TOWN OF HILLIARD, FLORIDA
ANNUAL FINANCIAL REPORT
September 30, 2025

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INTRODUCTORY SECTION

TOWN OF HILLIARD, FLORIDA
LIST OF ELECTED AND APPOINTED OFFICIALS
September 30, 2025

LIST OF ELECTED OFFICIALS

Mayor and Chairman of the Board	John P. Beasley
Town Council President	Kenny Sims
Town Council	Dallis Hunter
	Joe Michaels
	Lee Pickett
	Jared Wollitz

APPOINTED OFFICIALS

Town Clerk	Lisa Purvis
Town Attorney	Christian W. Waugh

FINANCIAL STATEMENTS

Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

INDEPENDENT AUDITOR'S REPORT

August 12, 2026

To the Town Council
Town of Hilliard, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Town of Hilliard, Florida (the Town) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Prior Period Adjustment

As discussed in Note 15 to the financial statements, it was determined that certain revenues earned and an other receivable related to a prior period were not properly accrued and recognized in the financial statements. This resulted in prior period adjustments to the applicable balances in the General Fund and Governmental Activities portion of the government-wide financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other schedules related to the Town's retirement benefits be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by the audit requirements of Section 215.97, Florida Statutes, Florida Single Audit Act; Chapter 10.550, Rules of the State of Florida, Office of the Auditor General is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2026, on our consideration of the Town'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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Powell & Jones

POWELL AND JONES CPA
Lake City, Florida
August 12, 2026

The Town of Hilliard, Florida (the Town) offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2025. We hope this will assist readers in identifying any significant financial issues and changes in the Town's financial position.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded the liabilities at the close of the most recent fiscal year by $18.3 million (*net position*).
- The Town's total net position increased by $903 thousand. An increase of $1.2 million was attributable to governmental activities and a decrease of $291 thousand for business-type activities.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $2.9 million, an increase of $297 thousand in comparison with the prior year. Of this amount, $478 thousand is available for spending at the government's discretion (unassigned or assigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $478 thousand, or 13.2% of the total general fund expenditures and transfers out.
- The Town's total debt decreased by $923 thousand during the current fiscal year, due to the complete payoff of one of the Town's long-held bonds, the net of other annual debt service payments, and the changes of actuarially determined balances for the Town's net pension liabilities related to their participation in the Florida Retirement System and Other Post Retirement Benefits.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The funds used by the Town are as follows:

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

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

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages 19 - 21 of this report.

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a town's near-term financing requirements.

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

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

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

The basic governmental fund financial statements can be found on pages 22 - 24 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 25 - 28 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to provide support to the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains one fiduciary fund type: a custodial fund. The custodial fund reports resources, not in a trust, held by the Town for parties outside the Town's reporting entity. The fiduciary fund financial statements can be found on pages 29 - 30.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 - 59 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by $18.3 million at the close of the most recent fiscal year.

By far, the largest portion of the Town's net position (82.1%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Hilliard, Florida
Statement of Net Position
September 30, 2025

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position was $957 thousand. As seen in the governmental activities, a portion of this balance has been reported as a deficit which is due to the implementation of certain state standards requiring the Town to report its pro rata shares of the pension liabilities from the Florida Retirement System and Other Post-Employment Benefits. Due to the fact that the Town's management does not anticipate being required to directly fund related portions of this deficit, when this condition occurs, it is not considered to be detrimental. The Town anticipates periodic adjustments to current contribution rates to fund the net pension liabilities.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024 (restated)	2025	2024	2025	2024 (restated)
Current assets	$ 3,174,703	$ 3,222,802	$ 2,194,067	$ 2,529,771	$ 5,368,770	$ 5,752,573
Capital assets, net	8,692,973	7,840,026	9,455,417	9,715,010	18,148,390	17,555,036
Lease receivable	209,459	209,294	-	-	209,459	209,294
Interfund balances	-	(499,457)	-	499,457	-	-
Total assets	12,077,135	10,772,665	11,649,484	12,744,238	23,726,619	23,516,903
Deferred outflows	332,033	384,797	134,057	174,482	466,090	559,279
Current liabilities	385,601	232,693	496,285	591,903	881,886	824,596
Long-term liabilities	908,526	1,043,719	3,437,909	4,185,929	4,346,435	5,229,648
Total liabilities	1,294,127	1,276,412	3,934,194	4,777,832	5,228,321	6,054,244
Deferred inflows	521,560	481,978	177,773	178,566	699,333	660,544
Net investment in capital assets	8,692,973	7,840,026	6,301,417	5,899,010	14,994,390	13,739,036
Restricted	2,416,595	2,017,445	659,528	599,429	3,076,123	2,616,874
Unrestricted	(516,087)	(458,399)	710,629	1,463,883	194,542	1,005,484
Total net position	$ 10,593,481	$ 9,399,072	$ 7,671,574	$ 7,962,322	$ 18,265,055	$ 17,361,394

Town of Hilliard, Florida

Changes in Net Position
For the Year Ended September 30, 2025

Governmental Activities – Governmental activities increased the Town's net position by $1.2 million.

Business-Type Activities – Business-type activities decreased the Town's net position by $291 thousand. This decrease was primarily attributable to an operational loss on business-type activities that is largely due to high levels of depreciation being expensed for significant purchases in previous years.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024 (restated)	2025	2024	2025	2024 (restated)
Revenues						
Charges for service	$ 406,988	$ 374,213	$ 1,415,409	$ 1,380,566	$ 1,822,397	$ 1,754,779
Grants and contributions	1,169,175	1,133,439	-	597,000	1,169,175	1,730,439
General revenues	2,669,407	2,595,130	127,147	110,084	2,796,554	2,705,214
Total revenues	4,245,570	4,102,782	1,542,556	2,087,650	5,788,126	6,190,432
Expenses						
General government	900,902	886,801	-	-	900,902	886,801
Public safety	151,188	148,299	-	-	151,188	148,299
Transportation	678,515	673,990	-	-	678,515	673,990
Health services	44,465	42,282	-	-	44,465	42,282
Parks and Recreation	952,674	775,204	-	-	952,674	775,204
Interest on long-term debt	-	-	112,608	118,540	112,608	118,540
Water and sewer	-	-	2,044,113	1,833,491	2,044,113	1,833,491
Total expenses	2,727,744	2,526,576	2,156,721	1,952,031	4,884,465	4,478,607
Increase (decrease) in net position before transfers	1,517,826	1,576,206	(614,165)	135,619	903,661	1,711,825
Transfers	(323,417)	(523,199)	323,417	523,199	-	-
Loss on cancellation of lease agreement	-	-	-	(31,863)	-	(31,863)
Change in net position	1,194,409	1,053,007	(290,748)	626,955	903,661	1,679,962
Net position, beginning of year	9,399,072	8,346,065	7,962,322	7,335,367	17,361,394	15,681,432
Net position, end of year	$ 10,593,481	$ 9,399,072	$ 7,671,574	$ 7,962,322	$ 18,265,055	$ 17,361,394

Financial Analysis of the Town's Funds

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

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

As of the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of $2.9 million, an increase of $297 thousand in comparison with the prior year. The unassigned fund balance is $478 thousand, which is available for spending at the Town's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed 1) to pay debt service, 2) to cover annual contracts, or 3) for a variety of other restricted purposes. The non-spendable part of fund balance is $41 thousand and represents prepaid items at year end.

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

The Local Option Gas Tax Fund reflects the balance of the local option gas tax revenues that have been transferred from the General Fund and are yet to be used to cover qualifying transportation-related expenses.

The Discretionary Sales Surtax Fund reflects the balance of the discretionary sales surtax revenues from the General fund that have not been used to cover qualifying capital purchases as budgeted for within the various departments of the Town.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to $711 thousand. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

2025 Budgetary Highlights

In total, expenditures and transfers out in the Town's General Fund were lower than budgeted. However, revenues and transfers in were also below budget, primarily due to lower-than-anticipated capital spending and the corresponding reduction in reimbursement revenues. These factors resulted in an overall unfavorable budget variance of approximately $260 thousand.

Capital Asset and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental and business type activities as of September 30, 2025, amounts to $18.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, system, improvements, machinery and equipment and park facilities. The total increase in the Town's net investment in capital assets for the current fiscal year was 3.4% (a 10.9% increase for governmental activities and a 2.7% decrease for business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 2,635,976	$ 1,968,902	$ 27,500	$ 27,500	$ 2,663,476	$ 1,996,402
Construction in progress	884,280	338,241	150,637	3,813	1,034,917	342,054
Buildings	1,927,094	1,982,878	8,981,845	9,383,954	10,908,939	11,366,832
Infrastructure	2,381,221	2,590,302	-	-	2,381,221	2,590,302
Machinery and equipment	822,423	893,342	295,435	299,743	1,117,858	1,193,085
Other depreciable	41,979	66,361	-	-	41,979	66,361
Capital assets, net	$ 8,692,973	$ 7,840,026	$ 9,455,417	$ 9,715,010	$ 18,148,390	$ 17,555,036

Long-Term Debt – At the end of the current fiscal year, the Town had total outstanding bonds and compensated absences in the amount of $3.3 million. The bond balance is not pledged by any specific tax revenue and is only secured by revenues earned in the proprietary fund. In addition, the

Town reports its pro rata shares of the pension liabilities from the Florida Retirement System and Other Post-Employment Benefits which total $1.2 million.

At present the Town's most traditional form of municipal debt is a 2010 Series Water and Sewer Revenue Bond that is also financed through USDA Rural Development with a 38-year term at 2.75% interest rate.

