

TOWN OF HILLIARD, FLORIDA
ANNUAL FINANCIAL REPORT
September 30, 2023

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INTRODUCTORY SECTION

TOWN OF HILLIARD, FLORIDA
LIST OF ELECTED AND APPOINTED OFFICIALS
September 30, 2023

Mayor and Chairman of the Board **John P. Beasley**

Town Council President **Kenny Sims**

Town Council **Dallis Hunter**
Joe Michaels
Lee Pickett
Jared Wollitz

APPOINTED OFFICIALS

Town Clerk **Lisa Purvis**

Town Attorney **Christian W. Waugh**

FINANCIAL STATEMENTS



Powell and Jones CPA

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INDEPENDENT AUDITOR'S REPORT

May 16, 2024

To the Town Council
Town of Hilliard, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Town of Hilliard, Florida (the Town) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and State Financial Assistance have been 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 May 16, 2024, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



POWELL AND JONES CPA
Lake City, Florida
May 16, 2024

**TOWN OF HILLIARD, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS**

The Town of Hilliard, Florida (the Town) offers readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2023 . We hope this will assist readers in identifying any significant financial issues and changes in the Town’s financial position.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$15,569,692 (*net position*).
- The Town’s total net position increased by \$1,349,378. An increase of \$67,885 was attributable to governmental activities and an increase of \$1,281,493 for business-type activities.
- As of the close of the current fiscal year, the Town’s governmental funds reported a combined ending fund balances of \$2,332,626, an increase of \$198,358 in comparison with the prior year. Of this amount, \$380,934 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 \$380,694, or more than 7.7% of the total general fund expenditures and transfers out.
- The Town’s total debt increased by \$560,045 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 and Other Post Retirement Benefits.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The funds used by the Town are as follows:

	<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’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town'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 that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, transportation, health services, and culture and recreation. The business-type activities of the Town include water and sewer utilities.

The government-wide financial statements can be found on pages 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

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

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

The Town adopts an annual 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 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.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to provide support to the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains one fiduciary fund type; a custodial fund. The custodial fund reports resources, not in a trust, held by the Town for parties outside the City's reporting entity. The fiduciary fund financial statements can be found on pages 32 - 33.

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 34 - 65 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$15,569,692 at the close of the most recent fiscal year.

By far, the largest portion of the Town's net position (78.32%) 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, 2023

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 2,626,792	\$ 3,925,483	\$ 3,063,705	\$ 1,603,200	\$ 5,690,497	\$ 5,528,683
Capital assets, net	6,935,579	6,680,933	9,214,544	9,601,226	16,150,123	16,282,159
Lease receivable	-	191,684	48,679	62,565	48,679	254,249
Total assets	<u>9,562,371</u>	<u>10,798,100</u>	<u>12,326,928</u>	<u>11,266,991</u>	<u>21,889,299</u>	<u>22,065,091</u>
Deferred outflows	<u>457,771</u>	<u>237,989</u>	<u>229,392</u>	<u>144,131</u>	<u>687,163</u>	<u>382,120</u>
Current liabilities	320,615	1,821,647	650,123	850,049	970,738	2,671,696
Long-term liabilities	1,390,128	893,347	4,516,897	4,447,336	5,907,025	5,340,683
Total liabilities	<u>1,710,743</u>	<u>2,714,994</u>	<u>5,167,020</u>	<u>5,297,385</u>	<u>6,877,763</u>	<u>8,012,379</u>
Deferred inflows	<u>75,074</u>	<u>154,655</u>	<u>53,933</u>	<u>59,863</u>	<u>129,007</u>	<u>214,518</u>
Invested in capital assets, net of related debt	6,935,579	6,680,933	5,258,026	5,590,226	12,193,605	12,271,159
Restricted	1,886,833	1,574,267	532,363	422,664	2,419,196	1,996,931
Unrestricted	(588,087)	(88,760)	1,544,978	40,984	956,891	(47,776)
Total net position	<u>\$ 8,234,325</u>	<u>\$ 8,166,440</u>	<u>\$ 7,335,367</u>	<u>\$ 6,053,874</u>	<u>\$ 15,569,692</u>	<u>\$ 14,220,314</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 was \$956,891. In the prior year this was a deficit that was due the implementation of certain state standards in prior periods requiring the Town to report its pro rata shares of the pension liabilities from the Florida Retirement System and Other Post-Employment Benefits. Due to the fact that the Town's management does not anticipate being required to directly fund related portions of this deficit, this condition is not considered to be detrimental. The Town anticipates periodic adjustments to current contribution rates to fund the net pension liabilities.

Town of Hilliard, Florida
Changes in Net Position
For the Year Ended September 30, 2023

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Charges for service	\$ 341,317	\$ 288,388	\$ 1,394,109	\$ 1,141,656	\$ 1,735,426	\$ 1,430,044
Grants and contributions	2,082,328	1,247,758	12,000	385,259	2,094,328	1,633,017
General revenues	2,320,954	2,107,249	102,787	35,464	2,423,741	2,142,713
Total revenues	<u>4,744,599</u>	<u>3,643,395</u>	<u>1,508,896</u>	<u>1,562,379</u>	<u>6,253,495</u>	<u>5,205,774</u>
Expenses						
General government	1,112,267	664,233	-	-	1,112,267	664,233
Public safety	131,992	132,367	-	-	131,992	132,367
Transportation	807,299	617,346	-	-	807,299	617,346
Health services	46,915	27,672	-	-	46,915	27,672
Parks and Recreation	668,803	597,345	-	-	668,803	597,345
Interest on long-term debt	-	-	121,643	124,645	121,643	124,645
Water and sewer	-	-	2,015,199	1,830,909	2,015,199	1,830,909
Total expenses	<u>2,767,275</u>	<u>2,038,963</u>	<u>2,136,842</u>	<u>1,955,554</u>	<u>4,904,118</u>	<u>3,994,517</u>
Increase (decrease) in net position before transfers	1,977,324	1,604,432	(627,946)	(393,175)	1,349,378	1,211,257
Transfers	(1,909,439)	(623,160)	1,909,439	623,160	-	-
Change in net position	<u>67,885</u>	<u>981,272</u>	<u>1,281,493</u>	<u>229,985</u>	<u>1,349,378</u>	<u>1,211,257</u>
Net position, beginning of year	8,166,440	7,185,168	6,053,874	5,823,889	14,220,314	13,009,057
Net position, end of year	<u>\$ 8,234,325</u>	<u>\$ 8,166,440</u>	<u>\$ 7,335,367</u>	<u>\$ 6,053,874</u>	<u>\$ 15,569,692</u>	<u>\$ 14,220,314</u>

Governmental Activities – Governmental activities increased the Town's net position by \$67,885.

Business-Type Activities – Business-type activities increased the Town’s net position by \$1,281,493. This increase was primarily attributable to the recognition as revenue of the entirety of the \$1,634,286 of federal funding related to COVID 19 relief that had been received as a reimbursement for spending in prior periods and transferred into the enterprise fund.

Financial Analysis of the Town’s Funds

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

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

As of the end of the fiscal year, the Town’s governmental funds reported combined ending fund balances of \$2,332,626, an increase of \$198,358 in comparison with the prior year. The unassigned fund balance is \$380,934 which is available for spending at the Town’s discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed 1) to pay debt service, 2) to cover annual contracts, or 3) for a variety of other restricted purposes. The non-spendable part of fund balance is \$64,859 represents prepaid items at year end.

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

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

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

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$1,544,978. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town’s business-type activities.

2023 Budgetary Highlights

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

- Cash Carry Forward in the General Fund was originally stated at \$250,492, and at year-end only \$145,593 was needed to cover the fiscal year expenditures.
- Cash Carry Forward in the Water and Sewer Fund was originally stated at \$253,783, and at year-end revenues and transfers were able to cover the fiscal year expenditures by \$221,745.
- State Shared Revenues received for the fiscal year were greater than the originally budgeted estimates and created additional revenue in the General Fund of \$62,854 and in the Special Revenue Funds of \$142,493.
- The Town places most of its funds with the State Board of Administration, and it was not known at budget time what the interest rates would be to know what revenue the Town’s SBA accounts would generate. At fiscal year-end in both the General and Proprietary Funds revenues exceeded the budget by \$148,992 and in the Special Revenue Fund the revenues exceeded the budget by \$22,876.

