

TOWN OF HILLIARD, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2017

TOWN OF HILLIARD, FLORIDA

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INTRODUCTORY SECTION

TOWN OF HILLIARD, FLORIDA
LIST OF ELECTED AND APPOINTED OFFICIALS

September 30, 2017

LIST OF ELECTED OFFICIALS

Mayor and Chairman of the Board	Cris W. McConnell
Town Council President	John P. Beasley
Town Council	Kenny Sims Jack Bailey Lee Pickett Jared Wollitz

APPOINTED OFFICIALS

Town Clerk	Lisa Purvis
Town Attorney	Reba Pearce Esq.

FINANCIAL STATEMENTS



Powell & Jones
Certified Public Accountants

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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, 2017, 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.

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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, 2017, 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.

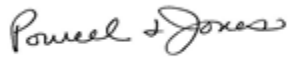
Other Information

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 6, 2018, 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 Accountants
March 6, 2018

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, 2017. 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 \$11,359,107 (*net position*). Of this amount, \$1,186,329 (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 \$(70,953). An increase of \$141,796 was attributable to governmental activities and a decrease of \$(212,749) for business-type activities.
- As of the close of the current fiscal year, the Town of Hilliard, Florida's governmental funds reported a combined ending fund balances of \$1,861,172, an increase of \$388,584 in comparison with the prior year. Of this amount, \$690,502 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 \$690,502, or 43% of the total general fund expenditures and transfers out.
- The Town of Hilliard, Florida's total debt increased by \$8,233 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 22 - 24 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 25 - 27 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 28 - 31 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 32 - 59 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town’s financial position. In the case of the Town of Hilliard, Florida, assets exceeded liabilities by \$11,359,107 at the close of the most recent fiscal year.

By far, the largest portion of the Town’s net position (75%) 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, 2017**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 1,953,873	\$1,549,600	\$1,896,482	\$1,830,977	\$ 3,850,355	\$ 3,380,577
Capital assets, net	4,495,170	4,669,167	8,506,315	8,807,641	13,001,485	13,476,808
Total assets	<u>6,449,043</u>	<u>6,218,767</u>	<u>10,402,797</u>	<u>10,638,618</u>	<u>16,851,840</u>	<u>16,857,385</u>
Deferred outflows	263,370	320,145	79,550	106,267	342,920	426,412
Current liabilities	105,522	84,111	292,825	266,064	398,347	350,175
Long-term liabilities	736,869	682,190	4,637,915	4,693,578	5,374,784	5,375,768
Total liabilities	<u>842,391</u>	<u>766,301</u>	<u>4,930,740</u>	<u>4,959,642</u>	<u>5,773,131</u>	<u>5,725,943</u>
Deferred inflows	52,663	97,048	9,859	30,746	62,522	127,794
Invested in capital assets, net of related debt	4,495,170	4,669,167	4,067,315	4,292,641	8,562,485	8,961,808
Restricted	1,151,294	801,312	459,199	448,686	1,610,493	1,249,998
Unrestricted	170,895	205,084	1,015,234	1,013,170	1,186,129	1,218,254
Total net position	<u>\$ 5,817,359</u>	<u>\$5,675,563</u>	<u>\$5,541,748</u>	<u>\$5,754,497</u>	<u>\$ 11,359,107</u>	<u>\$ 11,430,060</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 \$1,186,129 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 \$141,796.

**Town of Hilliard, Florida
Changes in Net Position
For the Year Ended September 30, 2017**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Charges for service	\$ 130,576	\$ 115,775	\$ 912,578	\$ 901,868	\$ 1,043,154	\$ 1,017,643
Capital grants contributions	88,088	160,133	66,592	4,763	154,680	164,896
General revenues	1,469,790	1,295,581	23,299	15,615	1,493,089	1,311,196
Total revenues	1,688,454	1,571,489	1,002,469	922,246	2,690,923	2,493,735
Expenses						
General government	518,138	517,449	-	-	518,138	517,449
Public safety	108,080	96,024	-	-	108,080	96,024
Transportation	451,994	394,939	-	-	451,994	394,939
Health services	10,949	8,482	-	-	10,949	8,482
Parks and Recreation	395,996	408,021	-	-	395,996	408,021
Interest on long-term debt	-	-	137,878	140,132	137,878	140,132
Water and sewer	-	-	1,138,841	1,018,569	1,138,841	1,018,569
Total expenses	1,485,157	1,424,915	1,276,719	1,158,701	2,761,876	2,583,616
Increase (decrease) in net position before transfers						
transfers	203,297	146,574	(274,250)	(236,455)	(70,953)	(89,881)
Transfers	(61,501)	(59,681)	61,501	59,681	-	-
Change in net position	141,796	86,893	(212,749)	(176,774)	(70,953)	(89,881)
Net position, beginning of year	5,675,563	5,588,670	5,754,497	5,931,271	11,430,060	11,519,941
Prior period adjustment	-	-	-	-	-	-
Net position, end of year	\$ 5,817,359	\$ 5,675,563	\$ 5,541,748	\$ 5,754,497	\$ 11,359,107	\$ 11,430,060

Business-Type Activities – Business-type activities decreased the Town's net position by \$212,749.

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 \$1,861,172, an increase of \$388,584 in comparison with the prior year. The unassigned fund balance is \$690,502 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 \$1,015,234. 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 & 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 were unknown. The budget was amended at year end when the funds that were awarded within the 2016/2017 fiscal year were not expended.
- In the General Fund at budget time the amount of airpark grant funds that would be expended during the 2016/2017 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 2016/2017 need for additional or decreased funds at year end creating an overall increase in funds transferred.
- In the Proprietary Fund at budget time the amount of grant funds that would be expended during the 2016/2017 fiscal year was undetermined. Therefore, the budget was amended at year end.

Schedules of budget and actual comparisons for the general and special revenue major funds appear on pages 61 - 65 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, 2017, amounts to \$13,001,485 (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 3.53% (a 3.73% decrease for governmental activities and a 3.42% decrease for business-type activities).

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

GENERAL GOVERNMENTAL FUNDS

2017 Budgetary Highlights

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

- Capital Improvement Fund expenditures in the General & Proprietary Fund that were budgeted and not expended during the current fiscal year were amended.
- In the General Fund at budget time the recreation grants funds that would be awarded were unknown. The budget was amended at year end when the funds that were awarded within the 2016/2017 fiscal year were not expended.
- In the General Fund at budget time the amount of airpark grant funds that would be expended during the 2016/2017 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 2016/2017 need for additional or decreased funds at year end creating an overall increase in funds transferred.
- In the Proprietary Fund at budget time the amount of grant funds that would be expended during the 2016/2017 fiscal year was undetermined. Therefore, the budget was amended at year end.

