

**TOWN OF HILLIARD, FLORIDA**

**ANNUAL FINANCIAL REPORT**

**September 30, 2016**

**TOWN OF HILLIARD, FLORIDA**

**ANNUAL FINANCIAL REPORT**

September 30, 2016

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## **INTRODUCTORY SECTION**

**TOWN OF HILLIARD, FLORIDA**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**

**September 30, 2016**

**LIST OF ELECTED OFFICIALS**

<b>Mayor and Chairman of the Board</b>	<b>Cris W. McConnell</b>
<b>Town Council President</b>	<b>John P. Beasley</b>
<b>Town Council</b>	<b>Kenneth A. Sims, Sr.</b> <b>Jack Bailey</b> <b>Lee Pickett</b> <b>Jared Wollitz</b>

**APPOINTED OFFICIALS**

<b>Town Clerk</b>	<b>Lisa Purvis</b>
<b>Town Attorney</b>	<b>Sherri L. Renner, PLLC</b>

## **FINANCIAL STATEMENTS**



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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Hilliard  
Hilliard, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hilliard, Florida (the Town), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hilliard, Florida as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

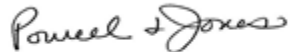
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Hilliard, Florida's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis,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

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



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2017, 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.



**POWELL & JONES**  
Certified Public Accounts  
March 2, 2017

**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, 2016. We hope this will assist readers in identifying significant financial issues and changes in the Town's financial position.

**FINANCIAL HIGHLIGHTS**

- The assets of the Town of Hilliard, Florida exceeded its liabilities at the close of the most recent fiscal year by \$11,430,060 (*net position*). Of this amount, \$1,218,254 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$(89,881). An increase of \$86,893 was attributable to governmental accounts and a decrease of \$(176,774) for business-type accounts.
- As of the close of the current fiscal year, the Town of Hilliard, Florida's governmental funds reported a combined ending fund balances of \$1,472,587, an increase of \$57,456 in comparison with the prior year. Of this amount, \$655,242 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 \$655,242, or 32% of the total general fund expenditures and transfers out.
- The Town of Hilliard, Florida's total debt increased by \$236,541 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 21 - 23 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 24 - 25 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 27 - 30 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 - 58 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a Town’s financial position. In the case of the Town of Hilliard, Florida, assets exceeded liabilities by \$11,430,060 at the close of the most recent fiscal year.

By far, the largest portion of the Town’s net position (82%) 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, 2016**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 1,549,600	\$1,597,026	\$1,830,977	\$1,838,438	\$ 3,380,577	\$ 3,435,464
Capital assets, net	4,669,167	4,467,640	8,807,641	9,053,522	13,476,808	13,521,162
Total assets	<u>6,218,767</u>	<u>6,064,666</u>	<u>10,638,618</u>	<u>10,891,960</u>	<u>16,857,385</u>	<u>16,956,626</u>
Deferred outflows	<u>320,145</u>	<u>118,067</u>	<u>106,267</u>	<u>35,267</u>	<u>426,412</u>	<u>153,334</u>
Current liabilities	84,111	74,081	266,064	290,763	350,175	364,844
Long-term liabilities	682,190	456,328	4,693,578	4,686,179	5,375,768	5,142,507
Total liabilities	<u>766,301</u>	<u>530,409</u>	<u>4,959,642</u>	<u>4,976,942</u>	<u>5,725,943</u>	<u>5,507,351</u>
Deferred inflows	<u>97,048</u>	<u>63,654</u>	<u>30,746</u>	<u>19,014</u>	<u>127,794</u>	<u>82,668</u>
Invested in capital assets, net of related debt	4,669,167	4,467,640	4,292,641	4,464,522	8,961,808	8,932,162
Restricted	801,312	799,131	448,686	444,000	1,249,998	1,243,131
Unrestricted	205,084	321,899	1,013,170	1,022,749	1,218,254	1,344,648
Total net position	<u>\$ 5,675,563</u>	<u>\$5,588,670</u>	<u>\$5,754,497</u>	<u>\$5,931,271</u>	<u>\$ 11,430,060</u>	<u>\$ 11,519,941</u>

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$1,218,254 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 \$86,893.

**Town of Hilliard, Florida  
Changes in Net Position  
For the Year Ended September 30, 2016**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Charges for service	\$ 115,775	\$ 154,679	\$ 901,868	\$ 895,593	\$ 1,017,643	\$ 1,050,272
Capital grants contributions	160,133	322,405	4,763	216,428	164,896	538,833
General revenues	1,295,581	1,307,644	15,615	12,611	1,311,196	1,320,255
<b>Total revenues</b>	<b>1,571,489</b>	<b>1,784,728</b>	<b>922,246</b>	<b>1,124,632</b>	<b>2,493,735</b>	<b>2,909,360</b>
<b>Expenses</b>						
General government	517,449	493,726	-	-	517,449	493,726
Public safety	96,024	95,832	-	-	96,024	95,832
Transportation	394,939	292,164	-	-	394,939	292,164
Health services	8,482	4,700	-	-	8,482	4,700
Parks and Recreation	408,021	500,731	-	-	408,021	500,731
Interest on long-term debt	-	-	140,132	142,595	140,132	142,595
Water and sewer	-	-	1,018,569	877,962	1,018,569	877,962
<b>Total expenses</b>	<b>1,424,915</b>	<b>1,387,153</b>	<b>1,158,701</b>	<b>1,020,557</b>	<b>2,583,616</b>	<b>2,407,710</b>
<b>Increase (decrease) in net position before transfers</b>						
transfers	146,574	397,575	(236,455)	104,075	(89,881)	501,650
Transfers	(59,681)	(130,499)	59,681	130,499	-	-
<b>Change in net position</b>	<b>86,893</b>	<b>267,076</b>	<b>(176,774)</b>	<b>234,574</b>	<b>(89,881)</b>	<b>501,650</b>
Net position, beginning of year	5,588,670	5,644,664	5,931,271	5,793,199	11,519,941	11,437,863
Prior period adjustment	-	(323,070)	-	(96,502)	-	(419,572)
<b>Net position, end of year</b>	<b>\$ 5,675,563</b>	<b>\$ 5,588,670</b>	<b>\$ 5,754,497</b>	<b>\$ 5,931,271</b>	<b>\$ 11,430,060</b>	<b>\$ 11,519,941</b>

**Business-Type Activities** – Business-type activities decreased the Town's net position by \$176,774.

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

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

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

As of the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,472,587, a decrease of \$57,456 in comparison with the prior year. The unassigned fund balance is \$655,242 which is available for spending at the Town's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service, 2) to cover annual contracts, or 3) for a variety of other restricted purposes.

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

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

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

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$1,022,749. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

## **Budgetary Highlights**

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

- Capital Improvement Fund expenditures in the General and Proprietary Fund that were budgeted and not expended during the current fiscal year were amended.
- In the General Fund at budget time the recreation grants funds that would be awarded was unknown. The budget was amended at year end when funds were not awarded within the 2015/2016 fiscal year.
- In the General Fund at budget time the amount of airpark grant funds that would be expended during the 2015/2016 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 2015/2016 need for additional or decreased funds at year end creating an overall increase in funds transferred.

Schedules of budget and actual comparisons for the general and special revenue major funds appear on pages 60 - 63 of this report.