- Capital Improvement Fund expenditures totaling \$466,093 in the General & Proprietary Fund that were budgeted and not expended during the current fiscal year, were amended.
- In the General Fund Recreation Department, the sports, programs, memberships, and rentals revenues increased by \$115,340 over the originally budgeted amounts. Therefore, the budget was amended at year end to actual.
- In the General Fund Airpark Department, at budget time, the amount of FAA and FDOT grant funds that would be expended during the 2022-23 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 2022-23 need for additional or decreased funds at year end creating an overall decrease in funds transferred.
- In the Proprietary Fund at budget time the amount of FDEP grant funds that would be expended during the 2022-23 fiscal year was undetermined. Therefore, the budget was amended at year end to actual.
- In the Proprietary Fund it was not known at budget time of all the operating expenses that would be needed during the 2022-23 fiscal year. Therefore, the Operating Supplies line items were under budget.

Schedules of budget and actual comparisons for the general and special revenue major funds appear on pages 67 - 69 of this report.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business type activities as of September 30, 2023, amounts to \$16,150,121 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system, improvements, machinery and equipment and park facilities. The total decrease in the Town’s net investment in capital assets for the current fiscal year was less than 1% (a 3.81% increase for governmental activities and a 4.03% decrease for business-type activities).

2023 Major capital asset events during the fiscal year include the following:

GENERAL GOVERNMENT FUND

- Building*
- Work In Progress (WIP) - Final*
- Town Hall Offices Renovations*

The Town of Hilliard approved Capital Funds in fiscal year 2022 for the Town Hall renovations which included: remodeling the printer copier space and separating the computer technology space into a closet, painting, new flooring and a new and expanded workstation. This project was completed in fiscal year end 2023

Capital funds expended fiscal year 2022-23	\$57,111.97
Final Project Total	\$71,358.68

GENERAL TRANSPORTATION - STREET

***Infrastructure
Work In Progress (WIP) - Final
Walker Street Paving Project***

The Town of Hilliard approved Capital Funds in fiscal year end 2022 to install a paved cul-de-sac and repave a certain portion of Walker Street to allow traffic a safe way to turn around without driving onto private property. This will improve the Town's drainage infrastructure. This project was completed in fiscal year end 2023.

Capital funds expended fiscal year 2022-23	\$23,696.45
Final Project Total	\$38,076.23

***Machinery & Equipment
AG-PRO Companies - John Deer Tractor***

The Town of Hilliard approved Capital Funds to purchase a new John Deere 4052R Compact Utility Tractor with Attachments, on State Contract to replace a 20-year-old Massey Ferguson Tractor that was used for bush hog mowing. The new John Deere Tractor will offer many advantages with all its attachments which include a street sweeper that will do angled sweeping, a quick connect bucket, a 60-inch root grapple, a 7-foot fully adjustable Land Plane (box blade), and a set of fixed pallet forks.

Capital funds expended fiscal year 2022-23	\$66,548.87
Project Total	\$66,548.87

***Machinery & Equipment
Alan Jay Fleet Sales - GMC Siera Truck***

The Town of Hilliard approved Capital Funds to purchase a 2023 GMC Sierra 2500HD Regular Cab 4WD 8' Bed Work Truck, on State Contract to replace a 2011 model truck that has become a high maintenance vehicle. This truck will also be equipped with the capability for Mosquito Spraying for the Streets Department.

Capital funds expended fiscal year 2022-23	\$48,162.00
Project Total	\$48,162.00

GENERAL CULTURE & RECREATION

***Machinery & Equipment
Alan Jay Fleet Sales - Chevy Silverado Truck***

The Town of Hilliard approved Capital Funds to purchase a 2023 Chevy Silverado 2600 Regular Cab 2WD 8" Bed Work Truck on State Contract to replace the oldest truck in the fleet. Currently the Parks and Rec Director is having to use his personal truck to pick up supplies outside of the local area.

Capital funds expended fiscal year 2022-23	\$33,623.00
Project Total	\$33,623.00

Machinery & Equipment
Holiday Designs - Town Hall Park 18' Christmas Tree

The Town of Hilliard approved Capital Funds to purchase a Commercial 18' Natural Branch Garland Tree with 4' 3D Star and 18' Commercial Ornament Tree Decor Package to be erected annually at the Town Hall Park for the Town's Annual Christmas Tree Lighting.

Capital funds expended fiscal year 2022-23	\$11,795.80
Project Total	\$11,795.80

Infrastructure
FDEP FRDAP Grant - Oxford Street Park Phase IV

The Town of Hilliard was awarded an FDEP FRDAP Grant Funding in the amount of \$200,000 and the Town of Hilliard approved Capital Funds in the amount of \$8,012 to complete Phase IV of the Oxford Street Park. Phase IV included the following new and renovation projects: playground equipment, basketball court, pickle ball court, picnic facility, swimming pool, football/soccer fields, splash park, parking lot and security lighting.

Capital funds expended fiscal year 2022-23	\$208,012.00
Project Total	\$208,012.00

Machinery & Equipment
FDEP FRDAP Grant - Town Hall Park Phase I

The Town of Hilliard was awarded an FDEP FRDAP Grant Funding in the amount of \$200,000, and the Town of Hilliard approved Capital Funds in the amount of \$22,347 to complete Phase I of the Town Hall Park. Phase I included the following new projects: playground equipment, picnic facility, exercise/bike/nature trails, nature overlook, historical marker, restrooms with water fountain, entrance sign, bike rack, parking lot and security lighting.

Capital funds expended fiscal year 2022-23	\$222,346.75
Project Total	\$222,346.75

GENERAL TRANSPORTATION - AIRPARK

Land
Work In Progress (WIP)
FDOT PTGA Grant - Renovation of Existing Hangars & Design & Construct New Box Hang

State Grant Funds provided by the Florida Department of Transportation (FDOT) Public Transportation Grant Agreement (PTGA), consisting of 100% state grant funding for the following project: Acquire land on the north side at Hilliard Airpark totaling \$464,000.

State funds expended fiscal year 2022-23	\$32,060.20
Fiscal Year Project Total	\$32,060.20

**Infrastructure
Work In Progress (WIP) - Final
FAA Air Grant - Runway LED Lighting Rehabilitation Project**

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

Federal funds expended fiscal year 2022-23	\$15,981.90
Final Project Total	\$451,870.04

PROPRIETARY FUND

WATER & SEWER

**Land
Plant
Five Acre Parcel No. 04-3M-24-2020-012-0010 WWTP Ruby Drive**

The Town of Hilliard approved Capital Funds in fiscal year 2022 for the purchase of a 5-acre parcel of property adjacent to the Town's Wastewater Treatment Plant. The sale did not close until fiscal year end 2023.

Capital funds expended fiscal year 2022-23	\$27,500.00
Project Total	\$27,500.00

**Plant
Aqua Aerobic Systems, Inc. - WWTP Filter System**

The Town of Hilliard approved Capital Funds for the turnkey replacement of parts for Cloth and Actuators on One (4) Disk Filter for the Filtration System at the Wastewater Treatment Plant. Aqua-Aerobic Systems, Inc. is the Town's sole source for filter and actuator replacements.

Capital funds expended fiscal year 2022-23	\$25,808.23
Project Total	\$25,808.23

**Plant
Work In Progress (WIP)
DEO CDBG Grant - Water Main Replacement Project**

Federal Grant Funds provided by the Florida Department of Commerce – Community Development Block Grant - in the Neighborhood Revitalization category for a Water Main Replacement Project totaling \$700,000, with the Town providing matching funds totaling \$50,000.

Grant Funds expended fiscal year 2022-23	\$1,017.38
Fiscal Year Project Total	\$1,017.38

**Plant
Work In Progress (WIP)
FDEP LP Grant - Oxford Street Force Main Project**

State Grant Funds provided by the Florida Department of Environmental Protection as a Legislature appropriation for the Oxford Street Force Main Rerouting Project totaling \$609,000, with the Town providing Capital Funds totaling \$55,170.