2017 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, in effort to assist in the closing out of the estate the Town purchased a single 25’ x 125’ lot that was part of the estate. The Town paid \$500 and will receive 10% of the estate once the estate is finalized.

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 & 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 \$5,088 in the 2016/2017 fiscal year.

TRANSPORTATION – STREETS/AIRPARK:

Land

- Federal grant funds provided by the Federal Aviation Administration (FAA) Air Grant, consisting of 90% grant funding, for the following project: Conduct Environmental Study for the Acquisition of Runway 18/36 Protection Zone Land, totaling \$131,478.
- 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: Hilliard Airpark – Environmental Assessment for Pea Farm Road relocation totaling \$14,610.
 - Work In Progress: Conduct Environmental Study for the Acquisition of Runway 18/36 Protection Zone Land, Federal 90% grant funds that were expended the 2016/2017 fiscal year were \$41,490.
 - Work In Progress: Hilliard Airpark – Environmental Assessment for Pea Farm Road relocation, State 10% matching grant funds that were expended the 2016/2017 fiscal year were \$4,610.
- State grant funds provided by the Florida Department of Transportation (FDOT) Joint Participation Agreement (JPA), consisting of 100% state grant funding for the following project: Acquire land for the Runway Protection Zone (RPZ) on the south side of the airpark which is not located within the airpark property totaling \$150,000.
 - Work In Progress: Hilliard Airpark – Acquire land for the Runway Protection Zone (RPZ), State 100% grant funds that were expended the 2016/2017 fiscal year were \$2,178.

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. This project completed this fiscal year and the total project cost was \$174,721.
- 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 & Construct Airport Security Fencing at the Hilliard Airpark. This project completed this fiscal year and the total project cost was \$19,413.
 - Work In Progress: Rehabilitate (3) Vehicular Gates in Perimeter Fence at Hilliard Airpark, Federal 90% grant funds that were expended the 2016/2017 fiscal year were \$16,583.

- Work In Progress: Design & Construct Airport Security Fencing at Hilliard Airpark, State 10% matching grant funds that were expended the 2016/2017 fiscal year were \$1,842.
- Federal grant funds provided by the Federal Aviation Administration (FAA) Air Grant, consisting of 90% grant funding for the following project: Reconstruct 1,500 linear feet of Perimeter Fencing not Required by 49 CFR 1542, totaling, \$86,400.
- State grant funds provided by the Florida Department of Transportation (FDOT) Supplemental Joint Participation Agreement (SJPA), consisting of 10% state match grant funding for the following project: Design & Construct Airport Security Fencing at the Hilliard Airpark, totaling, \$11,989.
 - Work In Progress: Reconstruct 1,500 linear feet of Perimeter Fencing at Hilliard Airpark, Federal 90% grant funds that were expended the 2016/2017 fiscal year were \$15,680.
 - Work In Progress: Design & Construct Airport Security Fencing at Hilliard Airpark, State 10% matching grant funds that were expended the 2016/2017 fiscal year were \$1,742.
- State grant funds provided by the Florida Department of Transportation (FDOT) Joint Participation Agreement (JPA), consisting of 100% grant funding for the following project: Purchase and installation of replacement wind cone components at the Hilliard Airpark, totaling, \$5,000.
 - Work In Progress: Purchase and installation of replacement wind cone components at Hilliard Airpark, State 100% grant funds that were expended the 2016/2017 fiscal year were \$3,961.

CULTURE & RECREATION:

Building

- In an effort to provide accessible fitness options to the public and to increase revenues in the Parks & Recreation Department the Town approved for the Town's Fitness Center to be converted to 24 hour a day accesses for its members. This project completed this fiscal year and the total project cost was \$9,168.
 - Work In Progress: The Town expended \$5,200 in the 2016/2017 fiscal year to provide 24 hour a day access to the Town's Fitness Center.

PUBLIC SAFETY:

Machinery and Equipment

- **Work In Progress:** The Town purchased 2 complete sets of fire bunker gear for the Hilliard Volunteer Fire Department Members in the 2016/2017 fiscal year totaling \$4,366. Due to part of the equipment being delivered in the next fiscal year, this item was not able to be capitalized in the 2016/2017 fiscal year.
- **Work In Progress:** The Hilliard Volunteer Fire Department applied for and was granted a 50/50 Forestry Fire Grant to purchased 10 complete sets of Fire Brush Gear for the Hilliard Volunteer Fire Department Members in the 2016/2017 fiscal year totaling \$7,823. Due to part of the equipment being delivered in the next fiscal year, this item was not able to be capitalized in the 2016/2017 fiscal year.
- The Town purchased an F-350 Fire Brush Truck and Fire Skid to assist the Hilliard Volunteer Fire Department Members in the fighting of wildfires for \$49,869 from the beneficiary funds received from the closing out of the Mikkelsen Estate in the 2016/2017 fiscal year.

ENTERPRISE FUND

WATER AND SEWER:

Plant

- State grant funds provided by the Florida Department of Environmental Protection (FDEP) funding under Line Item 1667 of the 2015/2016 General Appropriations Act and additional funding for this project under Line Item 1667 of the 2015/2016 General Appropriations Act, for the following project: Town of Hilliard Sand and Grit Project (WWTP Digester Tank Rehabilitation) totaling \$63,200. The Town's contributed funds totaling \$30,778. This project completed in the 2016/2017 fiscal year and the total project cost was \$93,978.
- **Work In Progress:** The Town of Hilliard expended funding for the Henry Smith Road Water Main Extension Project to extend approximately 675 LF of 6" PVC water main, fittings, valves, fire hydrant, connection to an existing 8" water main, one (1) 2" water service, and associated restoration. The Town expended \$11,800 in the 2016/2017 fiscal year.
- **Work In Progress:** The Town of Hilliard was awarded a Florida Department of Economic Opportunity - Community Development Block Grant in the Neighborhood Revitalization category. For a Force Main & Water Main Replacement Project totaling \$700,000.00, with the Town providing matching funds \$50,000. The Town expended \$3,392 in administrative cost in the 2016/2017 fiscal year. The funding for Readiness to Proceed & Construction Phase Services for this project was funded in the prior fiscal years by the Town of Hilliard.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 772,370	\$ 769,651	\$ -	\$ -	\$ 772,370	\$ 769,651
Construction in progress	128,473	257,275	100,144	84,952	228,617	342,227
Infrastructure	2,952,188	2,956,687	8,315,984	8,611,497	11,268,172	11,568,184
Machinery and equipment	463,568	467,160	90,187	111,192	553,755	578,352
Other depreciable	178,571	218,394	-	-	178,571	218,394
Capital assets, net	<u>\$4,495,170</u>	<u>\$4,669,167</u>	<u>\$8,506,315</u>	<u>\$8,807,641</u>	<u>\$ 13,001,485</u>	<u>\$ 13,476,808</u>

