

**TOWN OF HILLIARD, FLORIDA**

**ANNUAL FINANCIAL REPORT**

**September 30, 2021**

**TOWN OF HILLIARD, FLORIDA**

**ANNUAL FINANCIAL REPORT**

September 30, 2021

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## **INTRODUCTORY SECTION**

**TOWN OF HILLIARD, FLORIDA**

**LIST OF ELECTED AND APPOINTED OFFICIALS**

**September 30, 2021**

**LIST OF ELECTED OFFICIALS**

**Mayor and Chairman of the Board**

**Floyd L. Vanzant**

**Town Council President**

**John P. Beasley**

**Town Council**

**Kenny Sims  
Callie Kay Bishop  
Lee Pickett  
Jared Wollitz**

**APPOINTED OFFICIALS**

**Town Clerk**

**Lisa Purvis**

**Town Attorney**

**Christian W. Waugh**

## **FINANCIAL STATEMENTS**



**Powell & Jones**  
Certified Public Accountants

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

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## **INDEPENDENT AUDITOR'S REPORT**

To the Town Council  
Town of Hilliard  
Hilliard, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Hilliard, Florida (the Town), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Hilliard, Florida as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

#### ***Other Information***

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

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



**Other Reporting Required by Government Auditing Standards**

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

A handwritten signature in black ink that reads "Powell & Jones". The signature is written in a cursive, flowing style.

**POWELL & JONES**  
Certified Public Accountants  
March 20, 2022

**TOWN OF HILLIARD, FLORIDA**  
**Management's Discussion and Analysis**

The Town of Hilliard, Florida (the Town) offers its readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2021. We hope this will assist readers in identifying significant financial issues and changes in the Town's financial position.

**FINANCIAL HIGHLIGHTS**

- The assets of the Town of Hilliard, Florida exceeded its liabilities at the close of the most recent fiscal year by \$12,867,594 (*net position*). Of this amount, \$661,550 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$366,084. An increase of \$512,073 was attributable to governmental activities and a decrease of \$145,989 for business-type activities.
- As of the close of the current fiscal year, the Town of Hilliard, Florida's governmental funds reported a combined ending fund balances of \$2,161,833, an increase of \$358,998 in comparison with the prior year. Of this amount, \$593,551 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 \$593,551, or 15.73% of the total general fund expenditures and transfers out.
- The Town of Hilliard, Florida's total debt increased by \$244,415 during the current fiscal year, due to the net of annual debt service payments, and the recognition of the Town's net pension liability related to their participation in the Florida Retirement System.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The funds used by the Town are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

**Proprietary Funds:** The Town of Hilliard, Florida maintains only one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the

government-wide financial statements. The Town uses the enterprise fund to account for its Water and Sewer Utilities.

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

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

**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 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 City's reporting entity.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 - 62 of this report.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town of Hilliard, Florida, assets exceeded liabilities by \$12,867,594 at the close of the most recent fiscal year.

By far, the largest portion of the Town's net position (79.71%) 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, 2021

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 3,051,144	\$ 1,966,480	\$ 2,073,296	\$ 1,932,067	\$ 5,124,440	\$ 3,898,547
Capital assets, net	5,680,945	5,596,277	8,679,148	8,778,890	14,360,093	14,375,167
Total assets	<u>8,732,089</u>	<u>7,562,757</u>	<u>10,752,444</u>	<u>10,710,957</u>	<u>19,484,533</u>	<u>18,273,714</u>
Deferred outflows	223,529	274,727	109,687	117,349	333,216	392,076
Current liabilities	915,873	189,646	611,306	345,148	1,527,179	534,794
Long-term liabilities	508,326	1,025,108	4,257,996	4,542,460	4,766,322	5,567,568
Total liabilities	<u>1,424,199</u>	<u>14,648,515</u>	<u>4,869,302</u>	<u>4,887,608</u>	<u>6,293,501</u>	<u>6,102,362</u>
Deferred inflows	440,323	43,704	216,331	18,211	656,654	61,915
Invested in capital assets, net of related debt	5,680,945	5,596,277	4,576,148	4,586,890	10,257,093	10,183,167
Restricted	1,558,622	1,208,642	390,329	378,507	1,948,951	1,587,149
Unrestricted	(148,471)	(225,896)	810,021	957,090	661,550	731,194
Total net position	<u>\$ 7,091,096</u>	<u>\$ 6,579,023</u>	<u>\$ 5,776,498</u>	<u>\$ 5,922,487</u>	<u>\$ 12,867,594</u>	<u>\$ 12,501,510</u>

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$661,550 may be used to meet the Town's ongoing obligations to citizens and creditors.

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

**Governmental Activities** – Governmental activities increased the Town's net position by \$512,073.

**Town of Hilliard, Florida  
Changes in Net Position  
For the Year Ended September 30, 2021**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Charges for service	\$ 241,946	\$ 165,058	\$ 1,054,459	\$ 1,046,227	\$ 1,296,405	\$ 1,211,285
Capital grants contributions	162,416	32,946	268,541	66,645	430,957	99,591
General revenues	2,113,865	2,693,203	30,226	35,454	2,144,091	2,728,657
Total revenues	2,518,227	2,891,207	1,353,226	1,148,326	3,871,453	4,039,533
<b>Expenses</b>						
General government	619,378	611,283	-	-	619,378	611,283
Public safety	127,530	129,227	-	-	127,530	129,227
Transportation	632,012	555,654	-	-	632,012	555,654
Health services	41,487	44,746	-	-	41,487	44,746
Parks and Recreation	439,900	437,702	-	-	439,900	437,702
Interest on long-term debt	-	-	127,309	130,477	127,309	130,477
Water and sewer	-	-	1,517,753	1,430,855	1,517,753	1,430,855
Total expenses	1,860,307	1,778,612	1,645,062	1,561,332	3,505,369	3,339,944
<b>Increase (decrease) in</b>						
net position before transfers	657,920	1,112,595	(291,836)	(413,006)	366,084	699,589
Transfers	(145,847)	(171,744)	145,847	171,744	-	-
Change in net position	512,073	940,851	(145,989)	(241,262)	366,084	699,589
Net position, beginning of year	6,579,023	5,638,172	5,922,487	6,163,749	12,501,510	11,801,921
Net position, end of year	\$ 7,091,096	\$ 6,579,023	\$ 5,776,498	\$ 5,922,487	\$ 12,867,594	\$ 12,501,510

**Business-Type Activities** – Business-type activities decreased the Town's net position by \$145,989.

**Financial Analysis of the Town's Funds**

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

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

As of the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,161,833, an increase of \$358,998 in comparison with the prior year. The unassigned fund balance is \$593,551 which is available for spending at the Town's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed 1) to pay debt service, 2) to cover annual contracts, or 3) for a variety of other restricted purposes. The non-spendable part of fund balance is \$33,708 represents prepaid items at year end.

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

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

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

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$810,021. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

## **2021 Budgetary Highlights**

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

- Capital Improvement Fund expenditures in the General & Proprietary Fund that were budgeted and not expended during the current fiscal year were amended.
- In the General & Proprietary Funds the Town places the majority of its funds with the State Board of Administrations and it was not known at budget time what the interest rates would be to know what revenue the Town's SBA accounts would generate.
- State Revenue estimates received from the Department of Revenue for fiscal year 2020/2021 were estimated lower due to the unknown impact from COVID-19, than what the revenues generated by year end.
- In the General Fund Streets Department, the FEMA grant project was projected to be completed by the end of the prior fiscal year. Therefore, funds were not budgeted in the current original budget. When the project did not complete in the prior fiscal year, the current budget was amended.
- In the General Fund Recreation Department, FRDAP grant funds that were awarded and budgeted were not expended during the 2020/2021 fiscal year. Therefore, the budget was amended at year end.
- In the General Fund Recreation Department, several of the programs and memberships increased significantly over the original budgeted amounts. Therefore, the budget was amended at year end to actual.
- In the General Fund Airpark Department, at budget time the amount of FAA and FDOT grant funds that would be expended during the 2020/2021 fiscal year was undetermined. Therefore, the budget was amended at year end to actual.
- The General Fund Inter Fund Transfers by department were adjusted based on the fiscal year 2020/2021 need for additional or decreased funds at year end creating an overall decrease in funds transferred.
- In the Proprietary Fund at budget time the amount of CDBG grant funds that would be expended during the 2020/2021 fiscal year was undetermined. Therefore, the budget was amended at year end to actual.
- In the Proprietary Fund it was not known at budget time of all the operating expenses that would be needed during the 2020/2021 fiscal year. Therefore, the Operating Supplies line items were grossly under budgeted.

- Cash Carry Forward was decreased in the General Fund significantly due to the State Revenues not being reduced as low as originally estimated from the COVID 19 impact.
- Nassau County CARES ACT funding was received and expended within fiscal year 2020/2021 that was not originally budgeted. Therefore, the budget was amended at year end to actual.

Schedules of budget and actual comparisons for the general and special revenue major funds appear on pages 64 - 66 of this report.

### **Capital Asset and Debt Administration**

**Capital Assets** – The Town of Hilliard, Florida’s investment in capital assets for its governmental and business type activities as of September 30, 2021, amounts to \$14,360,092 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system, improvements, machinery and equipment and park facilities. The total decrease in the Town’s investment in capital assets for the current fiscal year was 0.10% (a 1.51% increase for governmental activities and a 1.14% decrease for business-type activities).