Grant Funds expended fiscal year 2022-23	\$12,000.00
Fiscal Year Project Total	\$12,000.00

**Machinery & Equipment
US Jetting, LLC - Jet Rig**

The Town of Hilliard approved Capital Funds for the purchase of a Vactor Ramjet, USJ Trailer Mounted High Pressure Jetting Unit, Hatz Tier 4 Turbo Diesel Engine, 18 GPM at 4000 PSI, 300-Gallon Black Water Tank. This equipment will allow the Public Works Department to unclog sewer lines during after-hours and holiday weekends. This equipment will also assist with engineering projects involving different sizes and depths of sewer pipes. A camera accessory can be added in the future for evaluation of sewer problems.

Capital funds expended fiscal year 2022-23	\$54,995.00
Project Total	\$54,995.00

**Machinery & Equipment
Alan Jay Fleet Sales - GMC Sierra Truck**

The Town of Hilliard approved Capital funds to purchase a 2023 GMC Sierra 2500HD Regular Cab 4WD8' Bed Work Truck, on State Contract to replace a 2001 model truck that has become a high maintenance vehicle. This truck will also be equipped with accessories for water and sewer line repairs.

Capital funds expended fiscal year 2022-23	\$56,280.00
Project Total	\$56,280.00

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 883,450	\$ 851,390	\$ 27,500	\$ -	\$ 910,950	\$ 851,390
Construction in progress	228,784	696,188	13,017	-	241,801	696,188
Buildings	2,092,938	2,164,180	8,858,908	9,357,612	10,951,846	11,521,792
Infrastructure	2,700,305	1,953,215	-	-	2,700,305	1,953,215
Machinery and equipment	939,359	900,835	315,117	243,614	1,254,476	1,144,449
Other depreciable	90,743	115,125	-	-	90,743	115,125
Capital assets, net	\$ 6,935,579	\$ 6,680,933	\$ 9,214,542	\$ 9,601,226	\$ 16,150,121	\$ 16,282,159

Long-Term Debt – At the end of the current fiscal year, the Town had total outstanding bonds and compensated absences in the amount of \$4,073,339. 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’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	
	2023	2022	2023	2022	2023	2022
Bonds payable	\$ -	\$ -	\$ 3,916,000	\$ 4,011,000	\$ 3,916,000	\$ 4,011,000
Compensated absences	105,796	121,728	51,543	60,800	157,339	182,528
Net pension liability	1,190,482	692,071	596,964	419,154	1,787,446	1,111,225
Other post-employment benefits	120,299	109,980	60,276	66,582	180,575	176,562
Total	\$ 1,416,577	\$ 923,779	\$ 4,624,783	\$ 4,557,536	\$ 6,041,360	\$ 5,481,315

The Town’s outstanding debt increased by \$560,045 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’s long-term debt can be found in the notes to the financial statements on pages 52 - 54 of this report.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF HILLIARD, FLORIDA
STATEMENT OF NET POSITION
September 30, 2023

	Governmental Activities	Business - type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,174,274	\$ 2,140,100	\$ 4,314,374
Accounts receivable, net	13,001	129,188	142,189
Due from other governmental units	168,228	-	168,228
Inventory	-	76,796	76,796
Prepaid items	64,859	34,708	99,567
Total current assets	2,420,362	2,380,792	4,801,154
Restricted cash and cash equivalents:			
Educational impact fees	206,430	-	206,430
Bond interest and sinking	-	18,067	18,067
System development	-	260,240	260,240
Reserve fund	-	254,056	254,056
Customer deposits	-	150,550	150,550
Total restricted assets	206,430	682,913	889,343
Non-current assets:			
Capital assets not being depreciated	1,547,578	40,518	1,588,096
Capital assets, net of accumulated depreciation	5,388,001	9,174,026	14,562,027
Lease receivable	-	48,679	48,679
Total non-current assets	6,935,579	9,263,223	16,198,802
Total assets	9,562,371	12,326,928	21,889,299
DEFERRED OUTFLOWS	457,771	229,392	687,163
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	72,583	365,222	437,805
Accrued liabilities	13,899	13,432	27,331
Unearned revenue	1,267	3,148	4,415
Compensated absences, current	26,449	12,886	39,335
Total current liabilities (payable from current assets)	114,198	394,688	508,886
Current liabilities (payable from restricted assets):			
Accrued interest payable	-	9,885	9,885
Customer deposits	-	150,550	150,550
Revenue bonds payable, current	-	95,000	95,000
Due to other governmental units	206,417	-	206,417
Total current liabilities (payable from restricted assets)	206,417	255,435	461,852
Total current liabilities	320,615	650,123	970,738

(continued)

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
STATEMENT OF NET POSITION
September 30, 2023

	Governmental Activities	Business - type Activities	Total
Long-term liabilities			
Revenue bond payable, net of current	-	3,821,000	3,821,000
Accrued compensated absences, net of current	79,347	38,657	118,004
Other post-employment benefits	120,299	60,276	180,575
Net pension liability	1,190,482	596,964	1,787,446
Total long-term liabilities	1,390,128	4,516,897	5,907,025
Total liabilities	1,710,743	5,167,020	6,877,763
DEFERRED INFLOWS	75,074	53,933	129,007
NET POSITION			
Invested in capital assets, net of related debt	6,935,579	5,258,026	12,193,605
Restricted for:			
Debt service	-	272,123	272,123
System development	-	260,240	260,240
Non-debt service expenditures	1,875,940	-	1,875,940
Educational impact fee	13	-	13
Voluntary fire department	10,880	-	10,880
Unrestricted	(588,087)	1,544,978	956,891
Total net position	\$ 8,234,325	\$ 7,335,367	\$ 15,569,692

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2023

	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	\$ 1,112,267	\$ 8,088	\$ 1,634,286	\$ -	\$ 530,107	\$ -	\$ 530,107
Public safety	131,992	-	-	-	(131,992)	-	(131,992)
Transportation	807,299	-	-	48,042	(759,257)	-	(759,257)
Health services	46,915	-	-	-	(46,915)	-	(46,915)
Culture and recreation	668,802	333,229	-	400,000	64,427	-	64,427
Total governmental activities	2,767,275	341,317	1,634,286	448,042	(343,630)	-	(343,630)
Business-type activities							
Water and sewer services	2,015,199	1,394,109	-	12,000	-	(609,090)	(609,090)
Interest on long-term debt	121,643	-	-	-	-	(121,643)	(121,643)
Total business-type activities	2,136,842	1,394,109	-	12,000	-	(730,733)	(730,733)
Total government	\$ 4,904,117	\$ 1,735,426	\$ 1,634,286	\$ 460,042	(343,630)	(730,733)	(1,074,363)
General revenues							
Taxes					505,648	-	505,648
Intergovernmental					1,416,284	-	1,416,284
Licenses and permits					103,984	-	103,984
Franchise fees					215,603	-	215,603
Fines and forfeitures					2,011	-	2,011
Rents and leases					4,641	5,606	10,247
Interest					126,036	89,818	215,854
Other fees and miscellaneous					65,493	7,363	72,856
Loss on disposals of assets					(118,746)	-	(118,746)
Interfund transfers					(1,909,439)	1,909,439	-
Total general revenues					411,515	2,012,226	2,423,741
Change in net position					67,885	1,281,493	1,349,378
Net position - beginning (restated)					8,166,440	6,053,874	14,220,314
Net position - ending					\$ 8,234,325	\$ 7,335,367	\$ 15,569,692

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2023

	General Fund	Special Revenue		Total Governmental Funds
		Local Option Gas Tax Fund	Discretionary Sales Tax Fund	
ASSETS				
Cash and cash equivalents	\$ 378,648	\$ 986,385	\$ 809,241	\$ 2,174,274
Accounts receivable	13,001	-	-	13,001
Due from other governmental units	87,914	20,040	60,274	168,228
Prepaid items	64,859	-	-	64,859
Total assets	544,422	1,006,425	869,515	2,420,362
Restricted assets				
Restricted cash and cash equivalents	206,430	-	-	206,430
	<u>750,852</u>	<u>1,006,425</u>	<u>869,515</u>	<u>2,626,792</u>
LIABILITIES				
Accounts payable	72,583	-	-	72,583
Accrued liabilities	13,899	-	-	13,899
Unearned revenue	1,267	-	-	1,267
Due to other governmental units	206,417	-	-	206,417
Total liabilities	294,166	-	-	294,166
FUND BALANCES				
Nonspendable - prepaid items	64,859	-	-	64,859
Restricted	10,893	1,006,425	869,515	1,886,833
Unassigned	380,934	-	-	380,934
Total fund balances	\$ 456,686	\$ 1,006,425	\$ 869,515	2,332,626

