

TOWN OF HILLIARD, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2020

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INTRODUCTORY SECTION

TOWN OF HILLIARD, FLORIDA

LIST OF ELECTED AND APPOINTED OFFICIALS

September 30, 2020

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

Richard C. Powell, Jr., CPA
Marian Jones Powell, CPA

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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 and each major fund of the Town of Hilliard, Florida (the Town), as of and for the year ended September 30, 2020, 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 and each major fund of the Town of Hilliard, Florida as of September 30, 2020, 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 information, 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 March 2, 2021, 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 black ink that reads "Powell & Jones". The signature is written in a cursive, flowing style.

POWELL & JONES

Certified Public Accountants

March 2, 2021

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, 2020. 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 \$12,501,510 (*net position*). Of this amount, \$731,194 (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 \$699,589. An increase of \$940,851 was attributable to governmental activities and a decrease of \$241,262 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 \$1,802,835, an increase of \$5,793 in comparison with the prior year. Of this amount, \$596,592 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 \$596,592, or 15.73% of the total general fund expenditures and transfers out.
- The Town of Hilliard, Florida's total debt increased by \$244,415 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:

	<u>Number</u>	<u>Fund Type</u>
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 - 62 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 \$12,501,510 at the close of the most recent fiscal year.

By far, the largest portion of the Town's net position (81.46%) 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, 2020

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 1,966,480	\$ 1,855,306	\$ 1,932,067	\$ 1,967,499	\$ 3,898,547	\$ 3,822,805
Capital assets, net	5,596,277	4,569,605	8,778,890	9,046,387	14,375,167	13,615,992
Total assets	<u>7,562,757</u>	<u>6,424,911</u>	<u>10,710,957</u>	<u>11,013,886</u>	<u>18,273,714</u>	<u>17,438,797</u>
Deferred outflows	274,727	244,470	117,349	90,422	392,076	334,892
Current liabilities	189,649	82,008	345,148	384,550	534,797	466,558
Long-term liabilities	1,025,108	890,031	4,542,460	4,534,125	5,567,568	5,424,156
Total liabilities	<u>1,214,757</u>	<u>12,211,025</u>	<u>4,887,608</u>	<u>4,918,675</u>	<u>6,102,365</u>	<u>5,890,714</u>
Deferred inflows	43,704	59,170	18,211	21,884	61,915	81,054
Invested in capital assets, net of related debt	5,596,277	4,569,605	4,586,890	4,768,387	10,183,167	9,337,992
Restricted	1,208,642	1,076,007	378,507	345,315	1,587,149	1,421,322
Unrestricted	(225,896)	(7,440)	957,090	1,050,047	731,194	1,042,607
Total net position	<u>\$ 6,579,023</u>	<u>\$ 5,638,172</u>	<u>\$ 5,922,487</u>	<u>\$ 6,163,749</u>	<u>\$ 12,501,510</u>	<u>\$ 11,801,921</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 \$731,194 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 increased the Town's net position by \$940,851.

**Town of Hilliard, Florida
Changes in Net Position
For the Year Ended September 30, 2020**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Charges for service	\$ 165,058	\$ 155,072	\$ 1,046,227	\$ 999,982	\$ 1,211,285	\$ 1,155,054
Capital grants contributions	32,946	99,389	66,645	384,614	99,591	484,003
General revenues	2,693,203	1,802,608	35,454	74,537	2,728,657	1,877,145
Total revenues	2,891,207	2,057,069	1,148,326	1,459,133	4,039,533	3,516,202
Expenses						
General government	611,283	608,791	-	-	611,283	608,791
Public safety	129,227	136,599	-	-	129,227	136,599
Transportation	555,654	599,158	-	-	555,654	599,158
Health services	44,746	9,392	-	-	44,746	9,392
Parks and Recreation	437,702	419,220	-	-	437,702	419,220
Interest on long-term debt	-	-	130,477	133,048	130,477	133,048
Water and sewer	-	-	1,430,855	1,385,140	1,430,855	1,385,140
Total expenses	1,778,612	1,773,160	1,561,332	1,518,188	3,339,944	3,291,348
Increase (decrease) in net position before transfers	1,112,595	283,909	(413,006)	(59,055)	699,589	224,854
Transfers	(171,744)	(619,272)	171,744	619,272	-	-
Change in net position	940,851	(335,363)	(241,262)	560,217	699,589	224,854
Net position, beginning of year	5,638,172	5,973,535	6,163,749	5,603,532	11,801,921	11,577,067
Net position, end of year	\$ 6,579,023	\$ 5,638,172	\$ 5,922,487	\$ 6,163,749	\$ 12,501,510	\$ 11,801,921

Business-Type Activities – Business-type activities decreased the Town's net position by \$241,262.

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 \$1,802,835, an increase of \$5,793 in comparison with the prior year. The unassigned fund balance is \$596,592 which is available for spending at the Town's discretion. The remainder of fund balance is restricted 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 non-spendable part of fund balance is \$32,514 represents prepaid items at year end.

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 \$957,090. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

2020 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.
- State Revenue estimates received from the Department of Revenue for fiscal year 2019/2020 actuals came in 10% less due to the impact from COVID-19.
- In the General Fund at budget time it was unknown if the FEMA grant project would be completed during the 2019/2020 fiscal year. Therefore, the budget was amended at year end.
- In the General Fund Streets Department, it was not known at budget time that the Town would be contracting out the mowing of the Town's right of ways. Therefore, the maintenance line item was grossly under budgeted and had to be amended at year end.
- In the General Fund the Town was uncertain if recreation grant funds that were previously awarded would be expended during the 2019/2020 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 2019/2020 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 2019/2020 need for additional or decreased funds at year end creating an overall decrease in funds transferred.
- In the Proprietary Fund due to COVID-19 water and sewer services were not penalized or disconnected for nonpayment beginning April 2020 and extended past the end of the fiscal year. Therefore, the Penalties revenue had to be amended at year end to actual.
- In the Proprietary Fund an additional Town employee was budgeted and not hired during the 2019/2020 fiscal year. Therefore, the budget was amended at year end.

- In the Proprietary Fund at budget time the amount of grant funds that would be expended during the 2019/2020 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 operating expenses that would be needed during the 2019/2020 fiscal year. Therefore, the Operating Supplies line items were grossly under budgeted.
- Cash Carry Forward was increased in the General Fund and decreased in Proprietary Fund by approximately the same amount due to loss of General Fund revenues and the significant increase in the Proprietary Fund Water and Sewer Utility Revenues due to additional users of the water and sewer system.

Schedules of budget and actual comparisons for the general and special revenue major funds appear on pages 64 - 66 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, 2020, amounts to \$14,375,167 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system, improvements, machinery and equipment and park facilities. The total increase in the Town’s investment in capital assets for the current fiscal year was 5.58% (a 22.47% increase for governmental activities and a 2.96% decrease for business-type activities).

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

2020 Major capital asset events during the fiscal year include the following:

GENERAL GOVERNMENT

Infrastructure

- The Town made improvements to the 40 acre parcel of property that was purchased from the Mikkelsen Estate in 2016

Capital funds expended fiscal year 2019/2020	\$ 10,374
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Machinery & Equipment

Work In Progress (WIP)

Town Hall - Computers, Phones, Security Upgrade & Refresh

- 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.

