

CITY OF OAK HILL, FLORIDA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

CITY COMMISSION

HONORABLE DOUGLAS GIBSON, MAYOR

BILL LINDLAU, VICE MAYOR
KATHY BITTLE
LINDA HYATT
STEVE MCGEE

CITY ADMINISTRATOR

KOHN EVANS

CITY ATTORNEY

SCOTT E. SIMPSON, ESQ.

INDEPENDENT AUDITORS

BMC CPAS, INC.

This Page Intentionally Left Blank

TABLE OF CONTENTS
ANNUAL FINANCIAL REPORT
September 30, 2021
CITY OF OAK HILL, FLORIDA

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	1
FINANCIAL SECTION	
Independent Auditors' Report	5
Management's Discussion and Analysis.....	8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet - Governmental Fund	21
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position.....	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund.....	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	24
Budgetary Comparison Schedule - General Fund	25
Notes to the Financial Statements	30
REQUIRED SUPPLEMENTARY INFORMATION	
FRS - Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions.....	56
HIS - Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions.....	58
SUPPLEMENTAL AUDIT REPORTS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62
Management Letter	64
Schedule of Findings and Responses.....	66
Independent Accountants' Report (Compliance with Section 218.415, F.S.)	68

This Page Intentionally Left Blank

INDEPENDENT AUDITORS' REPORT

This Page Intentionally Left Blank



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Oak Hill, Florida (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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, major fund, and the aggregate remaining fund information of the City as of September 30, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

BMC CPAs

May 20, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021
CITY OF OAK HILL, FLORIDA

As financial management of City of Oak Hill, Florida, (hereinafter referred to as the "City"), we offer the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year that ended on September 30, 2021. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section, taken as a whole.

Financial Highlights

- o The total assets of the City exceeded its liabilities (net position) at the close of the most recent fiscal year by \$2,255,724, compared to \$1,895,050 one year earlier. Of this amount, \$188,493 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors, compared to \$49,101 at the beginning of the year.
- o The City's total net position increased at a lesser rate compared to 2020, primarily due to less capital project expenditures that were capitalized and reimbursed through various grants as compared to 2020. Total net position increased by \$360,674 (or 19.0%) in 2021, compared to an increase of \$678,454 (or 55.8%) in 2020.
- o The City's general fund reported a total fund balance of \$543,974 at the end of the current fiscal year, which was an increase of \$97,846 above the \$446,128 reported at the end of the prior fiscal year. Approximately 72.0% of this amount (or \$391,835) is available for spending at the City's discretion (unassigned fund balance).
- o The unassigned portion of fund balance in the general fund totaled \$391,835, which represents 15.2% of current year expenditures or 56 days in reserve, compared to 12.2% and 45 days in reserve at the end of the prior year. This ratio increased in 2021 primarily due loan proceeds received in 2021 being reflected in income.
- o The City's net investment in capital assets totaled \$1,915,212 at the end of 2021, compared to a net investment of \$1,659,984 at the end of 2020. The change resulted from current year net additions totaling \$753,106, value of assets donated to others of \$7,439, current year depreciation recognized for the year of \$82,847, and an increase in debt of \$407,593. The largest capital additions during the year was for land to build a new City Hall of \$373,661 and a city pier restoration project for \$242,383.
- o The City's net pension liability totaled \$124,500, net of deferred outflows of \$137,698 and deferred inflows of \$204,142 at the end of 2021, compared to a net pension liability of \$304,065, net of deferred outflows of \$121,865 and net of deferred inflows of \$21,698 at the end of 2020.
- o The City incurred two new debt arrangements during 2021. The City received \$350,000 under Capital Improvement Revenue Note, Series 2021 during the year, for the purpose of obtaining land for a new City Hall. No principal repayments were made on behalf of this loan during the year. The City also received \$250,000 under Capital Improvement Revenue Note, Series 2020 during the year, for the purpose of financing reconstructive efforts related to the aftermath of Hurricane Irma. The City made principal repayments of \$192,407 during the year, leaving an unpaid balance of \$57,593 as of September 30, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021
CITY OF OAK HILL, FLORIDA

Overview of the Financial Statements

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

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

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

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

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

Government-Wide Financial Statements

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

- o A statement of net position presents information on all of the City's assets and liabilities at the end of its fiscal year, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021
CITY OF OAK HILL, FLORIDA

-
- o The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent taxes, certain grant revenues, and earned but unused personal leave).

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

Fund Financial Statements

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021
CITY OF OAK HILL, FLORIDA

Financial Analysis of the City as a Whole

Net Position. As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$2,255,724 at the close of the most recent fiscal year. This represents an increase of \$360,674, or 19.0%, above the previous year, all of which is attributable to operations. The following is a summary of Net Position at year end:

	Net Position	
	September 30,	
	<u>Governmental Activities</u>	
	2021	2020
Assets:		
Current and other assets	\$ 613,696	\$ 733,673
Capital assets, net	2,322,805	1,659,984
Total assets	<u>2,936,501</u>	<u>2,393,657</u>
Deferred outflows of resources	<u>137,698</u>	<u>121,865</u>
Liabilities:		
Current liabilities excluding current portion of debt	64,874	282,697
Debt including current portion	407,593	-
Other liabilities	141,866	316,077
Total liabilities	<u>614,333</u>	<u>598,774</u>
Deferred inflows of resources	<u>204,142</u>	<u>21,698</u>
Net position:		
Invested in capital assets, net of related debt	1,915,212	1,659,984
Restricted	152,019	185,965
Unrestricted	188,493	49,101
Total net position	<u>\$ 2,255,724</u>	<u>\$ 1,895,050</u>

The most significant component of the City's net position (\$1,915,212 or 84.9%) is, by far, its investment in capital assets (land, construction in progress, buildings and equipment), less any related debt used to acquire or construct those assets. The City uses these capital assets to provide services and amenities to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt (when they exist) must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$152,019 or 6.8%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 8.3% of unrestricted net position, representing amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled \$188,493 at the end of 2021, compared to \$49,101 at the end of 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021
CITY OF OAK HILL, FLORIDA

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

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

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 371,332	\$ 363,878
Operating and capital grants/other	352,800	619,102
General revenues:		
Property taxes	742,088	670,589
Other taxes	523,719	465,791
Intergovernmental	77,484	65,987
Other revenues	27	45
	<u>2,067,450</u>	<u>2,185,392</u>
Expenses:		
General government	479,689	384,951
Public safety	658,625	653,350
Physical environment	247,138	225,938
Transportation	235,429	202,061
Culture/recreation	83,721	40,638
Interest on long-term debt	2,173	-
	<u>1,706,776</u>	<u>1,506,938</u>
Increase in net position	360,674	678,454
Net position, beginning of year	<u>1,895,050</u>	<u>1,216,596</u>
Net position, end of year	<u>\$ 2,255,724</u>	<u>\$ 1,895,050</u>

During 2021, the City's revenues decreased by \$117,942 and totaled \$2,067,450 compared to \$2,185,392 in 2020. The decrease in 2021 was mostly attributable to a decrease in state and local grant revenues relating to a park capital project that was finished in 2020.