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.	6,935,579
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.	457,771
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.	(75,074)
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds	(1,416,577)
Net assets of governmental activities	<u><u>\$ 8,234,325</u></u>

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended September 30, 2023

	General Fund	Special Revenue		Total Governmental Funds
		Local Option Gas Tax Fund	Discretionary Sales Tax Fund	
REVENUES				
Property taxes	\$ 381,175	\$ -	\$ -	\$ 381,175
Other taxes	124,473	-	-	124,473
Intergovernmental	584,811	237,784	593,689	1,416,284
Licenses and permits	103,984	-	-	103,984
Franchise fees	215,603	-	-	215,603
Fines and forfeitures	2,011	-	-	2,011
Charges for service	341,317	-	-	341,317
Rents and leases	15,140	-	-	15,140
Other fees and miscellaneous	65,493	-	-	65,493
Total revenues	1,834,007	237,784	593,689	2,665,480
EXPENDITURES				
General government	854,719	-	-	854,719
Public safety	106,409	-	-	106,409
Transportation	582,483	-	-	582,483
Health services	23,026	-	-	23,026
Culture and recreation	466,826	-	-	466,826
Capital outlay	717,737	-	-	717,737
Total expenditures	2,751,200	-	-	2,751,200
Excess (deficit) of revenues over expenditures	(917,193)	237,784	593,689	(85,720)
OTHER FINANCING SOURCES (USES)				
Interest income	84,813	-	26,376	111,189
ARPA grant income	1,634,286	-	-	1,634,286
Capital grants	448,042	-	-	448,042
Interfund transfers in	271,297	-	-	271,297
Interfund transfers out	(1,634,286)	-	(546,450)	(2,180,736)
Total other financing sources (uses)	804,152	-	(520,074)	284,078
Net change in fund balance	(113,041)	237,784	73,615	198,358
Fund balance at beginning of year	569,727	768,641	795,900	2,134,268
Fund balance at end of year	\$ 456,686	\$ 1,006,425	\$ 869,515	\$ 2,332,626

See notes in financial statements.

TOWN OF HILLIARD, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2023

Net change in fund balance - total governmental funds \$ 198,358

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	717,737	
Less current year depreciation	(447,557)	
Loss on disposal of capital assets	<u>(15,534)</u>	254,646

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

Decrease in compensated absences	15,932	
Increase in other post-employment benefits	(10,319)	
Increase in net pension liability	(498,411)	
Net of changes in deferred inflows and outflows	206,543	
Net change in income due lease activity	4,348	
Loss due to termination of lease agreement	<u>(103,212)</u>	(385,119)

Change in net position of governmental activities \$ 67,885

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2023

	Water and Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,140,100
Accounts receivable, net	129,188
Inventory	76,796
Prepaid expenses	34,708
Total current assets	2,380,792
Restricted cash and cash equivalents	
Bond interest and sinking	18,067
System development	260,240
Reserve fund	254,056
Customer deposits	150,550
Total restricted cash and cash equivalents	682,913
Noncurrent assets	
Fixed assets	
Land	27,500
Construction in progress	13,018
Property, plant and equipment	17,974,734
Allowance for depreciation	(8,800,708)
Lease receivable	48,679
Total noncurrent assets	9,263,223
Total assets	12,326,928
DEFERRED OUTFLOWS	229,392
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	365,222
Accrued liabilities	13,432
Unearned revenue	3,148
Accrued interest	9,885
Compensated absences	12,886
Customer deposits	150,550
Revenue bonds payable, current	95,000
Total current liabilities	650,123
(continued)	

**TOWN OF HILLIARD, FLORIDA
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 September 30, 2023**

	Water and Sewer Fund
Long-term liabilities	
Revenue bonds payable, net of current	3,821,000
Accrued compensated absences, net of current	38,657
Other post-employment benefits	60,276
Net pension liability	596,964
Total long-term liabilities	4,516,897
Total liabilities	5,167,020
 DEFERRED INFLOWS	 53,933
 NET POSITION	
Invested in capital assets, net of related debt	5,258,026
Restricted for:	
Debt service	272,123
System development	260,240
Unrestricted	1,544,978
Total net position	\$ 7,335,367

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2023

	Water and Sewer Fund
OPERATING REVENUES	
Water sales	\$ 555,779
Sewer sales	557,543
Fees and penalties	280,787
Total operating revenues	1,394,109
OPERATING EXPENSES	
Water utility	
Personnel services	372,897
General expenses	497,652
Sewer utility	
Personnel services	248,598
General expenses	331,768
Depreciation expense	564,284
Total operating expenses	2,015,199
Total operating (loss)	(621,090)
NONOPERATING REVENUES (EXPENSES)	
Grant revenue	12,000
Rentals and leases	5,606
Interest earnings	89,818
Miscellaneous income	7,363
Interest expense	(121,643)
Interfund transfers in	1,909,439
Total nonoperating revenues	1,902,583
Change in net position	1,281,493
Net position at beginning of year (restated)	6,053,874
Net position at end of year	\$ 7,335,367

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2023

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 1,283,107
Cash paid to suppliers	(1,043,434)
Cash paid to employees	(549,676)
Net cash provided by operating activities	(310,003)
Cash flows from non-capital related financing activities:	
Rental and lease income	19,491
Miscellaneous revenues	7,363
Transfers from other funds	1,909,439
Net cash provided by non-capital related financing activities	1,936,293
Cash flows used for capital and related financing activities:	
Grant receipts	116,727
Principal payments	(95,000)
Interest payments	(121,643)
Acquisition and construction of capital assets	(177,602)
Net cash used for capital and related financing activities	(277,518)
Cash flows from investing activities:	
Investment income	89,818
Net cash provided by investing activities	89,818
Net change in cash	1,438,590
Cash at beginning of year	1,384,423
Cash at end of year	\$ 2,823,013
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (621,090)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	564,284
Changes in assets decrease (increase) and liabilities (decrease) increase:	
Accounts receivable, net	(116,688)
Inventory	(8,147)
Prepaid items	(1,807)
Deferred outflows	(85,261)
Accounts payable	(188,319)
Accrued liabilities	763
Compensated absences	(9,257)
Customer deposits	5,685
Unearned revenue	(15,741)
Other post-employment benefits	(6,306)
Deferred inflows	(5,929)
Net pension liability	177,810
Total adjustments	311,087
Net cash provided by operating activities	\$ (310,003)

See notes to the financials statements.

TOWN OF HILLIARD, FLORIDA
FUDICIARY FUND
STATEMENT OF NET POSITION
September 30, 2023

	Custodial Fund
ASSETS	
Cash and cash equivalents	\$ 13
Due from other governments	206,417
Total assets	\$ 206,430
LIABILITIES	
Due to other governments	\$ 206,430
Total liabilities	206,430
NET POSITION	
Total net position	\$ -

See notes to the financial statements

TOWN OF HILLIARD, FLORIDA
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2023

	Custodial Fund
ADDITIONS:	
Fees collected on behalf of other governments	\$ 266,160
Total additions	266,160
 DEDUCTIONS:	
Remittances of fees to other governments	266,160
Total deductions	266,160
Change in net position	-
Net position at beginning of year	-
Net position at end of year	\$ -

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The basic financial statements of the Town for the year ended September 30, 2023, were prepared in accordance with accounting principles generally accepted in the United States of America.

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

B. Adoption of New Accounting Pronouncements – In June 2022, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards (SGAS) No. 96, *Subscription-Based Information Technology Arrangements*. SGAS No. 96 defines a Subscription-Based Information Technology Arrangement (SBITA) and requires the recognition by government end users (governments) of right-to-use subscription assets and subscription liabilities that arise from material SBITA transactions, excepting SBITAs with a term of 12 months or less. The government's accounting model under SGAS No. 96 results in SBITAs with terms of more than 12 months being accounted for in substantially the same manner as the existing accounting for leases under SGAS No. 87, *Leases*. SGAS No. 96 also requires additional note disclosures regarding SBITAs. The Town adopted the provisions of SGAS No. 96 as of October 1, 2022. The implementation of this standard did not have a material impact on the Town's financial statements for the period ending September 30, 2023.