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Bonds payable	$ -	$ -	$ 3,154,000	$ 3,816,000	$ 3,154,000	$ 3,816,000
Compensated absences	98,593	121,676	29,270	54,725	127,863	176,401
Net pension liability	719,420	816,735	290,462	370,341	1,009,882	1,187,076
Other post-employment benefits	115,161	135,727	46,495	61,544	161,656	197,271
Total	$ 933,174	$ 1,074,138	$ 3,520,228	$ 4,302,610	$ 4,453,402	$ 5,376,748

Additional information on the Town's long-term debt can be found in the notes to the financial statements on pages 46 - 48 of this report.

Currently Known Facts, Decisions, or Condition

The Town continues to monitor several significant financial and operational matters that may affect its financial position, capital improvement program, and future operating requirements. The following matters are considered significant for management's discussion and analysis of the Town's financial condition and future operations.

FDEM Hurricane Shelter/Community Center Project. The Town is proceeding with the FDEM-funded Hurricane Shelter/Community Center project. Bids received for the project exceeded the Town's available project budget. The Town is currently in the process of rebidding the project in an effort to obtain more favorable construction costs. Based on current estimates, management anticipates that the project may remain approximately $1 million over the available budget. The Town continues to evaluate funding alternatives and project options to address the anticipated shortfall.

Sale of Vacant Property. The Town is currently under contract to sell approximately 40 acres of vacant property to a developer. The anticipated proceeds from the sale are an important component of the Town's plan to address the funding requirements associated with the project described above. The transaction remains subject to the applicable due diligence and contractual requirements. If the developer does not complete the purchase, the Town would need to continue marketing the property and evaluate alternative funding sources to address the anticipated project shortfall.

Transportation and Street Operations. The Town's General Fund transportation and street operations have experienced operating and capital expenditure requirements in excess of available revenues. Management anticipates utilizing Local Option Gas Tax revenues held in the Special Revenue Fund to assist in covering eligible transportation and street operating costs and capital purchases. Additionally, capital funding generated from the one-cent sales surtax is expected to be required to be deposited directly into the Water and Sewer Fund, which will limit the availability of those funds for transportation-related capital needs.

Sanitary Sewer System Rehabilitation. The Town continues to face significant infrastructure needs associated with its sanitary sewer system. The sewer lines were primarily installed in the late 1970s and are experiencing deterioration and failures that require the Town to use available capital resources for repairs to sewer lines and manholes throughout the system. Cracked and deteriorated sewer lines allow stormwater and infiltration/inflow to enter the sanitary sewer system. This increases the volume of wastewater that must be treated at the Town's wastewater treatment facility and reduces available treatment capacity, particularly during periods of heavy rainfall. These conditions have increased the Town's ongoing maintenance and capital requirements and represent a significant long-term infrastructure need.

The Town previously did not have sufficient revenues to qualify for the Florida Department of Environmental Protection (FDEP) Clean Water State Revolving Fund (CWSRF) loan and grant program for the broader sanitary sewer rehabilitation project. In response to the system's financial and infrastructure needs, the Town completed a water and sewer rate study with assistance from the Florida Rural Water Association (FRWA) and subsequently implemented significant increases to its water and sewer rates. Following the rate adjustments, the Town was able to secure funding through the CWSRF program for Phase I planning of the sanitary sewer rehabilitation project. Management considers the continued rehabilitation of the sanitary sewer system to be a significant future capital requirement.

Property Tax Revenue and Future Fiscal Impact. The Town is also monitoring potential changes to the property tax exemption applicable to certain homestead property. If the proposed referendum increases the exemption from $50,000 to $250,000 in future years, the Town anticipates a potentially significant impact on ad valorem tax revenues beginning with or following fiscal year 2027, depending upon the effective date and implementation of the measure. Ad valorem property taxes represent a significant source of General Fund revenue and are used to support essential municipal services provided to the Town's citizens. Management will continue to evaluate the potential revenue impact and its effect on future budgets, service levels, and the Town's overall financial position.

Overall, management continues to evaluate available revenues, fund balances, grants, financing opportunities, property proceeds, and other funding sources to address the Town's current operating and infrastructure requirements. The Town's financial planning continues to focus on maintaining essential services while addressing significant capital needs, particularly the rehabilitation of the sanitary sewer system and other critical public infrastructure.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF HILLIARD, FLORIDA
STATEMENT OF NET POSITION
September 30, 2025

	Governmental Activities	Business - type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,412,826	$ 1,117,453	$ 3,530,279
Accounts receivable, net	71,775	111,855	183,630
Due from other governmental units	546,291	-	546,291
Other receivables	27,000	-	27,000
Inventory	-	129,954	129,954
Prepaid items	40,741	11,827	52,568
Total current assets	3,098,633	1,371,089	4,469,722
Restricted cash and cash equivalents:			
Educational impact fees	76,070	-	76,070
Bond interest and sinking	-	13,337	13,337
System development	-	392,135	392,135
Reserve fund	-	254,056	254,056
Customer deposits	-	163,450	163,450
Total restricted assets	76,070	822,978	899,048
Non-current assets:			
Capital assets not being depreciated	3,520,256	178,137	3,698,393
Capital assets, net of accumulated depreciation	5,172,717	9,277,280	14,449,997
Lease receivable	209,459	-	209,459
Total non-current assets	8,902,432	9,455,417	18,357,849
Total assets	$ 12,077,135	$ 11,649,484	$ 23,726,619
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions and OPEB	332,033	134,057	466,090
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	$ 167,765	$ 188,559	$ 356,324
Accrued liabilities	20,563	22,230	42,793
Unearned revenue	98,850	32,500	131,350
Compensated absences, current	24,648	7,318	31,966
Total current liabilities (payable from current assets)	311,826	250,607	562,433
Current liabilities (payable from restricted assets):			
Accrued interest payable	-	7,228	7,228
Customer deposits	-	163,450	163,450
Revenue bonds payable, current	-	75,000	75,000
Due to other governmental units	73,775	-	73,775
Total current liabilities (payable from restricted assets)	73,775	245,678	319,453
Total current liabilities	385,601	496,285	881,886

(continued)

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
STATEMENT OF NET POSITION
September 30, 2025 (concluded)

	Governmental Activities	Business - type Activities	Total
Long-term liabilities			
Revenue bond payable, net of current	$ -	$ 3,079,000	$ 3,079,000
Accrued compensated absences, net of current	73,945	21,952	95,897
Other post-employment benefits	115,161	46,495	161,656
Net pension liability	719,420	290,462	1,009,882
Total long-term liabilities	908,526	3,437,909	4,346,435
Total liabilities	1,294,127	3,934,194	5,228,321
DEFERRED INFLOWS			
Related to pensions and OPEB	433,422	177,773	611,195
Related to leases	88,138	-	88,138
	521,560	177,773	699,333
NET POSITION			
Net investment in capital assets	8,692,973	6,301,417	14,994,390
Restricted for:			
Debt service	-	267,393	267,393
System development	-	392,135	392,135
Transportation	1,428,602	-	1,428,602
Infrastructure and capital outlay	977,100		977,100
Educational impact fee	2,295	-	2,295
Voluntary fire department	8,598	-	8,598
Unrestricted	(516,087)	710,629	194,542
Total net position	$ 10,593,481	$ 7,671,574	$ 18,265,055

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities							
General government	$ 900,902	$ 4,578	$ -	$ -	$ (896,324)	$ -	$ (896,324)
Public safety	151,188	-	-	-	(151,188)	-	(151,188)
Transportation	678,515	-	-	708,753	30,238	-	30,238
Health services	44,465	-	-	-	(44,465)	-	(44,465)
Culture and recreation	952,674	402,410	-	460,422	(89,842)	-	(89,842)
Total governmental activities	2,727,744	406,988	-	1,169,175	(1,151,581)	-	(1,151,581)
Business-type activities							
Water and sewer services	2,044,113	1,415,409	-	-	-	(628,704)	(628,704)
Interest on long-term debt	112,608	-	-	-	-	(112,608)	(112,608)
Total business-type activities	2,156,721	1,415,409	-	-	-	(741,312)	(741,312)
Total government	$ 4,884,465	$ 1,822,397	$ -	$ 1,169,175	(1,151,581)	(741,312)	(1,892,893)
General revenues							
Taxes					691,598	-	691,598
Intergovernmental					1,445,733	-	1,445,733
Licenses and permits					97,007	-	97,007
Franchise fees					225,468	-	225,468
Fines and forfeitures					1,260	-	1,260
Rents and leases					4,407	-	4,407
Interest					109,693	65,642	175,335
Other fees and miscellaneous					94,241	61,505	155,746
Interfund transfers					(323,417)	323,417	-
Total general revenues					2,345,990	450,564	2,796,554
Change in net position					1,194,409	(290,748)	903,661
Net position - beginning (restated)					9,399,072	7,962,322	17,361,394
Net position - ending					$ 10,593,481	$ 7,671,574	$ 18,265,055

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2025

	General Fund	Local Option Gas Tax Fund	Discretionary Sales Tax Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 121,654	$ 1,409,341	$ 881,831	$ 2,412,826
Accounts receivable	71,775	-	-	71,775
Due from other governmental units	458,761	19,261	68,269	546,291
Due from other funds	-	-	27,000	27,000
Other receivables	27,000	-	-	27,000
Lease receivable	209,459	-	-	209,459
Prepaid items	40,741	-	-	40,741
Total assets	929,390	1,428,602	977,100	3,335,092
Restricted assets				
Restricted cash and cash equivalents	76,070	-	-	76,070
	1,005,460	1,428,602	977,100	3,411,162
LIABILITIES				
Accounts payable	167,765	-	-	167,765
Accrued liabilities	20,563	-	-	20,563
Unearned revenue	98,850	-	-	98,850
Due to other governmental units	73,775	-	-	73,775
Due to other funds	27,000	-	-	27,000
Total liabilities	387,953	-	-	387,953
DEFERRED INFLOWS OF RESOURCES				
Related to leases	88,138	-	-	88,138
FUND BALANCES				
Nonspendable - prepaid items	40,741	-	-	40,741
Restricted	10,893	1,428,602	977,100	2,416,595
Unassigned	477,735	-	-	477,735
Total fund balances	$ 529,369	$ 1,428,602	$ 977,100	2,935,071
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.				8,692,973
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds.				332,033
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the governmental funds.				(433,422)
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds				(933,174)
Net position of governmental activities				$ 10,593,481