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

**Capital Assets** – The Town of Hilliard, Florida’s investment in capital assets for its governmental and business type activities as of September 30, 2016, amounts to \$13,476,808 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system, improvements, machinery and equipment and park facilities. The total increase in the Town’s investment in capital assets for the current fiscal year was 1.79% (a 4.51% increase for governmental activities and a 2.72% decrease for business-type activities).

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

### **GENERAL GOVERNMENTAL FUNDS**

#### **2016 Budgetary Highlights**

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

- Capital Improvement Fund expenditures in the General and Proprietary Funds that were budgeted and not expended during the current fiscal year were amended.
- In the General Fund at budget time the recreation grants funds that would be awarded was unknown. The budget was amended at year end when funds were not awarded within the 2015/2016 fiscal year.
- In the General Fund at budget time the amount of airpark grant funds that would be expended during the 2015/2016 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 2015/2016 need for additional or decreased funds at year end creating an overall increase in funds transferred.

2016 Major capital asset events during the fiscal year include the following:

### **GENERAL GOVERNMENTAL FUNDS**

#### **GENERAL GOVERNMENT:**

#### ***Land***

- The Town’s Volunteer Fire Department was named as a beneficiary in the Mikkelsen Estate therefore, the Town found it in its best interest to purchase 40 acres of the estate for future economic development. The Town paid \$200,492 and will receive approximately 10% of these funds back once the estate is closed. The Town is currently in the process of annexing this property into the Town boundaries as it is contiguous to the Southwest corner of the Town.

#### ***Machinery and Equipment***

- **Work In Progress:** In an effort to be more efficient and accountable the Town decided to connect its Town Hall and Parks and Recreation Department by means of fiber optics which

will allow both departments to work together on the same communications network and software/hardware. The Town expended \$61,072 in the 2015/2016 fiscal year.

### ***Infrastructure***

- Federal grant funds provided by the Federal Aviation Administration (FAA) Air Grant, consisting of 90% grant funding for the following project: Rehabilitate (3) Vehicular Gates in Perimeter Fence, totaling, \$177,401.
- State grant funds provided by the Florida Department of Transportation (FDOT) Joint Participation Agreement (JPA), consisting of 10% state match grant funding for the following project: Design and Construct Airport Security Fencing totaling \$19,711.
  - Work In Progress: Rehabilitate (3) Vehicular Gates in Perimeter Fence at Hilliard Airpark, Federal 90% grant funds that were expended the 2015/2016 fiscal year were \$132,318.
  - Work In Progress: Design & Construct Airport Security Fencing at Hilliard Airpark, State 10% matching grant funds that were expended the 2015/2016 fiscal year were \$14,702.

### ***Machinery and Equipment***

- The Town purchased a new TORO 6000 Series 60" Kawasaki Lawn Mower to mow the Town's right of ways, parks and other Town owned properties in the 2015/2016 fiscal year totaling \$9,582.

### **CULTURE AND RECREATION:**

### ***Building***

- The Town received by donation from the Federal Aviation Administration (FAA JAX), a 6,000 square feet modular building. The Town had to pay the cost to relocate the modular building to Town owned property. This project completed this fiscal year and the total project cost was \$68,726.
  - Work In Progress: The Town expended \$12,658 in the 2015/2016 fiscal year to have the modular building relocated and set up to serve as the Parks and Recreation Annex Building on Town property.
- Work In Progress: In an effort to provide accessible fitness options to the public and to increase revenues in the Parks and Recreation Department the Town approved for the Town's Fitness Center to be converted to 24 hour a day access by its members. The Town expended \$3,968 in the 2015/2016 fiscal year for this project.



## **PUBLIC SAFETY:**

### ***Machinery and Equipment***

- The Hilliard Volunteer Fire Department applied for and received a Firehouse Subs' Equipment Grant in the amount of \$20,572 and the Town contributed \$13,718 to purchases 7 Motorola radios and chargers to improve communications for the Hilliard Volunteer Fire Department members in the 2015/2016 fiscal year.
- The Town purchased 5 complete sets of fire bunker gear for the Hilliard Volunteer Fire Department members in the 2015/2016 fiscal year totaling \$12,411.

## **ENTERPRISE FUND**

### **WATER AND SEWER:**

#### ***Plant***

- Several of the Town's Sewer Lift Stations were rehabilitated totaling \$28,877.
- State grant funds provided by the Florida Department of Environmental Protection (FDEP) State Revolving Fund Management General Appropriations Act, for the following project: Hilliard Sewer Rehabilitation totaling \$200,000. The Town's contributed funds totaling \$129,808. This project completed in the 2015/2016 fiscal year and the total project cost was \$329,808.
  - Work In Progress: Hilliard Sewer Rehabilitation in the 2015/2016 fiscal year the following funds were expended to close out the grant and project: Grant Funds \$4,582, Enterprise Funds \$100,000 and Town Capital Funds \$29,808.
- The Town of Hilliard expended funding for Readiness to Proceed & Construction Phase Services for Force Main and Water Main Replacements in the 2015/2016 fiscal year totaling \$1,178.

Additional information on the Town of Hilliard, Florida capital assets can be found in notes to the financial statements on page 45 of this report.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 769,651	\$ 569,159	\$ -	\$ -	\$ 769,651	\$ 569,159
Construction in progress	257,275	282,424	84,952	279,192	342,227	363,948
Infrastructure	2,956,687	3,131,316	8,611,497	8,642,132	11,568,184	11,773,448
Machinery and equipment	467,160	474,552	111,192	132,198	578,352	606,750
Other depreciable	218,394	10,189	-	-	218,394	10,189
Capital assets, net	<u>\$4,669,167</u>	<u>\$4,467,640</u>	<u>\$8,807,641</u>	<u>\$9,053,522</u>	<u>\$ 13,476,808</u>	<u>\$ 13,323,494</u>

**Long-Term Debt** – At the end of the current fiscal year, the Town of Hilliard, Florida had total an outstanding bonds and compensated absences in the amount of \$4,609,139. 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	
	2016	2015	2016	2015	2016	2015
Bonds payable	\$ -	\$ -	\$ 4,515,000	\$ 4,589,000	\$ 4,515,000	\$ 4,589,000
Compensated absences	51,283	46,150	42,856	37,738	94,139	83,888
Net pension liability	577,131	369,716	183,310	110,435	760,441	480,151
Other post-employment benefits	60,874	47,560	39,126	32,440	100,000	80,000
Total	<u>\$ 689,288</u>	<u>\$ 463,426</u>	<u>\$ 4,780,292</u>	<u>\$ 4,769,613</u>	<u>\$ 5,469,580</u>	<u>\$ 5,233,039</u>

The Town of Hilliard, Florida’s outstanding debt increased by \$236,541 during the current fiscal year due to scheduled payments plus the increase in compensated absences, post employment benefits, and the result of the implementation of GASB 68 showing the Town’s proportionate share of their participation in the Florida Retirement System.