Capital funds expended fiscal year 2019/2020	\$ 21,722
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Work In Progress (WIP)
Town Hall - Remodel Office Space - Desk & Hutch

- The Town of Hilliard expended funds to renovate/remodel the interior of the Town Hall Office to increase workspace and workflow. Due to COVID the project was put on hold after the purchase of one new workspace.

Capital funds expended fiscal year 2019/2020 \$ 2,454

Documents & Material

- The Town was granted a technical planning grant from the Department of Economic Opportunity in the amount of \$40,000. to Amend the Town's Comprehensive Plan to 2040.

State funds expended fiscal year 2019/2020 \$ 40,000

GENERAL TRANSPORTATION - STREET

Building

- The Town purchased 3 Equipment Storage Buildings to park the Town's heavy equipment out of the weather to preserve the equipment life and to perform repairs on the equipment.

Capital funds expended fiscal year 2019/2020 \$ 28,405

Infrastructure

- The Town expended funds to repair storm drainage infrastructure throughout the Town. The main areas were: W. First Street, Wisconsin St., Georgia St., Oxford St. & New Oak St.

Capital funds expended fiscal year 2019/2020 \$ 89,500

- The Town expended funds to purchase 40 loads of asphalt millings and 8 loads of asphalt lime rock mix millings to make Road Milling Improvements throughout the Town and as patch in other areas the Town.

Capital funds expended fiscal year 2019/2020 \$ 20,000

Work In Progress (WIP)
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.

Federal funds expended fiscal year 2019/2020	\$ 930,042
State funds expended fiscal year 2019/2020	\$ 51,669
Capital funds expended fiscal year 2019/2020	\$ 51,569
Total fiscal year 2019/2020	\$ 1,033,280

Machinery & Equipment

- The Town of Hilliard purchased a 2020 Freightliner Rollover; 16ft contractors dump with 24in sides and drop down gate off of the State of Florida, Sheriffs Contract. The new dump truck will add to the Town's Fleet to more efficiently address the drainage issues within the Town.

Capital funds expended fiscal year 2019/2020 \$ 78,380

GENERAL TRANSPORTATION - AIRPARK

Land

Work In Progress (WIP)

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.

Federal funds expended fiscal year 2019/2020 \$ 1,053

- 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.

State funds expended fiscal year 2019/2020 \$ 117
Total fiscal year 2019/2020 \$ 1,170

Building

Work In Progress (WIP)

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.

State funds expended fiscal year 2019/2020 \$ 5,894

Work In Progress (WIP)

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.

State funds expended fiscal year 2019/2020 \$ 6,297

**Infrastructure
Work In Progress (WIP)
Turf Runway Rehabilitation & Maintenance**

- 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: Hilliard Airpark Turf Runway 18/36 Maintenance and Improvements totaling \$89,000.

State funds expended fiscal year 2019/2020 \$ 500

**Work In Progress (WIP)
Machinery & Equipment**

- Federal grant funds provided by the Federal Aviation Administration (FAA) funded as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020. Grant provides economic relief funds for any purpose for which airport revenue may be lawfully used totaling \$30,000.

Digital Fuel Card Reader QTPOD \$ 16,295
Federal funds expended fiscal year 2019/2020 \$ 16,295

**Work In Progress (WIP)
Security Cameras & Video Recording System**

- 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 Design and Construction of a Security Camera and Video Recording System at the Hilliard Airpark totaling \$227,000.

State funds expended fiscal year 2019/2020 \$ 5,137

GENERAL CULTURE & RECREATION

Building

- The Town of Hilliard expended funds to make improvements to the Fitness Center by insulating the ceiling to help with the building temperature and the electric costs.

Capital funds expended fiscal year 2019/2020 \$ 6,689

Machinery & Equipment

- The Town of Hilliard expended funds to replace the Swimming Pool Facility sand filters for more efficient operations of the mechanical filtration system of the swimming pool.

Capital funds expended fiscal year 2019/2020 \$ 6,327

- The Town of Hilliard expended funds to replace the third AC Unit at the Fitness Center to improve the overall balance in the buildings temperature.

Capital funds expended fiscal year 2019/2020 \$ 6,500

PROPRIETARY FUND

WATER & SEWER

Plant

- The Town of Hilliard expended funds to make improvements by removing existing fiberglass roof and install galvalume roof on two sheds at the Waste Water Treatment Plant.

Capital funds expended fiscal year 2019/2020 \$ 14,375

FDEP General Appropriations Act - WWTP Digester Tank Rehabilitation

- State grant funds provided by the Florida Department of Environmental Protection (FDEP) funding under Line Item 1605 of the 2016/2017 General Appropriations Act, for the following project: Town of Hilliard Sand and Grit Project (WWTP Digester Tank Rehabilitation). This project completed in the 2019/2020 fiscal year.

State funds expended fiscal year 2019/2020 \$ 20,445
Capital funds expended fiscal year 2019/2020 \$ 20,445
Total fiscal year 2019/2020 \$ 40,890

Work In Progress (WIP)

DEO 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 totaling \$50,000.

Federal funds expended fiscal year 2019/2020 \$ 43,513
Capital funds expended fiscal year 2019/2020 \$ 23,840
Total fiscal year 2019/2020 \$ 67,353

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:

85 KW Generator \$ 57,660
ER Generator Wire 3PH Transformer \$ 5,000
WWTP Dezurik 3-Way Valve \$ 22,066
Portable Valve Exerciser \$ 7,310
Capital funds expended fiscal year 2019/2020 \$ 92,036

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 801,523	\$ 801,523	\$ -	\$ -	\$ 801,523	\$ 801,523
Construction in progress	1,333,024	256,570	-	-	1,333,024	256,570
Buildings	1,691,401	1,782,044	8,480,452	8,805,080	10,171,853	10,587,124
Infrastructure	1,019,390	1,016,778	-	-	1,019,390	1,016,778
Machinery and equipment	600,075	576,859	298,438	241,307	898,513	818,166
Other depreciable	150,864	135,831	-	-	150,864	135,831
Capital assets, net	<u>\$ 5,596,277</u>	<u>\$ 4,569,605</u>	<u>\$ 8,778,890</u>	<u>\$ 9,046,387</u>	<u>\$ 14,375,167</u>	<u>\$ 13,615,992</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 \$4,342,293. 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	
	2020	2019	2020	2019	2020	2019
Bonds payable	\$ -	\$ -	\$ 4,192,000	\$ 4,360,000	\$ 4,192,000	\$ 4,360,000
Compensated absences	104,015	83,289	46,278	38,849	150,293	122,138
Net pension liability	843,050	632,573	361,309	208,855	1,204,359	841,428
Other post-employment benefits	104,047	76,223	42,497	48,992	146,544	125,215
Total	<u>\$ 1,051,112</u>	<u>\$ 792,085</u>	<u>\$ 4,642,084</u>	<u>\$ 4,656,696</u>	<u>\$ 5,693,196</u>	<u>\$ 5,448,781</u>

The Town of Hilliard, Florida's outstanding debt increased by \$244,415 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 49 - 50 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, 2020

