285%
Town's proportionate share of the HIS net pension liability (asset)	233,279	210,689	207,651	229,641	204,576	200,122
Town's proportionate share of the total net pension liability (asset)	\$ 973,430	\$ 841,428	\$ 804,284	\$ 760,441	\$ 480,150	\$ 327,715
Town's covered-employee payroll	\$ 704,569	\$ 721,827	\$ 633,480	\$ 605,259	\$ 609,954	\$ 614,541
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	138.16%	116.57%	126.96%	125.64%	78.72%	53.33%
Plan fiduciary net position as a percentage of the total pension liability	78.22%	79.86%	79.30%	79.36%	86.53%	90.67%

Note 1) The amounts presented for each year were determined as of the June 30 year end of the Florida Retirement System

*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN OF HILLIARD'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 71,541	\$ 80,142	\$ 73,631	\$ 68,901	\$ 70,234	\$ 65,999
Contractually required HIS contribution	12,428	82,160	14,412	13,575	10,495	9,862
Total Contractually Required Contributions	83,969	94,638	88,043	82,476	80,729	75,861
Contribution in relation to the contractually required contribution	(83,969)	(94,638)	(88,043)	(82,476)	(80,729)	(75,861)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 704,569	\$ 721,827	\$ 633,480	\$ 605,259	\$ 609,954	\$ 614,541
Contributions as a percentage of covered-employee payroll	11.92%	13.11%	13.90%	13.63%	13.24%	12.34%

*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
THE TOWN OF HILLIARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
REQUIRED CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
For the Fiscal Year End September 30, 2019**

Net Pension Liability

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of September 30, 2019, are shown below (in thousands):

	<u>FRS</u>	<u>HIS</u>
Total pension liability	\$ 198,012,334	\$ 11,491,044
Plan fiduciary net position	(163,573,726)	(302,045)
	<u>\$ 34,438,608</u>	<u>\$ 11,188,999</u>
 Plan fiduciary net position as a percentage of the total pension liability	 82.61%	 2.63%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2019. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2019. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the Plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2015, 2016, 2017, 2018, and 2019, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2019, in addition to contributions from employers the required accrued contributions for the Division (paid on behalf of the Division's employees who administer the Plans) were allocated to each employer on a proportionate basis. The Division administers the Plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts

applicable for that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflow of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

Actuarial Methods and Assumptions

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008 through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 2.60%. Payroll growth, including inflation, for both Plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.90%. 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.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.50% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both Plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information - See Additional Financial and Actuarial Information).

The following changes in actuarial assumptions occurred in 2019:

- **FRS:** The long-term expected rate of return was decreased from 7.00% to 6.90% and the active member mortality assumption was updated.
- **HIS:** The municipal bonds rate used to determine total pension liability was increased from 3.87% to 3.50%.

COMPLIANCE SECTION

TOWN OF HILLIARD, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2019

GRANTOR/PROGRAM TITLE	CFDA #/ CSFA #	Contract Number	Award Amount	Reported in Prior Years	Revenue	Expenditures	Accrued/ (Deferred) Revenue
Federal Awards							
Non-major programs							
<i>US DOT - Federal Aviation Administration</i>							
Airport Improvement Program	20.106	3-12-0099-011-2019	\$ 150,000	\$ -	\$ 12,100	\$ 12,100	\$ 12,100
Airport Improvement Program	20.106	3-12-0099-009-2016	131,478	117,839	10,988	10,988	-
			281,478	117,839	23,088	23,088	12,100
<i>US Department of Economic Opportunity</i>							
Community Development Block Grant	14.228	17DB-01-04-55-02-N25	700,000	312,469	384,614	384,614	-
<i>US Department of Homeland Security FEMA</i>							
Hurricane Irma	97.036	Z0219	1,107,143	-	148,921	148,921	64,755
<i>US Department of Agriculture</i>							
Cooperative Forestry Assistance	10.664	2019 Federal Cost Share	7,025	-	6,927	6,927	6,927
Total federal awards			\$ 2,095,646	\$ 430,308	\$ 563,550	\$ 563,550	\$ 83,782
State Financial Assistance							
Non-major programs							
<i>Florida Department of Transportation</i>							
FDOT Land Acquisition	55.004	GOA85	\$ 150,000	\$ 2,238	\$ 1,344	\$ 1,344	\$ 1,344
FDOT Security System	55.004	GOV13	227,000	-	20,548	20,548	20,548
FDOT Hanger Rehab	55.004	G0L61	240,000	-	29,470	29,470	29,470
FDOT Hanger Maintenance	55.004	G1755	287,500	-	16,792	16,792	16,792
FDOT Environmental Assessment	55.004	G0G27	14,610	13,093	1,221	1,221	-
			919,110	15,331	69,375	69,375	68,154
<i>Florida Division of Emergency Management</i>							
Hurricane Irma		Z0219	181,687	-	13,163	13,163	3,597
Total state financial assistance			\$ 1,100,797	\$ 15,331	\$ 82,538	\$ 82,538	\$ 71,751

TOWN OF HILLIARD, FLORIDA

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Fiscal Year Ended September 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance of the Town of Hilliard, Florida (the "Town") have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Budget *Uniform Guidance*.