Additional information on the Town of Hilliard, Florida’s long-term debt can be found in the notes to the financial statements on pages 47 - 48 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, 2016

	Governmental Activities	Business - type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,411,688	\$ 1,170,342	\$ 2,582,030
Accounts receivable, net	17,867	74,702	92,569
Due from other governmental units	97,785	-	97,785
Inventory	-	6,853	6,853
Prepaid items	22,247	10,069	32,316
<b>Total current assets</b>	<b>1,549,587</b>	<b>1,261,966</b>	<b>2,811,553</b>
Restricted assets:			
Educational impact fees	13	-	13
Bond interest and sinking	-	17,839	17,839
System development	-	176,791	176,791
Reserve fund	-	254,056	254,056
Customer deposits	-	120,325	120,325
<b>Total restricted assets</b>	<b>13</b>	<b>569,011</b>	<b>569,024</b>
Non-current assets:			
Capital assets, net	4,669,167	8,807,641	13,476,808
<b>Total non-current assets</b>	<b>4,669,167</b>	<b>8,807,641</b>	<b>13,476,808</b>
<b>Total assets</b>	<b>6,218,767</b>	<b>10,638,618</b>	<b>16,857,385</b>
<b>DEFERRED OUTFLOWS</b>	<b>320,145</b>	<b>106,267</b>	<b>426,412</b>
<b>LIABILITIES</b>			
Current liabilities (payable from current assets):			
Accounts payable	\$ 58,819	\$ 21,364	\$ 80,183
Accrued liabilities	17,164	10,265	27,429
Unearned revenue	1,030	16,425	17,455
Compensated absences, current	12,821	10,714	23,535
<b>Total current liabilities (payable from current assets)</b>	<b>89,834</b>	<b>58,768</b>	<b>148,602</b>
Current liabilities (payable from restricted assets):			
Accrued interest payable	-	10,971	10,971
Customer deposits	-	120,325	120,325
Revenue bonds payable, current	-	76,000	76,000
<b>Total current liabilities (payable from restricted assets)</b>	<b>-</b>	<b>207,296</b>	<b>207,296</b>
<b>Total current liabilities</b>	<b>89,834</b>	<b>266,064</b>	<b>355,898</b>
Long-term liabilities			
Revenue bond payable	-	4,439,000	4,439,000
Accrued compensated absences	38,462	32,142	70,604
Other post-employment benefits	60,874	39,126	100,000
Net pension liability	577,131	183,310	760,441
<b>Total long-term liabilities</b>	<b>676,467</b>	<b>4,693,578</b>	<b>5,370,045</b>
<b>Total liabilities</b>	<b>766,301</b>	<b>4,959,642</b>	<b>5,725,943</b>

(continued)

**TOWN OF HILLIARD, FLORIDA**  
**STATEMENT OF NET POSITION**  
September 30, 2016

	Governmental Activities	Business - type Activities	Total
<b>DEFERRED INFLOWS</b>	<b>\$ 97,048</b>	<b>\$ 30,746</b>	<b>\$ 127,794</b>
<b>NET POSITION</b>			
Invested in long-term assets, net of related debt	4,669,167	4,292,641	8,961,808
Restricted for:			
Debt service	-	271,895	271,895
System development	-	176,791	176,791
Non-debt service expenditures	795,098	-	795,098
Educational impact fee	13	-	13
Voluntary fire department	6,201	-	6,201
Unrestricted	205,084	1,013,170	1,218,254
<b>Total net position</b>	<b>\$ 5,675,563</b>	<b>\$ 5,754,497</b>	<b>\$ 11,430,060</b>

**TOWN OF HILLIARD, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>						
General government	\$ 517,449	\$ -	\$ -	\$ (517,184)	\$ -	\$ (517,184)
Public safety	96,024	-	-	(96,024)	-	(96,024)
Transportation	394,939	-	160,133	(230,355)	-	(230,355)
Health services	8,482	-	-	(8,482)	-	(8,482)
Culture and recreation	408,021	-	-	(296,962)	-	(296,962)
<b>Total governmental activities</b>	<b>1,424,915</b>	<b>-</b>	<b>160,133</b>	<b>(1,149,007)</b>	<b>-</b>	<b>(1,149,007)</b>
<b>Business-type activities</b>						
Water and sewer services	1,018,569	-	4,763	-	(111,938)	(111,938)
Interest on long-term debt	140,132	-	-	-	(140,132)	(140,132)
<b>Total business-type activities</b>	<b>1,158,701</b>	<b>-</b>	<b>4,763</b>	<b>-</b>	<b>(252,070)</b>	<b>(252,070)</b>
<b>Total government</b>	<b>\$ 2,583,616</b>	<b>\$ -</b>	<b>\$ 164,896</b>	<b>(1,149,007)</b>	<b>(252,070)</b>	<b>(1,401,077)</b>
		<b>General revenues</b>				
		Taxes		126,247	-	126,247
		Intergovernmental		868,069	-	868,069
		Licenses and permits		37,531	-	37,531
		Franchise fees		178,552	-	178,552
		Fines and forfeitures		1,217	-	1,217
		Rents and leases		12,310	14,283	26,593
		Interest		8,598	5,915	14,513
		Other fees and miscellaneous		63,057	(4,583)	58,474
		Interfund transfers		(59,681)	59,681	-
		<b>Total general revenues</b>		<b>1,235,900</b>	<b>75,296</b>	<b>1,311,196</b>
		Change in net position		86,893	(176,774)	(89,881)
		Net position - beginning		5,588,670	5,931,271	11,519,941
		Net position - ending		\$ 5,675,563	\$ 5,754,497	\$ 11,430,060

**TOWN OF HILLIARD, FLORIDA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
September 30, 2016

	General Fund	Special Revenue		Total Governmental Funds
		Local Option Gas Tax Fund	Discretionary Sales Tax Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 661,910	\$ -	\$ 749,778	\$ 1,411,688
Accounts receivable	17,867	-	-	17,867
Due from other governmental units	46,837	11,829	39,119	97,785
Due from other funds	11,829	-	-	11,829
Prepaid items	22,247	-	-	22,247
	<u>760,690</u>	<u>11,829</u>	<u>788,897</u>	<u>1,561,416</u>
Restricted assets				
Restricted cash and cash equivalents	13	-	-	13
Total assets	<u>760,703</u>	<u>11,829</u>	<u>788,897</u>	<u>1,561,429</u>
<b>LIABILITIES</b>				
Accounts payable	58,819	-	-	58,819
Accrued liabilities	17,164	-	-	17,164
Unearned revenue	1,030	-	-	1,030
Due to other funds	-	11,829	-	11,829
Total liabilities	<u>77,013</u>	<u>-</u>	<u>-</u>	<u>88,842</u>
<b>FUND BALANCES</b>				
Nonspendable - prepaid items	22,247	-	-	22,247
Restricted	6,201	-	788,897	795,098
Unassigned	655,242	-	-	655,242
Total fund balances	<u>\$ 683,690</u>	<u>\$ -</u>	<u>\$ 788,897</u>	<u>1,472,587</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,669,167
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.	320,145
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.	(97,048)
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds	(689,288)
Net assets of governmental activities	<u>\$ 5,675,563</u>



**TOWN OF HILLIARD, FLORIDA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**For the Fiscal Year Ended September 30, 2016**