Long-Term Debt – At the end of the current fiscal year, the Town of Hilliard, Florida had total outstanding bonds and compensated absences in the amount of \$4,553,529. 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	
	2017	2016	2017	2016	2017	2016
Bonds payable	\$ -	\$ -	\$ 4,439,000	\$ 4,515,000	\$ 4,439,000	\$ 4,515,000
Compensated absences	69,697	51,283	44,832	42,856	114,529	94,139
Net pension liability	606,944	577,131	197,340	183,310	804,284	760,441
Other post-employment benefits	73,049	60,874	46,951	39,126	120,000	100,000
Total	<u>\$ 749,690</u>	<u>\$ 689,288</u>	<u>\$ 4,728,123</u>	<u>\$ 4,780,292</u>	<u>\$ 5,477,813</u>	<u>\$ 5,469,580</u>

The Town of Hilliard, Florida's outstanding debt increased by \$8,233 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, 2017

	Governmental Activities	Business - type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,795,627	\$ 1,215,536	\$ 3,011,163
Accounts receivable, net	29,588	80,994	110,582
Due from other governmental units	103,055	-	103,055
Inventory	-	6,258	6,258
Prepaid items	25,590	12,230	37,820
Total current assets	1,953,860	1,315,018	3,268,878
Restricted assets:			
Educational impact fees	13	-	13
Bond interest and sinking	-	17,882	17,882
System development	-	187,261	187,261
Reserve fund	-	254,056	254,056
Customer deposits	-	122,265	122,265
Total restricted assets	13	581,464	581,477
Non-current assets:			
Capital assets, net	4,495,170	8,506,315	13,001,485
Total non-current assets	4,495,170	8,506,315	13,001,485
Total assets	6,449,043	10,402,797	16,851,840
DEFERRED OUTFLOWS	263,370	79,550	342,920
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	\$ 73,604	\$ 40,960	\$ 114,564
Accrued liabilities	15,861	12,194	28,055
Unearned revenue	3,236	16,425	19,661
Compensated absences, current	17,424	11,208	28,632
Total current liabilities (payable from current assets)	110,125	80,787	190,912
Current liabilities (payable from restricted assets):			
Accrued interest payable	-	10,773	10,773
Customer deposits	-	122,265	122,265
Revenue bonds payable, current	-	79,000	79,000
Total current liabilities (payable from restricted assets)	-	212,038	212,038
Total current liabilities	110,125	292,825	402,950
Long-term liabilities			
Revenue bond payable	-	4,360,000	4,360,000
Accrued compensated absences	52,273	33,624	85,897
Other post-employment benefits	73,049	46,951	120,000
Net pension liability	606,944	197,340	804,284
Total long-term liabilities	732,266	4,637,915	5,370,181
Total liabilities	842,391	4,930,740	5,773,131

(continued)

TOWN OF HILLIARD, FLORIDA
STATEMENT OF NET POSITION
September 30, 2017

	Governmental Activities	Business - type Activities	Total
DEFERRED INFLOWS	<u>\$ 52,663</u>	<u>\$ 9,859</u>	<u>\$ 62,522</u>
NET POSITION			
Invested in long-term assets, net of related debt	4,495,170	4,067,315	8,562,485
Restricted for:			
Debt service	-	271,938	271,938
System development	-	187,261	187,261
Non-debt service expenditures	1,145,080	-	1,145,080
Educational impact fee	13	-	13
Voluntary fire department	6,201	-	6,201
Unrestricted	170,895	1,015,234	1,186,129
Total net position	<u><u>\$ 5,817,359</u></u>	<u><u>\$ 5,541,748</u></u>	<u><u>\$ 11,359,107</u></u>

TOWN OF HILLIARD, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities							
General government	\$ 518,138	\$ 658	\$ -	\$ -	\$ (517,480)	\$ -	\$ (517,480)
Public safety	108,080	-	-	-	(108,080)	-	(108,080)
Transportation	451,994	-	-	88,088	(363,906)	-	(363,906)
Health services	10,949	-	-	-	(10,949)	-	(10,949)
Culture and recreation	395,996	129,918	-	-	(266,078)	-	(266,078)
Total governmental activities	1,485,157	130,576	-	88,088	(1,266,493)	-	(1,266,493)
Business-type activities							
Water and sewer services	1,138,841	912,578	-	66,592	-	(159,671)	(159,671)
Interest on long-term debt	137,878	-	-	-	-	(137,878)	(137,878)
Total business-type activities	1,276,719	912,578	-	66,592	-	(297,549)	(297,549)
Total government	\$ 2,761,876	\$ 1,043,154	\$ -	\$ 154,680	(1,266,493)	(297,549)	(1,564,042)
General revenues							
					134,107	-	134,107
					957,705	-	957,705
					61,250	-	61,250
					177,294	-	177,294
					1,624	-	1,624
					12,679	16,261	28,940
					17,505	12,109	29,614
					107,625	(5,071)	102,554
					(61,501)	61,501	-
Total general revenues					1,408,288	84,800	1,493,088
Change in net position					141,795	(212,749)	(70,954)
Net position - beginning					5,675,563	5,754,497	11,430,060
Net position - ending					\$ 5,817,359	\$ 5,541,748	\$ 11,359,107

TOWN OF HILLIARD, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2017

	General Fund	Special Revenue		Total Governmental Funds
		Local Option Gas Tax Fund	Discretionary Sales Tax Fund	
ASSETS				
Cash and cash equivalents	\$ 695,475	\$ -	\$ 1,100,152	\$ 1,795,627
Accounts receivable	29,588	-	-	29,588
Due from other governmental units	52,499	-	38,727	91,226
Due from other funds	-	11,829	-	11,829
Prepaid items	25,590	-	-	25,590
	<u>803,152</u>	<u>11,829</u>	<u>1,138,879</u>	<u>1,953,860</u>
Restricted assets				
Restricted cash and cash equivalents	13	-	-	13
Total assets	<u>803,165</u>	<u>11,829</u>	<u>1,138,879</u>	<u>1,953,873</u>
LIABILITIES				
Accounts payable	61,775	-	-	61,775
Accrued liabilities	15,861	-	-	15,861
Unearned revenue	3,236	-	-	3,236
Due to other funds	-	11,829	-	11,829
Total liabilities	<u>80,872</u>	<u>-</u>	<u>-</u>	<u>92,701</u>
FUND BALANCES				
Nonspendable - prepaid items	25,590	-	-	25,590
Restricted	6,201	-	1,138,879	1,145,080
Unassigned	690,502	-	-	690,502
Total fund balances	<u>\$ 722,293</u>	<u>\$ -</u>	<u>\$ 1,138,879</u>	<u>1,861,172</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.	4,495,170
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.	263,370
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.	(52,663)
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds	(749,690)
Net assets of governmental activities	<u>\$ 5,817,359</u>