Approximately 35.9% of the City's gross revenues came from property tax collections in 2021, compared to 30.1% in 2020. Operating and capital grants represented 17.1% of the City's gross revenues in 2021, compared to 28.3% in 2020. Approximately 29.1% of all revenues earned by the City come from intergovernmental sources, other taxes and shared local taxes. Another 17.9% comes from fees that are charged to citizens for City services.

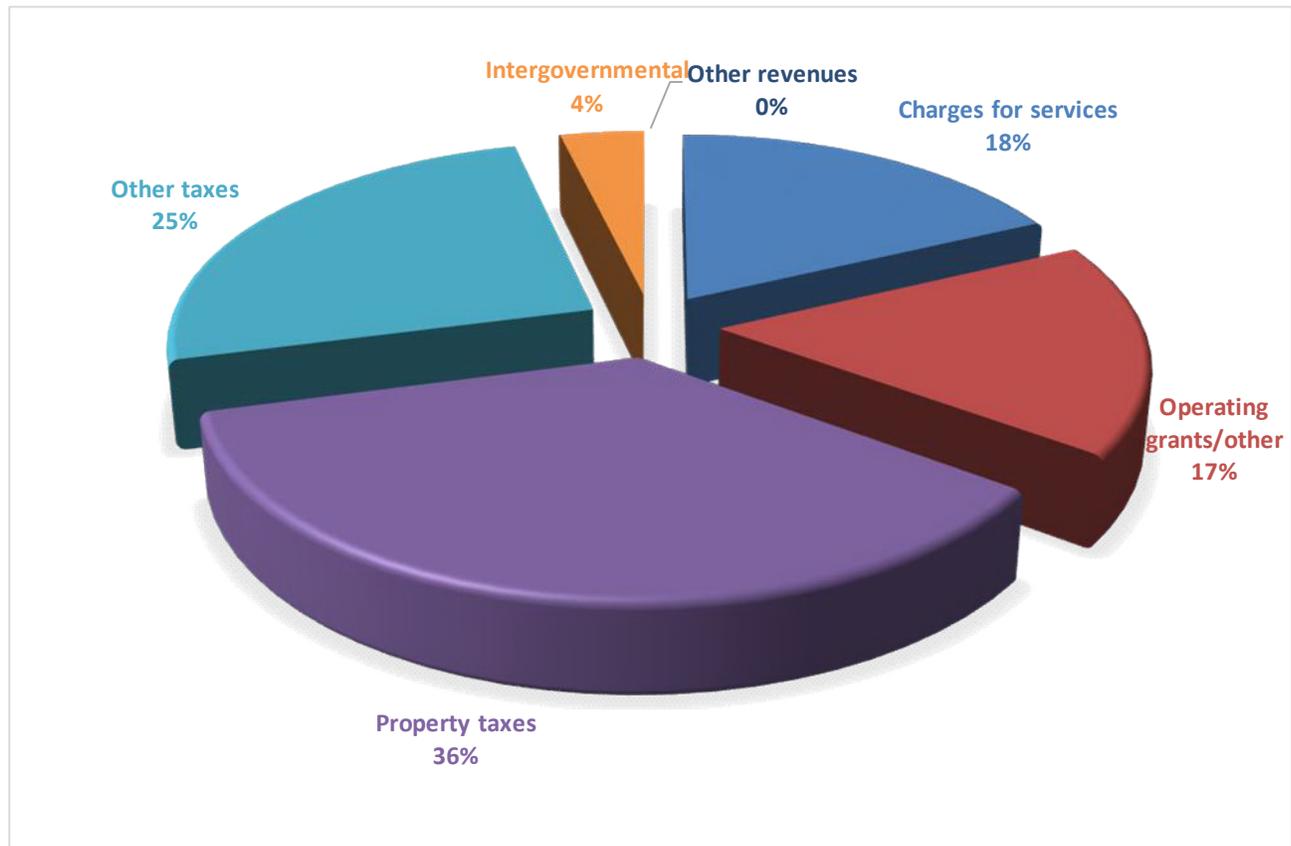
MANAGEMENT’S DISCUSSION AND ANALYSIS
September 30, 2021
CITY OF OAK HILL, FLORIDA

The total costs for all routine programs and City services increased by 14.9% in 2021, and totaled \$1,706,776, compared to \$1,506,938 one year earlier. Fiscal stability in each of the past six years has been primarily attributable to changes made in the City’s Police Department, which on August 1, 2011, was eliminated by the City Commission. Subsequent to the elimination of the City’s police department, the City entered into an interlocal agreement with the Volusia County Sheriff’s Department to provide exclusive law enforcement services. This agreement, which originally expired on October 1, 2018, was renewed through October 1, 2021, subsequent to year end was renewed for another 3 year term.

Governmental Activities

Revenues for the City’s governmental activities totaled \$2,067,450 in 2021, which represents an overall decrease of \$117,942, or 5.4% below the \$2,185,392 reported last year. During 2021, the City’s ad valorem taxes represented approximately 35.9% of the City’s total revenues, which are typically used to finance traditional city services. Ad valorem receipts in 2021, were based on a millage rate of 5.6820 mills (2020 levy), compared to 5.6820 mills (2019 levy) for 2020. Other public service taxes, franchise fees and intergovernmental revenues totaled \$601,203 or 29.1% of the City’s total revenues, compared to \$531,778 one year earlier. Overall charges for municipal services recognized an increase of \$7,454 in 2021.