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended September 30, 2025

	General Fund	Local Option Gas Tax Fund	Discretionary Sales Tax Fund	Total Governmental Funds
REVENUES				
Property taxes	$ 553,504	$ -	$ -	$ 553,504
Other taxes	138,094	-	-	138,094
Intergovernmental	605,728	212,894	627,111	1,445,733
Licenses and permits	97,007	-	-	97,007
Franchise fees	225,468	-	-	225,468
Fines and forfeitures	1,260	-	-	1,260
Charges for service	406,988	-	-	406,988
Rents and leases	4,407	-	-	4,407
Interest income	81,870	-	27,823	109,693
Capital grants	1,169,175			1,169,175
Other fees and miscellaneous	94,241	-	-	94,241
Total revenues	3,377,742	212,894	654,934	4,245,570
EXPENDITURES				
General government	854,881	-	-	854,881
Public safety	130,070	-	-	130,070
Transportation	499,942	-	-	499,942
Health services	21,254	-	-	21,254
Culture and recreation	765,819	-	-	765,819
Capital outlay	1,352,935	-	-	1,352,935
Total expenditures	3,624,901	-	-	3,624,901
Excess (deficit) of revenues over expenditures	(247,159)	212,894	654,934	620,669
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	172,261	-	-	172,261
Interfund transfers out	-	-	(495,678)	(495,678)
Total other financing sources (uses)	172,261	-	(495,678)	(323,417)
Net change in fund balance	(74,898)	212,894	159,256	297,252
Fund balance at beginning of year (restated)	604,267	1,215,708	817,844	2,637,819
Fund balance at end of year	$ 529,369	$ 1,428,602	$ 977,100	$ 2,935,071

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2025

Net change in fund balance - total governmental funds		$ 297,252
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Expenditures for capital assets	1,352,935	
Less current year depreciation	(499,988)	852,947
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Also recognition of certain obligations related to prior and subsequent periods are not recognized in governmental funds but are recognized in the statement of activities.		
Decrease in compensated absences	23,083	
Decrease in other post-employment benefits	20,566	
Decrease in net pension liability	97,315	
Net of changes in pension/OPEB deferred inflows and outflows	(96,754)	44,210
Change in net position of governmental activities		$ 1,194,409

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2025

	Water and Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 1,117,453
Accounts receivable, net	111,855
Inventory	129,954
Prepaid expenses	11,827
Total current assets	1,371,089
Restricted cash and cash equivalents	
Bond interest and sinking	13,337
System development	392,135
Reserve fund	254,056
Customer deposits	163,450
Total restricted cash and cash equivalents	822,978
Noncurrent assets	
Fixed assets	
Land	27,500
Construction in progress	150,637
Property, plant and equipment	19,139,464
Allowance for depreciation	(9,862,184)
Total noncurrent assets	9,455,417
Total assets	11,649,484
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions and OPEB	134,057
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	188,559
Accrued liabilities	22,230
Unearned revenue	32,500
Accrued interest	7,228
Compensated absences	7,318
Customer deposits	163,450
Revenue bonds payable, current	75,000
Total current liabilities	496,285

(continued)

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2025 (concluded)

		Water and Sewer Fund
Long-term liabilities		
Revenue bonds payable, net of current	$	3,079,000
Accrued compensated absences, net of current		21,952
Other post-employment benefits		46,495
Net pension liability		290,462
Total long-term liabilities		3,437,909
Total liabilities		3,934,194
DEFERRED INFLOWS OF RESOURCES		
Related to pensions and OPEB		177,773
NET POSITION		
Net investment in capital assets		6,301,417
Restricted for:		
Debt service		267,393
System development		392,135
Unrestricted		710,629
Total net position	$	7,671,574

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2025

	Water and Sewer Fund
OPERATING REVENUES	
Water sales	$ 611,900
Sewer sales	625,787
Fees and penalties	177,722
Total operating revenues	1,415,409
OPERATING EXPENSES	
Water utility	
Personnel services	340,665
General expenses	555,023
Sewer utility	
Personnel services	227,110
General expenses	370,016
Depreciation expense	551,299
Total operating expenses	2,044,113
Total operating (loss)	(628,704)
NONOPERATING REVENUES (EXPENSES)	
Interest earnings	65,642
Miscellaneous income	61,505
Interest expense	(112,608)
Interfund transfers in	323,417
Total nonoperating revenues	337,956
Change in net position	(290,748)
Net position at beginning of year	7,962,322
Net position at end of year	$ 7,671,574

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2025

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	$ 1,453,852
Cash paid to suppliers	(1,042,871)
Cash paid to employees	(639,263)
Net cash used by operating activities	(228,282)
Cash flows from non-capital related financing activities:	
Miscellaneous revenues	94,003
Transfers from other funds	822,874
Net cash provided by non-capital related financing activities	916,877
Cash flows from capital and related financing activities:	
Principal payments	(662,000)
Interest payments	(112,608)
Acquisition and construction of capital assets	(291,706)
Net cash used for capital and related financing activities	(1,066,314)
Cash flows from investing activities:	
Investment income	62,985
Net cash provided by investing activities	62,985
Net change in cash	(314,734)
Cash at beginning of year	2,255,165
Cash at end of year	$ 1,940,431
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (628,704)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	551,299
Changes in assets decrease (increase) and liabilities (decrease) increase:	
Accounts receivable, net	34,118
Inventory	(11,365)
Prepaid items	(1,823)
Deferred outflows	
Accounts payable	(104,644)
Accrued liabilities	9,262
Compensated absences	(25,455)
Customer deposits	4,325
Other post-employment benefits	-
Deferred inflows	39,632
Net pension liability	(94,927)
Total adjustments	400,422
Net cash provided by operating activities	$ (228,282)

See notes to the finanicial statements.

TOWN OF HILLIARD, FLORIDA
FUDICIARY FUND
STATEMENT OF NET POSITION
September 30, 2025

	Custodial Fund
ASSETS	
Cash and cash equivalents	$ 2,295
Due from other governments	73,775
Total assets	$ 76,070
LIABILITIES	
Due to other governments	$ 76,070
Total liabilities	76,070
NET POSITION	
Total net position	$ -

See notes to the financial statements

TOWN OF HILLIARD, FLORIDA
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2025

	Custodial Fund
ADDITIONS:	
Fees collected on behalf of other governments	$ 148,528
Total additions	148,528
DEDUCTIONS:	
Remittances of fees to other governments	148,528
Total deductions	148,528
Change in net position	-
Net position at beginning of year	-
Net position at end of year	$ -

See notes to the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The basic financial statements of the Town for the year ended September 30, 2025, were prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

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

1. Government-wide Financial Statements

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

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

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

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

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

2. Fund Financial Statements

The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Town.

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

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

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

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

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

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

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

Fiduciary Funds – The Town also reports one fiduciary fund; a custodial fund, which is used to account for impact fees collected on behalf of Nassau County School Board. These funds are collected on behalf of the School Board and remitted soon after being collected.

C. Basis of Accounting - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The Town has used GASB 34 minimum criteria for major fund determination. The Town has four major funds and no nonmajor funds.

1. **Governmental Major Funds:**

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

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

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

2. **Proprietary Major Fund:**

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

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

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

2. **Cash Equivalents** - For purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2025, the Town's cash consisted solely of checking accounts and money market accounts; it has no other cash equivalents.

3. **Allowance for Doubtful Accounts** - The Town provides an allowance for Water and Sewer Fund accounts receivable that may become uncollectible. At September 30, 2025, this allowance account totaled $31,189 based upon prior collection history. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered to be fully collectible as reported at September 30, 2025.

4. **Interfund Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

5. **Inventories** - The costs of governmental inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any such inventory type goods on hand at year end would not be material.

6. **Restricted Assets** - As applicable, year to year, certain proceeds of enterprise fund debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

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

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

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

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

7. **Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the Town.

8. **Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, rights-of-way, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at estimated fair market value at the date of donations.

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

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

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

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

9. **Capitalization of Interest** - Interest related to borrowings is capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the Town did not have any capitalized interest.

10. **Unearned Revenues** – Unearned revenues reported in government-wide financial statements represent revenues received that have not been earned. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. At September 30, 2025, the Town reported $131,350 in unearned revenues.

11. **Accrued Compensated Absences** - The Town accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absence amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.

12. **Capital Contributions** - Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

13. **Deferred Outflows/Inflows of Resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. They are deferred charges on pensions and other post-employment benefits (OPEB) in the government-wide statement of net position. Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Town's proportionate share of net pension liability and are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year. Deferred outflows related to OPEB are recorded when changes of assumptions are made about future economic, demographic, or other input factors. These are amortized over the average expected life of OPEB plan participants.

    In addition to liabilities, the statement of financial position will sometimes report 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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has three items which qualify for reporting in this category. These are deferred charges on pensions, OPEB, and leases receivable under the GASB Statement No. 87, *Leases,* accounting standard. Deferred inflows on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors;

or changes in the Town's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Deferred inflows on OPEB are recorded when changes of assumptions about future economic, demographic, or other factors are made. These outflows are amortized over the average expected life of the OPEB participants. Deferred inflows on the lease receivable are recorded at the net present value of the future lease receipts for leases on which the Town is the lessor. The deferred amount is amortized to lease income on a straight-line basis over the life of the lease.

14. Fund Balances -

A. Governmental Funds

As of September 30, 2025, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned – all other spendable amounts.