A. Reporting Entity

This reporting entity consists of the Town of Hilliard, Florida, and each of its component units. The Town includes a Schedule of Expenditures of Federal Awards and State Financial Assistance in the Compliance Section for the purpose of additional analysis.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The modified accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Under the modified accrual basis, revenues are recognized when they become 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 Town considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

C. Grant Awards

As required by OMB *Uniform Guidance*, federal grant awards drawn and expended during the year are included in the Schedule of Expenditures of Federal Awards and State Financial Assistance.

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

To the Mayor and Members
of the Town Council
Town of Hilliard, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Hilliard, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Hilliard, Florida's basic financial statements, and have issued our report thereon dated February 12, 2020.

Internal Control Over Financial Reporting

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

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

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

**2009-1 (Excess of thlrd preceding year)
Financial Statement Preparation**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the Town does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in

instances where the Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge or experience to oversee service an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.”

MANAGEMENT'S RESPONSE

We agree with this finding. We are a very small government and have used our available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. Both staff and the Town Council review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the Town Council.

At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.

Compliance and Other Matters

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

Purpose of this Report

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



POWELL & JONES
Certified Public Accountants
February 12, 2020

MANAGEMENT LETTER

To the Mayor and
Members of the Town Council
Town of Hilliard, Florida

In planning and performing our audit of the financial statements of the Town of Hilliard, Florida, for the year ended September 30, 2019, we considered the Town's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. In addition to furnishing information required by Chapter 10.550, *Rules of the Auditor General*, and other compliance matters, the remaining sections of this report letter discuss these findings.

PRIOR YEAR RECOMMENDATIONS

The prior year recommendation 2018-1 concerning inventory system of the parts and supplies was substantially improved during the current year.

CURRENT YEAR FINDINGS

There were no reportable findings in the current year.

AUDITOR GENERAL AND OTHER COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the Town of Hilliard, Florida, for the fiscal year ended September 30, 2019.

Financial Emergency Status - We have determined that the Town did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.554(1)(i)5a and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

Rural Economic and Community Development Requirements - We are providing the following additional information relative to our examination of the financial statements of the Town of Hilliard, Florida, for the year ended September 30, 2019, as provided in the audit requirements for USDA-Rural Development borrowers.

1. Generally accepted auditing procedures were performed in this audit.
2. Internal control was evaluated and is discussed in the prior sections of this audit report.
3. Accounting records and physical control over assets were adequate.

4. The accounting records of the Town have been adjusted to agree with the audited financial statements.
5. The Town's funds are in institutions insured by the Federal government and are authorized depositories of Florida public funds.
6. A summary of the Town's insurance coverage is shown in the annual report to USDA-Rural Development.
7. The Town is exempt from Federal Income Tax.
8. We found nothing to indicate that financial compliance with the loan agreements had not occurred.

CONCLUSION

We have reviewed each of our specific findings with appropriate officials or employees and have provided them with documentation as requested. We very much enjoyed the challenges and experiences associated with this year's audit of the Town. We appreciate the helpful assistance and courtesy afforded us by all Town employees and look forward to working with you in the future.



POWELL & JONES
February 12, 2020

INDEPENDENT ACCOUNTANT'S REPORT

To the Mayor and
Members of the Town Council
Town of Hilliard, Florida

We have examined the Town of Hilliard, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2019. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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



POWELL & JONES
Certified Public Accountants
February 12, 2020

Communication with Those Charged with Governance

To the Town Council
Town of Hilliard
Hilliard, Florida

We have audited the financial statements of the Town of Hilliard, Florida for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Hilliard, Florida are described Note 1 to the financial statements. As described in Note 12 to the financial statements, the Town changed accounting policies related to the recognition of their proportionate share of the net pension liability of the Florida Retirement System by adopting Statement of Governmental Accounting Standards (GASB statement) No. 68, Accounting and Financial Reporting for Pension Plans, in 2019. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net position. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the Town of Hilliard, Florida's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 12, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Town Council and management of the Town of Hilliard, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



POWELL & JONES
Certified Public Accountants
February 12, 2020