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

2021 Major capital asset events during the fiscal year include the following:

### **GENERAL GOVERNMENT**

#### ***Infrastructure***

##### ***Mikkelsen Estate Property Improvements***

- The Town made improvements by adding two double mittered end culverts to enter the 40 acre parcel of property that was purchased from the Mikkelsen Estate in 2016.

Capital funds expended fiscal year 2020/2021	\$ 6,950
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#### ***Machinery & Equipment***

##### ***Computer Network Servers (2)***

- The Town of Hilliard expended funds to replace the two computer network servers within the Town Hall

Capital funds expended fiscal year 2020/2021	\$ 17,000
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##### ***Work In Progress (WIP)***

##### ***Town Hall - Computers, Phones, Security Upgrade & Refresh***

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

Capital funds expended fiscal year 2020/2021

\$ 43,459

**GENERAL TRANSPORTATION - STREET**

***Infrastructure***

***Bulk Culvert Pipes Purchase***

- The Town expended funds to purchase several culvert pipes to repair storm drainage infrastructure throughout the Town.

Capital funds expended fiscal year 2020/2021

\$ 12,805

***Work In Progress (WIP) – FINAL***

***FEMA #Z0219 Orange Street Box Culvert Replacement Project***

- The Town of Hilliard received funds through The State of Florida, Division of Emergency Management following Hurricane Irma. Federal obligated funds Expended \$1,157,010.09 (90%) and State obligated funds Expended \$64,278.34 (5%), with the local participation \$64,278.34 (5%) total project was \$97,901.23 under the eligible obligated project total of \$1,383,468.

Federal funds expended fiscal year 2020/2021

\$ 147,588

State funds expended fiscal year 2020/2021

\$ 8,199

Capital funds expended fiscal year 2020/2021

\$ 8,199

Total fiscal year 2020/2021

\$ 163,987

***Machinery & Equipment***

- The Town of Hilliard purchased a 2020 John Deere 310SL 4x4 Loader Backhoe with Canopy (Standard Stick), Turbo Diesel engine 106 HP, 4 Speed Transmission, Electronic Monitor with gauges, 24" backhoe bucket, Return to dig loader function and 14' 8" standard backhoe dig depth. The new back hoe will add to the Town's Fleet to more efficiently address the drainage issues within the Town.

Capital funds expended fiscal year 2020/2021

\$ 109,390

**GENERAL TRANSPORTATION - AIRPARK**

***Land***

***Work In Progress (WIP) – Final***

***Land Acquisition Runway 36 (South End)***

- Federal grant funds provided by the Federal Aviation Administration (FAA) Air Grant, consisting of 90% grant funding, for the following project: Acquire 5.42 AC for Runway Protection Zone RPZ to Runway 36, totaling \$150,000.

Federal funds expended fiscal year 2020/2021

\$ 43,773



- State grant funds provided by the Florida Department of Transportation (FDOT) Joint Participation Agreement (JPA), consisting of 10% state grant funding for the following project: Acquire land for the Runway Protection Zone (RPZ) on the south side of the airpark which is not located within the airpark property totaling \$150,000.

State funds expended fiscal year 2020/2021	\$ 4,864
Total fiscal year 2020/2021	\$ 48,637

***Building***

***Work In Progress (WIP)***

***Renovation of Existing Hangars & Design & Construct New Box Hangar***

- State grant funds provided by the Florida Department of Transportation (FDOT) Public Transportation Grant Agreement (PTGA), consisting of 100% state grant funding for the following project: The renovation of existing hangars and the design and construction of new box hanger at Hilliard Airpark totaling \$368,000.

State funds expended fiscal year 2020/2021	\$ 5,894
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***Work In Progress (WIP)***

***Design & Construct Maintenance Building***

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

State funds expended fiscal year 2020/2021	\$ 4,035
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***Infrastructure***

***Work In Progress (WIP)***

***Turf Runway Rehabilitation & Maintenance***

- State grant funds provided by the Florida Department of Transportation (FDOT) Public Transportation Grant Agreement (PTGA), consisting of 100% state grant funding for the following project: Hilliard Airpark Turf Runway 18/36 Maintenance and Improvements totaling \$91,000.

State funds expended fiscal year 2020/2021	\$ 11,600
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***Work In Progress (WIP)***

***Runway LED Lighting Rehabilitation Project***

- Federal grant funds provided by the Federal Aviation Administration (FAA) Air Grant, consisting of 100% federal grant funding, for the following project: Rehabilitate Runway 18/36 Lighting; Install Wind Cone; Install Segmented Circle; Install Runway Vertical/Visual Guidance System, totaling \$489,143.

Federal funds expended fiscal year 2020/2021 \$ 68,048

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

- State grant funds provided by the Florida Department of Transportation (FDOT) Public Transportation Grant Agreement (PTGA), consisting of 100% state grant funding for the following project: The Design and Construction of a Security Camera and Video Recording System at the Hilliard Airpark, totaling \$193,775.

State funds expended fiscal year 2020/2021 \$ 10,498

**Work In Progress (WIP)  
FAA CARES ACT Funds**

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

Federal funds expended fiscal year 2020/2021 \$ 13,705

**GENERAL CULTURE & RECREATION**

**Infrastructure  
Oxford Street Park Drainage Improvements Design**

- The Town of Hilliard expended funds to begin the process to make drainage improvements to the Oxford Street Park. For Engineering Design Services related to the construction drawings describing the drainage improvement design, geotechnical investigation, permitting and construction bidding services for the Town's Oxford Street Park, which is at least partially located in Flood Zone A.

Capital funds expended fiscal year 2020/2021 \$ 22,500

**PROPRIETARY FUND**

**WATER & SEWER**

**Plant  
SBR 1 & SPR 2 Pumps and Digester Pump WWTP**

- The Town of Hilliard expended funds to make improvements by replacing the SBR 1 & SBR 2 pumps and the Digester pump with Gorman Rupp T-series self-priming pumps with stainless steel impellers at the Waste Water Treatment Plant.

Capital funds expended fiscal year 2020/2021 \$ 57,163

**Plant**  
**Master Lift Station Pump Replacement**

- The Town of Hilliard expended funds to purchase and install a new HCP Pumps Non Clog 4" Discharge 230/460V 20HP with 50ft Cord at the Master Lift Station located on Mill Street to improve the flow during heavy rain falls to Waste Water Treatment Plant.

Capital funds expended fiscal year 2020/2021      \$ 5,703

**Work In Progress (WIP)**  
**DEO CDBG - Water Main & Oxford Street Lift Station Fixed Generator**

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

Federal funds expended fiscal year 2020/2021      \$ 268,541  
Capital funds expended fiscal year 2020/2021      \$ 18,107  
Total fiscal year 2020/2021      \$ 286,647

**Plant**  
**Fourth Street Gravity Sewer Overflow Pipe**

- The Town of Hilliard expended funds to make sewer overflow improvements by approving an overflow pipe to be installed on Fourth Street to alleviate sewer system backups at the Franklin Park Mini-Mall.

Capital funds expended fiscal year 2020/2021      \$ 38,142

**Machinery & Equipment**  
**Constructed Wetland Pump Rebuild**

- The Town of Hilliard expended funds to do a complete rebuild of one of the two wetland Wemco Pump due to age and wear of the pump to make improvements to the Town's Constructed Wetlands.

Capital funds expended fiscal year 2020/2021      \$ 5,126

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 851,390	\$ 801,523	\$ -	\$ -	\$ 851,390	\$ 801,523
Construction in progress	444,311	1,333,024	324,789	-	769,100	1,333,024
Buildings	1,565,199	1,691,401	8,086,101	8,480,452	9,651,300	10,171,853
Infrastructure	1,994,608	1,019,390	-	-	1,994,608	1,019,390
Machinery and equipment	685,930	600,075	268,257	298,438	954,187	898,513
Other depreciable	139,507	150,864	-	-	139,507	150,864
Capital assets, net	<u>\$ 5,680,945</u>	<u>\$ 5,596,277</u>	<u>\$ 8,679,147</u>	<u>\$ 8,778,890</u>	<u>\$ 14,360,092</u>	<u>\$ 14,375,167</u>

**Long-Term Debt** – At the end of the current fiscal year, the Town of Hilliard, Florida had total outstanding bonds and compensated absences in the amount of \$4,259,997. The bond balance is not pledged by any specific tax revenue and is only secured by revenues earned in the proprietary fund.

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

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bonds payable	\$ -	\$ -	\$ 4,103,000	\$ 4,192,000	\$ 4,103,000	\$ 4,192,000
Compensated absences	106,248	104,015	50,749	46,278	156,997	150,293
Net pension liability	299,289	843,050	147,413	361,309	446,702	1,204,359
Other post-employment benefits	129,351	104,047	61,521	42,497	190,872	146,544
Total	<u>\$ 534,888</u>	<u>\$ 1,051,112</u>	<u>\$ 4,362,683</u>	<u>\$ 4,642,084</u>	<u>\$ 4,897,571</u>	<u>\$ 5,693,196</u>

The Town of Hilliard, Florida's outstanding debt decreased by \$795,625 during the current fiscal year due to scheduled payments plus the increase in compensated absences, post-employment benefits, and the result of the implementation of GASB 68 showing the Town's proportionate share of their participation in the Florida Retirement System.