	General Fund	Special Revenue		Total Governmental Funds
		Local Option Gas Tax Fund	Discretionary Sales Tax Fund	
<b>REVENUES</b>				
Property taxes	\$ 41,495	\$ -	\$ -	\$ 41,495
Other taxes	84,752	-	-	84,752
Intergovernmental	551,223	106,642	370,337	1,028,202
Licenses and permits	37,531	-	-	37,531
Franchise fees	178,552	-	-	178,552
Fines and forfeitures	1,217	-	-	1,217
Charges for service	115,775	-	-	115,775
Rents and leases	12,310	-	-	12,310
Other fees and miscellaneous	63,057	-	-	63,057
<b>Total revenues</b>	<b>1,085,912</b>	<b>106,642</b>	<b>370,337</b>	<b>1,562,891</b>
<b>EXPENDITURES</b>				
Current				
General government	442,854	-	-	442,854
Public safety	66,294	-	-	66,294
Transportation	251,593	-	-	251,593
Health services	8,482	-	-	8,482
Culture and recreation	305,434	-	-	305,434
Capital outlay	494,607	-	-	494,607
<b>Total expenditures</b>	<b>1,569,264</b>	<b>-</b>	<b>-</b>	<b>1,569,264</b>
Excess (deficit) of revenues over expenditures	(483,352)	106,642	370,337	(6,373)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interest income	5,914	-	2,684	8,598
Interfund transfers in	930,713	-	-	930,713
Interfund transfers out	(510,169)	(106,642)	(373,583)	(990,394)
<b>Total other financing sources (uses)</b>	<b>426,458</b>	<b>(106,642)</b>	<b>(370,899)</b>	<b>(51,083)</b>
<b>Net change in fund balance</b>	<b>(56,894)</b>	<b>-</b>	<b>(562)</b>	<b>(57,456)</b>
Fund balance at beginning of year	740,584	-	789,459	1,530,043
<b>Fund balance at end of year</b>	<b>\$ 683,690</b>	<b>\$ -</b>	<b>\$ 788,897</b>	<b>\$ 1,472,587</b>

**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, 2016

Net change in fund balance - total governmental funds		\$ (57,456)
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	\$ 494,607	
Less current year depreciation	<u>(293,080)</u>	201,527
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.		
Compensated absences	(5,133)	
Other post-employment benefits	(13,314)	
Pension adjustments	<u>(38,731)</u>	<u>(57,178)</u>
Change in net position of governmental activities		<u>\$ 86,893</u>

**TOWN OF HILLIARD, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 September 30, 2016**

	Water and Sewer Fund
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,170,342
Accounts receivable, net	74,702
Inventory	6,853
Prepaid items	10,069
Total current assets	1,261,966
Restricted cash and cash equivalents	
Bond interest and sinking	17,839
System development	176,791
Reserve fund	254,056
Customer deposits	120,325
Total restricted cash and cash equivalents	569,011
Noncurrent assets	
Fixed assets	
Construction in progress	84,952
Property, plant and equipment	14,215,949
Allowance for depreciation	(5,493,260)
Total noncurrent assets	8,807,641
Total assets	10,638,618
<b>DEFERRED OUTFLOWS</b>	106,267
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	21,364
Accrued liabilities	10,265
Unearned revenue	16,425
Accrued interest	10,971
Compensated absences	10,714
Customer deposits	120,325
Revenue bonds payable, current	76,000
Total current liabilities	266,064
Long-term liabilities	
Revenue bonds payable	4,439,000
Accrued compensated absences	32,142
Other post-employment benefits	39,126
Net pension liability	183,310
Total long-term liabilities	4,693,578
Total liabilities	4,959,642
(continued)	

**TOWN OF HILLIARD, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 September 30, 2016**

	Water and Sewer Fund
<b>DEFERRED INFLOWS</b>	<b>\$ 30,746</b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	4,292,641
Restricted for:	
Debt service	271,895
System development	176,791
Unrestricted	1,013,170
<b>Total net position</b>	<b>\$ 5,754,497</b>

**TOWN OF HILLIARD, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Fiscal Year Ended September 30, 2016

	Water and Sewer Fund
<b>OPERATING REVENUES</b>	
Water sales	\$ 412,739
Sewer sales	428,023
Fees and penalties	61,106
Total operating revenues	901,868
<b>OPERATING EXPENSES</b>	
Water utility	
Personnel services	133,714
Operating expenses	103,158
Sewer utility	
Personnel services	200,570
Operating expenses	170,801
Depreciation expense	410,326
Total operating expenses	1,018,569
Total operating income (loss)	(116,701)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Grant revenue	4,763
Rentals and leases	14,283
Interest earnings	5,915
Miscellaneous income (expenses)	(4,583)
Interest expense	(140,132)
Interfund transfers in	59,681
Total nonoperating revenues (expenses)	(60,073)
Change in net position	(176,774)
Net position, beginning of year	5,931,271
Net position, end of year	\$ 5,754,497

**TOWN OF HILLIARD, FLORIDA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended September 30, 2016

	<b>Water and Sewer Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 917,466
Cash paid to suppliers	(309,834)
Cash paid to employees	(304,663)
<b>Net cash provided by operating activities</b>	<b>302,969</b>
<b>Cash flows from non-capital related financing activities:</b>	
Rental and lease income	16,425
Miscellaneous expenses	(4,584)
Transfers from other funds	59,681
<b>Net cash provided by non-capital related financing activities</b>	<b>71,522</b>
<b>Cash flows from capital and related financing activities:</b>	
Grant receipts	200,000
Principal payments	(74,000)
Interest payments	(140,477)
Acquisition and construction of capital assets	(164,445)
<b>Net cash used for capital and related financing activities</b>	<b>(178,922)</b>
<b>Cash flows from investing activities:</b>	
Investment income	5,915
<b>Net cash provided by investing activities</b>	<b>5,915</b>
<b>Net change in cash</b>	<b>201,484</b>
<b>Cash, at beginning of year</b>	<b>1,537,869</b>
<b>Cash, at end of year</b>	<b>\$ 1,739,353</b>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
<b>Operating loss</b>	<b>\$ (116,701)</b>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation	410,326
<b>Changes in assets decrease (increase) and liabilities (decrease) increase:</b>	
Accounts receivable, net	646
Prepaid items	6,370
Inventory	6,693
Deferred outflows	(71,000)
Accounts payable	(48,938)
Accrued liabilities	4,210
Compensated absences	5,118
Customer deposits	14,952
Other post-employment benefits	6,686
Deferred inflows	11,732
Net pension liability	72,875
<b>Total adjustments</b>	<b>419,670</b>
<b>Net cash provided by operating activities</b>	<b>\$ 302,969</b>

## TOWN OF HILLIARD, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2016

#### **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, 2016, were prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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

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

## **2. Fund Financial Statements**

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

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

**Governmental Funds** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are



recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Town.

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

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

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

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

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

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

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

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

**1. Governmental Major Funds:**

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

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

**2. Proprietary Major Fund:**

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

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

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

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

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

**2. Cash Equivalents** - For purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2016, 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, 2016, this allowance account totaled \$22,117 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, 2016.

**4. Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental

activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

5. **Inventories** - The costs of governmental inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any such inventory type goods on hand at year end would not be material.
6. **Restricted Assets** - As applicable, year to year, certain proceeds of enterprise fund debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

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

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

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

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

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

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

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

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

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

9. **Capitalization of Interest** - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the Town did not have any capitalized interest.
  
10. **Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. At September 30, 2016, the Town reported \$17,455 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 only one type of item, which is related to pensions. 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.

**14. Fund Balances -**

**A. Governmental Funds**

As of September 30, 2016, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned – all other spendable amounts.