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

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

1. Government-wide Financial Statements

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

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

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

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

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

2. Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Major Funds:

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

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

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

2. Proprietary Major Fund:

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

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

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

2. Cash Equivalents - For purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2023, 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, 2023, this allowance account totaled \$23,730 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, 2023.
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, rights-of-way, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at estimated fair market value at the date of donations.

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

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

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

<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 revenues received that have not been earned. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. At September 30, 2023, the Town reported \$4,415 in unearned revenues.
11. **Accrued Compensated Absences** - The Town accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absence amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.
12. **Capital Contributions** - Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows 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 three items which qualify for reporting in this category. These are deferred charges on pensions, OPEB, and leases receivable under the SGAS 87, *Leases*, accounting standard. Deferred inflows on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Town’s proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Deferred inflows on OPEB are recorded when changes of assumptions about future economic, demographic, or other factors are made. These outflows are amortized over the average expected life of the OPEB participants. Deferred inflows on the lease receivable are recorded at the net present value of the future lease receipts for leases on which the Town is the lessor. The deferred amount is amortized to lease income on a straight-line basis over the life of the lease.

14. Fund Balances -

A. Governmental Funds

As of September 30, 2023, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned – all other spendable amounts.

As of September 30, 2023, fund balances are composed of the following:

	General Fund	Local Option Gas Tax Fund	Sales Tax Fund	Total
Nonspendable	\$ 64,859	\$ -	\$ -	\$ 64,859
Restricted	10,893	1,006,425	869,515	1,886,833
Unassigned	380,934	-	-	380,934
	<u>\$ 456,686</u>	<u>\$ 1,006,425</u>	<u>\$ 869,515</u>	<u>\$ 2,332,626</u>

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

B. Proprietary Funds

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

As of September 30, 2023, net position balances are composed of the following:

	<u>Water and Sewer Fund</u>
Invested in capital assets	\$ 5,258,026
Restricted	532,363
Unrestricted	1,544,978
	<u>\$ 7,335,367</u>

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

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

“Total fund balances” of the Town’s governmental funds \$2,332,626 differs from “net position” of governmental activities \$8,234,325 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	\$ 12,646,155
Accumulated depreciation	(5,710,576)
Total	<u>\$ 6,935,579</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, 2023, were:

Compensated absences	\$ (105,796)
Other post-employment benefits	(120,299)
Net pension liability	(1,190,482)
	<u>\$ (1,416,577)</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	\$ 457,771
Deferred inflows	(75,074)
	<u>\$ 382,697</u>

Lease related items

With the implementation of SGAS No. 87, *Leases*, lessors who are leasing assets to tenants are required to include a lease receivable on their government-wide financial statements. The lease receivable is calculated on the basis of anticipated future cashflows and is not considered earned revenue on the fund financial statements. The lease receivable is included in statement of net position. In October 2023, the arrangement governing the governmental funds lease was terminated, therefore the lease asset was removed from the government-wide statement of net position.

TOWN OF HILLIARD, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long - Term Debt Transactions	Lease Related Items	Eliminations	Statement of Net Position
ASSETS							
Current assets							
Cash and cash equivalents	\$ 2,174,274	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,174,274
Accounts receivable	13,001	-	-	-	-	-	13,001
Due from other governmental units	168,228	-	-	-	-	-	168,228
Prepaid items	64,859	-	-	-	-	-	64,859
Lease receivable	-	-	-	-	-	-	-
	<u>2,420,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,420,362</u>
Restricted assets							
Restricted cash and cash equivalents	206,430	-	-	-	-	-	206,430
Capital assets, net	-	6,935,579	-	-	-	-	6,935,579
Total assets	<u>2,626,792</u>	<u>6,935,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,562,371</u>
DEFERRED OUTFLOWS							
	<u>-</u>	<u>-</u>	<u>457,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>457,771</u>
LIABILITIES							
Accounts payable	72,583	-	-	-	-	-	72,583
Accrued liabilities	13,899	-	-	-	-	-	13,899
Unearned revenue	1,267	-	-	-	-	-	1,267
Due to other governmental units	206,417	-	-	-	-	-	206,417
Compensated absences	-	-	-	105,796	-	-	105,796
Other post-employment benefits	-	-	-	120,299	-	-	120,299
Net pension liability	-	-	-	1,190,482	-	-	1,190,482
Total liabilities	<u>294,166</u>	<u>-</u>	<u>-</u>	<u>1,416,577</u>	<u>-</u>	<u>-</u>	<u>1,710,743</u>
DEFERRED INFLOWS							
	<u>-</u>	<u>-</u>	<u>75,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,074</u>
FUND BALANCES/NET POSITION							
Invested in capital assets	-	6,935,579	-	-	-	-	6,935,579
Nonspendable - prepaid items	64,859	-	-	-	-	(64,859)	-
Restricted	1,886,833	-	-	-	-	-	1,886,833
Unassigned	380,934	-	382,697	(1,416,577)	-	64,859	(588,087)
Total fund balances/net position	<u>\$ 2,332,626</u>	<u>\$ 6,935,579</u>	<u>\$ 382,697</u>	<u>\$ (1,416,577)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,234,325</u>

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

The “net change in fund balances” for governmental funds was a reduction of \$198,358 and differs from the “change in net position” for governmental activities of \$67,885 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. In addition, any gains or losses from the disposal of capital assets are reported on the government-wide statement of net position as increases or decreases in net position, respectively.

Capital outlay	\$ 717,737
Loss on disposal of assets	(15,534)
Depreciation expense	(447,557)
Difference	<u>\$ 254,646</u>

Long-term debt related items

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

Net increase in compensated absences	\$ 15,932
Net decrease in other post-employment benefits	(10,319)
Net increase in net pension liability	(498,411)
	<u>\$ (492,798)</u>

Deferred outflows/inflows of resources

Certain obligations related to prior and subsequent periods are not recognized in governmental funds.

Net increase in deferred outflows	\$ 219,782
Net increase in deferred inflows	(13,239)
	<u>\$ 206,543</u>

Lease Related Items

Under SGAS No. 87, *Leases*, lease income is split between interest and reductions in the lease receivable, for governmental activities, and is not solely reported as lease income, as is the case with governmental funds. Additionally, any gains or losses resulting from changes in leasing arrangements are included in the government-wide statement of activities.

Net decrease from lease-related items	<u>\$ (98,864)</u>
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TOWN OF HILLIARD, FLORIDA

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

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

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	Lease Related Items	Statement of Activities
REVENUES						
Property taxes	\$ 381,175	\$ -	\$ -	\$ -	\$ -	\$ 381,175
Other taxes	124,473	-	-	-	-	124,473
Intergovernmental	1,416,284	-	-	-	-	1,416,284
Licenses and permits	103,984	-	-	-	-	103,984
Franchise fees	215,603	-	-	-	-	215,603
Fines and forfeitures	2,011	-	-	-	-	2,011
Charges for service	341,317	-	-	-	-	341,317
Rents and leases	15,140	-	-	-	(10,499)	4,641
Other fees and miscellaneous	65,493	-	-	-	-	65,493
Total revenues	2,665,480	-	-	-	(10,499)	2,654,981
EXPENDITURES						
Current expenditures						
General government	854,719	61,056	(133,959)	330,451	-	1,112,267
Public safety	106,409	25,583	-	-	-	131,992
Transportation	582,483	170,687	(21,838)	75,967	-	807,299
Health services	23,026	23,889	-	-	-	46,915
Culture and recreation	466,826	166,342	(50,746)	86,380	-	668,802
Capital outlay	717,737	(717,737)	-	-	-	-
Total expenditures	2,751,200	(270,180)	(206,543)	492,798	-	2,767,275
Excess (deficit) of revenues over expenditures	(85,720)	270,180	206,543	(492,798)	(10,499)	(112,294)
OTHER FINANCING SOURCES (USES)						
Interest income	111,189	-	-	-	14,847	126,036
ARPA grant income	1,634,286	-	-	-	-	1,634,286
Capital grants	448,042	-	-	-	-	448,042
Interfund transfers in	271,297	-	-	(271,297)	-	-
Interfund transfers out	(2,180,736)	-	-	271,297	-	(1,909,439)
Loss on disposal of asset	-	(15,534)	-	-	(103,212)	(118,746)
Total other financing sources (uses)	284,078	(15,534)	-	-	(88,365)	180,179
Net change in fund balance	198,358	254,646	206,543	(492,798)	(98,864)	67,885
Fund balance at beginning of year	2,134,268	6,680,933	176,154	(923,779)	98,864	8,166,440
Fund balance at end of year	\$ 2,332,626	\$ 6,935,579	\$ 382,697	\$ (1,416,577)	\$ -	\$ 8,234,325