	Governmental Activities	Business - type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,144,850	\$ 1,269,934	\$ 2,414,784
Accounts receivable, net	27,327	59,845	87,172
Due from other governmental units	734,619	33,545	768,164
Inventory	-	39,406	39,406
Prepaid items	32,514	14,692	47,206
Total current assets	1,939,310	1,417,422	3,356,732
Restricted assets:			
Educational impact fees	27,170	-	27,170
Bond interest and sinking	-	18,046	18,046
System development	-	106,405	106,405
Reserve fund	-	254,056	254,056
Customer deposits	-	136,138	136,138
Total restricted assets	27,170	514,645	541,815
Non-current assets:			
Capital assets not being depreciated	801,523	-	801,523
Capital assets, net of accumulated depreciation	4,794,754	8,778,890	13,573,644
Total non-current assets	5,596,277	8,778,890	14,375,167
Total assets	7,562,757	10,710,957	18,273,714
DEFERRED OUTFLOWS	274,727	117,349	392,076
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	\$ 162,486	\$ 81,795	\$ 244,281
Accrued liabilities	-	642	642
Unearned revenue	1,159	16,425	17,584
Compensated absences, current	26,004	11,570	37,574
Total current liabilities (payable from current assets)	189,649	110,432	300,081
Current liabilities (payable from restricted assets):			
Accrued interest payable	-	10,484	10,484
Customer deposits	-	136,178	136,178
Revenue bonds payable, current	-	89,000	89,000
Total current liabilities (payable from restricted assets)	-	235,662	235,662
Total current liabilities	189,649	346,094	535,743

(continued)

TOWN OF HILLIARD, FLORIDA
STATEMENT OF NET POSITION
September 30, 2020

	Governmental Activities	Business - type Activities	Total
Long-term liabilities			
Revenue bond payable	-	4,103,000	4,103,000
Accrued compensated absences	78,011	34,708	112,719
Other post-employment benefits	104,047	42,497	146,544
Net pension liability	843,050	361,309	1,204,359
Total long-term liabilities	<u>1,025,108</u>	<u>4,541,514</u>	<u>5,566,622</u>
Total liabilities	<u>1,214,757</u>	<u>4,887,608</u>	<u>6,102,365</u>
DEFERRED INFLOWS	<u>\$ 43,704</u>	<u>\$ 18,211</u>	<u>\$ 61,915</u>
NET POSITION			
Invested in long-term assets, net of related debt	4,794,754	4,586,890	9,381,644
Restricted for:			
Debt service	-	272,102	272,102
System development	-	106,405	106,405
Non-debt service expenditures	1,173,729	-	1,173,729
Educational impact fee	27,170	-	27,170
Voluntary fire department	7,743	-	7,743
Unrestricted	575,627	957,090	1,532,717
Total net position	<u>\$ 6,579,023</u>	<u>\$ 5,922,487</u>	<u>\$ 12,501,510</u>

TOWN OF HILLIARD, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2020

	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
Functions/Programs							
Governmental activities							
General government	\$ 611,283	\$ 7,091	\$ -	\$ -	\$ (604,192)	\$ -	\$ (604,192)
Public safety	129,227	-	-	-	(129,227)	-	(129,227)
Transportation	555,654	-	-	32,946	(522,708)	-	(522,708)
Health services	44,746	-	-	-	(44,746)	-	(44,746)
Culture and recreation	437,702	157,967	-	-	(279,735)	-	(279,735)
Total governmental activities	1,778,612	165,058	-	32,946	(1,580,608)	-	(1,580,608)
Business-type activities							
Water and sewer services	1,430,855	1,046,227	-	66,645	-	(317,983)	(317,983)
Interest on long-term debt	130,477	-	-	-	-	(130,477)	(130,477)
Total business-type activities	1,561,332	1,046,227	-	66,645	-	(448,460)	(448,460)
Total government	\$ 3,339,944	\$ 1,211,285	\$ -	\$ 99,591	(1,580,608)	(448,460)	(2,029,068)
General revenues							
					312,664	-	312,664
					2,063,194	-	2,063,194
					52,940	-	52,940
					179,005	-	179,005
					16,155	-	16,155
					13,855	16,425	30,280
					20,322	14,097	34,419
					35,068	4,932	40,000
					(171,744)	171,744	-
Total general revenues					2,521,459	207,198	2,728,657
Change in net position					940,851	(241,262)	699,589
Net position - beginning					5,638,172	6,163,749	11,801,921
Net position - ending					\$ 6,579,023	\$ 5,922,487	\$ 12,501,510

TOWN OF HILLIARD, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2020

	General Fund	Special Revenue		Total Governmental Funds
		Local Option Gas Tax Fund	Discretionary Sales Tax Fund	
ASSETS				
Cash and cash equivalents	\$ 43,587	\$ 322,288	\$ 778,975	\$ 1,144,850
Accounts receivable	24,565	2,762	-	27,327
Due from other governmental units	672,658	18,510	43,451	734,619
Prepaid items	32,514	-	-	32,514
	<u>773,324</u>	<u>343,560</u>	<u>822,426</u>	<u>1,939,310</u>
Restricted assets				
Restricted cash and cash equivalents	27,170	-	-	27,170
Total assets	<u>800,494</u>	<u>343,560</u>	<u>822,426</u>	<u>1,966,480</u>
LIABILITIES				
Accounts payable	162,486	-	-	162,486
Unearned revenue	1,159	-	-	1,159
Total liabilities	<u>163,645</u>	<u>-</u>	<u>-</u>	<u>163,645</u>
FUND BALANCES				
Nonspendable - prepaid items	32,514	-	-	32,514
Restricted	7,743	343,560	822,426	1,173,729
Unassigned	596,592	-	-	596,592
Total fund balances	<u>\$ 636,849</u>	<u>\$ 343,560</u>	<u>\$ 822,426</u>	<u>1,802,835</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.	5,596,277
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.	274,727
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.	(43,704)
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds	(1,051,112)
Net assets of governmental activities	<u>\$ 6,579,023</u>

TOWN OF HILLIARD, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended September 30, 2020

	General Fund	Special Revenue		Total Governmental Funds
		Local Option Gas Tax Fund	Discretionary Sales Tax Fund	
REVENUES				
Property taxes	\$ 212,553	\$ -	\$ -	\$ 212,553
Other taxes	100,111	-	-	100,111
Intergovernmental	1,515,806	175,085	405,249	2,096,140
Licenses and permits	52,940	-	-	52,940
Franchise fees	179,005	-	-	179,005
Fines and forfeitures	16,155	-	-	16,155
Charges for service	165,058	-	-	165,058
Rents and leases	13,855	-	-	13,855
Other fees and miscellaneous	35,068	-	-	35,068
Total revenues	2,290,551	175,085	405,249	2,870,885
EXPENDITURES				
Current				
General government	505,432	-	-	505,432
Public safety	86,727	-	-	86,727
Transportation	390,127	-	-	390,127
Health services	26,050	-	-	26,050
Culture and recreation	329,870	-	-	329,870
Capital outlay	1,375,464	-	-	1,375,464
Total expenditures	2,713,670	-	-	2,713,670
Excess (deficit) of revenues over expenditures	(423,119)	175,085	405,249	157,215
OTHER FINANCING SOURCES (USES)				
Interest income	14,097	-	6,225	20,322
Interfund transfers in	907,729	-	-	907,729
Interfund transfers out	(606,856)	-	(472,617)	(1,079,473)
Total other financing sources (uses)	314,970	-	(466,392)	(151,422)
Net change in fund balance	(108,149)	175,085	(61,143)	5,793
Fund balance at beginning of year	744,998	168,475	883,569	1,797,042
Fund balance at end of year	\$ 636,849	\$ 343,560	\$ 822,426	\$ 1,802,835

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, 2020

Net change in fund balance - total governmental funds \$ 5,793

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

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.