Additional information on the Town of Hilliard, Florida's long-term debt can be found in the notes to the financial statements on pages 49 - 50 of this report.

## **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF HILLIARD, FLORIDA**  
**STATEMENT OF NET POSITION**  
September 30, 2021

	Governmental Activities	Business - type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,797,103	\$ 1,151,084	\$ 3,948,187
Accounts receivable, net	58,976	78,444	137,420
Due from other governmental units	161,357	261,791	423,148
Inventory	-	39,619	39,619
Prepaid items	33,708	13,151	46,859
<b>Total current assets</b>	<b>3,051,144</b>	<b>1,544,089</b>	<b>4,595,233</b>
Restricted assets:			
Bond interest and sinking	-	18,058	18,058
System development	-	118,215	118,215
Reserve fund	-	254,056	254,056
Customer deposits	-	138,878	138,878
<b>Total restricted assets</b>	<b>-</b>	<b>529,207</b>	<b>529,207</b>
Non-current assets:			
Capital assets not being depreciated	801,523	-	801,523
Capital assets, net of accumulated depreciation	4,879,422	8,679,148	13,558,570
<b>Total non-current assets</b>	<b>5,680,945</b>	<b>8,679,148</b>	<b>14,360,093</b>
<b>Total assets</b>	<b>8,732,089</b>	<b>10,752,444</b>	<b>19,484,533</b>
<b>DEFERRED OUTFLOWS</b>	<b>223,529</b>	<b>109,687</b>	<b>333,216</b>
<b>LIABILITIES</b>			
Current liabilities (payable from current assets):			
Accounts payable	\$ 62,015	\$ 331,651	\$ 393,666
Accrued liabilities	8,959	6,956	15,915
Unearned revenue	818,337	18,889	837,226
Compensated absences, current	26,562	12,687	39,249
<b>Total current liabilities (payable from current assets)</b>	<b>915,873</b>	<b>370,183</b>	<b>1,286,056</b>
Current liabilities (payable from restricted assets):			
Accrued interest payable	-	10,245	10,245
Customer deposits	-	138,878	138,878
Revenue bonds payable, current	-	92,000	92,000
<b>Total current liabilities (payable from restricted assets)</b>	<b>-</b>	<b>241,123</b>	<b>241,123</b>
<b>Total current liabilities</b>	<b>915,873</b>	<b>611,306</b>	<b>1,527,179</b>
(continued)			

See notes to the financial statements.

**TOWN OF HILLIARD, FLORIDA**  
**STATEMENT OF NET POSITION**  
September 30, 2021

	Governmental Activities	Business - type Activities	Total
<b>Long-term liabilities</b>			
Revenue bond payable	-	4,011,000	4,011,000
Accrued compensated absences	79,686	38,062	117,748
Other post-employment benefits	129,351	61,521	190,872
Net pension liability	299,289	147,413	446,702
<b>Total long-term liabilities</b>	<b>508,326</b>	<b>4,257,996</b>	<b>4,766,322</b>
<b>Total liabilities</b>	<b>1,424,199</b>	<b>4,869,302</b>	<b>6,293,501</b>
<b>DEFERRED INFLOWS</b>	<b>\$ 440,323</b>	<b>\$ 216,331</b>	<b>\$ 656,654</b>
<b>NET POSITION</b>			
Invested in long-term assets, net of related debt	5,680,945	4,576,148	10,257,093
Restricted for:			
Debt service	-	272,114	272,114
System development	-	118,215	118,215
Non-debt service expenditures	1,534,574	-	1,534,574
Voluntary fire department	7,743	-	7,743
Unrestricted	(132,166)	810,021	677,855
<b>Total net position</b>	<b>\$ 7,091,096</b>	<b>\$ 5,776,498</b>	<b>\$ 12,867,594</b>

See notes to the financial statements.



**TOWN OF HILLIARD, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2021

	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
<b>Functions/Programs</b>							
<b>Governmental activities</b>							
General government	\$ 619,378	\$ 2,346	\$ -	\$ -	\$ (617,032)	\$ -	\$ (617,032)
Public safety	127,530	-	-	-	(127,530)	-	(127,530)
Transportation	632,012	-	-	162,416	(469,596)	-	(469,596)
Health services	41,487	-	-	-	(41,487)	-	(41,487)
Culture and recreation	439,900	239,600	-	-	(200,300)	-	(200,300)
<b>Total governmental activities</b>	<b>1,860,307</b>	<b>241,946</b>	<b>-</b>	<b>162,416</b>	<b>(1,455,945)</b>	<b>-</b>	<b>(1,455,945)</b>
<b>Business-type activities</b>							
Water and sewer services	1,517,753	1,054,459	-	268,541	-	(194,753)	(194,753)
Interest on long-term debt	127,309	-	-	-	-	(127,309)	(127,309)
<b>Total business-type activities</b>	<b>1,645,062</b>	<b>1,054,459</b>	<b>-</b>	<b>268,541</b>	<b>-</b>	<b>(322,062)</b>	<b>(322,062)</b>
<b>Total government</b>	<b>\$ 3,505,369</b>	<b>\$ 1,296,405</b>	<b>\$ -</b>	<b>\$ 430,957</b>	<b>(1,455,945)</b>	<b>(322,062)</b>	<b>(1,778,007)</b>
<b>General revenues</b>							
					358,170	-	358,170
					1,486,227	-	1,486,227
					66,016	-	66,016
					182,420	-	182,420
					2,302	-	2,302
					14,271	16,425	30,696
					2,530	1,703	4,233
					1,929	12,098	14,027
					(145,847)	145,847	-
<b>Total general revenues</b>					<b>1,968,018</b>	<b>176,073</b>	<b>2,144,091</b>
					512,073	(145,989)	366,084
					6,579,023	5,922,487	12,501,510
					<b>\$ 7,091,096</b>	<b>\$ 5,776,498</b>	<b>\$ 12,867,594</b>

See notes to the financial statements.

**TOWN OF HILLIARD, FLORIDA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
September 30, 2021

	General Fund	Special Revenue		Total Governmental Funds
		Local Option Gas Tax Fund	Discretionary Sales Tax Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$1,331,225	\$ 533,765	\$ 915,808	\$ 2,780,798
Accounts receivable	36,991	21,985	-	58,976
Due from other governmental unit	106,084	-	55,273	161,357
Prepaid items	33,708	-	-	33,708
	<u>1,508,008</u>	<u>555,750</u>	<u>971,081</u>	<u>3,034,839</u>
Restricted assets				
Restricted cash and cash equivalents	16,305	-	-	16,305
<b>Total assets</b>	<u>1,524,313</u>	<u>555,750</u>	<u>971,081</u>	<u>3,051,144</u>
<b>LIABILITIES</b>				
Accounts payable	62,015	-	-	62,015
Accrued liabilities	8,959	-	-	8,959
Unearned revenue	818,337	-	-	818,337
<b>Total liabilities</b>	<u>889,311</u>	<u>-</u>	<u>-</u>	<u>889,311</u>
<b>FUND BALANCES</b>				
Nonspendable - prepaid items	33,708	-	-	33,708
Restricted	7,743	555,750	971,081	1,534,574
Unassigned	593,551	-	-	593,551
<b>Total fund balances</b>	<u>\$ 635,002</u>	<u>\$ 555,750</u>	<u>\$ 971,081</u>	<u>2,161,833</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,680,945
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.	223,529
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.	(440,323)
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds	(534,888)
<b>Net assets of governmental activities</b>	<u><u>\$ 7,091,096</u></u>

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, 2021

	General Fund	Special Revenue		Total Governmental Funds
		Local Option Gas Tax Fund	Discretionary Sales Tax Fund	
<b>REVENUES</b>				
Property taxes	\$ 254,783	\$ -	\$ -	\$ 254,783
Other taxes	103,387	-	-	103,387
Intergovernmental	944,080	212,190	492,373	1,648,643
Licenses and permits	66,016	-	-	66,016
Franchise fees	182,420	-	-	182,420
Fines and forfeitures	2,302	-	-	2,302
Charges for service	241,946	-	-	241,946
Rents and leases	14,271	-	-	14,271
Other fees and miscellaneous	1,929	-	-	1,929
<b>Total revenues</b>	<b>1,811,134</b>	<b>212,190</b>	<b>492,373</b>	<b>2,515,697</b>
<b>EXPENDITURES</b>				
Current				
General government	613,218	-	-	613,218
Public safety	89,030	-	-	89,030
Transportation	404,560	-	-	404,560
Health services	16,371	-	-	16,371
Culture and recreation	351,696	-	-	351,696
Capital outlay	538,507	-	-	538,507
<b>Total expenditures</b>	<b>2,013,382</b>	<b>-</b>	<b>-</b>	<b>2,013,382</b>
Excess (deficit) of revenues over expenditures	(202,248)	212,190	492,373	502,315
<b>OTHER FINANCING SOURCES (USES)</b>				
Interest income	1,703	-	827	2,530
Interfund transfers in	789,962	-	-	789,962
Interfund transfers out	(591,264)	-	(344,545)	(935,809)
<b>Total other financing sources (uses)</b>	<b>200,401</b>	<b>-</b>	<b>(343,718)</b>	<b>(143,317)</b>
Net change in fund balance	(1,847)	212,190	148,655	358,998
Fund balance at beginning of year	636,849	343,560	822,426	1,802,835
<b>Fund balance at end of year</b>	<b>\$ 635,002</b>	<b>\$ 555,750</b>	<b>\$ 971,081</b>	<b>\$ 2,161,833</b>

See notes in financial statements.