NOTE 3. LEGAL COMPLIANCE–BUDGETS

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

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The bank balances of the Town deposits totaling \$1,813,782 were insured by federal depository insurance or pledged collateral under state law. Other Town funds totaling \$3,472,858 were invested in Local Government Surplus Funds Trust (Florida PRIME) and are included as cash equivalents in the Statement of Net Position due to their short maturities. Funds in the amount of \$700 remained uninvested for use as petty cash in the Town's daily operations.

Investments. 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, 2023, 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, 2023 is 36 days. The fair value of the Town's position in the pool approximates the value of the pool shares. At September 30, 2023, the Town had \$3,472,858 invested in Florida PRIME. Florida PRIME's most recent financial statements can be found at https://prime.sbafla.com/media/f4ofjqw0/monthly_summary_report_09_30_23final2.pdf.

Credit Risk. Investments in the Florida State Board of Administration Pools (SBA) consist of the Local Government Surplus Funds Trust (Florida PRIME). The Florida PRIME is rated by Standard and Poors. The current rating is AAAM. The Investment Manager of the Florida PRIME manages credit risk by purchasing only high quality securities, performing a credit analysis to develop a database of issuers and securities that meet the Investment Manager's minimum standard and by regularly reviewing the portfolio's securities financial data, issuer news and developments, and ratings of the nationally recognized statistical rating organizations.

Interest Rate Risk. The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2023 was 36 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, 2023, the Town's investment in the Florida PRIME investment pool is rated AAAM by Standard & Poors.

Investment Objectives

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

Interest Rate Risk

The dollar weighted average days to maturity (WAM) of Florida PRIME at September 30, 2023, is 36 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, 2023, is 76 days.

Foreign Currency Risk

Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2022 through September 30, 2023.

Securities Lending

Florida PRIME did not participate in a securities lending program in the period October 1, 2022 through September 30, 2023.

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, and are collected through applicable tax certificate sales, tax deed sales, and tangible personal property seizure and sales as provided for by the laws of Florida. Due to those collection procedures, no material amounts of delinquent taxes were due the Town at year end. Collections of Town taxes and remittances are accounted for in the County Tax Collector's office.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning				Ending
	Balance	Reclasses	Additions	Deletions	Balance
Governmental activities:					
Non-depreciable capital assets					
Land	\$ 851,390	\$ -	\$ 32,060	\$ -	\$ 883,450
Construction in progress	696,188	(489,946)	38,076	(15,534)	228,784
Total non-depreciable capital assets	1,547,578	(489,946)	70,136	(15,534)	1,112,234
Depreciable capital assets:					
Buildings	4,688,875	-	57,112	-	4,745,987
Infrastructure	3,291,798	489,946	430,359	-	4,212,103
Machinery and equipment	2,147,742	-	160,130	-	2,307,872
Other depreciable assets	267,959	-	-	-	267,959
Total depreciable capital assets	10,396,374	489,946	647,601	-	11,533,921
Less accumulated depreciation					
Buildings	(2,524,695)	-	(128,354)	-	(2,653,049)
Infrastructure	(1,338,583)	-	(173,215)	-	(1,511,798)
Machinery and equipment	(1,246,907)	-	(121,606)	-	(1,368,513)
Other depreciable assets	(152,834)	-	(24,382)	-	(177,216)
Total accumulated depreciation	(5,263,019)	-	(447,557)	-	(5,710,576)
Total depreciable capital assets, net	5,133,355	489,946	200,044	-	5,823,345
Governmental activities capital assets, net	\$ 6,680,933	\$ -	\$ 270,180	\$ (15,534)	\$ 6,935,579
Business-type activities:					
Non-depreciable capital assets					
Land	\$ -	\$ -	\$ 27,500	\$ -	\$ 27,500
Construction in progress	-	-	13,017	-	13,017
Total Non-depreciable capital assets	-	-	40,517	-	40,517
Depreciable capital assets:					
Buildings and improvements	17,174,657	-	25,808	-	17,200,465
Machinery and equipment	662,993	-	111,275	-	774,268
Total depreciable capital assets	17,837,650	-	137,083	-	17,974,733
Less accumulated depreciation					
Buildings and improvements	(7,817,045)	-	(524,512)	-	(8,341,557)
Machinery and equipment	(419,379)	-	(39,772)	-	(459,151)
Total accumulated depreciation	(8,236,424)	-	(564,284)	-	(8,800,708)
Business-type activities capital assets, net	\$ 9,601,226	\$ -	\$ (386,684)	\$ -	\$ 9,214,542

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

Governmental activities:	
General Government	\$ 61,056
Public Safety	25,583
Transportation	170,687
Health services	23,889
Parks and recreation	166,342
Total depreciation expense - governmental entities	\$ 447,557
Business-type activities:	
Water and sewer utility	\$ 564,284

NOTE 7. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2023, consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 271,297	\$ 1,634,286
Discretionary Sales Tax	-	546,450
Water and Sewer	1,909,439	-
	<u>\$ 2,180,736</u>	<u>\$ 2,180,736</u>

Transfers were used for grant matching fund reimbursements, payment of long-term debt, and capital projects.

NOTE 8. RECEIVABLE AND PAYABLE BALANCES**Accounts Receivable and Amounts Due From Other Governmental Units**

Accounts receivable and amounts due from other governmental units, net of any allowances, at September 30, 2023, were as follows:

	Accounts	Due from Others/ Governmental Units	Total Receivables
Governmental activities:	\$ 13,001	\$ 168,228	\$ 181,229
Business-type activities:	129,188	-	129,188
	<u>\$ 142,189</u>	<u>\$ 168,228</u>	<u>\$ 310,417</u>

Based upon collection history, the Town has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$23,730 .

Payables

Payables at September 30, 2023, were as follows:

	<u>Vendors</u>
Governmental activities:	72,583
Business-type activities:	365,222
	<u>\$ 437,805</u>

NOTE 9. LEASES

Governmental Funds – The Town was engaged in a long-term agreement whereby it leased a piece of land to a mobile network provider for a cellular tower. The original agreement was entered into in 2007 and was set to expire in 2042. Rent, which increased by 3% each year, was paid on a monthly basis and recorded in the governmental fund financial statements. As a result of the implementation of SGAS No. 87, *Leases*, the Town began to record its government-wide financial statements a lease receivable and an offsetting deferred inflow of resources at the onset of the lease. A portion of the Lease receipts were recognized as interest revenue with the remaining balance reducing the lease receivable. The deferred inflow of resources was amortized on a straight-line basis over the projected life of the lease, and lease revenue was recognized as the deferred inflow of resources was amortized. In October 2023, the Town terminated the lease agreement. As a result of the reduced term remaining on the lease, no receivable or deferred inflow of resources has been recognized on the government-wide financial statements, and a loss in the amount of \$103,212 was shown in accordance with the termination of the agreement. As shown below, lease income and interest revenue were still applicable for payments received in year ending September 30, 2023.