Expenditures for capital assets	\$ 1,375,464	
Less current year depreciation	<u>(348,792)</u>	1,026,672

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.

(Increase) in compensated absences	(9,040)	
Decrease in other post-employment benefits	4,147	
(Increase) in net pension liability	(132,446)	
Change in deferred inflows and outflows	<u>45,725</u>	<u>(91,614)</u>

Change in net position of governmental activities \$ 940,851

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2020

	Water and Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,269,934
Accounts receivable, net	59,845
Due from other governments	33,545
Inventory	39,406
Prepaid items	14,692
Total current assets	1,417,422
Restricted cash and cash equivalents	
Bond interest and sinking	18,046
System development	106,405
Reserve fund	254,056
Customer deposits	136,138
Total restricted cash and cash equivalents	514,645
Noncurrent assets	
Fixed assets	
Property, plant and equipment	16,021,003
Allowance for depreciation	(7,242,113)
Total noncurrent assets	8,778,890
Total assets	10,710,957
DEFERRED OUTFLOWS	117,349
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	81,795
Accrued liabilities	642
Unearned revenue	16,425
Accrued interest	10,484
Compensated absences	11,570
Customer deposits	136,178
Revenue bonds payable, current	89,000
Total current liabilities	346,094
(continued)	

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2020

	Water and Sewer Fund
Long-term liabilities	
Revenue bonds payable	4,103,000
Accrued compensated absences	34,708
Other post-employment benefits	42,497
Net pension liability	361,309
Total long-term liabilities	4,541,514
Total liabilities	4,887,608
 DEFERRED INFLOWS	 18,211
 NET POSITION	
Invested in capital assets, net of related debt	4,586,890
Restricted for:	
Debt service	272,102
System development	106,405
Unrestricted	957,090
Total net position	\$ 5,922,487

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2020

	Water and Sewer Fund
OPERATING REVENUES	
Water sales	\$ 484,956
Sewer sales	499,447
Fees and penalties	61,824
Total operating revenues	1,046,227
OPERATING EXPENSES	
Water utility	
Personnel services	202,857
Operating expenses	150,541
Sewer utility	
Personnel services	304,287
Operating expenses	291,021
Depreciation expense	482,149
Total operating expenses	1,430,855
Total operating (loss)	(384,628)
NONOPERATING REVENUES (EXPENSES)	
Grant revenue	66,645
Rentals and leases	16,425
Interest earnings	14,097
Miscellaneous income (expenses)	4,932
Interest expense	(130,477)
Interfund transfers in	171,744
Total nonoperating revenues	143,366
Change in net position	(241,262)
Net position, beginning of year	6,163,749
Net position, end of year	\$ 5,922,487

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2020

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,074,596
Cash paid to suppliers	(527,093)
Cash paid to employees	(468,991)
Net cash provided by operating activities	78,512
Cash flows from non-capital related financing activities:	
Rental and lease income	16,425
Miscellaneous revenues	4,932
Transfers from other funds	171,744
Net cash provided by non-capital related financing activities	193,101
Cash flows from capital and related financing activities:	
Grant receipts	66,645
Principal payments	(85,873)
Interest payments	(130,477)
Acquisition and construction of capital assets	(214,653)
Net cash used for capital and related financing activities	(364,358)
Cash flows from investing activities:	
Investment income	14,097
Net cash provided by investing activities	14,097
Net change in cash	(78,648)
Cash, at beginning of year	1,863,227
Cash, at end of year	\$ 1,784,579
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (384,628)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	482,149
Changes in assets decrease (increase) and liabilities (decrease) increase:	
Accounts receivable, net	18,985
Inventory	(30,391)
Prepaid items	1,735
Due from other governments	(33,545)
Deferred outflows	(26,927)
Accounts payable	(56,875)
Accrued liabilities	590
Compensated absences	3,224
Customer deposits	6,903
Other post-employment benefits	2,481
Deferred inflows	(3,673)
Net pension liability	98,484
Total adjustments	463,140
Net cash provided by operating activities	\$ 78,512

TOWN OF HILLIARD, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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, 2020, 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.

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 four major funds and no nonmajor funds.

1. Governmental Major Funds:

The **General Fund** is the principal operating fund used to account for most of the Town's general activities (Fire, Transportation, Health Services, Culture and Recreation, etc.)

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, 2020, 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, 2020, this allowance account totaled \$33,873 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, 2020.

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:

<u>Assets</u>	<u>Years</u>
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, 2020, the Town reported \$17,584 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, 2020, 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 Town Council. The Town Council is the highest level of decision making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council.

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 Town Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of September 30, 2020, fund balances are composed of the following:

	General Fund	Local Option Gas Tax Fund	Sales Tax Fund	Total
Nonspendable	\$ 32,514	\$ -	\$ -	\$ 32,514
Restricted	7,743	343,560	822,426	1,173,729
Unassigned	596,592	-	-	596,592
	<u>\$ 636,849</u>	<u>\$ 343,560</u>	<u>\$ 822,426</u>	<u>\$ 1,802,835</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 Town Council 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, 2020, net position balances are composed of the following:

	<u>Water and Sewer Fund</u>
Invested in capital assets	\$ 4,586,890
Restricted	378,507
Unrestricted	957,090
	<u>\$ 5,922,487</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 \$1,802,835 differs from “net position” of governmental activities \$6,579,023 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	\$ 9,989,466
Accumulated depreciation	<u>(4,393,189)</u>
Total	<u>\$ 5,596,277</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, 2020, were:

Compensated absences	\$ (104,015)
Other post-employment benefits	(104,047)
Net pension liability	<u>(843,050)</u>
	<u>\$ (1,051,112)</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	\$ 274,727
Deferred inflows	(43,704)
	<u>\$ 231,023</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	\$ 1,144,850	\$ -	\$ -	\$ -	\$ -	\$ 1,144,850
Accounts receivable	27,327	-	-	-	-	27,327
Due from other governmental units	734,619	-	-	-	-	734,619
Prepaid items	32,514	-	-	-	-	32,514
	<u>1,939,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,939,310</u>
Restricted assets						
Restricted cash and cash equivalents	27,170	-	-	-	-	27,170
Capital assets, net	-	5,596,277	-	-	-	5,596,277
Total assets	<u>1,966,480</u>	<u>5,596,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,562,757</u>
DEFERRED OUTFLOWS	<u>-</u>	<u>-</u>	<u>274,727</u>	<u>-</u>	<u>-</u>	<u>274,727</u>
LIABILITIES						
Accounts payable	162,486	-	-	-	-	162,486
Unearned revenue	1,159	-	-	-	-	1,159
Compensated absences	-	-	-	104,015	-	104,015
Other post-employment benefits	-	-	-	104,047	-	104,047
Net pension liability	-	-	-	843,050	-	843,050
Total liabilities	<u>163,645</u>	<u>-</u>	<u>-</u>	<u>1,051,112</u>	<u>-</u>	<u>1,214,757</u>
DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>43,704</u>	<u>-</u>	<u>-</u>	<u>43,704</u>
FUND BALANCES/NET POSITION						
Invested in capital assets	-	5,596,277	-	-	-	5,596,277
Nonspendable - prepaid items	32,514	-	-	-	-	32,514
Restricted	1,173,729	-	-	-	-	1,173,729
Unassigned	596,592	-	231,025	(1,051,114)	-	(223,497)
Total fund balances/net position	<u>\$ 1,802,835</u>	<u>\$ 5,596,277</u>	<u>\$ 231,025</u>	<u>\$ (1,051,114)</u>	<u>\$ -</u>	<u>\$ 6,579,023</u>