TOWN OF HILLIARD, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended September 30, 2017

	General Fund	Special Revenue		Total Governmental Funds
		Local Option Gas Tax Fund	Discretionary Sales Tax Fund	
REVENUES				
Property taxes	\$ 41,116	\$ -	\$ -	\$ 41,116
Other taxes	92,991	-	-	92,991
Intergovernmental	508,729	126,882	410,182	1,045,793
Licenses and permits	61,250	-	-	61,250
Franchise fees	177,294	-	-	177,294
Fines and forfeitures	1,624	-	-	1,624
Charges for service	130,576	-	-	130,576
Rents and leases	12,679	-	-	12,679
Other fees and miscellaneous	107,625	-	-	107,625
Total revenues	1,133,884	126,882	410,182	1,670,948
EXPENDITURES				
Current				
General government	427,356	-	-	427,356
Public safety	74,045	-	-	74,045
Transportation	271,389	-	-	271,389
Health services	10,949	-	-	10,949
Culture and recreation	293,653	-	-	293,653
Capital outlay	160,976	-	-	160,976
Total expenditures	1,238,368	-	-	1,238,368
Excess (deficit) of revenues over expenditures	(104,484)	126,882	410,182	432,580
OTHER FINANCING SOURCES (USES)				
Interest income	12,109	-	5,396	17,505
Interfund transfers in	481,951	-	-	481,951
Interfund transfers out	(350,974)	(126,882)	(65,596)	(543,452)
Total other financing sources (uses)	143,086	(126,882)	(60,200)	(43,996)
Net change in fund balance	38,602	-	349,982	388,584
Fund balance at beginning of year	683,690	-	788,897	1,472,587
Fund balance at end of year	\$ 722,293	\$ -	\$ 1,138,879	\$ 1,861,172

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, 2017

Net change in fund balance - total governmental funds \$ 388,584

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	\$ 160,976	
Less current year depreciation	<u>(334,973)</u>	(173,997)

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	(18,413)	
Other post-employment benefits	(12,175)	
Pensions adjustments	<u>(42,204)</u>	<u>(72,792)</u>

Change in net position of governmental activities \$ 141,795

**TOWN OF HILLIARD, FLORIDA
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 September 30, 2017**

	Water and Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,215,536
Accounts receivable, net	80,994
Inventory	6,258
Prepaid items	12,230
Total current assets	1,315,018
Restricted cash and cash equivalents	
Bond interest and sinking	17,882
System development	187,261
Reserve fund	254,056
Customer deposits	122,265
Total restricted cash and cash equivalents	581,464
Noncurrent assets	
Fixed assets	
Construction in progress	100,144
Property, plant and equipment	14,309,927
Allowance for depreciation	(5,903,756)
Total noncurrent assets	8,506,315
Total assets	10,402,797
DEFERRED OUTFLOWS	79,550
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	40,960
Accrued liabilities	12,194
Unearned revenue	16,425
Accrued interest	10,773
Compensated absences	11,208
Customer deposits	122,265
Revenue bonds payable, current	79,000
Total current liabilities	292,825
Long-term liabilities	
Revenue bonds payable	4,360,000
Accrued compensated absences	33,624
Other post-employment benefits	46,951
Net pension liability	197,340
Total long-term liabilities	4,637,915
Total liabilities	4,930,740

(continued)

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2017

	Water and Sewer Fund
DEFERRED INFLOWS	\$ 9,859
NET POSITION	
Invested in capital assets, net of related debt	4,067,315
Restricted for:	
Debt service	271,938
System development	187,261
Unrestricted	1,015,234
Total net position	\$ 5,541,748

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2017

	Water and Sewer Fund
OPERATING REVENUES	
Water sales	\$ 420,221
Sewer sales	426,333
Fees and penalties	66,024
Total operating revenues	912,578
OPERATING EXPENSES	
Water utility	
Personnel services	173,649
Operating expenses	90,684
Sewer utility	
Personnel services	260,473
Operating expenses	203,539
Depreciation expense	410,496
Total operating expenses	1,138,841
Total operating income (loss)	(226,263)
NONOPERATING REVENUES (EXPENSES)	
Grant revenue	66,592
Rentals and leases	16,261
Interest earnings	12,109
Miscellaneous income (expenses)	(5,071)
Interest expense	(137,878)
Interfund transfers in	61,501
Total nonoperating revenues (expenses)	13,514
Change in net position	(212,749)
Net position, beginning of year	5,754,497
Net position, end of year	\$ 5,541,748

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2017

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 908,226
Cash paid to suppliers	(276,193)
Cash paid to employees	(402,532)
Net cash provided by operating activities	229,501
Cash flows from non-capital related financing activities:	
Rental and lease income	16,261
Miscellaneous expenses	(5,071)
Transfers from other funds	61,501
Net cash provided by non-capital related financing activities	72,691
Cash flows from capital and related financing activities:	
Grant receipts	66,592
Principal payments	(76,000)
Interest payments	(138,076)
Acquisition and construction of capital assets	(109,170)
Net cash used for capital and related financing activities	(256,654)
Cash flows from investing activities:	
Investment income	12,109
Net cash provided by investing activities	12,109
Net change in cash	57,647
Cash, at beginning of year	1,739,353
Cash, at end of year	\$ 1,797,000
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (226,263)
Adjustments of reconcile operating loss to net cash provided by operating activities:	
Depreciation	410,496
Changes in assets decrease (increase) and liabilities (decrease) increase:	
Accounts receivable, net	(6,292)
Prepaid items	(2,161)
Inventory	595
Deferred outflows	26,717
Accounts payable	19,596
Accrued liabilities	1,929
Compensated absences	1,976
Customer deposits	1,940
Other post-employment benefits	7,825
Deferred inflows	(20,887)
Net pension liability	14,030
Total adjustments	455,764
Net cash provided by operating activities	\$ 229,501

See notes to financial statements.