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

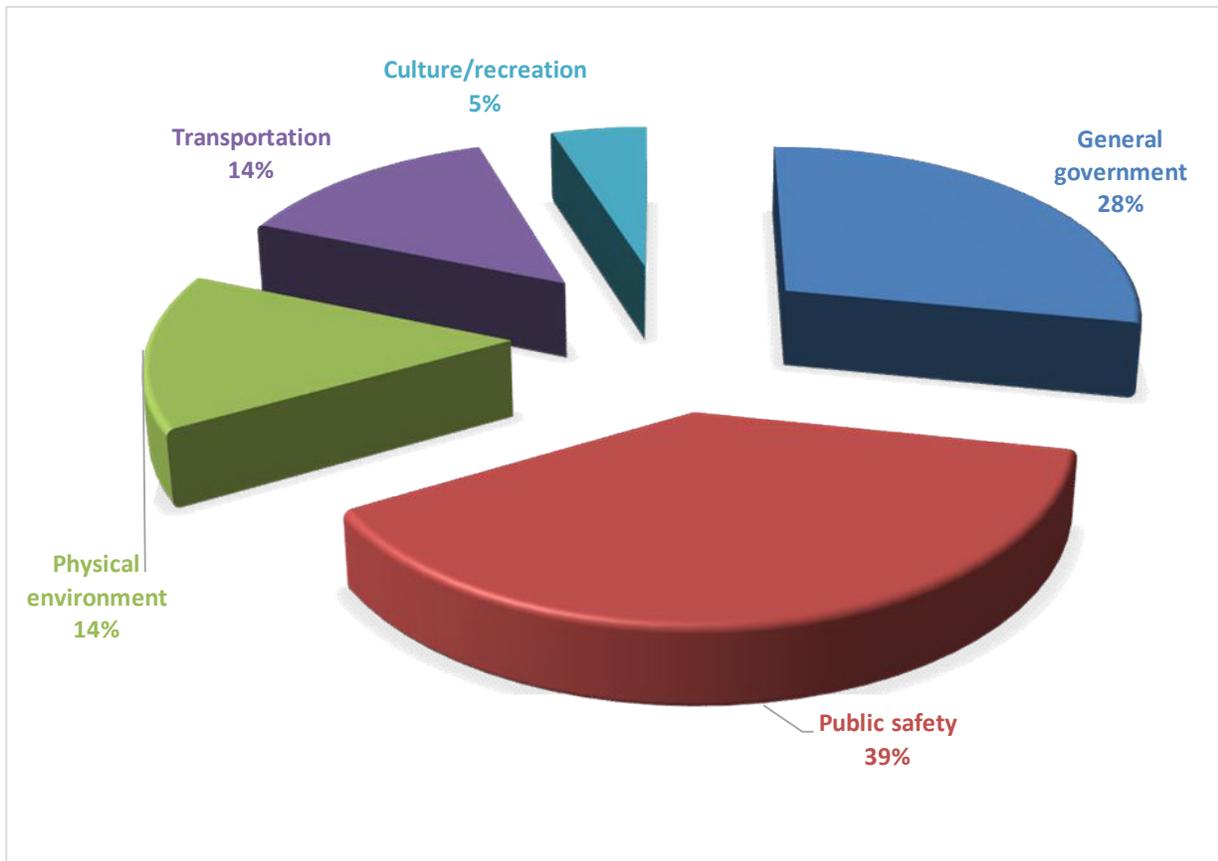


MANAGEMENT’S DISCUSSION AND ANALYSIS
September 30, 2021
CITY OF OAK HILL, FLORIDA

Expenses for the City’s governmental activities experienced a 13.3% increase during 2021 and totaled \$1,706,776, compared to \$1,506,938, one year earlier.

During 2021, the City’s capital spending was limited to the acquisition land for construction of a new City Hall of \$373,661, expenditures to repair and restore the Pier damaged by Hurricane Irma in the amount of \$242,383, expenditures on a sewer hookup project in the amount of \$64,700, and general paving, road improvements, and other smaller projects in the amount of \$72,362. Depreciation expense recognized on the City’s net investment in capital assets and allocated to the various governmental functions in 2021 totaled \$82,847, compared to \$36,767 for 2020.

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



Financial Analysis of the City’s Funds

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

Governmental Fund. The focus of the City’s governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. As the City completed the year, its governmental fund reported a fund balance of \$543,974, which was \$97,846 above the \$446,128 reported last year. This increase was primarily attributed to loan receipts during the year.

MANAGEMENT’S DISCUSSION AND ANALYSIS
September 30, 2021
CITY OF OAK HILL, FLORIDA

The general fund is the only operating fund of the City. As of September 30, 2021, the unassigned fund balance in the general fund totaled \$391,835, which was \$131,792, or 50.7% more than the \$260,043 reported last year. The unassigned fund balance in the general fund represents 15.2% of current year expenditures, or 56 days in reserve, compared to 12.2% of 2020 expenditures, or 45 days in reserve, at the end of the prior year.

General Fund Budgetary Highlights

Over the course of the year, the City Commission reviews their operating budgets to determine if any budget amendments are necessary. During 2021, several budget amendments were made. Differences between the original enacted budget and the final amended budget did not include significant changes.

Actual earned revenues were \$918,443 (or 52.5%) higher than the amounts anticipated to be received (\$1,749,006) during the year in the City’s General Fund. This was primarily due to loan proceeds of \$600,000 being received during the year which were not budgeted for. During 2021, the City did not change its millage rate of 5.6820 mills, compared to 5.6820 mills in 2020. Actual expenditures were \$820,597, due to the following reasons:

- 1.) Capital expenditures of around \$373,000 for future City Hall land purchase was not budgeted for.
- 2.) Capital expenditures of around \$242,000 for the Pier Restoration Project from damage sustained during Hurricane Irma was not budgeted for.
- 3.) Debt principal repayments of around \$192,000 was not budgeted for.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2021, the City had \$2,322,805 invested in a broad range of capital assets, including land, construction in progress, buildings, park facilities, transportation systems, and public works equipment. This investment in capital assets, net of depreciation, for all activities is reflected in the following schedule:

Capital Assets
For the Fiscal Years Ended September 30,

	Governmental Activities	
	2021	2020
Land	\$ 663,740	\$ 297,518
Construction work in progress	270,314	205,614
Buildings	694,841	694,841
Improvements other than buildings	1,340,823	1,026,078
Machinery and equipment	229,011	229,010
	3,198,729	2,453,061
Accumulated depreciation	(875,924)	(793,077)
Net total	\$ 2,322,805	\$ 1,659,984

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

MANAGEMENT’S DISCUSSION AND ANALYSIS
September 30, 2021
CITY OF OAK HILL, FLORIDA

Long-term Debt. As of the end of 2021, the City had two outstanding long-term note obligations, both obtained during the year. Other long-term debt obligations consisting of compensated absence liabilities and the City’s net pension liabilities are as follows at year end:

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

	2021	2020
Notes payable:		
Capital Improvement Revenue Note, Series 2021	\$ 350,000	\$ -
Capital Improvement Revenue Note, Series 2020	57,593	-
Compensated absences (current portion estimated)	17,366	12,012
Net pension liabilities	124,500	304,065
Total long-term debt	\$ 549,459	\$ 316,077

Economic Factors and Next Year’s Budgets and Rates

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

The most recent estimates available for unemployment data in Volusia County, Florida, are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Information Database Application (FREIDA). This agency estimates a countywide unemployment rate of 4.3%, which is favorable to the 6.4% rate experienced one year earlier. These estimates are slightly higher than the state’s current 3.9% unemployment rate. Nationwide, the unemployment rate is stated at 4.7%, as of September 2021.

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

The City Commission voted to keep the same operating millage for the 2021 levy at 5.682 mills - an increase in current year ad valorem taxes when levied against appreciated current year taxable values is projected.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

This Page Intentionally Left Blank

STATEMENT OF NET POSITION
September 30, 2021
CITY OF OAK HILL, FLORIDA

<hr/>	
Assets:	
Cash and cash equivalents	\$ 520,322
Receivables, net of \$185 allowance for uncollectible accounts	93,254
Refundable deposits	120
Capital assets, net of accumulated depreciation	<u>2,322,805</u>
Total assets	<u>2,936,501</u>
Deferred Outflows of Resources:	
Deferred outflows on pensions	<u>137,698</u>
Liabilities:	
Accounts payable and accrued liabilities	57,431
Unearned revenue	7,443
Net pension liabilities	124,500
Long-term debt:	
Due within one year	89,572
Due in more than one year	318,021
Compensated absences payable	<u>17,366</u>
Total liabilities	<u>614,333</u>
Deferred Inflows of Resources:	
Deferred inflows on pensions	<u>204,142</u>
Net Position:	
Net investment in capital assets	1,915,212
Restricted for transportation improvements	23,351
Restricted for public safety	128,668
Unrestricted	<u>188,493</u>
Total net position	<u>\$ 2,255,724</u>

See Independent Auditors' Report.