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

The “net change in fund balances” for governmental funds \$5,793 differs from the “change in net position” for governmental activities \$940,851 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	\$ 1,375,464
Depreciation expense	(348,792)
Difference	<u>\$ 1,026,672</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	\$ (9,040)
Net decrease in other post-employment benefits	4,147
Net increase in net pension liability	(132,446)
	<u>\$ (137,339)</u>

Deferred outflows/inflows of resources

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

Net increase in deferred outflows	\$ 30,258
Net decrease in deferred inflows	15,467
	<u>\$ 45,725</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	\$ 212,553	\$ -	\$ -	\$ -	\$ 212,553
Other taxes	100,111	-	-	-	100,111
Intergovernmental	2,096,140	-	-	-	2,096,140
Licenses and permits	52,940	-	-	-	52,940
Franchise fees	179,005	-	-	-	179,005
Fines and forfeitures	16,155	-	-	-	16,155
Charges for service	165,058	-	-	-	165,058
Rents and leases	13,855	-	-	-	13,855
Other fees and miscellaneous	35,068	-	-	-	35,068
Total revenues	2,870,885	-	-	-	2,870,885
EXPENDITURES					
Current expenditures					
General government	505,432	39,229	(32,324)	98,946	611,283
Public safety	86,727	42,500	-	-	129,227
Transportation	390,127	165,485	(2,802)	2,844	555,654
Health services	26,050	18,696	-	-	44,746
Culture and recreation	329,870	82,882	(10,599)	35,549	437,702
Capital outlay	1,375,464	(1,375,464)	-	-	-
Total expenditures	2,713,670	(1,026,672)	(45,725)	137,339	1,778,612
Excess (deficit) of revenues over expenditures	157,215	1,026,672	45,725	(137,339)	1,092,273
OTHER FINANCING SOURCES (USES)					
Interest income	20,322	-	-	-	20,322
Interfund transfers in	907,729	-	-	(907,729)	-
Interfund transfers out	(1,079,473)	-	-	907,729	(171,744)
Total other financing sources (uses)	(151,422)	-	-	-	(151,422)
Net change in fund balance	5,793	1,026,672	45,725	(137,339)	940,851
Fund balance at beginning of year	1,797,042	4,569,605	185,300	(913,775)	5,638,172
Fund balance at end of year	\$ 1,802,835	\$ 5,596,277	\$ 231,025	\$ (1,051,114)	\$ 6,579,023

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 \$422,933 were insured by federal depository insurance or pledged collateral under state law. Other Town funds totaling \$2,577,161 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, 2020, 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, 2020 is 48 days. The fair value of the Town's position in the pool approximates the value of the pool shares. At September 30, 2020, the Town had \$2,577,161 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 Poors. 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, 2020 was 48 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, 2020, the Town's investment in the Florida PRIME investment pool is rated AAAM by Standard & Poors.

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 & Poors 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, 2020, is 48 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, 2020, is 63 days.

Foreign Currency Risk

Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2019 through September 30, 2020.

Securities Lending

Florida PRIME did not participate in a securities lending program in the period October 1, 2019 through September 30, 2020.

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, 2020, was as follows:

	Beginning Balance	Reclassifications	Additions	Deletions	Ending Balance
Governmental activities:					
Non-depreciable capital assets					
Land	\$ 801,523	\$ -	\$ -	\$ -	\$ 801,523
Construction in progress	256,570	-	1,076,454	-	1,333,024
Total Non-depreciable capital assets	1,058,093	-	1,076,454	-	2,134,547
Depreciable capital assets:					
Buildings	3,916,381	-	35,094	-	3,951,475
Infrastructure	1,879,377	-	119,875	-	1,999,252
Machinery and equipment	1,541,757	-	107,501	-	1,649,258
Other depreciable assets	218,394	-	36,540	-	254,934
Total depreciable capital assets	7,555,909	-	299,010	-	7,854,919
Less accumulated depreciation					
Buildings	(2,134,338)	-	(125,736)	-	(2,260,074)
Infrastructure	(862,599)	-	(117,263)	-	(979,862)
Machinery and equipment	(964,897)	-	(84,286)	-	(1,049,183)
Other depreciable assets	(82,563)	-	(21,507)	-	(104,070)
Total accumulated depreciation	(4,044,397)	-	(348,792)	-	(4,393,189)
Total depreciable capital assets, net	3,511,512	-	(49,782)	-	3,461,730
Governmental activities capital assets, net	\$ 4,569,605	\$ -	\$ 1,026,672	\$ -	\$ 5,596,277
Business-type activities:					
Depreciable capital assets:					
Buildings and improvements	\$ 15,249,995	\$ -	\$ 122,617	\$ -	\$ 15,372,612
Machinery and equipment	556,356	-	92,035	-	648,391
Total depreciable capital assets	15,806,351	-	214,652	-	16,021,003
Less accumulated depreciation					
Buildings and improvements	(6,444,915)	-	(447,245)	-	(6,892,160)
Machinery and equipment	(315,049)	-	(34,904)	-	(349,953)
Total accumulated depreciation	(6,759,964)	-	(482,149)	-	(7,242,113)
Business-type activities capital assets, net.	\$ 9,046,387	\$ -	\$ (267,497)	\$ -	\$ 8,778,890

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

Governmental activities:	
General Government	\$ 39,229
Public Safety	42,500
Transportation	165,485
Health services	18,696
Parks and recreation	82,882
Total depreciation expense - governmental entities	<u>\$ 348,792</u>
Business-type activities:	
Water and sewer utility	<u>\$ 482,149</u>

NOTE 7. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2020, consisted of the following:

Fund	Transfers in	Transfers out
General	\$ 907,729	\$ 606,856
Local Option Gas Tax	-	-
Discretionary Sales Tax	-	472,617
Water and Sewer	171,744	-
	<u>\$ 1,079,473</u>	<u>\$ 1,079,473</u>

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

NOTE 8. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2020, were as follows:

	Accounts	Due from Others/ Governmental Units	Total Receivables
Governmental activities:	\$ 27,327	\$ 734,619	\$ 761,946
Business-type activities:	59,845	33,545	93,390
	<u>\$ 87,172</u>	<u>\$ 768,164</u>	<u>\$ 855,336</u>

Based upon collection history, the Town has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$33,873.