As of September 30, 2016, fund balances are composed of the following:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Total</u>
Nonspendable	\$ 22,247	\$ -	\$ 22,247
Restricted	6,201	788,897	795,098
Unassigned	655,242	-	655,242
	<u>\$ 683,690</u>	<u>\$ 788,897</u>	<u>\$ 1,472,587</u>

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

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

**B. Proprietary Funds**

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

As of September 30, 2016, net position balances are composed of the following:

	<u>Water and Sewer Fund</u>
Nonspendable	\$ 4,292,641
Restricted	448,686
Unrestricted	1,013,170
	<u>\$ 5,754,497</u>

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

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

“Total fund balances” of the Town’s governmental funds \$1,472,587 differs from “net position” of governmental activities \$5,675,563 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	\$ 7,729,633
Accumulated depreciation	(3,060,466)
Total	<u>\$ 4,669,167</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, 2016, were:

Compensated absences	\$ 51,283
Other post-employment benefits	60,874
Net pension liability	577,131
	<u>\$ 689,288</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	\$ 320,145
Deferred inflows	<u>(97,048)</u>
	<u><u>\$ 223,097</u></u>

**TOWN OF HILLIARD, FLORIDA**

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long - Term Debt Transactions	Eliminations	Statement of Net Position
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 1,411,688	\$ -	\$ -	\$ -	\$ -	\$ 1,411,688
Investments	-	-	-	-	-	-
Accounts receivable	17,867	-	-	-	-	17,867
Due from other governmental units	97,785	-	-	-	-	97,785
Due from other funds	11,829	-	-	-	(11,829)	-
Prepaid items	22,247	-	-	-	-	22,247
	<u>1,561,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,829)</u>	<u>1,549,587</u>
Restricted assets						
Restricted cash and cash equivalents	13	-	-	-	-	13
Capital assets, net	-	4,669,167	-	-	-	4,669,167
Total assets	<u>1,561,429</u>	<u>4,669,167</u>	<u>-</u>	<u>-</u>	<u>(11,829)</u>	<u>6,218,767</u>
<b>DEFERRED OUTFLOWS</b>						
	-	-	320,145	-	-	320,145
<b>LIABILITIES</b>						
Accounts payable	58,819	-	-	-	-	58,819
Accrued liabilities	17,164	-	-	-	-	17,164
Unearned revenue	1,030	-	-	-	-	1,030
Due to other funds	11,829	-	-	-	(11,829)	-
Compensated absences	-	-	-	51,283	-	51,283
Other post-employment benefits	-	-	-	60,874	-	60,874
Net pension liability	-	-	-	577,131	-	577,131
Total liabilities	<u>88,842</u>	<u>-</u>	<u>-</u>	<u>689,288</u>	<u>(11,829)</u>	<u>766,301</u>
<b>DEFERRED INFLOWS</b>						
	-	-	97,048	-	-	97,048
<b>FUND BALANCES/NET POSITION</b>						
Invested in capital assets	-	4,669,167	-	-	-	4,669,167
Nonspendable - prepaid items	22,247	-	-	-	-	22,247
Restricted	795,098	-	-	-	-	795,098
Unassigned	655,242	-	223,097	(689,288)	-	189,051
Total fund balances/net position	<u>\$ 1,472,587</u>	<u>\$ 4,669,167</u>	<u>\$ 223,097</u>	<u>\$ (689,288)</u>	<u>\$ -</u>	<u>\$ 5,675,563</u>



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

The “net change in fund balances” for governmental funds \$(57,456) differs from the “change in net position” for governmental activities \$86,893 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	\$ 494,607
Depreciation expense	(293,080)
Difference	<u>\$ 201,527</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	\$ (5,133)
Net increase in other post-employment benefits	(13,314)
Net increase in net pension liability	(207,415)
	<u>\$ (225,862)</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	\$ 202,077
Net decrease in deferred inflows	(33,393)
	<u>\$ 168,684</u>

**TOWN OF HILLIARD, FLORIDA**

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long-Term Debt/ Elimination Transactions	Statement of Activities
<b>REVENUES</b>					
Property taxes	\$ 41,495	\$ -	\$ -	\$ -	41,495
Other taxes	84,752	-	-	-	84,752
Intergovernmental	1,028,202	-	-	-	1,028,202
Licenses and permits	37,531	-	-	-	37,531
Franchise fees	178,552	-	-	-	178,552
Fines and forfeitures	1,217	-	-	-	1,217
Charges for service	115,775	-	-	-	115,775
Rents and leases	12,310	-	-	-	12,310
Other fees and miscellaneous	63,057	-	-	-	63,057
Total revenues	<u>1,562,891</u>	-	-	-	<u>1,562,891</u>
<b>EXPENDITURES</b>					
Current expenditures					
General government	442,854	38,309	(125,373)	161,659	517,449
Public safety	66,294	29,730	-	-	96,024
Transportation	251,593	132,899	(27,354)	37,801	394,939
Health services	8,482	-	-	-	8,482
Culture and recreation	305,434	92,142	(15,957)	26,402	408,021
Capital outlay	494,607	(494,607)	-	-	-
Total expenditures	<u>1,569,264</u>	<u>(201,527)</u>	<u>(168,684)</u>	<u>225,862</u>	<u>1,424,915</u>
Excess (deficit) of revenues over expenditures	(6,373)	201,527	168,684	(225,862)	137,976
<b>OTHER FINANCING SOURCES (USES)</b>					
Interest income	8,598	-	-	-	8,598
Interfund transfers in	930,713	-	-	(930,713)	-
Interfund transfers out	(990,394)	-	-	930,713	(59,681)
Deferred outflows (inflows)	-	-	-	-	-
Total other financing sources (uses)	<u>(51,083)</u>	-	-	-	<u>(51,083)</u>
Net change in fund balance	(57,456)	201,527	168,684	(225,862)	86,893
Fund balance at beginning of year	1,530,043	4,467,640	54,413	(463,426)	5,588,670
Fund balance at end of year	<u>\$ 1,472,587</u>	<u>\$ 4,669,167</u>	<u>\$ 223,097</u>	<u>\$ (689,288)</u>	<u>\$ 5,675,563</u>

### **NOTE 3. LEGAL COMPLIANCE–BUDGETS**

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

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

### **NOTE 4. DEPOSITS AND INVESTMENTS**

Deposits. The bank balances of the Town deposits totaling \$289,050 were insured by federal depository insurance or pledged collateral under state law. Other Town funds totaling \$2,861,304 were invested in Local Government Surplus Funds Trust (Florida PRIME) and are included as cash equivalents in the Statement of Net Position due to their short maturities. These funds are covered by federal depository insurance or pledged collateral under state law. Funds in the amount of \$700 remained uninvested for use as petty cash in the Town's daily operations.

Investments. Under state law, the Town is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund. At year end, all invested funds consisted of deposits with Florida PRIME.

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, 2016 was 29 days. The next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

**Custodial Credit Risk.** Investments are subject to custodial credit risk, if the securities are uninsured, not registered in the Town's name, and are held by the part that either sells to or buys for the Town. The Florida State Board of Administration Florida PRIME does participate in securities lending, but the Town owns shares of the Florida PRIME and not the underlying securities. The Town has not participated in a securities lending program in the fiscal year ending September 30, 2016.

Investments in the Florida PRIME are held with the SBA. This fund is structured as a "2a-7 like" fund, which is carried at amortized cost. Amortized cost includes accrued income and is a method of calculating an investment's value by adjusting its acquisition cost for amortization of discount or premium over the period from purchase to maturity. Thus, the balance in the fund is its fair value. A "2a-7 like" fund is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds.