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2021
CITY OF OAK HILL, FLORIDA

Functions / Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets- Primary Government
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental activities:					
General government	\$ 479,689	\$ 37,340	\$ 77,042	\$ -	\$ (365,307)
Public safety	658,625	58,249	-	-	(600,376)
Physical environment	247,138	223,878	218,144	-	194,884
Transportation	235,429	51,865	26,868	19,740	(136,956)
Culture/recreation	83,721	-	-	11,006	(72,715)
Interest on debt	2,173	-	-	-	(2,173)
Total primary government	\$ 1,706,776	\$ 371,332	\$ 322,054	\$ 30,746	\$ (982,644)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					742,088
Public service taxes					243,915
Sales taxes					132,591
Franchise fees					147,213
Intergovernmental revenues					77,484
Investment earnings					27
Total general revenues					1,343,318
Change in net position					360,674
Net position - beginning of year					1,895,050
Net position - end of year					\$ 2,255,724

See Independent Auditors' Report.

BALANCE SHEET – GOVERNMENTAL FUND
September 30, 2021
CITY OF OAK HILL, FLORIDA

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 520,322
Receivables, net of \$185 allowance for uncollectible accounts	44,945
Due from other governments	43,461
Refundable deposits	120
Total assets	<u>\$ 608,848</u>
Liabilities:	
Accounts payable	\$ 47,232
Accrued liabilities	10,199
Unearned revenue	7,443
Total liabilities	<u>64,874</u>
Fund Balance:	
Nonspendable:	
Refundable deposits	120
Restricted for:	
Transportation	23,351
Building inspections	128,668
Unassigned	391,835
Total fund balance	<u>543,974</u>
Total liabilities and fund balance	<u>\$ 608,848</u>

See Independent Auditors' Report.

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF NET POSITION
September 30, 2021
CITY OF OAK HILL, FLORIDA**

Fund balance - governmental fund		\$ 543,974
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		2,322,805
Delinquent tax revenues and other grant revenues deferred in governmental activities are recognized in the period in which they are earned, regardless of the date of their anticipated receipt		4,848
Deferred outflows and inflows of resources are not available in the current period and, therefore, are not reported in the governmental fund. Deferred outflows and inflows of resources at year end consist of:		
Deferred outflows on pension liabilities:		
Florida Retirement System	\$ 115,145	
FRS Health Insurance Subsidy	<u>22,553</u>	137,698
Deferred inflows on pension liabilities:		
Florida Retirement System	(200,900)	
FRS Health Insurance Subsidy	<u>(3,242)</u>	(204,142)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, other debt and related obligations consist of the following:		
Compensated absences	(17,366)	
Debt, current and long-term portion	(407,593)	
Net pension obligation - Florida Retirement System	(49,673)	
Net pension obligation - FRS Health Insurance Subsidy	<u>(74,827)</u>	(549,459)
Net position of governmental activities		<u>\$ 2,255,724</u>

See Independent Auditors' Report.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended September 30, 2021
CITY OF OAK HILL, FLORIDA

	<u>General Fund</u>
Revenues:	
Taxes	\$ 1,039,701
Permits and fees	185,140
Intergovernmental revenue	516,267
Charges for services	283,060
Fines and forfeitures	20,933
Miscellaneous revenue	622,348
Total revenues	2,667,449
Expenditures:	
Current:	
General government	473,682
Public safety	654,985
Physical environment	247,138
Transportation	220,340
Culture/recreation	25,772
	1,621,917
Capital Outlay:	
General government	438,361
Transportation	72,362
Culture/recreation	242,383
	753,106
Debt Service:	
Principal retirement	192,407
Interest and fiscal charges	2,173
	194,580
Total expenditures	2,569,603
Excess of revenue over expenditures	97,846
Net change in fund balance	97,846
Fund balance, beginning of year	446,128
Fund balance, end of year	\$ 543,974

See Independent Auditors' Report.

**RECONILATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2021
CITY OF OAK HILL, FLORIDA**

Net change in fund balances - total governmental funds	\$	97,846
--	----	--------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay expenditures	\$ 753,106	
Book value of assets donated	(7,438)	
Depreciation expense	<u>(82,847)</u>	662,821

The (increase) decrease in net pension liabilities, deferred outflows and inflows, and postemployment benefits costs are reported in the statement of activities, but not in the individual governmental funds, as follows:

Deferred outflows for pensions	15,833	
Deferred inflows for pensions	(182,444)	
Net pension liability - Florida Retirement System (FRS)	191,946	
Net pension liability - FRS Health Insurance Subsidy	<u>(12,381)</u>	12,954

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The following is a summary of these elements:

(Increase) decrease in compensated absences payable	(5,354)
---	---------

Receipt of loan proceeds is a revenue in the governmental fund, but the proceeds increase long-term liabilities in the statement of net assets	(600,000)
--	-----------

Repayment of principal on long-term debt obligations is an expenditure in the governmental fund, but the repayments reduce long-term liabilities in the statement of net assets	<u>192,407</u>
---	----------------

Change in net position of governmental activities	<u>\$ 360,674</u>
---	-------------------

See Independent Auditors' Report.

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Fiscal Year Ended September 30, 2021
CITY OF OAK HILL, FLORIDA

	Budgeted	Amounts	Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Revenue:				
Taxes:				
General property taxes	\$ 771,633	\$ 771,633	\$ 742,087	\$ (29,546)
Local option gas taxes	40,500	40,500	46,586	6,086
Public service taxes	198,500	208,500	243,915	35,415
Local business taxes	2,500	3,700	7,113	3,413
	<u>1,013,133</u>	<u>1,024,333</u>	<u>1,039,701</u>	<u>15,368</u>
Permits and Fees:				
Building permits	30,000	33,000	37,205	4,205
Franchise fees	135,030	130,030	147,213	17,183
Other permits and fees	750	750	722	(28)
	<u>165,780</u>	<u>163,780</u>	<u>185,140</u>	<u>21,360</u>
Intergovernmental Revenue:				
Federal grants	-	-	218,144	218,144
State grants	-	-	11,006	11,006
County grants	-	-	77,042	77,042
State shared revenues:				
State revenue sharing	58,000	58,000	72,826	14,826
Mobile home licenses	1,500	1,500	1,519	19
Alcoholic beverage licenses	1,000	1,000	755	(245)
Local one-half cent sales tax	94,000	119,000	132,591	13,591
Other shared revenues:				
County shared revenue	1,400	1,400	2,384	984
	<u>155,900</u>	<u>180,900</u>	<u>516,267</u>	<u>117,223</u>
Charges for Services:				
General Government	1,300	6,800	7,204	404
Public Safety	50	50	111	61
Transportation	47,943	47,943	51,867	3,924
Garbage/solid waste charges	220,000	228,000	223,878	(4,122)
	<u>269,293</u>	<u>282,793</u>	<u>283,060</u>	<u>267</u>
Fines and Forfeitures:				
Fines and forfeitures	2,000	19,000	20,933	1,933
	<u>2,000</u>	<u>19,000</u>	<u>20,933</u>	<u>1,933</u>
Miscellaneous Revenues:				
Interest earnings	250	250	27	(223)
Lease and rental revenue	18,250	19,950	22,321	2,371
Loan proceeds received	-	-	600,000	600,000
Miscellaneous revenue	30,000	58,000	-	(58,000)
	<u>48,500</u>	<u>78,200</u>	<u>622,348</u>	<u>544,148</u>
Total revenues	<u>1,654,606</u>	<u>1,749,006</u>	<u>2,667,449</u>	<u>918,443</u>

See Independent Auditors' Report.