Payables

Payables at September 30, 2020, were as follows:

	Vendors
Governmental activities:	\$ 162,486
Business-type activities:	81,795
	<u>\$ 244,281</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, 2020, are as follows:

<u>September 30</u> 2021	<u>Minimum Lease Payments</u>
	<u>\$ 540</u>
	<u>\$ 540</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, 2020:

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020	Due Within One Year
Compensated absences	\$ 94,975	\$ 32,209	\$ (23,169)	\$ 104,015	\$ 26,004
Other post-employment benefits	108,195	-	(4,148)	104,047	-
Net pension liability	710,605	132,445	-	843,050	-
Total	<u>\$ 913,775</u>	<u>\$ 164,654</u>	<u>\$ (27,317)</u>	<u>\$1,051,112</u>	<u>\$ 26,004</u>

Business-type Activities

A summary of proprietary fund debt as of September 30, 2020, 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:

Purpose	Interest Rates	Amount
Water and sewer system improvements	4.50%	\$ 701,000
Water and sewer system improvements	2.75%	3,491,000
		<u>\$ 4,192,000</u>

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

Fiscal Year Ending September	Principal	Interest	Total
2021	\$ 89,000	\$ 127,547	\$ 216,547
2022	92,000	124,645	216,645
2023	95,000	121,642	216,642
2024	100,000	118,540	218,540
2025	103,000	115,265	218,265
2026-2030	583,000	522,593	1,105,593
2031-2035	703,000	418,942	1,121,942
2036-2040	735,000	295,815	1,030,815
2041-2045	688,000	196,158	884,158
2046-2050	821,000	94,490	915,490
2051	183,000	- 5,033	188,033
	<u>\$ 4,192,000</u>	<u>\$ 2,140,670</u>	<u>\$ 6,332,670</u>

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020	Due Within One Year
Bonds payable	\$ 4,278,000	\$ -	\$ (86,000)	\$ 4,192,000	\$ 89,000
Other post-employment benefits	40,016	2,481	-	42,497	-
Compensated absences	43,054	33,633	(30,409)	46,278	11,570
Net pension liability	262,825	98,484	-	361,309	-
	<u>\$ 4,623,895</u>	<u>\$ 134,598</u>	<u>\$ (116,409)</u>	<u>\$ 4,642,084</u>	<u>\$ 100,570</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, 2020, respectively, were as follows: Regular—8.47% and 10.00%; Special Risk Administrative Support—38.59% and 35.84%; Special Risk—25.48% and 25.45%; Senior Management Service—25.41% and 27.29%; Elected Officers'—48.82% and 49.18%; and DROP participants—14.60% and 16.98%. These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2019 through June 30, 2020 and from July 1, 2019 through September 30, 2020, respectively.

The Town's contributions, including employee contributions, to the Pension Plan totaled \$94,355 for the fiscal year ended September 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2020, the Town reported a liability of \$943,165

for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Town's proportionate share of the net pension liability was based on the Town's 2019-20 fiscal year contributions relative to the 2018-19 fiscal year contributions of all participating members. At June 30, 2020, the Town's proportionate share was 0.002176129 percent, which was an increase of 1.25 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2020, the Town recognized pension expense of \$128,746. 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	\$ 36,097	\$ -
Changes in assumptions	170,743	-
Net difference between projected and actual earnings on Pension Plan investments	56,157	-
Changes in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	20,945	5,912
Town Pension Plan contributions subsequent to the measurement date	22,962	-
Total	\$ 306,904	\$ 5,912

The deferred outflows of resources related to the Pension Plan, totaling \$22,962 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, 2020. 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
2021	\$ 57,295
2022	89,234
2023	75,849
2024	45,343
2025	10,309
Thereafter	-
	\$ 278,030

Actuarial Assumptions – The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Discount rate	6.80%

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

The actuarial assumptions used in the July 1, 2020, 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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.20%	2.20%	1.20%
Fixed Income	19.00%	3.00%	2.90%	3.50%
Global Equity	54.20%	8.00%	6.70%	17.10%
Real Estate	10.30%	6.40%	5.80%	11.70%
Private Equity	11.10%	10.80%	8.10%	25.70%
Strategic Investments	4.40%	5.50%	5.30%	6.90%
Total	<u>100.00%</u>			
Assumed Inflation - Mean			2.40%	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 6.80%. 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 6.80%, 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 (5.80%) or one percentage point higher (7.98%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Town's proportionate share of the net pension liability	\$ 1,506,078	\$ 943,165	\$ 473,020

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, 2020, the Town had no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2020.

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, 2020, 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, 2020, the HIS contribution for the period October 1, 2019 through June 30, 2020 and from July 1, 2019 through September 30, 2020 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 \$13,663 for the fiscal year ended September 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2020, the Town reported a liability of \$261,194 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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 2019-20 fiscal year contributions relative to the 2018-19 fiscal year contributions of all participating members. At June 30, 2020, the Town's proportionate share was 0.002139214 percent, which was an increase of 2.61 percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the Town recognized pension expense of \$11,506. 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	\$ 10,684	\$ 201
Changes in assumptions	28,086	15,187
Net difference between projected and actual earnings on HIS Plan investments	209	-
Changes in proportion and differences between Town HIS Plan contributions and proportionate share of contributions	15,391	4,279
Town HIS Plan contributions subsequent to the measurement date	3,437	-
Total	\$ 57,807	\$ 19,667

The deferred outflows of resources related to the HIS Plan, totaling \$3,437 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, 2020. 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
2021	\$ 9,604
2022	7,124
2023	1,948
2024	4,520
2025	6,155
Thereafter	5,352
	\$ 34,703

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

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.21%

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

The actuarial assumptions used in the July 1, 2020, 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 2.21%. 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 2.21%, 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 (1.21%) or one percentage point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Towns's proportionate share of the net pension liability	\$ 301,929	\$ 261,194	\$ 227,853

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, 2020, the Town had no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2020.

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%. Each of these member classes pays 3.00% of the contribution.

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, 2020, 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, 2020.

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>9/30/2020</u>
Retirees and Beneficiaries Receiving Benefits	-
Active Plan Members	<u>15</u>
Total	<u><u>15</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, 2020, the Town recognized an OPEB expense of \$12,687. 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, 2020 was determined by an actuarial valuation as of October 1, 2019 using September 30, 2020 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	2.14%
Initial Trend Rate	8.00% for 2019
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 2.14% 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, 2019	\$ 148,211
Changes for the year:	
Service Cost	8,001
Interest	5,305
Difference between expected and actual experience	(34,795)
Changes in assumptions	19,822
Net changes	<u>(1,667)</u>
Reporting period ending September 30, 2020	<u>\$ 146,544</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 (1.14%) or 1-percentage-point higher (3.14%) than the current discount rate.

	1% Decrease (1.14%)	Current Discount Rate (2.14%)	1% Increase (3.14%)
Total other postemployment benefits liability	<u>\$ 160,309</u>	<u>\$ 146,544</u>	<u>\$ 132,782</u>

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	<u>\$ 124,240</u>	<u>\$ 146,544</u>	<u>\$ 173,518</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2020, the Town reported an amount of \$146,544 for its OPEB liability.