**Foreign Currency Risk.** The Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2013 through September 30, 2016.

As of September 30, 2016, the Town held \$2,861,303 with the Florida State Board of Administration, Florida PRIME.

#### **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, 2016, was as follows:

	Beginning Balance	Reclassifications	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>					
<b>Capital assets:</b>					
Land	\$ 569,159	\$ -	\$ 200,492	\$ -	\$ 769,651
CIP	282,424	(240,710)	215,561	-	257,275
Buildings	3,699,855	56,068	12,658	-	3,768,581
Infrastructure	1,455,629	-	-	-	1,455,629
Machinery and equipment	1,203,820	-	56,283	-	1,260,103
Other depreciable assets	24,139	184,642	9,613	-	218,394
Total capital assets	7,235,026	-	494,607	-	7,729,633
Less accumulated depreciation	(2,767,386)	-	(293,080)	-	(3,060,466)
Governmental activities capital assets, net	\$ 4,467,640	\$ -	\$ 201,527	\$ -	\$ 4,669,167
<b>Business-type activities:</b>					
CIP	\$ 279,192	\$ (195,418)	\$ 1,178	\$ -	\$ 84,952
Buildings and improvements	13,505,965	195,418	163,265	-	13,864,648
Machinery and equipment	351,301	-	-	-	351,301
Total capital assets	14,136,458	-	164,443	-	14,300,901
Less accumulated depreciation	(5,082,935)	-	(410,325)	-	(5,493,260)
Business-type activities capital assets, net.	\$ 9,053,523	\$ -	\$ (245,882)	\$ -	\$ 8,807,641

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

<b>Governmental activities:</b>	
General Government	\$ 38,309
Public Safety	29,730
Transportation	132,899
Parks and recreation	92,142
Total depreciation expense - governmental entities	<u>\$ 293,080</u>
<b>Business-type activities:</b>	
Water and sewer utility	<u>\$ 410,325</u>

**NOTE 7. INTERFUND RECEIVABLES/PAYABLES**

The following is a schedule of interfund receivables and payables at September 30, 2016.

Fund	Receivable	Payable
General	\$ 11,829	\$ -
Local Option Gas Tax	-	11,829
	<u>\$ 11,829</u>	<u>\$ 11,829</u>

**NOTE 8. INTERFUND TRANSFERS**

Interfund transfers for the year ended September 30, 2016, consisted of the following:

Fund	Transfers in	Transfers out
General	\$ 930,713	\$ 510,169
Local Option Gas Tax	-	106,642
Discretionary Sales Tax	-	373,583
Water and Sewer	59,681	-
	<u>\$ 990,394</u>	<u>\$ 990,394</u>

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

**NOTE 9. RECEIVABLE AND PAYABLE BALANCES**

**Receivables**

Receivables at September 30, 2016, were as follows:

	Accounts	Due from Others/ Governmental Units	Total Receivables
Governmental activities:	\$ 17,867	\$ 97,785	\$ 115,652
Business-type activities:	74,702	-	74,702
	<u>\$ 92,569</u>	<u>\$ 97,785</u>	<u>\$ 190,354</u>

Based upon collection history, the Town has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$22,117.

**Payables**

Payables at September 30, 2016, were as follows:

	Vendors
Governmental activities:	\$ 58,819
Business-type activities:	21,364
	<u>\$ 80,183</u>

**NOTE 10. OPERATING LEASES**

The Town has an operating lease agreement for postage equipment with Pitney Bowes Credit Corporation. Under the terms of this lease, the Town is obligated to pay sixty monthly payments of \$43. The future minimum lease payments at September 30, 2016, are as follows:

<u>September 30</u>	<u>Minimum Lease Payments</u>
2017	\$ 516
2018	129
	<u>\$ 645</u>

**NOTE 11. 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, 2016:

	<u>Balance October 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2016</u>	<u>Due Within One Year</u>
Compensated absences	\$ 46,150	\$ 29,410	\$ (24,277)	\$ 51,283	\$ 12,821
Other post-employment benefits	47,560	13,314	-	60,874	-
Net pension liability	369,716	207,415	-	577,131	-
	<u>\$ 463,426</u>	<u>\$ 250,139</u>	<u>\$ (24,277)</u>	<u>\$ 689,288</u>	<u>\$ 12,821</u>

**Business-type Activities**

A summary of proprietary fund debt as of September 30, 2016, follows:

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

**Water and Sewer Revenue Bonds 2010** – The Town issued Water and Sewer Revenue Bonds, Series 2010 to refund the Tax Anticipation Notes, Series 2011, in the amount of \$3,873,000. The

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

Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Water and sewer system improvements	4.50%	\$ 795,000
Water and sewer system improvements	2.75%	3,720,000
		<u>\$ 4,515,000</u>

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

Fiscal Year Ending September 30	Principal	Interest	Total
2017	\$ 76,000	\$ 138,075	\$ 214,075
2018	79,000	135,600	214,600
2019	82,000	133,025	215,025
2020	86,000	130,350	216,350
2021	89,000	127,548	216,548
2022-2026	498,000	591,983	1,089,983
2027-2031	606,000	503,427	1,109,427
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>\$ 4,515,000</u>	<u>\$ 2,677,720</u>	<u>\$ 7,192,720</u>

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016	Due Within One Year
Bonds payable	\$ 4,589,000	\$ -	\$ (74,000)	\$ 4,515,000	\$ 76,000
Other post-employment benefits	32,440	6,686	-	39,126	-
Compensated absences	37,738	30,829	(25,711)	42,856	10,714
Net pension liability	110,435	72,875	-	183,310	-
	<u>\$ 4,769,613</u>	<u>\$ 110,390</u>	<u>\$ (99,711)</u>	<u>\$ 4,780,292</u>	<u>\$ 86,714</u>



**NOTE 12. 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, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively, were as follows: Regular—7.26% and 7.52%; Special Risk Administrative Support—32.95% and 28.06%; Special Risk—22.09% and 22.57%; Senior Management Service—21.43% and 21.77%; Elected Officers'—42.27% and 42.47%; and DROP participants—12.88% and 12.99%. These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively.

The Town's contributions, including employee contributions, to the Pension Plan totaled \$68,901 for the fiscal year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016, the Town reported a liability of \$530,800 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Town's proportionate share of the net pension liability was based on the Town's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the Town's proportionate share was 0.002102171 percent, which was an increase (decrease) of (1.47) percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the Town recognized pension expense of \$48,249. 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	\$ 40,642	\$ 4,942
Changes in assumptions	32,112	-
Net difference between projected and actual earnings on Pension Plan investments	244,188	106,982
Changes in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	48,996	3,727
Town Pension Plan contributions subsequent to the measurement date	12,385	-
Total	\$ 378,323	\$ 115,651

The deferred outflows of resources related to the Pension Plan, totaling \$12,385 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2017	34,476
2018	34,476
2019	99,778
2020	68,288
2021	10,044
Thereafter	3,225
	\$ 250,287

**Actuarial Assumptions** – The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.60%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed Income	18.0%	4.7%	4.6%	4.6%
Global Equity	53.0%	8.1%	6.8%	17.2%
Real Estate	10.0%	6.4%	5.8%	12.0%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	11.1%
Total	100.0%			
Assumed Inflation - Mean		2.6%		1.9%

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.60%. 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 7.60%, 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 (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Town's proportionate share of the net pension liability	\$ 977,239	\$ 530,800	\$ 159,199

**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, 2016, the Town had no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2016.