**TOWN OF HILLIARD, FLORIDA**

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

For the Fiscal Year Ended September 30, 2021

Net change in fund balance - total governmental funds \$ 358,998

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	\$ 538,507	
Less current year depreciation	<u>(453,839)</u>	84,668

Some expenses reported in the statement of activities do not  
require the use of current financial resources and, therefore,  
are not reported as expenditures in governmental funds. Also  
recognition of certain obligations related to prior and subsequent  
periods are not recognized in governmental funds but are  
recognized in the statement of activities.

(Increase) in compensated absences	(2,233)	
Increase in other post-employment benefits	(25,304)	
Decrease in net pension liability	543,762	
Change in deferred inflows and outflows	<u>(447,818)</u>	<u>68,407</u>

Change in net position of governmental activities \$ 512,073

See notes to the financial statements.

**TOWN OF HILLIARD, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 September 30, 2021**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,151,084
Accounts receivable, net	78,444
Due from other governments	261,791
Inventory	39,619
Prepaid items	13,151
Total current assets	1,544,089
Restricted cash and cash equivalents	
Bond interest and sinking	18,058
System development	118,215
Reserve fund	254,056
Customer deposits	138,878
Total restricted cash and cash equivalents	529,207
Noncurrent assets	
Fixed assets	
Property, plant and equipment	16,413,785
Allowance for depreciation	(7,734,637)
Total noncurrent assets	8,679,148
Total assets	10,752,444
<b>DEFERRED OUTFLOWS</b>	<b>109,687</b>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	331,651
Accrued liabilities	6,956
Unearned revenue	18,889
Accrued interest	10,245
Compensated absences	12,687
Customer deposits	138,878
Revenue bonds payable, current	92,000
Total current liabilities	611,306
(continued)	

**TOWN OF HILLIARD, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 September 30, 2021**

	<b>Water and Sewer Fund</b>
Long-term liabilities	
Revenue bonds payable	4,011,000
Accrued compensated absences	38,062
Other post-employment benefits	61,521
Net pension liability	147,413
Total long-term liabilities	4,257,996
Total liabilities	4,869,302
 <b>DEFERRED INFLOWS</b>	 <b>216,331</b>
 <b>NET POSITION</b>	
Invested in capital assets, net of related debt	4,576,148
Restricted for:	
Debt service	272,114
System development	118,215
Unrestricted	810,021
Total net position	<b>\$ 5,776,498</b>

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, 2021

	Water and Sewer Fund
<b>OPERATING REVENUES</b>	
Water sales	\$ 490,787
Sewer sales	503,345
Fees and penalties	60,327
Total operating revenues	1,054,459
<b>OPERATING EXPENSES</b>	
Water utility	
Personnel services	310,791
Operating expenses	304,345
Sewer utility	
Personnel services	207,192
Operating expenses	202,899
Depreciation expense	492,526
Total operating expenses	1,517,753
Total operating (loss)	(463,294)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Grant revenue	268,541
Rentals and leases	16,425
Interest earnings	1,703
Miscellaneous income (expenses)	12,098
Interest expense	(127,309)
Interfund transfers in	145,847
Total nonoperating revenues	317,305
Change in net position	(145,989)
Net position, beginning of year	5,922,487
Net position, end of year	\$ 5,776,498

See notes to the financial statements.

**TOWN OF HILLIARD, FLORIDA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended September 30, 2021

	<b>Water and Sewer Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 1,060,048
Cash paid to suppliers	(256,060)
Cash paid to employees	(743,559)
<b>Net cash provided by operating activities</b>	<b>60,429</b>
<b>Cash flows from non-capital related financing activities:</b>	
Rental and lease income	16,425
Miscellaneous revenues	12,098
Transfers from other funds	145,847
<b>Net cash provided by non-capital related financing activities</b>	<b>174,370</b>
<b>Cash flows from capital and related financing activities:</b>	
Grant receipts	268,541
Principal payments	(89,239)
Interest payments	(127,308)
Acquisition and construction of capital assets	(392,784)
<b>Net cash used for capital and related financing activities</b>	<b>(340,790)</b>
<b>Cash flows from investing activities:</b>	
Investment income	1,703
<b>Net cash provided by investing activities</b>	<b>1,703</b>
<b>Net change in cash</b>	(104,288)
<b>Cash, at beginning of year</b>	<b>1,784,579</b>
<b>Cash, at end of year</b>	<b>\$ 1,680,291</b>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
<b>Operating loss</b>	\$ (463,294)
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>	
Depreciation	492,526
<b>Changes in assets decrease (increase) and liabilities (decrease) increase:</b>	
Accounts receivable, net	(18,599)
Inventory	(213)
Prepaid items	1,541
Due from other governments	(228,246)
Deferred outflows	7,662
Accounts payable	249,856
Accrued liabilities	6,314
Compensated absences	4,471
Customer deposits	2,700
Unearned revenue	2,464
Other post-employment benefits	19,024
Deferred inflows	198,120
Net pension liability	(213,897)
<b>Total adjustments</b>	<b>523,723</b>
<b>Net cash provided by operating activities</b>	<b>\$ 60,429</b>

See notes to the financials statements.



**TOWN OF HILLIARD, FLORIDA**  
**FUDICIARY FUND**  
**STATEMENT OF NET POSITION**  
September 30, 2021

	Custodial Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 16,305
Total assets	16,305
 <b>LIABILITIES</b>	
Due to other governments	16,305
Total liabilities	16,305
 <b>NET POSITION</b>	
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, 2021

		Custodial Fund
<b>ADDITIONS:</b>		
Fees collected on behalf of other governments	\$	16,292
Total additions		16,292
 <b>DEDUCTIONS:</b>		
Remittances of fees to other governments		16,292
Total deductions		16,292
Change in net position		-
Net position, beginning of year		-
Net position, end of year	\$	-

See notes to the financial statements.

**TOWN OF HILLIARD, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2021

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

The basic financial statements of the Town for the year ended September 30, 2021, were prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

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

## **1. Government-wide Financial Statements**

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

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

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

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

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

## **2. Fund Financial Statements**

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

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

considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Town.

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

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

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

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

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

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

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

**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 when 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 any infrastructure and any other purpose, excluding debt, as determined by the Town Council.

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

**2. Proprietary Major Fund:**

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

**3. Non-current Governmental Assets/Liabilities:**

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

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

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

**2. Cash Equivalents** - For purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2021, 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, 2021, this allowance account totaled \$39,177 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, 2021.

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

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

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

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

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

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

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

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

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

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

9. **Capitalization of Interest** - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the Town did not have any capitalized interest.
10. **Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. At September 30, 2021, the Town reported \$837,226 in unearned revenues.
11. **Accrued Compensated Absences** - The Town accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.
12. **Capital Contributions** - Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.
13. **Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on pensions in the government-wide statement of net position. Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Town's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.



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

**14. Fund Balances -**

**A. Governmental Funds**

As of September 30, 2021, 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, 2021, fund balances are composed of the following:

	General Fund	Local Option Gas Tax Fund	Sales Tax Fund	Total
Nonspendable	\$ 33,708	\$ -	\$ -	\$ 33,708
Restricted	7,743	555,750	971,081	1,534,574
Unassigned	593,551	-	-	593,551
	<u>\$ 635,002</u>	<u>\$ 555,750</u>	<u>\$ 971,081</u>	<u>\$ 2,161,833</u>

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

**B. Proprietary Funds**

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

As of September 30, 2021, net position balances are composed of the following:

	<u>Water and Sewer Fund</u>
Invested in capital assets	\$ 4,576,148
Restricted	390,329
Unrestricted	810,021
	<u>\$ 5,776,498</u>

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

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

“Total fund balances” of the Town’s governmental funds \$2,161,833 differs from “net position” of governmental activities \$7,091,096 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	\$ 10,527,973
Accumulated depreciation	(4,847,028)
Total	<u>\$ 5,680,945</u>

Long-term debt transactions

Long-term liabilities applicable to the Town’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2021, were:

Compensated absences	\$ (106,248)
Other post-employment benefits	(129,351)
Net pension liability	(299,289)
	<u>\$ (534,888)</u>