For the fiscal year ended September 30, 2020, the Town recognized OPEB expense of \$12,687. 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	\$ 8,257	\$ 36,336
Changes in assumptions	19,108	-
Net difference between projected and actual earnings on OPEB Plan investments	-	-
Total	<u>\$ 27,365</u>	<u>\$ 36,336</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
2021	\$ (620)
2022	(620)
2023	(620)
2024	(620)
2025	(620)
Thereafter	<u>(1,792)</u>
	<u>\$ (4,892)</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.

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. As of the date the financial statements were available to be issued, the Town's operations have not been significantly impacted by the COVID-19 outbreak. However, the Town cannot reasonably estimate at this time the specific extent, duration, or full impact that the COVID-19 pandemic will have on its financial condition, collections and operations.

NOTE 15. SUBSEQUENT EVENT

The Town of Hilliard has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 2, 2020, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

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, 2020

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 215,567	\$ 212,553	\$ 212,553	\$ -
Other taxes	96,000	100,111	100,111	-
Intergovernmental	3,263,983	1,515,806	1,515,806	-
Licenses and permits	72,000	52,940	52,940	-
Franchise fees	200,000	179,005	179,005	-
Fines and forfeitures	15,500	16,155	16,155	-
Charges for service	161,042	165,054	165,058	4
Rents and leases	13,855	13,855	13,855	-
Other fees and miscellaneous	27,752	18,775	35,068	16,293
Total revenues	4,065,699	2,274,254	2,290,551	16,297
EXPENDITURES				
Current				
General government				
Legislative	61,024	57,834	57,834	-
Executive	116,448	116,571	116,571	-
Finance and administration	292,955	289,027	289,027	-
Comprehensive planning	34,000	42,000	42,000	-
Other general government	-	-	-	-
Public safety	111,800	86,727	86,727	-
Transportation	409,025	390,127	390,127	-
Health Services	28,000	26,050	26,050	-
Culture and recreation	331,445	329,870	329,870	-
Capital outlay	3,574,268	1,375,495.00	1,375,464	31
Total expenditures	4,958,965	2,713,701	2,713,670	31
Excess (deficit) of revenues over expenditures	(893,266)	(439,447)	(423,119)	16,328
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	1,436,301	907,729	907,729	-
Interfund transfers out	(634,271)	(\$623,056)	(606,856)	-
Interest income	35,300	14,097	14,097	-
Total other financing sources (uses)	837,330	298,770	314,970	16,200
Net change in fund balance	(55,936)	(140,677)	(108,149)	32,528
Fund balance at beginning of year	659,872	651,469	744,998	93,529
Fund balance at end of year	<u>\$ 603,936</u>	<u>\$ 510,792</u>	<u>\$ 636,849</u>	<u>\$ 126,057</u>

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, 2020

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	219,363	175,085	175,085	-
Total revenues	<u>219,363</u>	<u>175,085</u>	<u>175,085</u>	-
EXPENDITURES	-	-	-	-
Excess of revenues over expenditures	219,363	175,085	175,085	-
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	-
Net change in fund balance	219,363	175,085	175,085	-
Fund balance at beginning of year	134,395	168,475	168,475	-
Fund balance at end of year	<u>\$ 353,758</u>	<u>\$ 343,560</u>	<u>\$ 343,560</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, 2020

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 461,366	\$ 405,249	\$ 405,249	\$ -
Total revenues	<u>461,366</u>	<u>405,249</u>	<u>405,249</u>	<u>-</u>
EXPENDITURES	-	-	-	-
Excess of revenues over expenditures	461,366	405,249	405,249	-
OTHER FINANCING SOURCES (USES)				
Interest income	11,967	6,225	6,225	-
Interfund transfers in	-	-	-	-
Interfund transfers out	(1,229,680)	(472,817)	(472,617)	200
Total other financing sources (uses)	<u>(1,217,713)</u>	<u>(466,592)</u>	<u>(466,392)</u>	<u>200</u>
Net change in fund balance	(756,347)	(61,343)	(61,143)	200
Fund balance at beginning of year	(161,830)	623,750	883,569	259,819
Fund balance at end of year	<u>\$ (918,177)</u>	<u>\$ 562,407</u>	<u>\$ 822,426</u>	<u>\$ 260,019</u>

**TOWN OF HILLIARD, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020**

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
Required Supplementary Information
Schedule of Changes In the Net OPEB Liability and Related Ratios
FYE 9/30/2020
Last 10 Fiscal Years

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 8,001	\$ 7,102	\$ 7,136
Interest	5,306	4,558	4,359
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(34,795)	10,321	(6,024)
Changes in assumptions	19,822	1,015	-
Benefit payments	-	-	-
Net change in total OPEB liability	(1,666)	22,996	5,471
Total OPEB liability - beginning	148,211	125,215	119,744
Total OPEB liability - ending (a)	\$ 146,545	\$ 148,211	\$ 125,215
Plan Fiduciary net position			
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expense	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -
Net OPEB liability - ending (a) - (b)	\$ 146,545	\$ 148,211	\$ 125,215
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 762,479	\$ 732,477	\$ 653,981
Net OPEB liability as a percentage of covered - employee payroll	19.22%	20.23%	19.15%

Notes to Schedule:
Benefit changes - None

TOWN OF HILLIARD, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFIT PLAN
SEPTEMBER 30, 2020**

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, 2019
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, 2019, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$148,211, 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	23.2%
10/01/2017	-	119,744	119,744	0.0%	653,981	18.3%
10/01/2018	-	125,215	125,215	0.0%	732,477	17.1%
10/01/2019	-	148,211	148,211	0.0%	762,479	19.4%

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
9/30/2020	12,687	(8,971)	0%	146,545

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*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the FRS net pension liability (asset)	0.002176129%	0.002149189%	0.002094049%	0.002017062%	0.002102171%	0.002091187%	0.002133527%
Town's proportionate share of the FRS net pension liability (asset)	\$ 943,166	\$ 740,151	\$ 630,739 \$ 632,757	\$ 596,633	\$ 530,800	\$ 275,574	\$ 127,593
Town's proportion of the HIS net pension liability (asset)	0.002139214%	0.002084895%	0.001990617%	0.001942035%	0.001970390%	0.002005955%	0.002140285%
Town's proportionate share of the HIS net pension liability (asset)	<u>261,194</u>	<u>233,279</u>	<u>210,689</u>	<u>207,651</u>	<u>229,641</u>	<u>204,576</u>	<u>200,122</u>
Town's proportionate share of the total net pension liability (asset)	<u>\$ 1,204,359</u>	<u>\$ 973,430</u>	<u>\$ 841,428</u>	<u>\$ 804,284</u>	<u>\$ 760,441</u>	<u>\$ 480,150</u>	<u>\$ 327,715</u>
Town's covered-employee payroll	\$ 762,548	\$ 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	157.94%	138.16%	116.57%	126.96%	125.64%	78.72%	53.33%
Plan fiduciary net position as a percentage of the total pension liability	74.46%	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*