## **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, 2016, 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, 2016, the HIS contribution for the period October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016 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 to the HIS Plan totaled \$13,575 for the fiscal year ended September 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At September 30, 2016, the Town reported a liability of \$229,641 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Town's proportionate share of the net pension liability was based on the Town's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the Town's proportionate share was 0.001970390 percent, which was an increase (decrease) of (1.77) percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the Town recognized pension expense of \$9,090. 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	\$ -	\$ -
Changes in assumptions	36,036	523
Net difference between projected and actual earnings on HIS Plan investments	116	-
Changes in proportion and differences between Town HIS Plan contributions and proportionate share of contributions	9,662	11,620
Town HIS Plan contributions subsequent to the measurement date	2,275	-
Total	\$ 48,089	\$ 12,143

The deferred outflows of resources related to the HIS Plan, totaling \$2,275 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, 2016. 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
2016	\$ 6,029
2017	6,029
2018	6,008
2019	5,998
2020	5,190
Thereafter	4,417
	\$ 33,671

**Actuarial Assumptions** – The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.85%

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**Discount Rate** - The discount rate used to measure the total pension liability was 2.85%. 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 2.85%, 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 (1.85%) or one percentage point higher (3.85%) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
Town's proportionate share of the net pension liability	\$ 263,450	\$ 229,641	\$ 201,581

**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, 2016, the Town had no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2016.

**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 2015-16 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows:

Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and Town Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2016, 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, 2016.

**NOTE 13. 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>10/31/2014</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 45.

## Annual OPEB Costs and Net OPEB Obligation

The Annual OPEB Cost is the amount that was expensed for the fiscal year. 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.

The following table shows the Net OPEB Obligation.

Net OPEB Obligation, Beginning of Year	<u>\$ 80,000</u>
Net OPEB Obligation, End of Year	<u><u>\$ 100,000</u></u>

## Schedule of Employer Contributions

<u>Year Ended</u> <u>September 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>% Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2014	\$ 20,000	0%	\$ 60,000
2015	20,000	0%	80,000
2016	20,000	0%	100,000

## NOTE 14. 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 15. 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.

**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, 2016

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 42,724	\$ 41,495	\$ 41,495	\$ -
Other taxes	91,000	84,725	84,752	27
Intergovernmental	1,113,794	551,223	551,223	-
Licenses and permits	38,600	37,531	37,531	-
Franchise fees	200,000	178,552	178,552	-
Fines and forfeitures	14,000	1,217	1,217	-
Charges for service	164,265	115,775	115,775	-
Rents and leases	12,000	12,310	12,310	-
Other fees and miscellaneous	41,150	63,058	63,057	(1)
<b>Total revenues</b>	<b>1,717,533</b>	<b>1,085,886</b>	<b>1,085,912</b>	<b>26</b>
<b>EXPENDITURES</b>				
Current				
General government				
Legislative	54,807	54,401	54,401	-
Executive	101,685	102,204	102,204	-
Finance and administration	268,759	263,754	263,749	5
Comprehensive planning	18,000	18,000	18,000	-
Other general government	5,000	4,500	4,500	-
Public safety	74,650	66,296	66,294	2
Transportation	290,261	261,206	251,593	9,613
Health Services	5,000	8,482	8,482	-
Culture and recreation	375,815	322,060	305,434	16,626
Capital outlay	1,027,382	468,367	494,607	(26,240)
<b>Total expenditures</b>	<b>2,221,359</b>	<b>1,569,270</b>	<b>1,569,264</b>	<b>6</b>
Excess (deficit) of revenues over expenditures	(503,826)	(483,384)	(483,352)	32
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	998,128	930,686	930,713	27
Interfund transfers out	(520,688)	(513,853)	(510,169)	3,684
Interest income	1,800	5,914	5,914	-
Gain on disposal of assets	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>479,240</b>	<b>422,747</b>	<b>426,458</b>	<b>3,711</b>
Net change in fund balance	(24,586)	(60,637)	(56,894)	3,743
Fund balance at beginning of year	740,584	740,584	740,584	-
Fund balance at end of year	<u>\$ 715,998</u>	<u>\$ 679,947</u>	<u>\$ 683,690</u>	<u>\$ 3,743</u>

See notes to 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, 2015

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	112,940	106,642	106,642	-
<b>Total revenues</b>	<u>112,940</u>	<u>106,642</u>	<u>106,642</u>	<u>-</u>
<b>EXPENDITURES</b>	-	-	-	-
<b>Excess of revenues over expenditures</b>	112,940	106,642	106,642	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers out	(112,940)	(106,642)	(106,642)	-
<b>Total other financing sources (uses)</b>	<u>(112,940)</u>	<u>(106,642)</u>	<u>(106,642)</u>	<u>-</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF HILLIARD, FLORIDA**  
**SPECIAL REVENUE**  
**DISCRETIONARY SALES TAX FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended September 30, 2016

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 377,493	\$ 370,337	\$ 370,337	\$ -
Miscellaneous income	-	-	-	-
<b>Total revenues</b>	<u>377,493</u>	<u>370,337</u>	<u>370,337</u>	<u>-</u>
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of revenues over expenditures</b>	377,493	370,337	370,337	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Interest income	1,000	2,685	2,684	(1)
Interfund transfers in	5,000	3,710	-	(3,710)
Interfund transfers out	(648,500)	(376,732)	(373,583)	3,149
<b>Total other financing sources (uses)</b>	<u>(642,500)</u>	<u>(370,337)</u>	<u>(370,899)</u>	<u>562</u>
<b>Net change in fund balance</b>	(265,007)	-	(562)	(562)
<b>Fund balance at beginning of year</b>	789,459	789,459	789,459	-
<b>Fund balance at end of year</b>	<u>\$ 524,452</u>	<u>\$ 789,459</u>	<u>\$ 788,897</u>	<u>\$ (562)</u>

**TOWN OF HILLIARD, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2016**

**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, 2016**

The Town obtains an actuarial report every three years. 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, 2014
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	4.5%
Projected salary increases	9.5%
Cost-of-living adjustments	None
Healthcare inflation rates	5.0%

As of October 1, 2014, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$130,000, and the actuarial value of assets was \$0.

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

**SCHEDULE OF FUNDING PROGRESS**

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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

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

	2016	2015	2014
Town's proportion of the FRS net pension liability (asset)	0.002102171%	0.002091187%	0.002133527%
Town's proportionate share of the FRS net pension liability (asset)	\$ 530,800	\$ 275,574	\$ 127,593
Town's proportion of the HIS net pension liability (asset)	0.001970390%	0.002005955%	0.002140285%
Town's proportionate share of the HIS net pension liability (asset)	229,641	204,576	200,122
Town's proportionate share of the total net pension liability (asset)	<u>\$ 760,441</u>	<u>\$ 480,150</u>	<u>\$ 327,715</u>
Town's covered-employee payroll	\$ 605,259	\$ 609,954	\$ 614,541
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	125.64%	78.72%	53.33%
Plan fiduciary net position as a percentage of the total pension liability	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\***

	2016	2015	2014
Contractually required FRS contribution	\$ 68,901	\$ 70,234	\$ 65,999
Contractually required HIS contribution	13,575	10,495	9,862
<b>Total Contractually Required Contributions</b>	<b>82,476</b>	<b>80,729</b>	<b>75,861</b>
Contributions in relation to the contractually required contribution	(82,476)	(80,729)	(75,861)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 605,259	\$ 609,954	\$ 614,541
Contributions as a percentage of covered-employee payroll	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, 2016**