**Deferred outflows/inflows of resources**

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

Deferred outflows	\$ 223,529
Deferred inflows	(440,323)
	<u>\$ (216,794)</u>

**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
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 2,780,798	\$ -	\$ -	\$ -	\$ -	\$ 2,780,798
Accounts receivable	58,976	-	-	-	-	58,976
Due from other governmental units	161,357	-	-	-	-	161,357
Prepaid items	33,708	-	-	-	-	33,708
	<u>3,034,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,034,839</u>
Restricted assets						
Restricted cash and cash equivalents	16,305	-	-	-	-	16,305
Capital assets, net	-	5,680,945	-	-	-	5,680,945
Total assets	<u>3,051,144</u>	<u>5,680,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,732,089</u>
<b>DEFERRED OUTFLOWS</b>	<u>-</u>	<u>-</u>	<u>223,529</u>	<u>-</u>	<u>-</u>	<u>223,529</u>
<b>LIABILITIES</b>						
Accounts payable	62,015	-	-	-	-	62,015
Unearned revenue	818,337	-	-	-	-	818,337
Compensated absences	-	-	-	106,248	-	106,248
Other post-employment benefits	-	-	-	129,351	-	129,351
Net pension liability	-	-	-	299,289	-	299,289
Total liabilities	<u>889,311</u>	<u>-</u>	<u>-</u>	<u>534,888</u>	<u>-</u>	<u>1,424,199</u>
<b>DEFERRED INFLOWS</b>	<u>-</u>	<u>-</u>	<u>440,323</u>	<u>-</u>	<u>-</u>	<u>440,323</u>
<b>FUND BALANCES/NET POSITION</b>						
Invested in capital assets	-	5,680,945	-	-	-	5,680,945
Nonspendable - prepaid items	33,708	-	-	-	-	33,708
Restricted	1,534,574	-	-	-	-	1,534,574
Unassigned	593,551	-	(216,793)	(534,889)	-	(158,131)
Total fund balances/net position	<u>\$ 2,161,833</u>	<u>\$ 5,680,945</u>	<u>\$ (216,793)</u>	<u>\$ (534,889)</u>	<u>\$ -</u>	<u>\$ 7,091,096</u>

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

The “net change in fund balances” for governmental funds \$358,998 differs from the “change in net position” for governmental activities \$512,073 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Capital outlay	\$ 538,507
Depreciation expense	(453,839)
Difference	<u>\$ 84,668</u>

Long-term debt related items

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

Net increase in compensated absences	\$ (2,233)
Net decrease in other post-employment benefits	(25,304)
Net increase in net pension liability	<u>543,762</u>
	<u>\$ 516,225</u>

Deferred outflows/inflows of resources

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

Net increase in deferred outflows	\$ (51,199)
Net decrease in deferred inflows	(396,619)
	<u>\$ (447,818)</u>

**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/ Elimination Transactions	Statement of Activities
<b>REVENUES</b>					
Property taxes	\$ 254,783	\$ -	\$ -	\$ -	\$ 254,783
Other taxes	103,387	-	-	-	103,387
Intergovernmental	1,648,643	-	-	-	1,648,643
Licenses and permits	66,016	-	-	-	66,016
Franchise fees	182,420	-	-	-	182,420
Fines and forfeitures	2,302	-	-	-	2,302
Charges for service	241,946	-	-	-	241,946
Rents and leases	14,271	-	-	-	14,271
Other fees and miscellaneous	1,929	-	-	-	1,929
<b>Total revenues</b>	<b>2,515,697</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,515,697</b>
<b>EXPENDITURES</b>					
<b>Current expenditures</b>					
General government	613,218	70,079	307,418	(371,337)	619,378
Public safety	89,030	38,500	-	-	127,530
Transportation	404,560	235,447	90,542	(98,537)	632,012
Health services	16,371	25,116	-	-	41,487
Culture and recreation	351,696	84,697	49,858	(46,351)	439,900
Capital outlay	538,507	(538,507)	-	-	-
<b>Total expenditures</b>	<b>2,013,382</b>	<b>(84,668)</b>	<b>447,818</b>	<b>(516,225)</b>	<b>1,860,307</b>
Excess (deficit) of revenues over expenditures	502,315	84,668	(447,818)	516,225	655,390
<b>OTHER FINANCING SOURCES (USES)</b>					
Interest income	2,530	-	-	-	2,530
Interfund transfers in	789,962	-	-	(789,962)	-
Interfund transfers out	(935,809)	-	-	789,962	(145,847)
<b>Total other financing sources (uses)</b>	<b>(143,317)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(143,317)</b>
<b>Net change in fund balance</b>	<b>358,998</b>	<b>84,668</b>	<b>(447,818)</b>	<b>516,225</b>	<b>512,073</b>
Fund balance at beginning of year	1,802,835	5,596,277	231,025	(1,051,114)	6,579,023
<b>Fund balance at end of year</b>	<b>\$ 2,161,833</b>	<b>\$ 5,680,945</b>	<b>\$ (216,793)</b>	<b>\$ (534,889)</b>	<b>\$ 7,091,096</b>

### **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 \$1,197,108 were insured by federal depository insurance or pledged collateral under state law. Other Town funds totaling \$3,331,328 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 \$600 remained uninvested for use as petty cash in the Town's daily operations.

Investments. The Town's investment in Florida PRIME is administered by the Florida State Board of Administration (SBA). Florida PRIME is an external investment pool that is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. Florida PRIME is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME. Additionally, the State of Florida, Office of the Auditor General performs the operational audit of the activities and investments of the SBA. Throughout the year and as of September 30, 2021, Florida PRIME contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one- and three-month LIBOR. These floating rate and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Exposure to a single issuer is limited to 5% of the portfolio's amortized cost. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The current rating for the Florida PRIME is AAAM by Standard and Poors. The weighted average of days to maturity of the Florida PRIME at September 30, 2021 is 49 days. The fair value of the Town's position in the pool approximates the value of the pool shares. At September 30, 2021, the Town had \$3,331,328 invested in Florida PRIME. Florida PRIME's most recent financial statements can be found at <https://www.sbafla.com/prime/Audits/tabid/582Default.aspx>.

Credit Risk. Investments in the Florida State Board of Administration Pools (SBA) consist of the Local Government Surplus Funds Trust (Florida PRIME). The Florida PRIME is rated by Standard and Poors. The current rating is AAAM. The Investment Manager of the Florida PRIME manages credit risk by purchasing only high quality securities, performing a credit analysis to develop a database of issuers

and securities that meet the Investment Manager's minimum standard and by regularly reviewing the portfolio's securities financial data, issuer news and developments, and ratings of the nationally recognized statistical rating organizations.

**Interest Rate Risk.** The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2021 was 64 days. The next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

### **Fair Value Measurements**

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

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

As of September 30, 2021, the Town's investment in the Florida PRIME investment pool is rated AAAM by Standard & Poors.

### **Investment Objectives**

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

### **Interest Rate Risk**

The dollar weighted average days to maturity (WAM) of Florida PRIME at September 30, 2021, is 49 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at September 30, 2021, is 64 days.

### **Foreign Currency Risk**

Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2020 through September 30, 2021.

### **Securities Lending**

Florida PRIME did not participate in a securities lending program in the period October 1, 2020 through September 30, 2021.

### **Fair Value Hierarchy**

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



## NOTE 5. PROPERTY TAX REVENUES

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

## NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Reclassifications	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>					
Non-depreciable capital assets					
Land	\$ 801,523	\$ 1,230	\$ 48,637	\$ -	\$ 851,390
Construction in progress	1,333,024	(1,196,233)	307,520	-	444,311
Total Non-depreciable capital assets	2,134,547	(1,195,003)	356,157	-	1,295,701
Depreciable capital assets:					
Buildings	3,951,475	-	-	-	3,951,475
Infrastructure	1,999,252	1,121,580	42,255	-	3,163,087
Machinery and equipment	1,649,258	60,398	140,095	-	1,849,751
Other depreciable assets	254,934	13,025	-	-	267,959
Total depreciable capital assets	7,854,919	1,195,003	182,350	-	9,232,272
Less accumulated depreciation					
Buildings	(2,260,074)	-	(126,202)	-	(2,386,276)
Infrastructure	(979,862)	-	(188,617)	-	(1,168,479)
Machinery and equipment	(1,049,183)	-	(114,638)	-	(1,163,821)
Other depreciable assets	(104,070)	-	(24,382)	-	(128,452)
Total accumulated depreciation	(4,393,189)	-	(453,839)	-	(4,847,028)
Total depreciable capital assets, net	3,461,730	1,195,003	(271,489)	-	4,385,244
Governmental activities capital assets, net	\$ 5,596,277	\$ -	\$ 84,668	\$ -	\$ 5,680,945
<b>Business-type activities:</b>					
Non-depreciable capital assets					
Construction in progress	\$ -	\$ -	\$ 324,789	\$ -	\$ 324,789
Total Non-depreciable capital assets	-	-	324,789	-	324,789
Depreciable capital assets:					
Buildings and improvements	15,372,612	-	62,866	-	15,435,478
Machinery and equipment	648,391	-	5,127	-	653,518
Total depreciable capital assets	16,021,003	-	67,993	-	16,088,996
Less accumulated depreciation					
Buildings and improvements	(6,892,160)	-	(457,217)	-	(7,349,377)
Machinery and equipment	(349,953)	-	(35,308)	-	(385,261)
Total accumulated depreciation	(7,242,113)	-	(492,525)	-	(7,734,638)
Business-type activities capital assets, net	\$ 8,778,890	\$ -	\$ (99,743)	\$ -	\$ 8,679,147

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

Governmental activities:	
General Government	\$ 70,079
Public Safety	38,500
Transportation	235,447
Health services	25,116
Parks and recreation	84,697
Total depreciation expense - governmental entities	<u>\$ 453,839</u>
Business-type activities:	
Water and sewer utility	<u>\$ 492,525</u>

**NOTE 7. INTERFUND TRANSFERS**

Interfund transfers for the year ended September 30, 2021, consisted of the following:

Fund	Transfers in	Transfers out
General	\$ 789,962	\$ 591,264
Local Option Gas Tax	-	-
Discretionary Sales Tax	-	344,545
Water and Sewer	145,847	-
	<u>\$ 935,809</u>	<u>\$ 935,809</u>

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

**NOTE 8. RECEIVABLE AND PAYABLE BALANCES**

**Receivables**

Receivables at September 30, 2021, were as follows:

	Accounts	Due from Others/ Governmental Units	Total Receivables
Governmental activities:	\$ 58,976	\$ 161,357	\$ 220,333
Business-type activities:	78,444	261,791	340,235
	<u>\$ 137,420</u>	<u>\$ 423,148</u>	<u>\$ 560,568</u>

Based upon collection history, the Town has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$39,117.