TOWN OF HILLIARD, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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, 2017, 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, 2017, 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, 2017, this allowance account totaled \$20,001 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, 2017.

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

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

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

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

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

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

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

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

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

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

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

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

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

10. **Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. At September 30, 2017, the Town reported \$19,661 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, 2017, 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, 2017, fund balances are composed of the following:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Total</u>
Nonspendable	\$ 25,590	\$ -	\$ 25,590
Restricted	6,201	1,138,879	1,145,080
Unassigned	690,502	-	690,502
	<u>\$ 722,293</u>	<u>\$ 1,138,879</u>	<u>\$ 1,861,172</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, 2017, net position balances are composed of the following:

	<u>Water and Sewer Fund</u>
Nonspendable	\$ 4,067,315
Restricted	459,199
Unrestricted	1,015,234
	<u>\$ 5,541,748</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 \$1,861,172 differs from “net position” of governmental activities \$5,817,359 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	\$ 7,890,609
Accumulated depreciation	(3,395,439)
Total	<u>\$ 4,495,170</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, 2017, were:

Compensated absences	\$ 69,697
Other post-employment benefits	73,049
Net pension liability	606,944
	<u>\$ 749,690</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	\$ 263,370
Deferred inflows	<u>(52,663)</u>
	<u>\$ 210,707</u>

TOWN OF HILLIARD, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long - Term Debt Transactions	Eliminations	Statement of Net Position
ASSETS						
Current assets						
Cash and cash equivalents	\$ 1,795,627	\$ -	\$ -	\$ -	\$ -	\$ 1,795,627
Accounts receivable	29,588	-	-	-	-	29,588
Due from other governmental units	103,055	-	-	-	-	103,055
Due from other funds	-	-	-	-	-	-
Prepaid items	25,590	-	-	-	-	25,590
	<u>1,953,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,953,860</u>
Restricted assets						
Restricted cash and cash equivalents	13	-	-	-	-	13
Capital assets, net	-	4,495,170	-	-	-	4,495,170
Total assets	<u>1,953,873</u>	<u>4,495,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,449,043</u>
DEFERRED OUTFLOWS	<u>-</u>	<u>-</u>	<u>263,370</u>	<u>-</u>	<u>-</u>	<u>263,370</u>
LIABILITIES						
Accounts payable	73,604	-	-	-	-	73,604
Accrued liabilities	15,861	-	-	-	-	15,861
Unearned revenue	3,236	-	-	-	-	3,236
Due to other funds	-	-	-	-	-	-
Compensated absences	-	-	-	69,697	-	69,697
Other post-employment benefits	-	-	-	73,049	-	73,049
Net pension liability	-	-	-	606,944	-	606,944
Total liabilities	<u>92,701</u>	<u>-</u>	<u>-</u>	<u>749,690</u>	<u>-</u>	<u>842,391</u>
DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>52,663</u>	<u>-</u>	<u>-</u>	<u>52,663</u>
FUND BALANCES/NET POSITION						
Invested in capital assets	-	4,495,170	-	-	-	4,495,170
Nonspendable - prepaid items	25,590	-	-	-	-	25,590
Restricted	1,145,080	-	-	-	-	1,145,080
Unassigned	690,502	-	210,707	(749,690)	-	151,519
Total fund balances/net position	<u>\$ 1,861,172</u>	<u>\$ 4,495,170</u>	<u>\$ 210,707</u>	<u>\$ (749,690)</u>	<u>\$ -</u>	<u>\$ 5,817,359</u>

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

The “net change in fund balances” for governmental funds \$388,584 differs from the “change in net position” for governmental activities \$141,795 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	\$ 160,976
Depreciation expense	(334,973)
Difference	<u>\$ (173,997)</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	\$ (18,414)
Net increase in other post-employment benefits	(12,175)
Net increase in net pension liability	(29,813)
	<u>\$ (60,402)</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	\$ (56,775)
Net decrease in deferred inflows	44,385
	<u>\$ (12,390)</u>

TOWN OF HILLIARD, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long-Term Debt/Elimination Transactions	Statement of Activities
REVENUES					
Property taxes	\$ 41,116	\$ -	\$ -	\$ -	\$ 41,116
Other taxes	92,991	-	-	-	92,991
Intergovernmental	1,045,793	-	-	-	1,045,793
Licenses and permits	61,250	-	-	-	61,250
Franchise fees	177,294	-	-	-	177,294
Fines and forfeitures	1,624	-	-	-	1,624
Charges for service	130,576	-	-	-	130,576
Rents and leases	12,679	-	-	-	12,679
Other fees and miscellaneous	107,625	-	-	-	107,625
Total revenues	1,670,948	-	-	-	1,670,948
EXPENDITURES					
Current expenditures					
General government	427,356	38,309	9,293	43,180	518,138
Public safety	74,045	34,035	-	-	108,080
Transportation	271,389	165,315	2,186	13,104	451,994
Health services	10,949	-	-	-	10,949
Culture and recreation	293,653	97,314	911	4,118	395,996
Capital outlay	160,976	(160,976)	-	-	-
Total expenditures	1,238,368	173,997	12,390	60,402	1,485,157
Excess (deficit) of revenues over expenditures	432,580	(173,997)	(12,390)	(60,402)	185,791
OTHER FINANCING SOURCES (USES)					
Interest income	17,505	-	-	-	17,505
Interfund transfers in	481,951	-	-	(481,951)	-
Interfund transfers out	(543,452)	-	-	481,951	(61,501)
Deferred outflows (inflows)	-	-	-	-	-
Total other financing sources (uses)	(43,996)	-	-	-	(43,996)
Net change in fund balance	388,584	(173,997)	(12,390)	(60,402)	141,795
Fund balance at beginning of year	1,472,587	4,669,167	223,097	(689,288)	5,675,563
Prior period adjustment	-	-	-	-	-
Fund balance at end of year	\$ 1,861,172	\$ 4,495,170	\$ 210,707	\$ (749,690)	\$ 5,817,359

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 \$595,331 were insured by federal depository insurance or pledged collateral under state law. Other Town funds totaling \$2,892,382 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. The Town's investment in Florida PRIME is administered by the Florida State Board of Administration (SBA). Florida PRIME is an external investment pool that is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. Florida PRIME is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME. Additionally, the State of Florida, Office of the Auditor General performs the operational audit of the activities and investments of the SBA. Throughout the year and as of September 30, 2017, Florida PRIME contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one- and three-month LIBOR. These floating rate and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Exposure to a single issuer is limited to 5% of the portfolio's amortized cost. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The current rating for the Florida PRIME is AAAM by Standard and Poors. The weighted average of days to maturity of the Florida PRIME at September 30, 2017 is 51 days. The fair value of the Town's position in the pool approximates the value of the pool shares. At September 30, 2017, the Town had \$2,892,382 invested in Florida PRIME. Florida PRIME's most recent financial statements can be found at <https://www.sbafla.com/prime/Audits/tabid/582Default.aspx>.