**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, 2016, are shown below (in thousands):

	<u>FRS</u>	<u>HIS</u>
Total pension liability	\$ 167,030,999	\$ 11,768,445
Plan fiduciary net position	(141,781,921)	(113,859)
	<u>\$ 25,249,078</u>	<u>\$ 11,654,586</u>
 Plan fiduciary net position as a percentage of the total pension liability	 84.88%	 0.97%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2016. 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, 2016. 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, 2013, 2014, 2015 and 2016, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal years 2015 and 2016, in addition to contributions from employers the required accrued contributions for the Division (paid on behalf of the Division's employees who administer the Plans) were allocated to each employer on a proportionate basis. The Division administers the Plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

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

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

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

### **Actuarial Methods and Assumptions**

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

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 2.60%. Payroll growth, including inflation, for both Plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.60%. 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 2.85% 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 2016:

- FRS: The long-term expected rate of return was decreased from 7.65% to 7.60% and the active member mortality assumption was updated.
- HIS: The municipal bonds rate used to determine total pension liability was decreased from 3.80% to 2.85%.

**COMPLIANCE SECTION**

**TOWN OF HILLIARD, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
For the Fiscal Year Ended September 30, 2016

GRANTOR/PROGRAM TITLE	CFDA #/ CSFA #	Contract Number	Award Amount	Reported in Prior Years	Revenue Recognized	Expenditures	Accrued/ (Deferred) Revenue
<b>Federal Awards</b>							
Non-major programs							
<i>US DOT - Federal Aviation Administration</i>							
Airport Improvement Program	20.106	3-12-0099-007-2012	174,830	166,178	8,652	8,652	-
	20.106	3-12-0099-008-2015	177,401	25,820	132,318	132,318	18,045
	20.106	3-12-0099-009-2016	131,478	-	3,150	3,150	3,150
Total federal awards			\$ 483,709	\$ 191,998	\$ 144,120	\$ 144,120	\$ 21,195
<b>State Financial Assistance</b>							
Non-major programs							
<i>Florida Department of Environmental Protection</i>							
	37.039	140047	\$ 200,000	\$ 195,237	\$ 4,763	\$ 4,763	\$ -
<i>Florida Department of Transportation</i>							
Florida Department of Transportation	55.004	AQT 13	19,225	18,264	961	961	-
Florida Department of Transportation	55.004	ART 72	19,711	2,869	14,702	14,702	2,005
Florida Department of Transportation	55.004	GOG27	14,610	-	350	350	350
Total state financial assistance			\$ 53,546	\$ 21,133	\$ 16,013	\$ 16,013	\$ 2,355
			\$ 253,546	\$ 216,370	\$ 20,776	\$ 20,776	\$ 2,355

**TOWN OF HILLIARD, FLORIDA**

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

For the Fiscal Year Ended September 30, 2016

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

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

**A. Reporting Entity**

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

**B. Basis of Accounting**

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

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

**C. Grant Awards**

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Hilliard, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Hilliard, Florida’s basic financial statements, and have issued our report thereon dated March 2, 2017.

**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.***

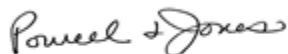
***At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.***

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

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

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

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



**POWELL & JONES**  
Certified Public Accountants  
March 2, 2017

## 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, 2016, 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 FINDINGS

All prior year findings were substantially corrected during the current year.

### CURRENT YEAR RECOMMENDATIONS

#### 2016-1 RECREATION REVENUES

Recreation Revenues - From our audit procedures of revenues collected at the Recreation Department we found that we could not precisely reconcile individual revenues shown as collected in the Recreation Department computer system reports with corresponding amounts actually deposited and recorded in the Town's general ledger accounting system. To fully account for all Recreation Department financial activities, we recommend that the Town Clerk and Recreation Director perform such a reconciliation of recreation revenues on a quarterly basis.

There were no additional reportable findings or recommendations in the current year.

### AUDITOR GENERAL AND OTHER COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the Town of Hilliard, Florida, for the fiscal year ended September 30, 2016.

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(7)(c) 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.

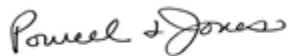
Rural Economic and Community Development Requirements - We are providing the following additional information relative to our examination of the financial statements of the Town of Hilliard, Florida, for the

year ended September 30, 2016, 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**  
Certified Public Accountants  
March 2, 2017

## INDEPENDENT ACCOUNTANT'S REPORT

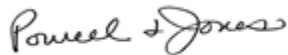
To the Mayor and  
Members of the Town Council  
Town of Hilliard, Florida

We have examined The Town of Hilliard, (the Town) Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2016. 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, 2016.

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



**POWELL & JONES**  
Certified Public Accountants  
March 2, 2017

# TOWN OF HILLIARD

*A Florida Municipality*

March 13, 2017

Honorable Mayor and  
Town Council Members  
15859 West CR 108  
Post Office Box 249  
Hilliard, FL 32046

Dear Mayor and Town Council:

This letter certifies that Powell & Jones, Certified Public Accountants presented the audit report for the Town of Hilliard for the fiscal year ending September 30, 2016, to the Town Council, on March 16, 2017.

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

The Independent Auditors' Report on Internal Control over Financial Reporting shows that the following item continues to exist as a deficiency in internal control:

### **Financial Statements Findings**

#### **2009.1 Financial Statement Preparation**

The Town was unable to prepare its own Financial Statements due to the size of staff and the lack of technical expertise. The Town has however outsourced the presentation of the Financial Statements to Powell & Jones, CPA's. The outsourcing of these services is not unusual in Town's of our size and is a result of management's cost benefit decision to rely on Powell & Jones, CPA's for their accounting expertise rather than incurring this internal resource cost.

### **INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL**

The Independent Auditors' Management Letter required that Powell & Jones, CPA's disclose certain items and make recommendations to improve financial management, accounting procedures and internal controls as required by the Rules of the Auditor General.

The item that was disclosed and the measures that management will insure are put in place to improve this item are as follows:

P.O. BOX 249

HILLIARD, FLORIDA 32046

(904) 845-3555

**2016-01 Recreation Revenue**

The Recreation Department Director will ensure that the recreation revenues collected are reconciled quarterly with the corresponding amounts actually deposited and recorded in the Town's general ledger accounting system. The reconciliation will then be provided to the Town Clerk to fully account for all Recreation Department financial activities,

I would like to thank Powell & Jones, Certified Public Accountants again for their professionalism and knowledge in conducting the Town's Financial Statements and Audit for the fiscal year ending September 30, 2016.

Sincerely,

TOWN OF HILLIARD

*Lisa Purvis*

Lisa Purvis, MMC  
Town Clerk

## Communication with Those Charged with Governance

Town of Hilliard  
Hilliard, Florida

We have audited the financial statements of the Town of Hilliard, Florida for the year ended September 30, 2016. 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 2016. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net position. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

#### *Corrected and Uncorrected Misstatements*

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



### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 2, 2017.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

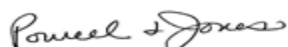
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

### Other Information in Documents Containing Audited Financial Statements

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

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

Very truly yours,



**POWELL & JONES**  
Certified Public Accountants  
March 2, 2017