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Fiscal Year Ended September 30, 2021
CITY OF OAK HILL, FLORIDA

	<u>Budgeted</u>	<u>Amounts</u>	<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Expenditures:				
General Government:				
Legislative:				
Personal services	\$ 38,754	\$ 38,754	\$ 37,233	\$ 1,521
	<u>38,754</u>	<u>38,754</u>	<u>37,233</u>	<u>1,521</u>
Financial and Administrative:				
Personal services	162,711	168,111	164,706	3,405
Operating expenditures	28,000	26,000	24,128	1,872
	<u>190,711</u>	<u>194,111</u>	<u>188,834</u>	<u>5,277</u>
Legal Counsel:				
Operating expenditures	25,000	25,000	38,376	(13,376)
Comprehensive Planning:				
Operating expenditures	59,000	79,000	63,715	15,285
Capital outlay	45,000	45,000	64,703	(19,703)
	<u>104,000</u>	<u>124,000</u>	<u>128,418</u>	<u>(4,418)</u>
Other General Government:				
Operating expenditures	115,982	122,582	145,524	(22,942)
Capital outlay	-	-	373,658	(373,658)
	<u>115,982</u>	<u>122,582</u>	<u>519,182</u>	<u>(396,600)</u>
Total general government	<u>474,447</u>	<u>504,447</u>	<u>912,043</u>	<u>(407,596)</u>
Public Safety:				
Law Enforcement:				
Operating expenditures	609,981	609,981	611,261	(1,280)
	<u>609,981</u>	<u>609,981</u>	<u>611,261</u>	<u>(1,280)</u>
Protective Inspections:				
Operating expenditures	26,200	28,950	25,548	3,402
Other Public Safety:				
Operating expenditures	22,250	24,750	18,176	6,574
Total public safety	<u>658,431</u>	<u>663,681</u>	<u>654,985</u>	<u>8,696</u>
Physical Environment:				
Garbage/Solid Waste Control Services:				
Operating expenditures	185,000	245,000	247,138	(2,138)
Total physical environment	<u>185,000</u>	<u>245,000</u>	<u>247,138</u>	<u>(2,138)</u>

See Independent Auditors' Report.

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Fiscal Year Ended September 30, 2021
CITY OF OAK HILL, FLORIDA

	<u>Budgeted</u>	<u>Amounts</u>	<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Transportation:				
Road and Street Facilities:				
Personal services	\$ 150,987	\$ 150,737	\$ 154,399	\$ (3,662)
Operating expenditures	91,350	79,540	65,941	13,599
Capital outlay	72,491	78,661	72,362	6,299
Total transportation	<u>314,828</u>	<u>308,938</u>	<u>292,702</u>	<u>16,236</u>
Culture/Recreation:				
Parks and Recreation:				
Operating expenditures	21,900	26,940	25,772	1,168
Capital outlay	-	-	242,383	(242,383)
Total culture/recreation	<u>21,900</u>	<u>26,940</u>	<u>268,155</u>	<u>(241,215)</u>
Debt Service:				
Principal repayments	-	-	192,407	(192,407)
Interest payments	-	-	2,173	(2,173)
Total debt service	<u>-</u>	<u>-</u>	<u>194,580</u>	<u>(194,580)</u>
Total expenditures	<u>1,654,606</u>	<u>1,749,006</u>	<u>2,569,603</u>	<u>(820,597)</u>
Fund balance appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>97,846</u>	<u>97,846</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>97,846</u>	<u>97,846</u>
Fund balance, beginning of year	<u>446,128</u>	<u>446,128</u>	<u>446,128</u>	<u>-</u>
Fund balance, end of year	<u>\$ 446,128</u>	<u>\$ 446,128</u>	<u>\$ 543,974</u>	<u>\$ 97,846</u>

See Independent Auditors' Report.

This Page Intentionally Left Blank

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

The Statement of Net Position presents the overall government’s financial position at year-end. The Statement of Activities presents direct expenses of a given function or segment offset by program revenues for the fiscal reporting period. The resulting net expense or revenue is then totaled and offset by general revenues producing the aggregate change in net position for the period. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the government, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other nonexchange revenues not properly included among program revenues are reported as general revenues.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

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

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

The City reports the following major governmental fund:

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

Prepaid Items Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures or expenses when consumed rather than when purchased.

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

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

The following is a summary of the annual benefits:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

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

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

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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

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

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

E. Recent Accounting Standards

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

- Statement 84, "*Fiduciary Activities*." The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. No action was required by the City to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.
- Statement 90, "*Major Equity Interests*." The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization. No action was required by the City to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

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

- Statement 87, *“Leases.”* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is currently under review to evaluate the impact it may have on the City’s financial statement presentation. The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are to improve relevance and comparability about capital assets and the related cost of borrowing as well as simplify the accounting for interest costs incurred before the end of a construction period. It is anticipated that no action will be required by the City to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after December 15, 2020.
- Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. It is anticipated that no action will be required by the City to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after December 15, 2021.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

NOTE 4 - PROPERTY TAX CALENDAR

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City was 5.6820 mills (2020 levy collected in the year ended September 30, 2021).

The property tax calendar is as follows:

Valuation Date	January 1
Property Appraiser prepares the assessment roll with values as of January 1, submits preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.	July 1
City Commission holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.	September
Property Appraiser certified the assessment roll and all real and tangible personal property taxes are due and payable (levy date).	November 1
A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November through	

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

March, with the following applicable discounts:	November 1												
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Month Paid</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><u>Discount</u></th> </tr> </thead> <tbody> <tr> <td>November</td> <td>4%</td> </tr> <tr> <td>December.....</td> <td>3%</td> </tr> <tr> <td>January.....</td> <td>2%</td> </tr> <tr> <td>February.....</td> <td>1%</td> </tr> <tr> <td>March.....</td> <td>None</td> </tr> </tbody> </table>	<u>Month Paid</u>	<u>Discount</u>	November	4%	December.....	3%	January.....	2%	February.....	1%	March.....	None	
<u>Month Paid</u>	<u>Discount</u>												
November	4%												
December.....	3%												
January.....	2%												
February.....	1%												
March.....	None												
All unpaid taxes on real and tangible personal property become delinquent.	April 1												
A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.	April/May												
Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date).	June 1												
A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent taxes	August												

NOTE 5 -CASH DEPOSITS AND INVESTMENTS

Deposits. At September 30, 2021, the carrying value of the City’s cash deposit accounts totaled \$520,172 and the bank balances totaled \$553,305. The cash deposits are held by banks that qualify as public depositories under the Florida Security for Public Deposits Act (mentioned below) as required by Chapter 280, Florida Statutes and are fully insured. Amounts do not include \$150 in cash funds on hand at the end of the fiscal year.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Chief Financial Officer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State Chief Financial Officer.