## Payables

Payables at September 30, 2021, were as follows:

	<b>Vendors</b>
Governmental activities:	\$ 62,015
Business-type activities:	<u>331,651</u>
	<u>\$ 393,666</u>

## NOTE 9. 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, 2021:

	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021	Due Within One Year
Compensated absences	\$ 104,015	\$ 45,860	\$ (43,627)	\$ 106,248	\$ 26,562
Other post-employment benefits	104,047	25,304	-	129,351	-
Net pension liability	843,050	-	(411,316)	299,289	-
<b>Total</b>	<u>\$1,051,112</u>	<u>\$ 71,164</u>	<u>\$ (454,943)</u>	<u>\$ 534,888</u>	<u>\$ 26,562</u>

### Business-type Activities

A summary of proprietary fund debt as of September 30, 2021, 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 are secured by and paid from gross revenues of the Town's water and sewer system. The bonds covenants specify that the Town must fund and maintain a sinking fund by depositing one-twelfth of the yearly principal and interest payments in a sinking fund. The bonds covenants also require that a reserve fund be established by depositing a monthly amount of \$481 in a reserve fund until a balance of \$57,671 is achieved. Funds in the Reserve Account may be used to (1) pay the cost of repairing or replacing any damage to the system which shall be caused by an unforeseen catastrophe, (2) constructing improvements or extensions to the system which shall increase its net revenues and which shall be approved by the consulting engineers, and (3) paying the principal of and interest on the bonds in the event that the moneys in the sinking fund shall ever be insufficient to meet such payments. The bonds bear interest at a rate of 4.5% per annum. Such bonds are payable annually on September 1<sup>st</sup> of each year through 2038.

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

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

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

Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Water and sewer system improvements	4.50%	\$ 675,000
Water and sewer system improvements	2.75%	3,428,000
		<u>\$ 4,103,000</u>

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

Fiscal Year Ending September	Principal	Interest	Total
2022	\$ 92,000	\$ 124,645	\$ 216,645
2023	95,000	121,643	216,643
2024	100,000	118,540	218,540
2025	103,000	115,265	218,265
2026	108,000	111,890	219,890
2027-2031	606,000	503,428	1,109,428
2032-2036	730,000	395,742	1,125,742
2037-2041	705,000	272,820	977,820
2042-2046	713,000	177,238	890,238
2047-2051	851,000	71,912	922,912
	<u>\$ 4,103,000</u>	<u>\$ 2,013,123</u>	<u>\$ 6,116,123</u>

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021	Due Within One Year
Bonds payable	\$ 4,192,000	\$ -	\$ (89,000)	\$ 4,103,000	\$ 92,000
Other post-employment benefits	42,497	19,024	-	61,521	-
Compensated absences	46,278	73,244	(68,773)	50,749	12,687
Net pension liability	361,309	-	(213,896)	147,413	-
	<u>\$ 4,642,084</u>	<u>\$ 92,268</u>	<u>\$ (371,669)</u>	<u>\$ 4,362,683</u>	<u>\$ 104,687</u>

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

**Florida Retirement System**

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

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

**Pension Plan**

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

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

entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

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

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

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

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2020 through June 30, 2021 and from July 1, through September 30, 2021, respectively, were as follows: Regular—10.00% and 10.82%; Special Risk Administrative Support—35.84% and 37.76%; Special Risk—24.45% and 25.89%; Senior Management Service—27.29% and 29.01%; Elected Officers'—39.73% and 40.91%; and DROP participants—16.98% and 18.34%. These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021, respectively.

The Town's contributions, including employee contributions, to the Pension Plan totaled \$114,241 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the Town reported a liability of \$172,656

for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The Town's proportionate share of the net pension liability was based on the Town's 2020-2021 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the Town's proportionate share was 0.002285661 percent, which was an increase of 5.03 percent from its proportionate share measured as of June 30, 2021.

For the fiscal year ended September 30, 2021, the Town recognized pension expense of \$17,116. In addition the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 29,593	\$ -
Changes in assumptions	118,140	-
Net difference between projected and actual earnings on Pension Plan investments	-	602,352
Changes in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	43,815	3,161
Town Pension Plan contributions subsequent to the measurement date	<u>25,106</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 216,654</u></b>	<b><u>\$ 605,513</u></b>

The deferred outflows of resources related to the Pension Plan, totaling \$25,106 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. 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:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2022	\$ (72,910)
2023	(85,019)
2024	(112,618)
2025	(144,312)
2026	894
Thereafter	-
	<b><u>\$ (413,965)</u></b>

**Actuarial Assumptions** – The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.00%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation
Discount rate	6.80%

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

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

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.10%	2.10%	1.10%
Fixed Income	20.00%	3.80%	3.70%	3.30%
Global Equity	54.20%	8.20%	6.70%	17.80%
Real Estate	10.30%	7.10%	6.20%	13.80%
Private Equity	10.80%	11.70%	8.50%	26.40%
Strategic Investments	3.70%	5.70%	5.40%	8.40%
<b>Total</b>	<b>100.00%</b>			
Assumed Inflation - Mean			2.40%	1.20%

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

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

**Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate** - The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.98%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Town's proportionate share of the net pension liability	\$ 772,129	\$ 172,656	\$ (328,436)

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



Payables to the Pension Plan - At September 30, 2021, the Town had no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2021.

### **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, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

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

The Town's contributions including employee contributions to the HIS Plan totaled \$17,229 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2021, the Town reported a liability of \$274,046 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The Town's proportionate share of the net pension liability was based on the Town's 2020-21 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the Town's proportionate share was 0.002234101 percent, which was an increase of 4.44 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the Town recognized pension expense of \$43,744. In addition the Town reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,170	\$ 115
Changes in assumptions	21,534	11,291
Net difference between projected and actual earnings on HIS Plan investments	286	-
Changes in proportion and differences between Town HIS Plan contributions and proportionate share of contributions	20,975	1,746
Town HIS Plan contributions subsequent to the measurement date	3,490	-
<b>Total</b>	<b>\$ 55,455</b>	<b>\$ 13,152</b>

The deferred outflows of resources related to the HIS Plan, totaling \$3,490 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, 2021. 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
2022	\$ 10,690
2023	3,406
2024	7,028
2025	9,327
2026	6,976
Thereafter	1,386
	<b>\$ 38,813</b>

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

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.16%

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 2.16%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected

depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate** - The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 2.16%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Town's proportionate share of the net pension liability	\$ 316,824	\$ 274,046	\$ 238,999

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

**Payables to the Pension Plan** - At September 30, 2021, the Town had no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2021.

**Investment Plan**

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

As provided in Section 121.4501, *Florida Statutes*, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Town Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2018-19 fiscal year, as established by Section 121.72, *Florida Statutes*, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and Town Elected Officers class 11.34%. Each of these member classes pays 3.00% of the contribution.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension

Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Town.

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

The Town did not have any participants in the Investment Plan for the fiscal year ended September 30, 2021.

**NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

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

Membership of each plan consisted of the following:

Date of Actuarial Valuation:	<u>9/30/2020</u>
Retirees and Beneficiaries Receiving Benefits	-
Active Plan Members	<u>15</u>
Total	<u><u>15</u></u>

**Funding Policy**

In prior years, the Town has followed a pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit cost and expenses. The contribution requirements of plan members, if any, are established by the Town. Eligible retirees pay the full cost of blended rate premiums associated with the medical plan elected; no direct Town subsidy is currently applicable. However, there are implicit costs of the medical plan for retirees, as their claims experience is higher than the blended rate premiums. State of Florida Law prohibits the Town from separately rating retirees and active employees specifically for medical plan benefits. The Town, therefore, assigns eligible active employees and eligible retirees equal, blended-rate premiums and makes available to both groups the same plan options. Although both groups are assigned the same

blended rate premiums, generally accepted auditing principles (GAAP) requires the actuarial liabilities presented below to be calculated using age-adjusted premiums approximating claim costs for eligible retirees separate from active eligible members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

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

### **Basis of Accounting**

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

### **Annual OPEB Costs and Net OPEB Obligation**

The Annual OPEB Cost is the amount that was expensed for the fiscal year. For the year ended September 30, 2021, the Town recognized an OPEB expense of \$12,687. Since the Town's OPEB plan is currently unfunded, the offset to that expense comes from subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution, and equals the total age-adjusted premiums paid by the Town for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year). The cumulative difference between the Annual OPEB Cost for the year and the Employer Contribution for the year is called the Net OPEB Obligation. The Net OPEB Obligation is reflected as a liability in the statement of net position.