Proprietary Fund – In 2001, the Town entered into an agreement to lease a portion of its water tower to a mobile network provider for use as a cellular antenna. This lease had an initial term of five years with the option to renew for five additional five-year periods, all of which have been exercised. Annual rent is increased by 15% upon each renewal. As a result of the implementation of SGAS No. 87, *Leases*, the Town reports a lease receivable and an offsetting deferred inflow of resources on its proprietary fund balance sheet. A portion of the Town’s receipts from this agreement is reported as interest revenue with the remaining balance reducing the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the projected life of the lease, and lease revenue is recognized as the deferred inflow of resources is amortized. For the year ending September 30, 2023, the Town has reported a net lease receivable and deferred inflow of resources related to leases of \$48,679 and \$16,817, respectively, on its proprietary fund balance sheet.

Interest revenue and lease revenue for the year ending September 30, 2023 is as follows:

	Governmental Funds	Proprietary Fund
	<hr/>	<hr/>
Interest Revenue	14,847	5,005
Lease Revenue	4,641	5,606

NOTE 10. LONG-TERM LIABILITIES

Governmental Activities

Summary of changes in governmental activities long-term liabilities

The following summarizes the changes in the Town’s governmental long-term liabilities during the year ended September 30, 2023:

	Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023	Due Within One Year
Compensated absences	\$ 121,728	\$ -	\$ (15,932)	\$ 105,796	\$ 26,449
Other post-employment benefits	109,980	10,319	-	120,299	-
Net pension liability	692,071	498,411	-	1,190,482	-
Total	\$ 923,779	\$ 508,730	\$ (15,932)	\$ 1,416,577	\$ 26,449

Business-type Activities

A summary of proprietary fund debt as of September 30, 2023, follows:

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

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

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

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

Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Water and sewer system improvements	4.50%	620,000
Water and sewer system improvements	2.75%	3,296,000
		<u>\$ 3,916,000</u>

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

Fiscal Year Ending September	Principal	Interest	Total
2024	100,000	118,540	218,540
2025	103,000	115,265	218,265
2026	108,000	111,890	219,890
2027	112,000	108,343	220,343
2028	117,000	104,668	221,668
2029-2033	652,000	462,780	1,114,780
2034-2038	789,000	346,518	1,135,518
2039-2043	641,000	232,045	873,045
2044-2048	765,000	137,335	902,335
2049-2051	529,000	29,451	558,451
	<u>\$ 3,916,000</u>	<u>\$ 1,766,835</u>	<u>\$ 5,682,835</u>

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2021	Increases	Decreases	Balance September 30, 2022	Due Within One Year
Bonds payable	\$ 4,011,000	\$ -	\$ (95,000)	\$ 3,916,000	\$ 100,000
Other post-employment benefits	66,582	-	(6,306)	60,276	-
Compensated absences	60,800	-	(9,257)	51,543	12,886
Net pension liability	419,154	177,810	-	596,964	-
	<u>\$ 4,557,536</u>	<u>\$ 177,810</u>	<u>\$ (110,563)</u>	<u>\$ 4,624,783</u>	<u>\$ 112,886</u>

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

Florida Retirement System

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

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

Pension Plan

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

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. This amount increases with every year of additional service up to a maximum of 1.68% of the final average compensation of their five highest years for each year of credited service at age 65 with 33 or more years of service. Vested members with less than 30 years of service may retire

before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service (age 52 if credited service includes at least four years of wartime military service) or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, beginning at 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service and increasing to a maximum of 1.68% for of with each year up to age 58 (55 with wartime service) and 28 years of special risk service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 (age 52 with wartime experience) with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. 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 August 1, 2011, the annual cost-of-living adjustment is three percent per year. The cost-of-living adjustment for participants with a retirement date or DROP participation date after August 1, 2011 is determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement and multiplying by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with 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, 2022 through June 30, 2023 and from July 1, 2023 through September 30, 2023, respectively, were as follows: Regular—11.91% and 13.57%; Special Risk Administrative Support—38.65% and 39.82%; Special Risk—27.83% and 32.67%; Senior Management Service—31.57% and 34.52%; Elected Officials—43.77% and 44.89%; and DROP participants—18.60% and 21.13%. These employer contribution rates include a 1.66% and 2.00% HIS Plan subsidy for the periods October 1, 2022 through June 30, 2023 and from July 1, 2023 through September 30, 2023, respectively.

The Town’s contributions, including employee contributions, to the Pension Plan totaled \$207,686 for the fiscal year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2023, the Town reported a liability of \$1,197,008 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The Town’s proportionate share of the net pension liability was based on the Town’s 2022-2023 fiscal year contributions relative to the 2021-2022 fiscal year contributions of all participating members. At June 30, 2023, the Town's proportionate share was 0.003004022 percent, which was an increase of 29.36 percent from its proportionate share measured as of June 30, 2023.

For the fiscal year ended September 30, 2023, the Town recognized a pension expense of \$334,465. 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	\$ 112,389	\$ -
Changes in assumptions	78,029	-
Net difference between projected and actual earnings on Pension Plan investments	49,990	-
Changes in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	185,209	-
Town Pension Plan contributions subsequent to the measurement date	30,892	-
Total	\$ 456,509	\$ -

The deferred outflows of resources related to the Pension Plan, totaling \$30,892 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a change in the net pension liability in the fiscal year ended September 30, 2023. 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
2024	\$ 102,929
2025	38,840
2026	(34,760)
2027	302,437
2028	16,171
Thereafter	-
	<u>\$ 425,617</u>

Actuarial Assumptions – The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation
Discount rate	6.70%

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

The actuarial assumptions used in the July 1, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.1%
Fixed Income	19.8%	4.5%	4.4%	3.4%
Global Equity	54.0%	8.7%	7.1%	18.1%
Real Estate	10.3%	7.6%	6.6%	14.8%
Private Equity	11.1%	11.9%	8.8%	26.3%
Strategic Investments	3.8%	6.3%	6.1%	7.7%
Total	<u>100.0%</u>			
Assumed Inflation - Mean			2.4%	1.4%

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

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

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

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
Towns's proportionate share of the net pension liability	\$ 2,070,143	\$ 1,197,008	\$ 466,963

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

Payables to the Pension Plan - The Town had no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2023.

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, 2023, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2023, the HIS contribution for the period October 1, 2022 through June 30, 2023 and from July 1, 2023 through September 30, 2023 was 1.66% and 2.00%, respectively. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town's contributions including employee contributions to the HIS Plan totaled \$35,147 for the fiscal year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2023, the Town reported a liability of \$590,438 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Town’s proportionate share of the net pension liability was based on the Town’s 2022-2023 fiscal year contributions relative to the 2021-2022 fiscal year contributions of all participating members. At June 30, 2023, the Town’s proportionate share was 0.00371782 percent, which was an increase of 59.30 percent from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the Town recognized pension expense of \$258,184. 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	\$ 8,644	\$ 1,386
Changes in assumptions	15,522	51,163
Net difference between projected and actual earnings on HIS Plan investments	305	-
Changes in proportion and differences between Town HIS Plan contributions and proportionate share of contributions	151,744	78
Town HIS Plan contributions subsequent to the measurement date	4,717	-
Total	<u>\$ 180,932</u>	<u>\$ 52,627</u>

The deferred outflows of resources related to the HIS Plan, totaling \$4,717 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, 2023. 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
2024	\$ (265,770)
2025	(143,317)
2026	(65,528)
2027	315,407
2028	235,889
Thereafter	46,907
	<u>\$ 123,588</u>

Actuarial Assumptions – The total pension liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.65%

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

The actuarial assumptions used in the July 1, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate - The discount rate used to measure the total pension liability was 3.65%. 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 3.65%, 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 (2.65%) or one percentage point higher (4.65%) than the current rate:

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
Town's proportionate share of the net pension liability	\$ 675,510	\$ 590,438	\$ 520,043

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

Payables to the Pension Plan - The Town had no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2023.

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 District Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts at the end of the 2023 fiscal year, as established by Section 121.72, *Florida Statutes*, are based on a percentage of gross compensation, by class, as follows: Regular class 8.30%, Special Risk Administrative Support class 9.95%, Special Risk class 16.00%, Senior Management Service class 9.67% and District Elected Officers class 15.23%.

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, 2023, 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, 2023.