At September 30, 2021, all of the City's deposits were adequately covered by a combination of federal depository insurance and the statutory provisions of the Act.

NOTE 6 – DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables: Amounts are aggregated into single accounts receivable (net of allowance for uncollectible accounts) lines for certain funds and aggregated columns. Below is a detail of receivables anticipated to be collected within an operating cycle at September 30, 2021:

Delinquent taxes receivable	\$ 4,848
Franchise/utility fees	45,130
Due from other governments	<u>43,461</u>
	93,439
Less: allowance for doubtful accounts	<u>(185)</u>
Total governmental activities receivables, net	<u><u>\$ 93,254</u></u>

Payables: Amounts are aggregated into single accounts payable and accrued liabilities lines for certain funds and aggregated columns. Below is a detail of payables anticipated to be paid within an operating cycle at September 30, 2021:

Accounts payable	\$ 46,842
Abandoned property	390
Accrued wages payable	5,424
Other accrued expenses	<u>4,775</u>
Total governmental activities payable	<u><u>\$ 57,431</u></u>

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

NOTE 7 - CAPITAL ASSETS

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

	Balances 9/30/2020	Additions	Deletions	Balances 9/30/2021
Capital assets not being depreciated:				
Land	\$ 297,518	\$ 373,661	\$ (7,439)	\$ 663,740
Construction in progress	205,614	64,700	-	270,314
Total capital assets not being depreciated	<u>503,132</u>	<u>438,361</u>	<u>(7,439)</u>	<u>934,054</u>
Capital assets being depreciated:				
Buildings	694,841	-	-	694,841
Improvements other than buildings	1,026,078	314,745	-	1,340,823
Machinery and equipment	229,011	-	-	229,011
Total capital assets being depreciated	<u>1,949,930</u>	<u>314,745</u>	<u>-</u>	<u>2,264,675</u>
Less accumulated depreciation for:				
Buildings	(330,899)	(17,005)	-	(347,904)
Improvements other than buildings	(270,098)	(57,832)	-	(327,930)
Machinery and equipment	(192,080)	(8,010)	-	(200,090)
Total accumulated depreciation	<u>(793,077)</u>	<u>(82,847)</u>	<u>-</u>	<u>(875,924)</u>
Total capital assets being depreciated, net	<u>1,156,853</u>	<u>231,898</u>	<u>-</u>	<u>1,388,751</u>
Total capital assets, net	<u>\$1,659,985</u>	<u>\$ 670,259</u>	<u>\$ (7,439)</u>	<u>\$2,322,805</u>

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

General government	\$ 9,807
Public safety	3,640
Transportation	18,889
Culture/recreation	<u>50,510</u>
Total depreciation expense - governmental activities	<u>\$ 82,847</u>

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

NOTE 8 - GENERAL LONG-TERM DEBT

Capital Improvement Revenue Note, Series 2020

In December of 2020, the City issued a Capital Improvement Revenue Note, Series 2020, which was originally issued for \$250,000 and was originally payable through December of 2023. Proceeds from the note were used to finance the cleanup and restoration efforts after Hurricane Irma in 2020, specifically the repair and refurbishment of a fishing pier badly damaged during the hurricane. The note bears interest at a fixed rate of 1.49% and is payable annually. The balance due on this obligation was \$57,593 as of September 30, 2021. This loan was paid in full in November of 2021.

Capital Improvement Revenue Note, Series 2021

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

The City's long-term debt outstanding at September 30, 2021, is as follows:

	Balance Due	Current Maturities
Compensated absences (current portion estimated)	\$ 17,366	\$ 4,342
Long-term debt	407,593	89,572
Net pension liabilities	124,500	-
Total long-term debt	\$ 549,459	\$ 93,914

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

	Balances 9/30/2020	Additions	Deletions	Balances 9/30/2021
Notes payable:				
Capital Improvement Revenue Note, Series 2021	\$ -	\$ 350,000	\$ -	\$ 350,000
Capital Improvement Revenue Note, Series 2020	-	250,000	(192,407)	57,593
Compensated absences	12,012	5,354	-	17,366
Net pension liabilities	304,065	-	(179,565)	124,500
Totals	\$ 316,077	\$ 605,354	\$ (31,912)	\$ 549,459

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

Debt Service to Maturity

Aggregate debt service requirements to maturity on long-term debt obligations are as follows:

Fiscal Year Ended September 30	Capital Improvement Note Series 2021		Capital Improvement Note Series 2020		Total
	Principal	Interest	Principal	Interest	
2022	\$ 31,979	\$ 6,965	\$ 57,593	\$ 310	\$ 96,847
2023	32,615	6,329	-	-	38,944
2024	33,264	5,680	-	-	38,944
2025	33,926	5,018	-	-	38,944
2026	34,601	4,342	-	-	38,943
Thereafter	183,615	11,105	-	-	194,720
	<u>\$ 350,000</u>	<u>\$ 39,439</u>	<u>\$ 57,593</u>	<u>\$ 310</u>	<u>\$ 447,342</u>

NOTE 9 -LEASE INCOME

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

See the following for future minimum rental income receivable on this lease:

2022	\$ 20,988
2023	20,988
2024	20,988
2025	<u>20,988</u>
	<u>\$ 83,952</u>

NOTE 10 - RESTRICTED NET POSITION

The government-wide statement of net position reports \$152,019 in restricted net position, which is restricted for public safety building inspection and transportation improvement activities by enabling state legislation.

NOTE 11 – RELATED PARTY TRANSACTIONS

The City purchases pest control services from a member of the City Commission at prices that approximate fair market value. These purchases totaled \$3,000 for the year ended September 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

NOTE 12 - PENSION PLANS

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

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

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

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

www.dms.myflorida.com/workforceoperations/retirement/publications

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

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

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

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

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

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

<u>Class</u>	<u>Percent of Gross Salary</u>		
	<u>Employee</u>	<u>Employer (1)</u>	
		<u>Pre 7/01/21</u>	<u>Post 6/30/21</u>
FRS, Regular	3.00	10.00	10.82
FRS, Senior Management Service	3.00	27.29	29.01
FRS, Special Risk	3.00	24.45	25.89
DROP - Applicable to Members of the Above Class	0.00	16.98	16.41
FRS, Reemployed Retiree		(2)	(2)

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

Notes: (1) Employer rates include 1.66 percent and 1.66 percent for the postemployment health insurance subsidy for Pre 7/01/21 and Post 6/30/21, respectively. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The City's employer and employee contributions to the FRS Plan totaled \$22,542 and \$4,706, respectively, for the fiscal year ended September 30, 2021. This excludes HIS defined benefit pension plan contributions of \$3,600 and FRS Investment Plan contributions of \$6,896.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2021, the City reported a liability of \$49,673 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportionate share of the net pension liability was based on the City's 2020-21 fiscal year contributions relative to the 2020-21 fiscal year contributions of all participating members based on a June 30, 2021 fiscal year. At June 30, 2021, the City's proportionate share was 0.000658172 percent, which was an increase of 0.0000100592 percent from its proportionate share measured as of June 30, 2020 of 0.000557580 percent.