**Total OPEB Liability** – The Town's total OPEB liability as of September 30, 2021 was determined by an actuarial valuation as of October 1, 2020 using September 30, 2021 as the measurement date. The actuarial assumptions used in the October 1, 2020 valuation were as follows:

Inflation	Same as healthcare cost trend rate
Salary Increases	3.00%
Discount Rate	2.14%
Initial Trend Rate	8.00% for 2020
Ultimate Trend Rate	5.00%
Year to Ultimate Trend Rate	7

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

The discount rate used to discount all future benefit payments is 2.14% per annum and is based on the return of the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

Changes in the Total OPEB Liability:

	<b>Total OPEB Liability</b>
Reporting period ending September 30, 2019	<u>\$ 146,544</u>
Changes for the year:	
Service Cost	7,101
Interest	3,136
Difference between expected and actual experience	39,434
Changes in assumptions	<u>(5,343)</u>
Net changes	<u>44,328</u>
Reporting period ending September 30, 2020	<u>\$ 190,872</u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following table presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.43%) or 1-percentage-point higher (3.43%) than the current discount rate.

	<b>1% Decrease (1.43%)</b>	<b>Current Discount Rate (2.43%)</b>	<b>1% Increase (3.43%)</b>
Total other postemployment benefits liability	<u>\$ 209,300</u>	<u>\$ 190,872</u>	<u>\$ 172,444</u>

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

	<b>1% Decrease (4.00% to 7.00%)</b>	<b>Current Discount Rate (5.00% to 8.00%)</b>	<b>1% Increase (6.00% to 9.00%)</b>
Total other postemployment benefits liability	<u>\$ 160,864</u>	<u>\$ 19,872</u>	<u>\$ 227,161</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the Town reported an amount of \$190,872 for its OPEB liability.

For the fiscal year ended September 30, 2021, the Town recognized OPEB expense of \$12,239. In addition the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,625	\$ 33,057
Changes in assumptions	17,481	4,932
Net difference between projected and actual earnings on OPEB Plan investments	-	-
<b>Total</b>	<b>\$ 61,106</b>	<b>\$ 37,989</b>

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
2022	\$ 2,002
2023	2,002
2024	2,002
2025	2,002
2026	2,002
Thereafter	10,167
	<b>\$ 20,177</b>

**NOTE 13. RISK MANAGEMENT**

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

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

**NOTE 14. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State and Federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of

expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

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

**NOTE 15. SUBSEQUENT EVENT**

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



**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF HILLIARD, FLORIDA**  
**GOVERNMENTAL FUND**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended September 30, 2021

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 267,353	\$ 254,783	\$ 254,783	\$ -
Other taxes	96,000	102,827	103,387	560
Intergovernmental	3,652,588	944,005	944,080	75
Licenses and permits	72,000	66,016	66,016	-
Franchise fees	200,000	182,420	182,420	-
Fines and forfeitures	5,000	2,302	2,302	-
Charges for service	169,945	245,885	241,946	(3,939)
Rents and leases	14,270	14,270	14,271	1
Other fees and miscellaneous	37,900	23,167	1,929	(21,238)
<b>Total revenues</b>	<b>4,515,056</b>	<b>1,835,675</b>	<b>1,811,134</b>	<b>(24,541)</b>
<b>EXPENDITURES</b>				
Current				
General government				
Legislative	61,024	56,895	56,895	-
Executive	122,778	123,630	123,630	-
Finance and administration	346,210	377,880	377,880	-
Comprehensive planning	34,000	54,813	54,813	-
Other general government	-	-	-	-
Public safety	111,295	89,030	89,030	-
Transportation	386,729	404,560	404,560	-
Health Services	28,000	16,371	16,371	-
Culture and recreation	336,939	351,696	351,696	-
Capital outlay	3,741,106	538,507.00	538,507	-
<b>Total expenditures</b>	<b>5,168,081</b>	<b>2,013,382</b>	<b>2,013,382</b>	<b>-</b>
Excess (deficit) of revenues over expenditures	(653,025)	(177,707)	(202,248)	(24,541)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	1,090,798	752,384	789,962	37,578
Interfund transfers out	(637,498)	(\$591,264)	(591,264)	-
Interest income	20,300	1,703	1,703	-
<b>Total other financing sources (uses)</b>	<b>473,600</b>	<b>162,823</b>	<b>200,401</b>	<b>37,578</b>
Net change in fund balance	(179,425)	(14,884)	(1,847)	13,037
Fund balance at beginning of year	603,936	510,732	636,849	126,057
Fund balance at end of year	<b>\$ 424,511</b>	<b>\$ 495,848</b>	<b>\$ 635,002</b>	<b>\$ 139,154</b>

See notes to the financial statements.

**TOWN OF HILLIARD, FLORIDA**  
**SPECIAL REVENUE**  
**LOCAL OPTION GAS TAX FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended September 30, 2021

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	161,045	212,190	212,190	-
Total revenues	<u>161,045</u>	<u>212,190</u>	<u>212,190</u>	<u>-</u>
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	161,045	212,190	212,190	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	161,045	212,190	212,190	-
Fund balance at beginning of year	<u>353,758</u>	<u>343,560</u>	<u>343,560</u>	<u>-</u>
Fund balance at end of year	<u>\$ 514,803</u>	<u>\$ 555,750</u>	<u>\$ 555,750</u>	<u>\$ -</u>

See notes to the financial statements.

**TOWN OF HILLIARD, FLORIDA**  
**GOVERNMENTAL FUND**  
**DISCRETIONARY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended September 30, 2021**

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 337,234	\$ 492,373	\$ 492,373	\$ -
Total revenues	<u>337,234</u>	<u>492,373</u>	<u>492,373</u>	<u>-</u>
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	337,234	492,373	492,373	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Interest income	8,000	827	827	-
Interfund transfers in	-	-	-	-
Interfund transfers out	<u>(956,300)</u>	<u>(344,545)</u>	<u>(344,545)</u>	<u>-</u>
Total other financing sources (uses)	<u>(948,300)</u>	<u>(343,718)</u>	<u>(343,718)</u>	<u>-</u>
Net change in fund balance	(611,066)	148,655	148,655	-
Fund balance at beginning of year	(918,177)	562,407	822,426	260,019
Fund balance at end of year	<u>\$ (1,529,243)</u>	<u>\$ 711,062</u>	<u>\$ 971,081</u>	<u>\$ 260,019</u>

See notes to financial statements.

**TOWN OF HILLIARD, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2021**

**I. Stewardship, Compliance, and Accountability**

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

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

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

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

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

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

**TOWN OF HILLIARD, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POST-EMPLOYMENT BENEFIT PLAN  
SEPTEMBER 30, 2021**

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

Valuation date	October 1, 2020
Actuarial cost method	Aggregate actuarial cost method
Amortization method	Level dollar payment
Remaining amortization period	10 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	2.43%
Projected salary increases	3.00%
Cost-of-living adjustments	None
Healthcare inflation rates	8.00%

As of October 1, 2020, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$146,545, and the actuarial value of assets was \$0-

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

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) EAN (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a% of Covered Payroll ((b-1)/c)
10/01/2011	\$ -	\$ 100,000	\$ 100,000	0.0%	\$ 490,000	20.4%
10/01/2014	-	130,000	130,000	0.0%	560,000	23.2%
10/01/2017	-	119,744	119,744	0.0%	653,981	18.3%
10/01/2018	-	125,215	125,215	0.0%	732,477	17.1%
10/01/2019	-	148,211	148,211	0.0%	762,479	19.4%
10/01/2020	-	146,545	146,545	0.0%	893,088	16.4%
10/01/2021	-	190,872	190,872	0.0%	Not Available	Not Available

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Deferred Inflows/Outflows</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
9/30/2013	\$ 20,000	\$ -	0%	\$ 20,000
9/30/2014	20,000	-	0%	40,000
9/30/2015	20,000	-	0%	60,000
9/30/2015	20,000	-	0%	80,000
9/30/2016	20,000	-	0%	100,000
9/30/2017	20,000	-	0%	120,000
9/30/2018	10,637	(5,422)	0%	125,215
9/30/2019	12,192	5,382	0%	148,211
9/30/2020	12,687	(8,971)	0%	146,545
9/30/2021	12,239	23,117	0%	190,872