As of September 30, 2025, fund balances are composed of the following:

	General Fund	Local Option Gas Tax Fund	Sales Tax Fund	Total
Nonspendable	$ 40,741	$ -	$ -	$ 40,741
Restricted	10,893	1,428,602	977,100	2,416,595
Unassigned	477,735	-	-	477,735
	$ 529,369	$ 1,428,602	$ 977,100	$ 2,935,071

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town Council has provided otherwise in its commitment or assignment actions.

B. Proprietary Funds

Restrictions of net position are amounts that are not appropriated for expenditure or are legally restricted for specific uses.

As of September 30, 2025, net position balances are composed of the following:

	Water and Sewer Fund	
Invested in capital assets	$	6,301,417
Restricted		659,528
Unrestricted		710,629
	$	7,671,574

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

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

"Total fund balances" of the Town's governmental funds $2,935,071 differs from "net position" of governmental activities $10,593,481 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

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

Cost of capital assets	$	15,346,308
Accumulated depreciation		(6,653,335)
Total	$	8,692,973

Long-term debt transactions: Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2025, were:

Compensated absences	$	(98,593)
Other post-employment benefits		(115,161)
Net pension liability		(719,420)
	$	(933,174)

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

Deferred outflows	$	298,638
Deferred inflows		(367,510)
	$	(68,872)

TOWN OF HILLIARD, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long - Term Debt Transactions	Eliminations	Statement of Net Position
ASSETS						
Current assets						
Cash and cash equivalents	$ 2,412,826	$ -	$ -	$ -	$ -	$ 2,412,826
Accounts receivable	71,775	-	-	-	-	71,775
Due from other governmental units	546,291	-	-	-	-	546,291
Due from other funds	27,000	-	-	-	(27,000)	-
Other receivables	27,000	-	-	-	-	27,000
Prepaid items	40,741	-	-	-	-	40,741
Lease receivable	209,459	-	-	-	-	209,459
	3,335,092	-	-	-	(27,000)	3,308,092
Restricted assets						
Restricted cash and cash equivalents	76,070	-	-	-	-	76,070
Capital assets, net	-	8,692,973	-	-	-	8,692,973
Total assets	3,411,162	8,692,973	-	-	(27,000)	12,077,135
DEFERRED OUTFLOWS	-	-	332,033	-	-	332,033
LIABILITIES						
Accounts payable	167,765	-	-	-	-	167,765
Accrued liabilities	20,563	-	-	-	-	20,563
Unearned revenue	98,850	-	-	-	-	98,850
Due to other governmental units	73,775	-	-	-	-	73,775
Due to other funds	27,000	-	-	-	(27,000)	-
Compensated absences	-	-	-	98,593	-	98,593
Other post-employment benefits	-	-	-	115,161	-	115,161
Net pension liability	-	-	-	719,420	-	719,420
Total liabilities	387,953	-	-	933,174	(27,000)	1,294,127
DEFERRED INFLOWS	88,138	-	433,422	-	-	521,560
FUND BALANCES/NET POSITION						
Invested in capital assets	-	8,692,973	-	-	-	8,692,973
Nonspendable - prepaid items	40,741	-	-	-	(40,741)	-
Restricted	2,416,595	-	-	-	-	2,416,595
Unassigned	477,735	-	(101,389)	(933,174)	40,741	(516,087)
Total fund balances/net position	$ 2,935,071	$ 8,692,973	$ (101,389)	$ (933,174)	$ -	$ 10,593,481

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

The "net change in fund balances" for governmental funds was an increase of $297,252 and differs from the "change in net position" for governmental activities of $1,194,409 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items: When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charges for the year. In addition, any gains or losses from the disposal of capital assets are reported on the government-wide statement of net position as increases or decreases in net position, respectively.

Capital outlay	$	1,352,935
Depreciation expense		(499,988)
Difference	$	852,947

Long-term debt related items: Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Net decrease in compensated absences	$	(23,083)
Net decrease in other post-employment benefits		(20,566)
Net increase in net pension liability		(97,315)
	$	(140,964)

Deferred outflows/inflows of resources: Certain obligations related to prior and subsequent periods are not recognized in governmental funds.

Net increase in Pension/OPEB deferred outflows	$	(52,764)
Net increase in Pension/OPEB deferred inflows		(43,990)
	$	(96,754)

TOWN OF HILLIARD, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long - Term Debt Transactions	Eliminations	Statement of Activities
REVENUES						
Property taxes	$ 553,504	$ -	$ -	$ -	$ -	$ 553,504
Other taxes	138,094	-	-	-	-	138,094
Intergovernmental	1,445,733	-	-	-	-	1,445,733
Licenses and permits	97,007	-	-	-	-	97,007
Franchise fees	225,468	-	-	-	-	225,468
Fines and forfeitures	1,260	-	-	-	-	1,260
Charges for service	406,988	-	-	-	-	406,988
Rents and leases	4,407	-	-	-	-	4,407
Other fees and miscellaneous	94,241	-	-	-	-	94,241
Total revenues	2,966,702	-	-	-	-	2,966,702
EXPENDITURES						
Current expenditures						
General government	854,881	71,146	54,985	(80,110)	-	900,902
Public safety	130,070	21,118	-	-	-	151,188
Transportation	499,942	185,443	15,036	(21,906)	-	678,515
Health services	21,254	23,211	-	-	-	44,465
Culture and recreation	765,819	199,070	26,733	(38,948)	-	952,674
Capital outlay	1,352,935	(1,352,935)	-	-	-	-
Total expenditures	3,624,901	(852,947)	96,754	(140,964)	-	2,727,744
Excess (deficit) of revenues over expenditures	(658,199)	852,947	(96,754)	140,964	-	238,958
OTHER FINANCING SOURCES (USES)						
Interest income	109,693	-	-	-	-	109,693
Capital grants	1,169,175					1,169,175
Interfund transfers in	172,261	-	-	-	(172,261)	-
Interfund transfers out	(495,678)	-	-	-	172,261	(323,417)
Total other financing sources (uses)	955,451	-	-	-	-	955,451
Net change in fund balance	297,252	852,947	(96,754)	140,964	-	1,194,409
Fund balance at beginning of year (restated)	2,637,819	7,840,026	(4,635)	(1,074,138)	-	9,399,072
Fund balance at end of year	$ 2,935,071	$ 8,692,973	$ (101,389)	$ (933,174)	$ -	$ 10,593,481

NOTE 3. LEGAL COMPLIANCE–BUDGETS

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

1. Prior to September 1, the Town Clerk develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to September 30, the budget is legally enacted by the Town Council through passage of an ordinance.

4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the Town Council.

5. Budgets for all Town funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Council.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits The bank balances of the Town deposits totaling $715,991 were insured by federal depository insurance or pledged collateral under state law. Other Town funds totaling $3,743,947 were invested in Local Government Surplus Funds Trust (Florida PRIME) and are included as cash equivalents in the Statement of Net Position due to their short maturities. Funds in the amount of $700 remained uninvested for use as petty cash in the Town's daily operations.

Investments Town participates in Florida PRIME, an external investment pool administered by the State Board of Administration (SBA) of Florida. Participants in Florida PRIME own shares of the investment pool rather than the underlying securities.

Florida PRIME is a qualifying external investment pool that measures its investments at amortized cost for financial reporting purposes in accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants. Accordingly, the Town's investment in Florida PRIME is reported at amortized cost, which approximates fair value, and is not included within the fair value hierarchy established by GASB Statement No. 72.

Credit Risk: Florida PRIME is rated AAAm by Standard and Poor's.

Interest Rate Risk: The dollar weighted average days to maturity (WAM) of Florida PRIME on September 30, 2025, is 47 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME on September 30, 2025, is 73 days.

Foreign Currency Risk: Florida PRIME was not exposed to any foreign currency risk during the period October 1, 2024, to September 30, 2025.

Securities Lending: Florida PRIME did not participate in a securities lending program during the period October 1, 2024, to September 30, 2025.

Fair Value Hierarchy: Florida PRIME currently meets all the necessary GASB 79 criteria to elect to measure all the investments in Florida PRIME at amortized cost; therefore, your participant account balance should be reported at amortized cost.

Liquidity and Redemption Restrictions: GASB Statement No. 79 requires participants in qualifying external investment pools to disclose any limitations or restrictions on withdrawals.

Florida PRIME participants may withdraw funds daily; however, Section 218.409(8)(a), Florida Statutes, authorizes the executive director of the SBA to limit contributions or withdrawals for up to 48 hours in the event of a material impact on the liquidity or operations of the pool. The trustees must subsequently convene an emergency meeting to review the necessity of such action and may vote to continue the measures for an additional period not exceeding 15 days.

Florida Statutes also authorize the SBA to impose liquidity fees or early withdrawal penalties if such provisions are disclosed in the pool's enrollment materials. As of September 30, 2025, Florida PRIME had not implemented any liquidity fees, redemption fees, or maximum transaction limits that would restrict a participant's ability to withdraw 100 percent of their account balance.

The SBA prepares separate financial statements for Florida PRIME, which are available once the audit for the fiscal year ended June 30, 2025 is completed.

As of September 30, 2025, the Town had the following Florida PRIME investments of $3,743,947 reported fair value.