For the fiscal year ended September 30, 2021, the City recognized the Plan pension expense of (\$17,573) (negative pension expense). In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,522	\$ -
Change of assumptions	34,020	-
Net difference between projected and actual earnings on pension plan investments	26,794	200,246
Changes in proportion and differences between City contributions and proportionate share of contributions	38,443	654
Contributions subsequent to the measurement date	7,366	-
Total	\$ 115,145	\$ 200,900

The deferred outflows of resources related to pensions, totaling \$7,366, resulting from the City's contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. The remaining (\$93,121) reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

Fiscal Year Ending June 30	
2022	\$ (16,403)
2023	(18,708)
2024	(24,020)
2025	(34,273)
2026	283
	\$ (93,121)

Actuarial Assumptions. The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2021, valuation were based on the most recent actuarial experience study for the period July 1, 2013, through June 30, 2018.

Long-Term Expected Rate of Return. The long-term expected rate of return assumption of 6.80 percent consists of two building block components: 1) a real (in excess of inflation) return of 4.20 percent, consistent with the currently articulated real return target in the current Florida State Board of Administration’s investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; and 2) a long-term average annual inflation assumption of 2.40 percent as adopted in October 2019 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 6.80 percent return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice. The 6.80 percent reported investment return assumption differs from the 6.90 percent investment return assumption chosen by the 2021 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards.

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

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

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

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

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

Calculation of Money-Weighted Rate of Return. For the year ended June 30, 2021, the annual money-weighted rate of return on FRS pension plan investments, net of pension plan investment expense, was 3.35 percent. The money-weighted rate of return considers the changing amounts estimated as invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. Cash flows are estimated on a monthly basis and are assumed to occur at the beginning of each month. Cash inflows are netted with cash outflows, resulting in a net cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

Discount Rate. The discount rate used to measure the total pension liability was 6.80 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.80 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.80 percent) or 1 percentage-point higher (7.80 percent) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
The City's proportionate share of the net pension liability	\$ 222,340	\$ 49,673	\$ (94,575)

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

Payables to the FRS Pension Plan. At September 30, 2021, the City had no amounts payable to the FRS Plan required for the fiscal year ended September 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

2. HIS Pension Plan (Defined Benefit Pension Plan)

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

Benefits Provided. For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2021, the HIS contribution rates for the period from October 1, 2020 through June 30, 2021, and from July 1, 2021 through September 30, 2021, were 1.66% and 1.66%, respectively, of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$3,600 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At September 30, 2021, the City reported a net pension liability of \$74,827 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportionate share of the net pension liability was based on the City's 2020-21 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the City's proportionate share was 0.000610001 percent, which was an increase of 0.000098562 percent from its proportionate share measured as of June 30, 2020, of 0.000511439 percent.

For the fiscal year ended September 30, 2021, the City recognized the Plan pension expense of \$4,619. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,504	\$ 31
Change of assumptions	5,878	3,083
Net difference between projected and actual earnings on pension plan investments	78	-
Changes in proportion and differences between City contributions and proportionate share of contributions	13,121	128
Contributions subsequent to the measurement date	972	-
Total	\$ 22,553	\$ 3,242

The deferred outflows of resources related to pensions, totaling \$972, resulting from the City's contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. The remaining \$18,339 reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	
2022	\$ 5,053
2023	1,608
2024	3,320
2025	4,407
2026	3,951
	<u>\$ 18,339</u>

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

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	2.16 percent

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

The following changes in actuarial assumptions occurred in 2020:

The municipal rate used to determine total pension liability was decreased from 2.21% to 2.16%.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

Discount Rate. The discount rate used to measure the total pension liability was 2.16 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Entity’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 2.16 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
The City's proportionate share of the net pension liability	\$ 86,507	\$ 74,827	\$ 65,257

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

Payable to the HIS Pension Plan - At September 30, 2021, the City had no amounts payable to the HIS Plan required for the fiscal year ended September 30, 2021.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

Allocations to the investment member's accounts during the 2020-21 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee/Employer</u>	
	<u>Pre 7/01/20</u>	<u>Post 6/30/20</u>
FRS, Regular	6.3	6.3
FRS, Senior Management Service	7.67	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the FRS Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of FRS Investment Plan members. For the fiscal year ended June 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

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

The City's employer and employee contributions to the Investment Plan totaled \$5,133 and \$1,799, respectively, for the fiscal year ended September 30, 2021.

Payable to the FRS Investment Plan - At September 30, 2021, the City had no amounts payable to the FRS Investment Plan required for the fiscal year ended September 30, 2021.

NOTE 13 - LEGAL MATTERS

The City is from time to time engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of Counsel to the City, no legal proceedings are pending or threatened against the City, not covered by insurance, which would inhibit the City's ability to perform its operations or materially affect its financial condition at September 30, 2021.

NOTE 14 -RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021
CITY OF OAK HILL, FLORIDA

NOTE 15 - COMMITMENTS AND CONTINGENCIES

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

Law Enforcement Services. On October 1, 2015, the City renewed its Interlocal Agreement with the County of Volusia, Florida, whereby the County will continue to provide municipal law enforcement services and equipment to the City in lieu of the City using its own personnel and equipment. Under the renewal Agreement, the City has committed to pay a minimum of \$520,015 in the first of the three fiscal years ending September 30, 2016 to 2018. Adjustments to the amount can be made annually, subject to the approval of the City Commission, to compensate for increases in the actual costs of services provided. During the year ended September 30, 2021, contract services for law enforcement support from the County totaled \$609,981.

NOTE 16 - SUBSEQUENT EVENTS

Evaluation of Events and Transactions. In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 20, 2022, the date the financial statements were available to be issued.

In October of 2021, the American Rescue Plan Act (ARPA) awarded the City a grant authorized by the Coronavirus Local Fiscal Recovery Fund. The full amount of this grant is expected to be \$1,108,890, of which 50 percent, or \$554,445, was received by the City in October of 2021.

The grant requires the funds to be used for the following restricted purposes:

- 1.) To respond to the public health emergency with respect to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality.
- 2.) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the non-entitlement unit of local government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work.
- 3.) For the provision of government services to the extent of the reduction in revenue of such non-entitlement unit of local government due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the non-entitlement unit of local government;

Or

- 4.) To make necessary investments in water, sewer, or broadband infrastructure.