	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 80,140	\$ 71,541	\$ 80,142	\$ 73,631	\$ 68,901	\$ 70,234	\$ 65,999
Contractually required HIS contribution	13,663	12,428	73,560	14,412	13,575	10,495	9,862
Total Contractually Required Contributions	93,803	83,969	153,702	88,043	82,476	80,729	75,861
Contribution in relation to the contractually required contribution	(93,803)	(83,969)	(94,638)	(88,043)	(82,476)	(80,729)	(75,861)
Contribution deficiency (excess)	\$ -	\$ -	\$ 59,064	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 762,548	\$ 704,569	\$ 721,827	\$ 633,480	\$ 605,259	\$ 609,954	\$ 614,541
Contributions as a percentage of covered-employee payroll	12.30%	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, 2020**

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, 2020, are shown below (in thousands):

	<u>FRS</u>	<u>HIS</u>
Total pension liability	\$ 204,909,739	\$ 12,588,098
Plan fiduciary net position	<u>(161,568,265)</u>	<u>(378,261)</u>
	<u>\$ 43,341,474</u>	<u>\$ 12,209,837</u>
 Plan fiduciary net position as a percentage of the total pension liability	 78.85%	 3.00%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2020. 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, 2020. 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, 2014 through 2020, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2020, 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 2020 for the period July 1, 2013 through June 30, 2019. 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 2.40%. 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 6.80%. 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 2.21% 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 2020:

- FRS: The long-term expected rate of return was decreased from 6.90% to 6.80% and the active member mortality assumption was updated.
- HIS: The municipal bonds rate used to determine total pension liability was decreased from 3.50% to 2.21%.

SINGLE AUDIT AND COMPLIANCE SECTION

TOWN OF HILLIARD, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2020

GRANTOR/PROGRAM TITLE	CFDA #/ CSFA #	Contract Number	Award Amount	Reported in Prior Years	Revenue	Expenditures
Federal Awards						
<i>US DOT - Federal Aviation Administration</i>						
Airport Improvement Program	20.106	3-12-0099-011-2019	\$ 150,000	\$ 12,100	\$ 1,053	\$ 1,053
Airport Improvement Program	20.106	3-12-0099-012-2020	30,000	-	16,295	16,295
			<u>180,000</u>	<u>12,100</u>	<u>17,348</u>	<u>17,348</u>
 <i>US Department of Economic Opportunity</i>						
Community Development Block Grant	14.228	20DB-00-04-55-02-N08	700,000	-	46,200	46,200
 <i>US Department of Homeland Security FEMA</i>						
Hurricane Irma	97.036	Z0219	1,107,143	148,921	930,042	930,042
Total federal awards			<u>\$ 1,987,143</u>	<u>\$ 161,021</u>	<u>\$ 993,590</u>	<u>\$ 993,590</u>
State Financial Assistance						
<i>Florida Department of Transportation</i>						
FDOT Land Aquisiton	55.004	G0A85	\$ 150,000	\$ 3,582	\$ 117	\$ 117
FDOT Security System	55.004	G0V13	227,000	20,548	5,137	5,137
FDOT Hanger Rehab	55.004	G0L61	240,000	29,470	5,894	5,894
FDOT Hanger Maintenance	55.004	G1755	287,500	16,792	6,297	6,297
FDOT Turf Runway Maintenance	55.004	G0V14	89,000	-	500	500
			<u>993,500</u>	<u>70,392</u>	<u>17,945</u>	<u>17,945</u>
 <i>Florida Department of Environmental Protection</i>						
Improvements to Wastewater Infrastructure	37.075	SG055	25,632	-	20,445	20,445
 <i>Florida Division of Emergency Management</i>						
Hurricane Irma		Z0219	181,687	13,163	51,669	51,669
 <i>Florida Department of Economic Opportunity</i>						
Growth Management Implementation	40.024	P0358	40,000	-	40,000	40,000
Total state financial assistance			<u>\$ 1,240,819</u>	<u>\$ 83,555</u>	<u>\$ 130,059</u>	<u>\$ 130,059</u>

TOWN OF HILLIARD, FLORIDA

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

For the Fiscal Year Ended September 30, 2020

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.

NOTE 2. INDIRECT COST RATE

The Town of Hilliard did not elect to use the 10 percent de minimis indirect cost rate.

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, 2020, 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 March 2, 2021.

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 third 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.

This response was not subjected to the auditing procedures applied in the audit and thus we express no opinion on it.

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
March 2, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE OMB UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Hilliard, Florida's compliance with the types of compliance requirements described in the *OMB Uniform Guidance* that could have a direct and material effect on each of Town of Hilliard, Florida's major federal programs for the year ended September 30, 2020. Town of Hilliard, Florida's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Hilliard, Florida's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance)*. Those standards, and the *OMB Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Hilliard, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Hilliard, Florida's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Hilliard, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

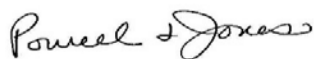
Report on Internal Control Over Compliance

Management of the Town of Hilliard, Florida, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Hilliard, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Hilliard, Florida's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



POWELL & JONES
Certified Public Accountants
Lake City, Florida
March 2, 2021

TOWN OF HILLIARD, FLORIDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2020**

Section 1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified	None reported
• Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	None reported

Federal Awards Programs

Internal control over major programs:	
• Material weakness identified	None reported
• Significant deficiencies identified	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)	None reported

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Program</u>
97.036	Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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Section II - Financial Statement Audit

There were no current findings.

Section III - Federal Award Findings and Questioned Costs

There were no current findings.

Section IV - Prior Year Findings and Questioned Costs

There were no prior year findings.

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, 2020, 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

There were no reportable findings in the prior year applicable to the management letter.

CURRENT YEAR FINDINGS

There were no reportable findings in the current year applicable to the management letter.

AUDITOR GENERAL AND OTHER COMPLIANCE MATTERS

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, 2020, 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
March 2, 2021

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, 2020. 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, 2020.

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
March 2, 2021

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, 2020. 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 2020. 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 March 2, 2021.

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

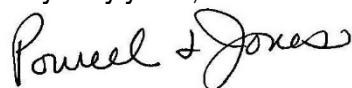
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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
March 2, 2021

SYSTEM DEVELOPMENT CHARGE - IMPACT FEES AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Lisa Purvis, Town Clerk for the Town of Hilliard, who being duly sworn, deposes and says on oath that:

1. I am the Chief Financial Officer of the Town of Hilliard which is a municipal corporation of the State of Florida.
2. The governing body of the Town of Hilliard adopted Ordinance No. 2005-02 on the 3rd day of March 2005; implementing an impact fee by establishing water and sewer system development charges, to provide new definitions; to establish a formula for assessing the system development charges, to provide for time of payment; to provide for use of proceeds; to provide for annual review; to provide for severability; repeal of ordinances in conflict and establish an effective date.
3. The Town of Hilliard has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

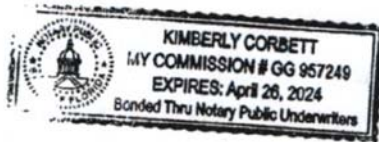
FURTHER AFFIANT SAYETH NAUGHT.



Lisa Purvis, Hilliard Town Clerk

STATE OF FLORIDA
COUNTY OF NASSAU

SWORN TO AND SUBSCRIBED before me this 17th day of Feb, 2021.



Kimberly Corbett

NOTARY PUBLIC
Print Name Kimberly Corbett

Personally known _____ or produced identification ✓

Type of identification produced: FL Drivers License

My Commission Expires:

04/26/2024