NOTE 5. PROPERTY TAX REVENUES

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

Governmental activities:	Beginning Balance	Reclasses	Additions	Deletions	Ending Balance
Non-depreciable capital assets					
Land	$ 1,968,902	$ -	$ 667,074	$ -	$ 2,635,976
Construction in progress	338,241	-	546,039	-	884,280
Total non-depreciable capital assets	2,307,143	-	1,213,113	-	3,520,256
Depreciable capital assets:					
Buildings	4,745,987	-	56,315	-	4,802,302
Infrastructure	4,285,928	-	20,873	-	4,306,801
Machinery and equipment	2,386,356	-	62,634	-	2,448,990
Other depreciable assets	267,959	-		-	267,959
Total depreciable capital assets	11,686,230	-	139,822	-	11,826,052
Less accumulated depreciation					
Buildings	(2,763,109)	-	(112,099)	-	(2,875,208)
Infrastructure	(1,695,626)	-	(229,954)	-	(1,925,580)
Machinery and equipment	(1,493,014)	-	(133,553)	-	(1,626,567)
Other depreciable assets	(201,598)	-	(24,382)	-	(225,980)
Total accumulated depreciation	(6,153,347)	-	(499,988)	-	(6,653,335)
Total depreciable capital assets, net	5,532,883	-	(360,166)	-	5,172,717
Governmental activities capital assets, net	$ 7,840,026	$ -	$ 852,947	$ -	$ 8,692,973
Business-type activities:					
Non-depreciable capital assets					
Land	$ 27,500	$ -	$ -	$ -	$ 27,500
Construction in progress	3,813	-	146,824		150,637
Total Non-depreciable capital assets	31,313	-	146,824	-	178,137
Depreciable capital assets:					
Buildings and improvements	18,195,056	-	108,732		18,303,788
Machinery and equipment	799,526	-	36,150		835,676
Total depreciable capital assets	18,994,582	-	144,882	-	19,139,464
Less accumulated depreciation					
Buildings and improvements	(8,811,102)	-	(510,841)		(9,321,943)
Machinery and equipment	(499,783)	-	(40,458)		(540,241)
Total accumulated depreciation	(9,310,885)	-	(551,299)	-	(9,862,184)
Total depreciable capital assets, net	9,683,697	-	(406,417)	-	9,277,280
Business-type activities capital assets, net	$ 9,715,010	$ -	$ (259,593)	$ -	$ 9,455,417

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

Governmental activities:	
General Government	$ 71,146
Public Safety	21,118
Transportation	185,443
Health services	23,211
Parks and recreation	199,070
Total depreciation expense - governmental entities	$ 499,988
Business-type activities:	
Water and sewer utility	$ 551,299

NOTE 7. INTERFUND ACTIVITY

Interfund transfers for the year ended September 30, 2025, consisted of the following:

Fund	Transfers in	Transfers out
General	$ 172,261	$ -
Discretionary Sales Tax	-	495,678
Water and Sewer	323,417	-
	$ 495,678	$ 495,678

Transfers were used primarily for capital projects.

There were no interfund receivables or payables between the governmental and business-type activities as of September 30, 2025.

NOTE 8. RECEIVABLE AND PAYABLE BALANCES

Accounts Receivable and Amounts Due From Other Governmental Units

Accounts receivable and amounts due from other governmental units, net of any allowances, at September 30, 2025, were as follows:

	Accounts	Due from Others/ Governmental Units	Other	Total Receivables
Governmental activities:	$ 71,775	$ 546,291	$ 27,000	$ 645,066
Business-type activities:	111,855	-	-	111,855
	$ 183,630	$ 546,291	$ 27,000	$ 756,921

Based upon collection history, the Town has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of $31,189.

Payables

Payables at September 30, 2025, were as follows:

	Vendors
Governmental activities:	$ 167,765
Business-type activities:	188,558
	$ 356,323

NOTE 9. LEASES

Governmental Funds – The Town is the lessor on a long-term agreement whereby it leases a piece of land to a mobile network provider for a cellular tower. The original agreement was entered into in 2007 and is set to expire in 2045, with the potential for future 5-year extensions. Rent, which increases by 3% each year, is paid on a monthly basis and recorded in the governmental fund financial statements. As a result of the implementation of SGAS No. 87, *Leases*, the Town records on its governmental fund financial statements a lease receivable and an offsetting deferred inflow of resources. A portion of the Lease receipts are recognized as interest revenue with the remaining balance reducing the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the projected life of the lease, and lease revenue is recognized as the deferred inflow of resources is amortized. For the year ending September 30, 2025, the Town has reported a lease receivable and deferred inflow of resources related to leases of $209,459 and $88,138 respectively, on its governmental funds' balance sheet.

Interest revenue and lease revenue for the year ending September 30, 2025 are as follows:

	Governmental Funds
Interest Revenue	16,226
Lease Revenue	4,407

NOTE 10. LONG-TERM LIABILITIES

Governmental Activities

Summary of changes in governmental activities long-term liabilities

The following summarizes the changes in the Town's governmental long-term liabilities during the year ended September 30, 2025:

	Balance October 1, 2024	Increases	Decreases	Balance September 30, 2025	Due Within One Year
Compensated absences	$ 121,676		$ 23,083	$ 98,593	$ 24,648
Other post-employment benefits	135,727		20,566	$ 115,161	-
Net pension liability	816,735	-	$ 97,315	$ 719,420	-
Total	$1,074,138	$ -	$ 140,964	$ 933,174	$ 24,648

Business-type Activities

A summary of proprietary fund debt as of September 30, 2025, follows:

Water and Sewer Revenue Bonds 1996 – The Town issued Water and Sewer Revenue Bonds, Series 1996 to finance the costs of acquisition, construction of additions, extensions, and improvements to the Town's water and sewer system. The bonds were secured by and payable from gross revenues of the Town's water and sewer system and bore interest at a rate of 4.5% per annum.

The bond covenants required the Town to fund and maintain a sinking fund by depositing one-twelfth of the annual principal and interest requirements into the sinking fund. The bond covenants also required the establishment of a reserve fund through monthly deposits of $481 until a balance of $57,671 was achieved. Amounts held in the reserve account were available for specified purposes, including repairing or replacing damage to the system caused by an unforeseen catastrophe, constructing qualifying improvements or extensions to the system, and paying principal and interest on the bonds in the event amounts in the sinking fund were insufficient.

During the year ended September 30, 2025, the Town paid the remaining outstanding principal and accrued interest on the Series 1996 bonds in full. Accordingly, as of September 30, 2025, no amounts remained outstanding under the Series 1996 bonds and the related sinking fund, reserve fund, and other bond covenant requirements were no longer applicable.

Water and Sewer Revenue Bonds 2010 – The Town issued Water and Sewer Revenue Bonds, Series 2010 to refund the Tax Anticipation Notes, Series 2011, in the amount of $3,873,000. The Tax Anticipation Notes, Series 2011 were issued for interim financing to acquire and construct additions, extensions and improvements to the Town's water and sewer system. The bonds are secured by and paid from gross revenues of the Town's water and sewer system. The bond covenants specify that the Town must fund and maintain a sinking fund by depositing one-twelfth of the yearly principal and interest payments in a sinking fund. The bond covenants also require that a reserve fund be established, not expected to remain in excess of $247,070 for any extended period of time, to (1) pay the cost of repairing or replacing any damage to the system which shall be caused by an unforeseen catastrophe, and (2) paying operating expenses and debt service expenditures on the bonds in the event that the moneys in the sinking fund shall ever be insufficient to meet such payments. The bonds bear interest at a rate of 2.75% per annum. Such bonds are payable annually on September 1st of each year through 2051.

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

Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Water and sewer system improvements	2.75%	$ 3,154,000

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

Fiscal Year Ending September	Principal	Interest	Total
2026	75,000	86,735	161,735
2027	78,000	84,673	162,673
2028	81,000	82,528	163,528
2029	83,000	80,300	163,300
2030	87,000	78,018	165,018
2031-2035	482,000	352,523	834,523
2036-2040	576,000	281,325	857,325
2041-2045	688,000	196,158	884,158
2046-2050	821,000	94,490	915,490
2050-2051	183,000	5,033	188,033
	$ 3,154,000	$ 1,341,781	$ 4,495,781

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2024	Increases	Decreases	Balance September 30, 2025	Due Within One Year
Bonds payable	$ 3,816,000	$ -	$ (662,000)	$ 3,154,000	$ 75,000
Other post-employment benefits	61,544		(15,049)	46,495	-
Compensated absences	54,725		(25,455)	29,270	7,318
Net pension liability	370,341	-	(79,879)	290,462	-
	$ 4,302,610	$ -	$ (782,382)	$ 3,520,228	$ 82,318

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

Florida Retirement System

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

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

Pension Plan

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

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. This amount increases with every year of additional service up to a maximum of 1.68% of the final average compensation of their five highest years for each year of credited service at age 65 with 33 or more years of service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service (age 52 if credited service includes at least four years of wartime military service) or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, beginning at 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service and increasing to a maximum of 1.68% of each year up to age 58 (55 with wartime service) and 28 years of special risk service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 (age 52 with wartime experience) with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

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

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

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 96 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

<u>Contributions</u> – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2024 through June 30, 2025 and from July 1, 2025 through September 30, 2025, respectively, were as follows:

Class	October 1 2024 - June 30, 2025	July 1, 2025 - September 30, 2025
Regular Class	13.63%	14.03%
Special Risk Class	32.79%	35.19%
Special Risk Administrative Support	39.82%	39.48%
Elected Officers Class	58.68%	54.57%
Senior Management Class	34.52%	33.24%
Deferred Retirement Option Program (DROP)	21.13%	22.02%

The Town's contributions, including employee contributions, to the Pension Plan totaled $182,980 for the fiscal year ended September 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2025, the Town reported a liability of $694,555 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2025. The Town's proportionate share of the net pension liability was based on the Town's 2024-2025 fiscal year contributions relative to the 2023-2024 fiscal year contributions of all participating members. At June 30, 2025, the Town's proportionate share was 0.002237963 percent, which was an increase of 3.89 percent from its proportionate share measured as of June 30, 2025.