In November of 2021, the City paid in full the Capital Improvement Revenue Note, Series 2020.

This Page Intentionally Left Blank

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year		
	2021	2020	2019
Schedule of the Proportionate Share of the Net Pension Liability:			
City proportion of the net pension liability	0.000658172%	0.000557580%	0.000496185%
City proportionate share of the net pension liability	\$ 49,673	\$ 241,619	\$ 170,831
City covered employee payroll	\$ 216,841	\$ 187,740	\$ 168,333
City proportionate share of the net pension liability as a percentage of covered payroll	22.91%	128.70%	101.48%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%

Schedule of Contributions:

Contractually required contribution	\$ 22,542	\$ 13,329	\$ 16,468
Contributions in relation to the contractually required contribution	\$ (22,542)	\$ (13,329)	\$ (16,468)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City covered employee payroll	\$ 216,841	\$ 187,740	\$ 168,333
Contributions as a percentage of covered employee payroll	10.40%	7.10%	9.78%

Notes:

The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2020, calculated based on the discount rate and actuarial assumptions below:

	<u>06/30/2021</u>	<u>06/30/2020</u>
Discount Rate	6.80%	6.80%
Long-term expected rate of return, net of investment expense	6.80%	6.80%
Bond Buyer General Obligation 20-Bond Municipal Bond Index	N/A	N/A

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees if future experience follows assumptions and the Actuarially Determined Contribution (ADC) is contributed in full each year. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The 6.80 percent rate of return assumption used in the June 30, 2021, calculations was determined by the consulting actuary, Milliman, to be reasonable and appropriate per Actuarial Standard of Practice Number 27 (ASOP 27).

See Independent Auditors' Report.

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

Fiscal Year						
2018	2017	2016	2015	2014	2013	2012
0.000482946%	0.000471549%	0.000487034%	0.000501648%	0.000474100%	n/a	n/a
\$ 145,466	\$ 139,481	\$ 122,976	\$ 64,795	\$ 28,927	n/a	n/a
\$ 158,856	\$ 144,140	\$ 143,126	\$ 134,526	\$ 130,324	n/a	n/a
91.57%	96.77%	85.92%	48.17%	22.20%	n/a	n/a
84.26%	83.89%	84.88%	92.00%	96.09%	n/a	n/a
\$ 14,702	\$ 14,365	\$ 13,628	\$ 12,369	n/a	n/a	n/a
\$ (14,702)	\$ (14,365)	\$ (13,628)	\$ (12,369)	n/a	n/a	n/a
\$ -	\$ -	\$ -	\$ -	n/a	n/a	n/a
\$ 158,856	\$ 144,140	\$ 143,126	\$ 134,526	n/a	n/a	n/a
9.25%	9.97%	9.52%	9.19%	n/a	n/a	n/a

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2020, were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

Valuation Date	July 1, 2021
Measurement Date	June 30, 2021
Asset Valuation Method	Fair Market Value
Inflation	2.40%
Salary increases including inflation	3.25%
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age Normal

See Independent Auditors' Report.

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

	Fiscal Year		
	2021	2020	2019
Schedule of the Proportionate Share of the Net Pension Liability:			
City proportion of the net pension liability	0.000610001%	0.000511439%	0.000497641%
City proportionate share of the net pension liability	\$ 74,827	\$ 62,446	\$ 55,681
City covered employee payroll	\$ 216,841	\$ 187,740	\$ 168,333
City proportionate share of the net pension liability as a percentage of covered payroll	34.51%	33.26%	33.08%
Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%

Schedule of Contributions:

Contractually required contribution	\$ 3,600	\$ 3,116	\$ 2,794
Contributions in relation to the contractually required contribution	\$ (3,600)	\$ (3,116)	\$ (2,794)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City covered employee payroll	\$ 216,841	\$ 187,740	\$ 168,333
Contributions as a percentage of covered employee payroll	1.66%	1.66%	1.66%

Notes:

The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2020, calculated based on the discount rate and actuarial assumptions below:

	06/30/2021	06/30/2020
Discount Rate	2.16%	2.21%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	2.16%	2.21%

In general, the discount rate for calculating the total pension liability under GASB 67 is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate. The single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The discount rate used in the 2021 valuation was updated from 2.21 percent to 2.16 percent reflecting the change in the Bond Municipal Bond Index.

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

Fiscal Year						
2018	2017	2016	2015	2014	2013	2012
0.000473845%	0.000446731%	0.000450977%	0.000443442%	\$ 0	n/a	n/a
\$ 50,152	\$ 47,767	\$ 52,560	\$ 45,224	\$ 39,949	n/a	n/a
\$ 158,856	\$ 144,140	\$ 143,126	\$ 134,526	\$ 130,324	n/a	n/a
31.57%	33.14%	36.72%	33.62%	30.65%	n/a	n/a
2.15%	1.64%	0.97%	0.50%	0.99%	n/a	n/a
\$ 2,637	\$ 2,393	\$ 2,376	\$ 1,814	\$ 1,582	n/a	n/a
\$ (2,637)	\$ (2,393)	\$ (2,376)	\$ (1,814)	n/a	n/a	n/a
\$ -	\$ -	\$ -	\$ -	n/a	n/a	n/a
\$ 158,856	\$ 144,140	\$ 143,126	\$ 134,526	n/a	n/a	n/a
1.66%	1.66%	1.66%	n/a	n/a	n/a	n/a

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2020, were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

Valuation Date	July 1, 2021
Measurement Date	June 30, 2021
Inflation	2.40%
Salary increases including inflation	3.25%
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age Normal

See Independent Auditors' Report.

This Page Intentionally Left Blank

SUPPLEMENTAL AUDIT REPORTS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of City of Oak Hill, Florida (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 20, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BMC CPAs

May 20, 2022



MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of City of Oak Hill, Florida (the “City”) as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated May 20, 2022.

Auditors’ Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Schedule of Findings and Responses and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 20, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report (FY 2020). Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below, and as addressed in the accompanying Schedule of Findings and Responses:

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

Official Title and Legal Authority

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

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2021, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2021. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of this Letter

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

BMC CPAs

May 20, 2022

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2021
CITY OF OAK HILL, FLORIDA

The following table summarizes the status of the prior year findings and responses included in the prior year's Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 20, 2022 should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report (FY 2020). Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, and are addressed in Exhibit A, except as noted below:

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

Official Title and Legal Authority

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

Purpose of this Letter

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

BMC CPAs

May 20, 2022

PRIOR YEAR MATTERS

Pursuant to Section 10.554(1)(i)(1), Rules of the Auditor General, the following is a summary of the status of any unresolved prior year findings and management letter comments issued by the external auditor in fiscal year 2020:

SD01 (2009): Segregation of Duties

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

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

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

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



INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined City of Oak Hill, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the period October 1, 2020 to September 30, 2021. Management of the City is responsible for City's compliance with the specified requirements. Our responsibility is to express an opinion on City's compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the period October 1, 2020 to September 30, 2021.

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

BMC CPAs

May 20, 2022

This Page Intentionally Left Blank