Credit Risk. Investments in the Florida State Board of Administration Pools (SBA) consist of the Local Government Surplus Funds Trust (Florida PRIME). The Florida PRIME is rated by Standard

and Pooors. 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, 2017 was 29 days. The next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

Fair Value Measurements

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

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

As of September 30, 2017, the Town's investment in the Florida PRIME investment pool is rated AAAM by Standard & Pooors.

Investment Objective

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

Interest Rate Risk

The dollar weighted average days to maturity (WAM) of Florida PRIME at September 30, 2017, is 51 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at September 30, 2017, is 80 days.

Foreign Currency Risk

Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2016 through September 30, 2017.

Securities Lending

Florida PRIME did not participate in a securities lending program in the period October 1, 2016 through September 30, 2017.

Fair Value Hierarchy

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

NOTE 5. PROPERTY TAX REVENUES

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Reclassifications	Additions	Deletions	Ending Balance
Governmental activities:					
Capital assets:					
Land	\$ 769,651	\$ -	\$ 2,719	\$ -	\$ 772,370
CIP	257,275	(180,952)	55,151	-	131,474
Buildings	3,768,581	3,968	5,200	-	3,777,749
Infrastructure	1,455,629	176,984	35,848	-	1,668,461
Machinery and equipment	1,260,103	-	62,058	-	1,322,161
Other depreciable assets	218,394	-	-	-	218,394
Total capital assets	7,729,633	-	160,976	-	7,890,609
Less accumulated depreciation	(3,060,466)	-	(334,973)	-	(3,395,439)
Governmental activities capital assets, net	<u>\$ 4,669,167</u>	<u>\$ -</u>	<u>\$ (173,997)</u>	<u>\$ -</u>	<u>\$ 4,495,170</u>
Business-type activities:					
CIP	\$ 84,952	\$ -	\$ 15,192	\$ -	\$ 100,144
Buildings and improvements	13,864,648	-	93,978	-	13,958,626
Machinery and equipment	351,301	-	-	-	351,301
Total capital assets	14,300,901	-	109,170	-	14,410,071
Less accumulated depreciation	(5,493,260)	-	(410,496)	-	(5,903,756)
Business-type activities capital assets, net.	<u>\$ 8,807,641</u>	<u>\$ -</u>	<u>\$ (301,326)</u>	<u>\$ -</u>	<u>\$ 8,506,315</u>

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

Governmental activities:	
General Government	\$ 38,309
Public Safety	34,035
Transportation	19,665
Parks and recreation	242,964
Total depreciation expense - governmental entities	<u>\$ 334,973</u>
Business-type activities:	
Water and sewer utility	<u>\$ 410,496</u>

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2017.

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
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, 2017, consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 481,951	\$ 350,974
Local Option Gas Tax	-	126,882
Discretionary Sales Tax	-	65,596
Water and Sewer	61,501	-
	<u>\$ 543,452</u>	<u>\$ 543,452</u>

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

NOTE 9. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2017, were as follows:

	<u>Accounts</u>	<u>Due from Others/ Governmental Units</u>	<u>Total Receivables</u>
Governmental activities:	\$ 29,588	\$ 103,055	\$ 132,643
Business-type activities:	80,994	-	80,994
	<u>\$ 110,582</u>	<u>\$ 103,055</u>	<u>\$ 213,637</u>

Based upon collection history, the Town has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$20,001.

Payables

Payables at September 30, 2017, were as follows:

	<u>Vendors</u>
Governmental activities:	\$ 73,604
Business-type activities:	40,960
	<u>\$ 114,564</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, 2017, are as follows:

<u>September 30</u>	<u>Minimum Lease Payments</u>
2018	\$ 129
	<u>\$ 129</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, 2017:

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017	Due Within One Year
Compensated absences	\$ 51,283	\$ 35,995	\$ (17,581)	\$ 69,697	\$ 17,424
Other post-employment benefits	60,874	12,175	-	73,049	-
Net pension liability	577,131	29,813	-	606,944	-
	<u>\$ 689,288</u>	<u>\$ 77,983</u>	<u>\$ (17,581)</u>	<u>\$ 749,690</u>	<u>\$ 17,424</u>

Business-type Activities

A summary of proprietary fund debt as of September 30, 2017, follows:

Water and Sewer Revenue Bonds 1996 – The Town issued Water and Sewer Revenue Bonds, Series 1996 to finance the costs of acquisition, construction of additions, extensions and improvements to the Town's water and sewer system. The bonds were secured by gross revenues of the Town's water and sewer system. The bonds covenants specify that the Town must fund and

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

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

Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Water and sewer system improvements	4.50%	\$ 773,000
Water and sewer system improvements	2.75%	3,666,000
		<u>\$ 4,439,000</u>

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

Fiscal Year Ending September 30	Principal	Interest	Total
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>\$ 4,439,000</u>	<u>\$ 2,539,645</u>	<u>\$ 6,978,645</u>

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017	Due Within One Year
Bonds payable	\$ 4,515,000	\$ -	\$ (76,000)	\$ 4,439,000	\$ 79,000
Other post-employment benefits	39,126	7,825		46,951	
Compensated absences	42,856	26,295	(24,319)	44,832	11,208
Net pension liability	183,310	14,030	-	197,340	
	<u>\$ 4,780,292</u>	<u>\$ 48,150</u>	<u>\$ (100,319)</u>	<u>\$ 4,728,123</u>	<u>\$ 90,208</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.

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, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively, were as follows: Regular—7.52% and 7.92%; Special Risk Administrative Support—28.06% and 34.63%; Special Risk—22.57% and 23.27%; Senior Management Service—21.77% and 22.71%; Elected Officers'—42.47 % and 45.50%; and DROP participants—12.88% and 13.26%. These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively.