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

	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the FRS net pension liability (asset)	0.002285661%	0.002176129%	0.002149189%	0.002094049%	0.002017062%	0.002102171%	0.002091187%	0.002133527%
Town's proportionate share of the FRS net pension liability (asset)	\$ 172,656	\$ 943,166	\$ 740,151	\$ 630,739	\$ 596,633	\$ 530,800	\$ 275,574	\$ 127,593
				\$ 742,170				
Town's proportion of the HIS net pension liability (asset)	0.002234101%	0.002139214%	0.002084895%	0.001990617%	0.001942035%	0.001970390%	0.002005955%	0.002140285%
Town's proportionate share of the HIS net pension liability (asset)	274,046	261,194	233,279	210,689	207,651	229,641	204,576	200,122
Town's proportionate share of the total net pension liability (asset)	\$ 446,702	\$ 1,204,359	\$ 973,430	\$ 841,428	\$ 804,284	\$ 760,441	\$ 480,150	\$ 327,715
Town's covered-employee payroll	\$ 797,577	\$ 762,548	\$ 704,569	\$ 721,827	\$ 633,480	\$ 605,259	\$ 609,954	\$ 614,541
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	56.01%	157.94%	138.16%	116.57%	126.96%	125.64%	78.72%	53.33%
Plan fiduciary net position as a percentage of the total pension liability	91.09%	74.46%	78.22%	79.86%	79.30%	79.36%	86.53%	90.67%

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

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



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

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 93,683	\$ 80,140	\$ 71,541	\$ 80,142	\$ 73,631	\$ 68,901	\$ 70,234	\$ 65,999
Contractually required HIS contribution	14,129	13,663	12,428	82,160	14,412	13,575	10,495	9,862
<b>Total Contractually Required Contributions</b>	<b>107,812</b>	<b>93,803</b>	<b>83,969</b>	<b>162,302</b>	<b>88,043</b>	<b>82,476</b>	<b>80,729</b>	<b>75,861</b>
Contribution in relation to the contractually required contribution	(107,812)	(93,803)	(83,969)	(94,638)	(88,043)	(82,476)	(80,729)	(75,861)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 67,664	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 797,577	\$ 762,548	\$ 704,569	\$ 721,827	\$ 633,480	\$ 605,259	\$ 609,954	\$ 614,541
Contributions as a percentage of covered-employee payroll	13.52%	12.30%	11.92%	13.11%	13.90%	13.63%	13.24%	12.34%

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
THE TOWN OF HILLIARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND  
REQUIRED CONTRIBUTIONS  
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM  
For the Fiscal Year End September 30, 2021**

**Net Pension Liability**

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of September 30, 2021, are shown below (in thousands):

	<u>FRS</u>	<u>HIS</u>
Total pension liability	\$ 209,636,046	\$ 12,719,121
Plan fiduciary net position	(202,082,183)	(452,618)
	<u>\$ 7,553,863</u>	<u>\$ 12,266,503</u>
 Plan fiduciary net position as a percentage of the total pension liability	 96.40%	 3.56%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2021. 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, 2021. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the Plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

**Basis for Allocation**

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2014 through 2021, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2021, in addition to contributions from employers the required accrued contributions for the Division (paid on behalf of the Division's employees who administer the Plans) were allocated to each employer on a proportionate basis. The Division administers the Plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

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

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

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

### **Actuarial Methods and Assumptions**

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2021 for the period July 1, 2013 through June 30, 2020. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 2.40%. Payroll growth, including inflation, for both Plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.80%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both Plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information – See Additional Financial and Actuarial Information).

The following changes in actuarial assumptions occurred in 2021:

- FRS: Decreasing the maximum amortization period to 20 years for all current and future amortization bases.
- HIS: The municipal bonds rate used to determine total pension liability was decreased from 2.21% to 2.16%.

**COMPLIANCE SECTION**

**TOWN OF HILLIARD, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended September 30, 2021**

<u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA #/ CSFA #</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Reported in Prior Years</u>	<u>Revenue</u>	<u>Expenditures</u>
<b>Federal Awards</b>						
<i>US DOT - Federal Aviation Administration</i>						
Airport Improvement Program	20.106	3-12-0099-011-2019	\$ 150,000	\$ 13,153	\$ 43,773	\$ 43,773
Airport Improvement Program	20.106	3-12-0099-012-2020	30,000	16,295	13,705	13,705
Airport Improvement Program	20.106	3-12-0099-015-2021	489,143	-	68,048	68,048
			<u>669,143</u>	<u>29,448</u>	<u>125,526</u>	<u>125,526</u>
 <i>US Department of the Treasury</i>						
Passed through Nassau County Coronavirus Relief Fund	21.019	Y2286	124,975	-	124,975	124,975
 <i>US Department of Economic Opportunity</i>						
Community Development Block Grant	14.228	20DB-00-04-55-02-N08	700,000	46,200	268,541	268,541
 <i>US Department of Homeland Security FEMA</i>						
Hurricane Irma	97.036	20219	1,107,143	1,078,963	147,588	147,588
Total federal awards			<u>\$ 2,601,261</u>	<u>\$ 1,154,611</u>	<u>\$ 666,630</u>	<u>\$ 666,630</u>
 <b>State Financial Assistance</b>						
<i>Florida Department of Transportation</i>						
FDOT Land Aquisition	55.004	G0A85	\$ 150,000	\$ 3,699	\$ 4,864	\$ 4,864
FDOT Security System	55.004	G0V13	227,000	25,685	7,539	7,539
FDOT Hanger Rehab	55.004	G1V69	368,000	-	3,258	3,258
FDOT Security System	55.004	G1V70	193,775	-	2,959	2,959
FDOT Turf Runway Maintenance	55.004	G1V71	91,000	-	4,100	4,100
FDOT Hanger Rehab	55.004	G0L61	240,000	35,364	2,636	2,636
FDOT Hanger Maintenance	55.004	G1755	287,500	23,089	4,035	4,035
FDOT Turf Runway Maintenance	55.004	G0V14	81,000	500	7,500	7,500
			<u>1,638,275</u>	<u>88,337</u>	<u>36,891</u>	<u>36,891</u>
 <i>Florida Division of Emergency Management</i>						
Hurricane Irma		20219	181,687	64,832	8,199	8,199
Total state financial assistance			<u>\$ 1,819,962</u>	<u>\$ 153,169</u>	<u>\$ 45,090</u>	<u>\$ 45,090</u>

**TOWN OF HILLIARD, FLORIDA**

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

For the Fiscal Year Ended September 30, 2021

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**B. Basis of Accounting**

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

The modified accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Under the modified accrual basis, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**C. Grant Awards**

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

**NOTE 2. INDIRECT COST RATE**

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Hilliard, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Hilliard, Florida's basic financial statements, and have issued our report thereon dated March 20, 2022.

**Internal Control Over Financial Reporting**

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

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

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

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

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

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

#### **MANAGEMENT'S RESPONSE**

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

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

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

#### **Compliance and Other Matters**

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

#### **Purpose of this Report**

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



**POWELL & JONES**  
Certified Public Accountants  
March 20, 2022



## MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the Town of Hilliard, Florida, for the year ended September 30, 2021, we considered the Town's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

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

### PRIOR YEAR RECOMMENDATIONS

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

### CURRENT YEAR FINDINGS

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

### AUDITOR GENERAL AND OTHER COMPLIANCE MATTERS

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

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

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

**Rural Economic and Community Development Requirements** - We are providing the following additional information relative to our examination of the financial statements of the Town of Hilliard, Florida, for the year ended September 30, 2020, as provided in the audit requirements for USDA-Rural Development borrowers.

1. Generally accepted auditing procedures were performed in this audit.
2. Internal control was evaluated and is discussed in the prior sections of this audit report.
3. Accounting records and physical control over assets were adequate.
4. The accounting records of the Town have been adjusted to agree with the audited financial statements.

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

## **CONCLUSION**

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



**POWELL & JONES**  
March 20, 2022

## INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the Town of Hilliard, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2021. 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, 2021.

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



**POWELL & JONES**  
Certified Public Accountants  
March 20, 2022

## Communication with Those Charged with Governance

To the Town Council  
Town of Hilliard  
Hilliard, Florida

We have audited the financial statements of the Town of Hilliard, Florida for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Hilliard, Florida are described Note 1 to the financial statements. As described in Note 12 to the financial statements, the Town changed accounting policies related to the recognition of their proportionate share of the net pension liability of the Florida Retirement System by adopting Statement of Governmental Accounting Standards (GASB statement) No. 68, Accounting and Financial Reporting for Pension Plans, in 2021. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net position. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 20, 2022.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

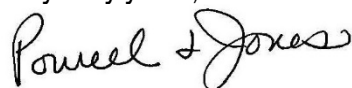
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

### Other Information in Documents Containing Audited Financial Statements

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

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

Very truly yours,



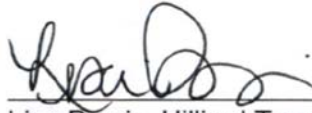
**POWELL & JONES**  
Certified Public Accountants  
March 20, 2022

**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 3<sup>rd</sup> 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.

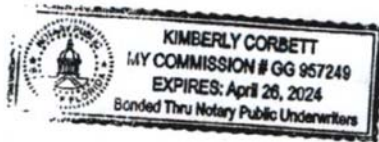
FURTHER AFFIANT SAYETH NAUGHT.



\_\_\_\_\_  
Lisa Purvis, Hilliard Town Clerk

STATE OF FLORIDA  
COUNTY OF NASSAU

SWORN TO AND SUBSCRIBED before me this 17<sup>th</sup> day of Feb, 2021.



Kimberly Corbett  
\_\_\_\_\_  
NOTARY PUBLIC  
Print Name Kimberly Corbett

Personally known \_\_\_\_\_ or produced identification ✓

Type of identification produced: FL Drivers License

My Commission Expires:

04/26/2024