For the fiscal year ended September 30, 2025, the Town recognized a pension expense of $92,007. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 74,186	$ -
Changes in assumptions	80,656	-
Net difference between projected and actual earnings on Pension Plan investments	-	115,963
Changes in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	112,120	168,507
Town Pension Plan contributions subsequent to the measurement date	37,483	-
Total	$ 304,445	$ 284,470

The deferred outflows of resources related to the Pension Plan, totaling $37,483 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a change in the net pension liability in the fiscal year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2025	$ (50,687)
2026	9,006
2027	13,477
2028	10,696
2029	-
Thereafter	-
	$ (17,508)

Actuarial Assumptions – The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.40%
Salary increases	3.50%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation
Discount rate	6.70%

Mortality rates were based on the PUB-2010 base table, generationally mortality using the gender specific MP 2018 mortality improvement projection scale.

The actuarial assumptions used in the July 1, 2025, valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

The long-term expected rate of return on Pension Plan investments was not based on historical returns but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.2%	1.1%
Fixed Income	29.0%	5.5%	5.4%	4.0%
Global Equity	45.0%	8.5%	6.9%	18.3%
Real Estate	12.0%	8.4%	7.1%	16.8%
Private Equity	11.0%	12.4%	8.8%	28.4%
Strategic Investments	2.0%	6.5%	6.1%	8.7%
Total	100.0%			
Assumed Inflation - Mean			2.4%	1.5%

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

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

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

	1 % Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
Towns's proportionate share of the net pension liability	$1,221,698	$694,555	$252,961

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

Payables to the Pension Plan - The Town had no material payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2025.

HIS Plan

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

Benefits Provided – For the fiscal year ended September 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment of $7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $45 and a maximum HIS payment of $225 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2025, the HIS contribution for the period October 1, 2024 through June 30, 2025 and from July 1, 2025 through September 30, 2025 was 2.00% and 2.00%, respectively. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town's contributions, including employee contributions to the HIS Plan totaled $30,110 for the fiscal year ended September 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2025, the Town reported a liability of $315,327 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The Town's proportionate share of the net pension liability was based on the Town's 2024-2025 fiscal year contributions relative to the 2023-2024 fiscal year contributions of all participating members. At June 30, 2025, the Town's proportionate share was 0.00246014 percent, which was an increase of 4.32 percent from its proportionate share measured as of June 30, 2024.

For the fiscal year ended September 30, 2025, the Town recognized pension expense of $6,758. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,882	$ 500
Changes in assumptions	2,791	76,269
Net difference between projected and actual earnings on HIS Plan investments	-	262
Changes in proportion and differences between Town HIS Plan contributions and proportionate share of contributions	103,800	154,389
Town HIS Plan contributions subsequent to the measurement date	6,294	-
Total	$ 114,767	$ 231,420

The deferred outflows of resources related to the HIS Plan, totaling $6,294 resulting from Town contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2025	$ (27,122)
2026	(32,472)
2027	(27,340)
2028	(21,909)
2029	(14,104)
Thereafter	
	$ (122,947)

Actuarial Assumptions – The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	5.20%

Mortality rates were based on the PUB-2010 base table, generational mortality using the gender specific MP 2018 mortality improvement projection scale.

The actuarial valuations were prepared as of July 1, 2025 valuation was based on the results of an actuarial experience study, completed in 2025, for the period July 1, 2018 through June 30, 2023.

Discount Rate - The discount rate used to measure the total pension liability was 5.20%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 5.20%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current rate:

	1 % Decrease 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
Towns's proportionate share of the net pension liability	$355,582	$315,327	$281,812

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

Payables to the Pension Plan - The Town had no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2025.

Investment Plan

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

As provided in Section 121.4501, *Florida Statutes*, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts at the end of the 2023 fiscal year, as established by Section 121.72, *Florida Statutes*, are based on a percentage of gross compensation, by class, as follows: Regular class 11.57%, Special Risk Administrative Support class 37.76%, Special Risk class 30.73%, Senior Management Service class 32.46% and Elected Officers class 56.62%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2025, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Town.

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

The Town had 8 participants in the Investment Plan for the fiscal year ended September 30, 2025.

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Membership of each plan consisted of the following:

Date of Actuarial Valuation:	9/30/2025
Retirees and Beneficiaries Receiving Benefits	-
Active Plan Members	6
Total	6

Funding Policy

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

Basis of Accounting

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

Annual OPEB Costs and Net OPEB Obligation

The Annual OPEB Cost is the amount that was expensed for the fiscal year. For the year ended September 30, 2025, the Town recognized a reduction in expenses related to OPEB of $35,615. Since the Town's OPEB plan is currently unfunded, the offset to that expense comes from subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution, and equals the total age-adjusted premiums paid by the Town for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year). The cumulative difference between the Annual OPEB Cost for the year and the Employer Contribution for the year is called the Net OPEB Obligation. The Net OPEB Obligation is reflected as a liability in the statement of net position.

__Total OPEB Liability__ – The Town's total OPEB liability as of September 30, 2025 was determined by an actuarial valuation as of October 1, 2024 using September 30, 2025 as the measurement date. The actuarial assumptions used in the October 1, 2024 valuation were as follows:

Inflation	3.00%
Salary Increases	3.00%
Discount Rate	4.50%
Initial Trend Rate	7.00% for 2025
Ultimate Trend Rate	4.50%
Year to Ultimate Trend Rate	10

Mortality assumptions are based upon the PUB-2010 mortality table with an MP-2021 projection.

The discount rate used to discount all future benefit payments is 4.50% per annum and is based on the return of the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

Changes in the Total OPEB Liability:

	Total OPEB Liability
Reporting period ending September 30, 2024	$ 197,271
Changes for the year:	
Service Cost	7,520
Interest	8,315
Difference between expected and actual experience	(51,146)
Changes in assumptions	(304)
Net changes	(35,615)
Reporting period ending September 30, 2025	$ 161,656

Sensitivity of the total OPEB liability to changes in the discount rate – The following table presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current discount rate.

	1% Decrease 3.50%	Current Discount Rate 4.50%	1% Increase 5.50%
Total other postemployment benefits liability	$ 171,459	$ 161,656	$ 152,413

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following table presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage-point lower (3.50% to 6.00%) or 1-percentage-point higher (5.50% to 8.00% than the current healthcare cost trend rates:

	1% Decrease (3.50% to 6.00%)	Current Discount Rate (4.50% to 7.00%)	1% Increase (5.50% to 8.00%)
Total other postemployment benefits liability	$ 150,340	$ 161,656	$ 174,425

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2025, the Town reported an amount of $161,656 for its OPEB liability.

For the fiscal year ended September 30, 2025, the Town recognized a reduction of OPEB-related expenses of $35,615. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27,365	$ 78,000
Changes in assumptions	19,513	17,305
Net difference between projected and actual earnings on OPEB Plan investments	-	-
Total	$ 46,878	$ 95,305

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

Fiscal Year Ending September 30	Amount
2026	$ (7,467)
2027	(7,471)
2028	(6,869)
2029	(8,003)
2030	(4,532)
Thereafter	(14,085)
	$ (48,427)

NOTE 13. RISK MANAGEMENT

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

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

NOTE 14. CONTINGENT LIABILITIES

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

NOTE 15. PRIOR PERIOD ERROR CORRECTIONS

During fiscal year 2025, the Town identified certain errors in previously issued financial statements related to the recognition of revenues in the proper reporting period.

Franchise fee revenues totaling $21,700 were earned by the Town during fiscal year 2024 but were not recognized until the related amounts were subsequently received. Because these revenues were attributable to fiscal year 2024, an error correction was necessary to recognize the amounts in the proper reporting period. The correction resulted in an increase of $21,700 to the beginning net position of governmental activities and the beginning fund balance of the General Fund.

The Town entered into an agreement with Hilliard Aviation, Inc. (HAI) under which HAI is obligated to reimburse the Town for certain relocation costs incurred in connection with the acquisition of land. During fiscal year 2024, the Town incurred a portion of the reimbursable costs for which the related reimbursement revenue of $27,000 was not recognized. An error correction was necessary to recognize the amount attributable to fiscal year 2024. The correction resulted in an increase of $27,000 to the beginning net position of governmental activities and the beginning fund balance of the Sales Tax Fund.

The effects of the error corrections on beginning net position and fund balances are as follows:

	Govermental Activities	General Fund	Sales Tax Fund
Net position/fund balance, as previously reported	$ 9,350,372	$ 582,567	$ 790,844
Franchise fee revenue	21,700	21,700	-
Hilliard Aviation reimbursement	27,000	-	27,000
Net position/fund balance, as restated	$ 9,399,072	$ 604,267	$ 817,844

NOTE 16. SUBSEQUENT EVENT

The Town of Hilliard has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 12, 2026, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

NOTE 17. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

During the fiscal year ended September 30, 2025, the Town implemented Governmental Accounting Standards Board Statement No. 102, Certain Risk Disclosures. This Statement establishes financial reporting requirements for risks related to vulnerabilities arising from certain concentrations or constraints.