The Town's contributions, including employee contributions, to the Pension Plan totaled \$73,631 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2017, the Town reported a liability of \$596,633 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Town's proportionate share of the net pension liability was based on the Town's 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the Town's proportionate share was .002017062 percent, which was a (decrease) of (4.05) percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the Town recognized pension expense of \$57,022. 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	\$ 54,757	\$ 3,305
Changes in assumptions	200,511	-
Net difference between projected and actual earnings on Pension Plan investments	-	14,786
Changes in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	34,467	14,164
Town Pension Plan contributions subsequent to the measurement date	14,004	-
Total	\$ 303,739	\$ 32,255

The deferred outflows of resources related to the Pension Plan, totaling \$14,004 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, 2017. 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
2018	\$ 33,608
2019	89,327
2020	62,457
2021	12,761
2022	43,162
Thereafter	16,164
	\$ 257,479

Actuarial Assumptions - The total pension liability in the July 1, 2017 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	7.10%, 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, 2017, 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%	1.8%
Fixed Income	18.0%	4.5%	4.4%	4.2%
Global Equity	53.0%	7.8%	6.6%	17.0%
Real Estate	10.0%	6.6%	5.9%	12.8%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	9.7%
Total	<u>100.0%</u>			
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 7.10%. 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 7.10%, 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 (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Town's proportionate share of the net pension liability	<u>\$ 1,079,870</u>	<u>\$ 596,633</u>	<u>\$ 195,436</u>

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, 2017, the Town had no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2017.

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, 2017, 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, 2017, the HIS contribution for the period October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017 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 \$14,412 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2017, the Town reported a liability of \$207,651 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2017, the Town's proportionate share was .001942035 percent, which was a (decrease) of (1.44) percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the Town recognized pension expense of \$5,042. 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	\$ -	\$ 432
Changes in assumptions	29,189	17,956
Net difference between projected and actual earnings on HIS Plan investments	115	-
Changes in proportion and differences between Town HIS Plan contributions and proportionate share of contributions	7,362	11,879
Town HIS Plan contributions subsequent to the measurement date	2,515	-
Total	\$ 39,181	\$ 30,267

The deferred outflows of resources related to the HIS Plan, totaling \$2,515 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, 2017. 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
2018	\$ 2,519
2019	2,503
2020	2,495
2021	189
2022	738
Thereafter	(2,046)
	\$ 6,398

Actuarial Assumptions – The total pension liability in the July 1, 2017, 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	3.58%

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

The actuarial assumptions used in the July 1, 2017, 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 3.58%. 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 3.58%, 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 (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Town's proportionate share of the net pension liability	\$ 236,957	\$ 207,651	\$ 183,240

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, 2017, the Town had no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2017.

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 2016-17 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 14.0%, 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, 2017, 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, 2017.

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>\$ 100,000</u>
Net OPEB Obligation, End of Year	<u><u>\$ 120,000</u></u>

Schedule of Employer Contributions

<u>Year Ended September 30</u>	<u>Annual OPEB Cost</u>	<u>% Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 20,000	0%	\$ 60,000
2015	20,000	0%	80,000
2016	20,000	0%	100,000
2017	20,000	0%	120,000

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, 2017

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 42,720	\$ 41,116	\$ 41,116	\$ -
Other taxes	91,000	92,971	92,991	20
Intergovernmental	1,714,696	508,729	508,729	-
Licenses and permits	45,100	61,250	61,250	-
Franchise fees	200,000	177,294	177,294	-
Fines and forfeitures	2,500	1,624	1,624	-
Charges for service	129,175	134,921	130,576	(4,345)
Rents and leases	12,372	12,679	12,679	-
Other fees and miscellaneous	43,600	65,815	107,625	41,810
Total revenues	2,281,163	1,096,399	1,133,884	37,485
EXPENDITURES				
Current				
General government				
Legislative	53,148	54,938	54,938	-
Executive	102,641	102,641	102,641	-
Finance and administration	259,305	249,772	248,677	1,095
Comprehensive planning	18,000	17,850	17,850	-
Other general government	5,000	3,250	3,250	-
Public safety	78,612	74,065	74,045	20
Transportation	269,916	271,390	271,389	1
Health Services	7,000	10,949	10,949	-
Culture and recreation	303,147	293,685	293,653	32
Capital outlay	577,325	155,888	160,976	(5,088)
Total expenditures	1,674,094	1,234,428	1,238,368	(3,940)
Excess (deficit) of revenues over expenditures	607,069	(138,029)	(104,484)	33,545
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	778,805	481,951	481,951	-
Interfund transfers out	(366,715)	(350,974)	(350,974)	-
Interest income	5,100	12,109	12,109	-
Gain on disposal of assets	-	-	-	-
Total other financing sources (uses)	417,190	143,086	143,086	-
Net change in fund balance	1,024,259	5,057	38,602	33,545
Fund balance at beginning of year	683,690	683,690	683,690	-
Fund balance at end of year	\$ 1,707,950	\$ 688,748	\$ 722,293	\$ 33,545

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, 2017

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 118,563	\$ 126,882	\$ 126,882	\$ -
Total revenues	<u>118,563</u>	<u>126,882</u>	<u>126,882</u>	<u>-</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	118,563	126,882	126,882	-
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	(118,563)	(126,882)	(126,882)	-
Total other financing sources (uses)	<u>(118,563)</u>	<u>(126,882)</u>	<u>(126,882)</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<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, 2017

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 404,011	\$ 410,182	\$ 410,182	-
Miscellaneous income	-	-	-	-
Total revenues	<u>404,011</u>	<u>410,182</u>	<u>410,182</u>	<u>-</u>
EXPENDITURES	-	-	-	-
Excess of revenues over expenditures	404,011	410,182	410,182	-
OTHER FINANCING SOURCES (USES)				
Interest income	1,000	5,396	5,396	-
Interfund transfers in	-	-	-	-
Interfund transfers out	(781,527)	(65,596)	(65,596)	-
Total other financing sources (uses)	<u>(780,527)</u>	<u>(60,200)</u>	<u>(60,200)</u>	<u>-</u>
Net change in fund balance	(376,516)	349,982	349,982	-
Fund balance at beginning of year	788,897	788,897	788,897	-
Fund balance at end of year	<u>\$ 412,381</u>	<u>\$ 1,138,879</u>	<u>\$ 1,138,879</u>	<u>\$ -</u>

**TOWN OF HILLIARD, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017**

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, 2017**

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
9/30/2017	20,000	0%	120,000

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

	2017	2016	2015	2014
Town's proportion of the FRS net pension liability (asset)	0.002017062%	0.002102171%	0.002091187%	0.002133527%
Town's proportionate share of the FRS net pension liability (asset)	\$ 596,633	\$ 530,800	\$ 275,574	\$ 127,593
Town's proportion of the HIS net pension liability (asset)	0.001942035%	0.001970390%	0.002005955%	0.002140285%
Town's proportionate share of the HIS net pension liability (asset)	207,651	229,641	204,576	200,122
Town's proportionate share of the total net pension liability (asset)	\$ 804,284	\$ 760,441	\$ 480,150	\$ 327,715
Town's covered-employee payroll	\$ 633,480	\$ 605,259	\$ 609,954	\$ 614,541
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	126.96%	125.64%	78.72%	53.33%
Plan fiduciary net position as a percentage of the total pension liability	79.30%	79.36%	86.53%	90.67%

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

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

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

	2017	2016	2015	2014
Contractually required FRS contribution	\$ 73,631	\$ 68,901	\$ 70,234	\$ 65,999
Contractually required HIS contribution	14,412	13,575	10,495	9,862
Total Contractually Required Contributions	88,043	82,476	80,729	75,861
Contributions in relation to the contractually required contribution	(88,043)	(82,476)	(80,729)	(75,861)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 633,480	\$ 605,259	\$ 609,954	\$ 614,541
Contributions as a percentage of covered-employee payroll	13.90%	13.63%	13.24%	12.34%

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
THE TOWN OF HILLIARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
REQUIRED CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
For the Fiscal Year End September 30, 2017**

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, 2017, are shown below (in thousands):

	FRS	HIS
Total pension liability	\$ 183,632,592	\$ 10,870,772
Plan fiduciary net position	(154,053,263)	(178,311)
	\$ 29,579,329	\$ 10,692,461
 Plan fiduciary net position as a percentage of the total pension liability	 83.89%	 1.64%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2017. 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, 2017. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the Plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2014, 2015, 2016 and 2017, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal years 2016 and 2017, 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 7.10%. 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 3.58% 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 2017:

- FRS: The long-term expected rate of return was decreased from 7.60% to 7.10% and the active member mortality assumption was updated.
- HIS: The municipal bonds rate used to determine total pension liability was increased from 2.85% to 3.58%.

COMPLIANCE SECTION

TOWN OF HILLIARD, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2017

<u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA #/ CSFA #</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Reported in Prior Years</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued/ (Deferred) Revenue</u>
Federal Awards							
Non-major programs							
U.S. Department of Housing and Urban Development- Passed through Florida Department of Economic Opportunity							
Community Development Block Grant	14.228	17DB-OL-04-55-02-N25	\$ 700,000	\$ -	\$ 3,392	\$ 3,392	\$ -
<i>US DOT - Federal Aviation Administration</i>							
Airport Improvement Program	20.106	3-12-0099-010-2017	86,400	-	15,680	15,680	-
	20.106	3-12-0099-008-2015	177,401	158,138	16,583	16,583	-
	20.106	3-12-0099-009-2016	131,478	3,150	41,489	41,489	-
			<u>395,279</u>	<u>161,288</u>	<u>73,752</u>	<u>73,752</u>	<u>-</u>
Total federal awards			<u>\$ 1,095,279</u>	<u>\$ 161,288</u>	<u>\$ 77,144</u>	<u>\$ 77,144</u>	<u>\$ -</u>
State Financial Assistance							
Non-major programs							
<i>Florida Department of Environmental Protection</i>							
Small Community Wastewater Treatment Grants							
	37.075	Gen Appr Line 1667	\$ 63,200	\$ -	\$ 63,200	\$ 63,200	\$ -
<i>Florida Department of Transportation</i>							
	55.004	GOA 85	150,000	-	2,178	2,178	-
<i>Florida Department of Transportation</i>							
	55.004	ART 72	31,700	17,571	3,585	3,585	-
<i>Florida Department of Transportation</i>							
	55.004	GOL 23	5,000	-	3,962	3,962	-
<i>Florida Department of Transportation</i>							
	55.004	GOG 27	14,610	350	4,610	4,610	-
			<u>201,310</u>	<u>17,921</u>	<u>14,335</u>	<u>14,335</u>	<u>-</u>
Total state financial assistance			<u>\$ 264,510</u>	<u>\$ 17,921</u>	<u>\$ 77,535</u>	<u>\$ 77,535</u>	<u>\$ -</u>

See notes to the schedule of federal awards and state financial assistance.

TOWN OF HILLIARD, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

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, 2017, 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 6, 2018.

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.

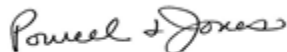
At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.

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 6, 2018

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, 2017, 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

The prior year recommendation 2016-1 was substantially corrected during the current year.

CURRENT YEAR RECOMMENDATIONS

2017-1 – EMPLOYEE SICK LEAVE

From our audit of selected payroll transactions we found one instance where an employee had four consecutive sick days which were not documented with an accompanying physician's statement, as is required by the Town's Personnel Policy Manual.

We recommend that the Town review this provision for current applicability and take subsequent steps to assure compliance by employees.

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, 2017.

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.

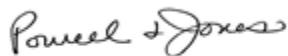
Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

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, 2017, 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 6, 2018

INDEPENDENT ACCOUNTANT'S REPORT

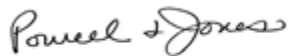
To the Mayor and
Members of the Town Council
Town of Hilliard, Florida

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, 2017. 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, 2017.

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 6, 2018

TOWN OF HILLIARD

A Florida Municipality

March 12, 2018

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, 2017, to the Town Council, on March 15, 2018.

**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 strengthening internal controls and operating efficiencies 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:

2017-01 EMPLOYEE SICK LEAVE

The Town will ensure that the payroll process procedures are reviewed and include all steps to be in compliance with the Town's Personnel Policy Manual. If an employee is absent for three or more consecutive days due to illness or injury to himself or an immediate family member, a physician's statement shall be required verifying the disability and its beginning and expected ending dates.

I would like to thank Powell & Jones, Certified Public Accountants again for their professionalism and knowledge in conduction the Town's Financial Statements and Audit for the fiscal year ending September 30, 2017.

Sincerely,

TOWN OF HILLIARD

Lisa Purvis

Lisa Purvis, MMC
Town Clerk

P.O. BOX 249

HILLIARD, FLORIDA 32046

(904) 845-3555

Communication with Those Charged with Governance

To the Town Council
Town of Hilliard
Hilliard, Florida

We have audited the financial statements of the Town of Hilliard, Florida for the year ended September 30, 2017. 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 2017. 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 6, 2018.

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

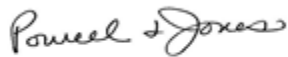
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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 6, 2018