The implementation of this Statement did not have a material effect on the Town's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HILLIARD, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2025

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 569,781	$ 569,781	$ 553,504	$ (16,277)
Other taxes	117,500	117,500	138,094	20,594
Intergovernmental	533,596	533,596	605,728	72,132
Licenses and permits	144,100	144,100	97,007	(47,093)
Franchise fees	205,000	205,000	225,468	20,468
Fines and forfeitures	2,000	2,000	1,260	(740)
Charges for service	348,450	348,450	406,988	58,538
Rents and leases	15,128	15,128	4,407	(10,721)
Interest income	85,000	85,000	81,870	(3,130)
Capital grants	9,625,071	9,625,071	1,169,175	(8,455,896)
Other fees and miscellaneous	128,921	128,921	94,241	(34,680)
Total revenues	11,774,547	11,774,547	3,377,742	(8,396,805)
EXPENDITURES				
Current				
General government				
Legislative	62,695	62,695	62,357	338
Executive	152,266	152,266	148,596	3,670
Finance and administration	795,833	795,833	602,934	192,899
Comprehensive planning	42,000	42,000	40,994	1,006
Public safety	194,557	194,557	130,070	64,487
Transportation	475,612	475,612	499,942	(24,330)
Health Services	16,000	16,000	21,254	(5,254)
Culture and recreation	6,882,369	6,882,369	765,819	6,116,550
Capital outlay	3,816,816	3,816,816	1,352,935	2,463,881
Total expenditures	12,438,148	12,438,148	3,624,901	8,813,247
Excess (deficit) of revenues over expenditures	(663,601)	(663,601)	(247,159)	416,442
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	1,420,524	1,420,524	172,261	(1,248,263)
Interfund transfers out	(571,524)	(571,524)	-	571,524
Total other financing sources (uses)	849,000	849,000	172,261	(676,739)
Net change in fund balance	185,399	185,399	(74,898)	(260,297)
Fund balance at beginning of year (restated)	604,267	604,267	604,267	-
Fund balance at end of year	$ 789,666	$ 789,666	$ 529,369	$ (260,297)

See following notes.

TOWN OF HILLIARD, FLORIDA
SPECIAL REVENUE FUND
LOCAL OPTION GAS TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2025

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 202,997	$ 202,997	$ 212,894	$ (9,897)
Total revenues	202,997	202,997	212,894	(9,897)
EXPENDITURES	-	-	-	-
Excess of revenues over expenditures	202,997	202,997	212,894	(9,897)
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	(300,000)	(300,000)	-	300,000
Total other financing sources (uses)	(300,000)	(300,000)	-	300,000
Net change in fund balance	(97,003)	(97,003)	212,894	290,103
Fund balance at beginning of year	1,215,708	1,215,708	1,215,708	-
Fund balance at end of year	$ 1,118,705	$ 1,118,705	$ 1,428,602	$ 309,897

See following notes.

TOWN OF HILLIARD, FLORIDA
SPECIAL REVENUE FUND
DISCRETIONARY SALES TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2025

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 569,373	$ 569,373	$ 627,111	$ 57,738
Interest income	25,000	25,000	27,823	2,823
Total revenues	594,373	594,373	654,934	60,561
EXPENDITURES	-	-	-	-
Excess of revenues over expenditures	594,373	594,373	654,934	60,561
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	(1,290,273)	(1,290,273)	(495,678)	794,595
Total other financing sources (uses)	(1,290,273)	(1,290,273)	(495,678)	794,595
Net change in fund balance	(695,900)	(695,900)	159,256	855,156
Fund balance at beginning of year	817,844	817,844	817,844	-
Fund balance at end of year	$ 121,944	$ 121,944	$ 977,100	$ 855,156

See following notes.

TOWN OF HILLIARD, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2025

I. Stewardship, Compliance, and Accountability

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

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

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

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

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

1. Prior to September 1, the Town Clerk submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted in August and September to obtain taxpayer comments.

3. Prior to November 1, the budget is legally enacted through passage of an ordinance.

4. The legal level of budgetary control is the department level; however, the Town Council may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.

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

TOWN OF HILLIARD, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILIITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

Reporting Perid Ending	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Total OPEB liability								
Service cost	$ 7,520	$ 4,827	$ 4,910	$ 8,784	$ 7,101	$ 8,001	$ 7,102	$ 7,136
Interest	8,315	8,794	8,422	4,638	3,136	5,306	4,558	4,359
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(51,146)	7,599	8,247	1,587	39,433	34,795	10,321	6,024
Changes in assumptions	(304)	10,674	1,072	26,145	5,343	19,822	1,015	-
Benefit payments	-	-	-	-	-	-	-	-
Net change in total OPEB liability	(35,615)	16,696	4,013	14,310	44,327	1,666	22,996	5,471
Total OPEB liability, beginning	197,271	180,575	176,562	190,872	146,545	148,211	125,215	119,744
Total OPEB liability, ending	$ 161,656	$ 197,271	$ 180,575	$ 176,562	$ 190,872	$ 146,545	$ 148,211	$ 125,215
Covered-employee payroll	$1,078,177	$ 965,363	$ 890,133	$ 896,968	$ 893,088	$ 762,479	$ 732,477	$ 653,981
Total OPEB liability as a percentage of covered-employee payroll	14.99%	20.43%	20.29%	19.68%	21.37%	19.22%	20.23%	19.15%

Notes to Schedule:

GASB 75 requires information for 10 years. Until a full 10 year trend is compliled only those years for which information is available is presented.

The Town does not fund the OPEB plan through a trust that meets the criteria in GASB Statement No. 75 paragraph 4 and no ARC has been calculated therefore no schedule of contributions has been presented.

Methods and assumptions used in actuarial valuation of OPEB liability:

Valuation date: 9/30/2024
Measurement date: 9/30/2025
Actuarial cost method: Entry Age Normal
Asset valuation method: Market
Inflation: 3.00%
Participation Rate: 100%
Healthcare cost trend rates: 7% decreasing to 4.5% ultimate over 10 years
Salary increases: 3.00%
Retirement age: 100% at 62 and vested
Mortality: PUB 2010 with MP2021 projection
Investment rate of return (discount rate): 4.50%

Benefit changes: None

Changes in assumptions: Investment rate of return increased from 4.06% to 4.50%.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Town's proportion of the FRS net pension liability (asset)	0.002237963%	0.002154151%	0.003004022%	0.002322179%	0.002285661%	0.002176129%	0.002149189%	0.002094049%	0.002017062%	0.002102171%
Town's proportionate share of the FRS net pension liability (asset)	$ 694,555	$ 833,327	$ 1,197,008	$ 864,038	$ 172,656	$ 943,166	$ 740,151	$ 630,739	$ 596,633	$ 530,800
Town's proportion of the HIS net pension liability (asset)	0.000246014%	0.002358174%	0.003717812%	0.002333802%	0.002234101%	0.002139214%	0.002084895%	0.001990617%	0.001942035%	0.001970390%
Town's proportionate share of the HIS net pension liability (asset)	315,327	353,749	590,438	247,187	274,046	261,194	233,279	210,689	207,651	229,641
Town's proportionate share of the total net pension liability (asset)	$ 1,009,882	$ 1,187,076	$ 1,787,446	$ 1,111,225	$ 446,702	$ 1,204,359	$ 973,430	$ 841,428	$ 804,284	$ 760,441
Town's covered-employee payroll	$ 1,099,134	$ 1,105,420	$ 1,372,901	$ 854,795	$ 754,680	$ 748,053	$ 708,884	$ 699,740	$ 626,425	$ 606,433
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	91.88%	107.39%	130.19%	130.00%	56.01%	157.94%	138.16%	116.57%	126.96%	125.40%
Plan fiduciary net position as a percentage of the total pension liability	82.96%	78.79%	78.79%	79.09%	91.09%	74.46%	78.22%	79.86%	79.30%	79.36%

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

the Florida Retirement System

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required FRS contribution	$ 182,980	$ 180,775	$ 207,686	$ 132,274	$ 93,683	$ 80,140	$ 71,541	$ 80,142	$ 73,631	$ 68,901
Contractually required HIS contribution	30,110	29,588	35,147	18,850	14,129	13,663	12,428	82,160	14,412	13,575
Total Contractually Required Contributions	213,090	210,363	242,833	151,124	107,812	93,803	83,969	162,302	88,043	82,476
Contribution in relation to the contractually required contribution	(213,090)	(210,363)	(242,833)	(151,124)	(107,812)	(93,803)	(83,969)	(94,638)	(88,043)	(82,476)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 67,664	$ -	$ -
Town's covered-employee payroll	$ 1,134,214	$ 1,041,756	$ 1,539,245	$ 873,868	$ 797,577	$ 762,548	$ 704,569	$ 721,827	$ 633,480	$ 605,259
Contributions as a percentage of covered-employee payroll	18.79%	20.19%	15.78%	17.29%	13.52%	12.30%	11.92%	13.11%	13.90%	13.63%

Net Pension Liability

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2025, are shown below (in thousands):

	FRS	HIS
Total pension liability	$ 243,620,457,000	$ 13,687,702,516
Plan fiduciary net position	(212,585,325,722)	(870,258,386)
	$ 31,035,131,278	$ 12,817,444,130
Plan fiduciary net position as a percentage of the total pension liability	87.26%	6.36%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2025. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2024. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the Plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2018 through 2025, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2025, in addition to contributions from employers the required accrued contributions for the Division (paid on behalf of the Division's employees who administer the Plans) were allocated to each employer on a proportionate basis. The Division administers the Plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's ACFR for that fiscal year.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable for that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflow of resources and associated pension expense.

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

<u>Actuarial Methods and Assumptions</u>

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2024 for the period July 1, 2018 through June 30, 2023. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 2.40%. Payroll growth, including inflation, for both Plans is assumed at 3.50%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 5.20% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both Plans were based on the Pub-2010 base table.

The following changes in actuarial assumptions occurred in 2025:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.
- The coverage election assumptions were updated to reflect the recent and anticipated future experience of HIS program participants. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its October 2025 meeting.
- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.

COMPLIANCE SECTION

TOWN OF HILLIARD, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2025

GRANTOR/PROGRAM TITLE	Assistance Listing #/ CSFA #	Contract Number	Award Amount	Reported in Prior Years	Revenue	Expenditures
Federal Awards						
US Department of Transportation - Federal Aviation Administration						
Airport Improvement Program	20.106	3-12-0099-019-2025	$ 585,000	$ 246,000	$ 339,000	$ 339,000
Total US DOT Federal Aviation Administration			585,000	246,000	339,000	339,000
Total federal awards			$ 585,000	$ 246,000	$ 339,000	$ 339,000
State Financial Assistance						
Florida Department of Environmental Protection						
FRDAP - North Oxford Street Park Phase II	37.017	A21009	$ 200,000	$ 4,750	$ 41,419	$ 41,419
Total Florida Department of Envronmental Protection			200,000	4,750	41,419	41,419
Florida Department of Transportation						
Aviation Grant Program - Land purchase	55.004	G2791	464,000	92,512	113,664	$ 113,664
Aviation Grant Program - Envrionmental assessment	55.004	G1Z49	55,000	13,750	40,150	40,150
Aviation Grant Program - New box hangar	55.004	G2B73	391,000	44,576	31,847	31,847
Aviation Grant Program - Land purchase	55.004	G2058	175,000	-	124,671	124,671
Aviation Grant Program - Obstruction removal	55.004	G2W38	300,000	9,391	12,521	12,521
Aviation Grant Program - Land purchase	55.004	G2T24	116,444	94,000	21,900	21,900
Total Florida Department of Transportation			1,501,444	254,229	344,753	344,753
Executive Office of the Governor						
Local Emergency Management and Mitigation Intiiatives - Community Center/Hurricane Shelter**	31.064	F0122	5,890,200	2,607	398,576	398,576
Total state financial assistance			7,591,644	261,586	784,748	784,748
Total federal awards and state financial assistance			$ 8,176,644	$ 507,586	$ 1,123,748	$ 1,123,748

**Selected as a major project for single audit testing
See notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance

TOWN OF HILLIARD, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Accounting

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

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

C. Grant Awards

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

NOTE 2. INDIRECT COST RATE

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

NOTE 3. SUBRECIPIENTS

The Town of Hilliard did not pass any of the State or Federal funding received through to subrecipients.

Powell and Jones CPA

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

August 12, 2026

To the Town Council
Town of Hilliard, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hilliard, Florida (the Town) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 12, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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. We did identify a deficiency that we consider to be significant, which is addressed in the Statement of Questioned Costs and Findings, Section 2, below.

Compliance and Other Matters

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

Purpose of this Report

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

Powell & Jones

Powell and Jones CPA
Lake City, Florida
August 12, 2026

Powell and Jones CPA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL,* OFFICE OF THE AUDITOR GENERAL

August 12, 2026

To the Town Council
Town of Hilliard, Florida

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited Town of Hilliard, Florida's (the Town) compliance with the types of compliance requirements in the State of Florida, Department of Financial Services State Projects Compliance and Supplement that could have a direct and material effect on each of the Town's major state projects for the year ended September 30, 2025. The Town's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2025.

Basis for Opinion on Each Major State Project

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

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the State of Florida, Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

Pursuant to Chapter 119, *Florida Statutes*, this report is a public record, and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Town's management, State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Powell & Jones

Powell & Jones CPA
Lake City, Florida
August 12, 2026

TOWN OF HILLIARD, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2025

Summary of Auditor's Results

Financial Statements

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

State Financial Assistance

Internal control over major projects:	
● Material weakness identified?	No
● Reportable condition identified, not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major projects	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Rule 10.557 *Rules of the Auditor General* ?	None reported

CSFA Number	Name of Program
31.064	Local Emergency Management and Mitigation Initiatives

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000

Financial Statement Findings

See section 2 below.

State Financial Assistance Findings and Questioned Costs

There were no current findings or questioned costs.

TOWN OF HILLIARD, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2025

SECTION 2. FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

Findings for Material Weaknesses

None reported in the current year.

Findings for Significant Deficiencies

Significant Deficiency 2025-1: Financial Statement Preparation

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the Town does not have the expertise necessary to prevent, detect, and correct misstatements A deficiency in internal control exists in instances where the Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge or experience to oversee service an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

The response provided by management was not subjected to auditing procedures in the audit, and therefore, we express no opinion on it.

MANAGEMENT'S RESPONSE

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

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

The response provided by management was not subjected to auditing procedures in the audit, and therefore, we express no opinion on it.

TOWN OF HILLIARD, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2025

SECTION 3. STATE PROGRAM FINDINGS AND QUESTIONED COSTS

Findings for Material Weaknesses

None reported in the current year.

Findings for Significant Deficiencies

None reported in the current year.

SECTION 4. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Significant Deficiency 2009-1: Financial Statement Preparation (Excess of third preceding year)

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the Town does not have the expertise necessary to prevent, detect, and correct misstatements A deficiency in internal control exists in instances where the Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge or experience to oversee service an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

The circumstances surrounding this finding are substantially the same, and this finding has been continued as finding 2025-1.

Powell and Jones CPA

1359 S.W. Main Blvd.
Lake City, FL 32025
Phone 386.755.4200

MANAGEMENT LETTER

To the Town Council
Town of Hilliard, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Hilliard, Florida (the Town), for the year ended September 30, 2025, and have issued our report thereon dated August 12, 2026.

Auditor's Responsibility

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

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 Financial Statements Performed in Accordance with Government Auditing Standards; Independent Auditor's Reports on Compliance for State Project and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; 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 schedules, which are dated August 12, 2026, 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 financial audit report. The following finding was included in the preceding reports:

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2023-24 FY Finding No.	2023-24 FY Finding No.
2025-1	2024-1	2009-1

AUDITOR GENERAL COMPLIANCE MATTERS

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. This information has been disclosed in Note 1 of the financial statements.

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

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

Additionally, section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. Below are significant results of our review as well as any recommendations.

Deteriorating Financial Conditions – From our audit procedures in the current and prior years, we found the following conditions which together comprised "deteriorating financial conditions" as defined by Chapter 10.550 Rules of the Auditor General:

The Enterprise Fund showed the following trends:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Operating Income/(Loss)	$ (628,704)	$ (452,925)	$ (621,090)	$ (689,253)	$ (463,294)	$ (384,628)	$ (385,158)
Unrestricted Net Position	710,629	1,463,883	1,544,978	40,983	810,021	957,090	1,050,047
Unrestricted Cash Balance	1,117,453	1,496,611	2,140,100	816,894	1,151,084	1,269,934	1,388,637
Cash Flow	$ (314,734)	$ (567,848)	$ 1,438,590	$ (295,868)	$ (104,288)	$ (78,648)	$ 44,562

In the current year, the Enterprise Fund showed an overall decrease in Unrestricted Net Position of $753,256. This was primarily due to the enterprise operational loss that is heavily influenced by depreciation expense for assets that have been purchased in previous years.

To correct these deteriorating financial conditions, we recommend that the Town continue to implement strict measures during the budget cycle to ensure that revenues are sufficient to fund expenditures and replenish the needed fiscal reserves in the Enterprise Fund. Additionally, we would recommend that continue to increase utility prices to bring billing rates in line with amounts that will provide sufficient revenue to meet the annual costs of providing utility services to its constituency.

Property Assessed Clean Energy Programs (PACE)

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the Town did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes that operated within the Town's geographical boundaries during the fiscal year under audit.

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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Rural Economic and Community Redevelopment Requirements – We are providing the following information relative to our examination of the financial statements of the Town, for the year ended September 30, 2025, as provided in the audit requirements for the USDA-Rural Development borrowers.

1. Generally accepted auditing procedures were performed in this audit.
2. Internal control was evaluated and discussed in the prior sections of this audit report.
3. Accounting records and physical control over assets were adequate.
4. The accounting records of the Town have been adjusted to agree with the audited financial statements.
5. The Town's funds are in institutions insured by the Federal government and are authorized depositories of Florida public funds.
6. A summary of the Town's insurance coverage is shown in the annual report to the USDA-Rural Development.
7. The Town is exempt from Federal Income Tax.
8. We found nothing to indicate that financial compliance with the loan agreements had not occurred.

Purpose of This Letter

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

Powell & Jones

Powell and Jones CPA
Lake City, Florida
August 12, 2026

Powell and Jones CPA

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Lake City, FL 32025
Phone 386.755.4200

INDEPENDENT ACCOUNTANT'S REPORT

To the Town Council
Town of Hilliard, Florida

We have examined the Town of Hilliard, Florida's (the Town's) compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2025. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

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

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2025.

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

Powell & Jones

Powell and Jones CPA
Lake City, Florida
August 12, 2026

Powell and Jones CPA

1359 S.W. Main Blvd.
Lake City, FL 32025
Phone 386.755.4200

Communication with Those Charged with Governance

To the Town Council
Town of Hilliard, Florida

We have audited the financial statements of the Town of Hilliard, Florida (the Town) for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus.

All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 12, 2026

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

<u>Other Information in Documents Containing Audited Financial Statements</u>

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

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

Very truly yours,

Powell & Jones

Powell and Jones CPA
Lake City, Florida
August 12, 2026

SYSTEM DEVELOPMENT CHARGE - IMPACT FEES AFFIDAVIT

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

1. I am the Chief Financial Officer of the Town of Hilliard which is a municipal corporation of the State of Florida.

2. The governing body of the Town of Hilliard adopted Ordinance No. 2005-02 on the 3rd day of March 2005; implementing an impact fee by establishing water and sewer system development charges, to provide new definitions; to establish a formula for assessing the system development charges, to provide for time of payment; to provide for use of proceeds; to provide for annual review; to provide for severability; repeal of ordinances in conflict and establish an effective date.

3. The Town of Hilliard has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

Lisa Purvis, Hilliard Town Clerk

STATE OF FLORIDA
COUNTY OF NASSAU

SWORN TO AND SUBSCRIBED before me this 13th day of August, 2026

NOTARY PUBLIC, STATE OF FLORIDA
KIMBERLY CORBETT
MY COMMISSION # HH 584928
EXPIRES: August 20, 2028

NOTARY PUBLIC
Print Name Kimberly Corbett

Personally known ✓ or produced identification _______

Type of identification produced: ______________________________

My Commission Expires:

August 20, 2028