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Membership of each plan consisted of the following:

Date of Actuarial Valuation:	<u>9/30/2023</u>
Retirees and Beneficiaries Receiving Benefits	-
Active Plan Members	<u>9</u>
Total	<u><u>9</u></u>

Funding Policy

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

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

Basis of Accounting

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

Annual OPEB Costs and Net OPEB Obligation

The Annual OPEB Cost is the amount that was expensed for the fiscal year. For the year ended September 30, 2023, the Town recognized an OPEB expense of \$11,958. Since the Town's OPEB plan is currently unfunded, the offset to that expense comes from subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution, and equals the total age-adjusted premiums paid by the Town for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year). The cumulative difference between the Annual OPEB Cost for the year and the Employer Contribution for the year is called the Net OPEB Obligation. The Net OPEB Obligation is reflected as a liability in the statement of net position.

Total OPEB Liability – The Town's total OPEB liability as of September 30, 2023 was determined by an actuarial valuation as of October 1, 2022 using September 30, 2022 as the measurement date. The actuarial assumptions used in the October 1, 2020 valuation were as follows:

Inflation	3.00%
Salary Increases	3.00%
Discount Rate	4.87%
Initial Trend Rate	8.00% for 2022
Ultimate Trend Rate	5.00%
Year to Ultimate Trend Rate	7

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

The discount rate used to discount all future benefit payments is 4.87% per annum and is based on the return of the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

Changes in the Total OPEB Liability:

	Total OPEB Liability
Reporting period ending September 30, 2022	<u>\$ 176,562</u>
Changes for the year:	
Service Cost	4,910
Interest	8,422
Difference between expected and actual experience	(8,247)
Changes in assumptions	(1,072)
Net changes	<u>4,013</u>
Reporting period ending September 30, 2023	<u><u>\$ 180,575</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following table presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.87%) or 1-percentage-point higher (5.87%) than the current discount rate.

	1% Decrease 3.87%	Current Discount Rate 4.87%	1% Increase 5.87%
Total other postemployment benefits liability	\$ 191,852	\$ 180,575	\$ 170,001

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

	1% Decrease (4.00% to 7.00%)	Current Discount Rate (5.00% to 8.00%)	1% Increase (6.00% to 9.00%)
Total other postemployment benefits liability	\$ 167,730	\$ 180,575	\$ 195,026

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2023, the Town reported an amount of \$180,575 for its OPEB liability.

For the fiscal year ended September 30, 2023, the Town recognized an OPEB expense of OPEB of \$10,703. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 35,495	\$ 34,906
Changes in assumptions	14,227	24,657
Net difference between projected and actual earnings on OPEB Plan investments	-	-
Total	<u>\$ 49,722</u>	<u>\$ 59,563</u>

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

Fiscal Year Ending September 30	Amount
2024	\$ (2,629)
2025	(2,629)
2026	(2,629)
2027	(2,633)
2028	(2,031)
Thereafter	2,710
	<u>\$ (9,841)</u>

NOTE 13. RISK MANAGEMENT

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

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

NOTE 14. CONTINGENT LIABILITIES

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

NOTE 15. SUBSEQUENT EVENT

The Town of Hilliard has evaluated events and transactions for potential recognition or disclosure in the financial statements through May 16, 2024, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HILLIARD, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2023

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 389,836	\$ 381,175	\$ 381,175	\$ -
Other taxes	108,500	124,472	124,473	1
Intergovernmental	2,690,222	584,811	584,811	-
Licenses and permits	115,100	103,983	103,984	1
Franchise fees	200,000	215,603	215,603	-
Fines and forfeitures	5,000	2,011	2,011	-
Charges for service	212,850	322,155	341,317	19,162
Rents and leases	14,688	15,140	15,140	-
Other fees and miscellaneous	28,901	52,116	65,493	13,377
Total revenues	3,765,097	1,801,466	1,834,007	32,541
EXPENDITURES				
Current				
General government				
Legislative	59,984	61,579	61,577	2
Executive	141,417	140,541	140,542	(1)
Finance and administration	476,274	606,271	606,260	11
Comprehensive planning	80,000	46,340	46,340	-
Other general government	-	-	-	-
Public safety	121,522	106,410	106,409	1
Transportation	522,181	580,881	582,483	(1,602)
Health Services	31,000	23,026	23,026	-
Culture and recreation	425,766	466,825	466,826	(1)
Capital outlay	2,746,318	671,297	717,737	(46,440)
Total expenditures	4,604,462	2,703,170	2,751,200	(48,030)
Excess (deficit) of revenues over expenditures	(839,365)	(901,704)	(917,193)	(15,489)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	1,372,763	1,006,873	271,297	(735,576)
Interfund transfers out	(793,990)	(735,576)	(1,634,286)	(898,710)
Interest income	10,100	84,814	84,813	(1)
ARPA grant income	-	-	1,634,286	1,634,286
Capital grants	400,000	400,000	448,042	48,042
Total other financing sources (uses)	988,873	756,111	804,152	48,041
Net change in fund balance	149,508	(145,593)	(113,041)	32,552
Fund balance at beginning of year	569,727	569,727	569,727	126,057
Fund balance at end of year	\$ 719,235	\$ 424,134	\$ 456,686	\$ 32,552

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, 2023

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 220,872	\$ 237,784	\$ 237,784	\$ -
Total revenues	<u>220,872</u>	<u>237,784</u>	<u>237,784</u>	<u>-</u>
EXPENDITURES				
	-	-	-	-
Net change in fund balance	220,872	237,784	237,784	-
Fund balance at beginning of year	768,641	768,641	768,641	-
Fund balance at end of year	<u>\$ 989,513</u>	<u>\$ 1,006,425</u>	<u>\$ 1,006,425</u>	<u>\$ -</u>

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
SPECIAL REVENUE FUND
DISCRETIONARY SALES TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2023

	Budgeted Original	Budgeted Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 468,108	\$ 593,689	\$ 593,689	\$ -
Total revenues	<u>468,108</u>	<u>593,689</u>	<u>593,689</u>	<u>-</u>
EXPENDITURES				
	-	-	-	-
Excess of revenues over expenditures	468,108	593,689	593,689	-
OTHER FINANCING SOURCES (USES)				
Interest income	3,500	26,376	26,376	-
Interfund transfers in	-	-	-	-
Interfund transfers out	(1,086,158)	(620,065)	(546,450)	73,615
Total other financing sources (uses)	<u>(1,082,658)</u>	<u>(593,689)</u>	<u>(520,074)</u>	<u>73,615</u>
Net change in fund balance	(614,550)	-	73,615	73,615
Fund balance at beginning of year	795,900	795,900	795,900	-
Fund balance at end of year	<u>\$ 181,350</u>	<u>\$ 795,900</u>	<u>\$ 869,515</u>	<u>\$ 73,615</u>

See notes to the financial statements.

TOWN OF HILLIARD, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2023

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, 2023

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

Valuation date	October 1, 2022
Actuarial cost method	Entry Age Normal
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.87%
Projected salary increases	3.00%
Cost-of-living adjustments	None
Healthcare inflation rates	8.00%

As of October 1, 2022, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$180,575, and the actuarial value of assets was \$-0-

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) EAN (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a% of Covered Payroll ((b-1)/c)
10/01/2011	\$ -	\$ 100,000	\$ 100,000	0.0%	\$ 490,000	20.4%
10/01/2014	-	130,000	130,000	0.0%	560,000	23.2%
10/01/2017	-	119,744	119,744	0.0%	653,981	18.3%
10/01/2018	-	125,215	125,215	0.0%	732,477	17.1%
10/01/2019	-	148,211	148,211	0.0%	762,479	19.4%
10/01/2020	-	146,545	146,545	0.0%	893,088	16.4%
10/01/2021	-	190,872	190,872	0.0%	896,968	21.3%
10/01/2022	-	176,562	176,562	0.0%	890,133	19.8%
10/01/2023	-	180,575	180,575	0.0%	Not Available	Not Available

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Annual OPEB Cost	Deferred Inflows/Outflows	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
9/30/2018	10,637	(5,422)	0%	125,215
9/30/2019	12,192	5,382	0%	148,211
9/30/2020	12,687	(8,971)	0%	146,545
9/30/2021	12,239	23,117	0%	190,872
9/30/2022	11,958	(13,151)	0%	176,562
9/30/2023	10,703	(9,841)	0%	180,575

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the FRS net pension liability (asset)	0.003004022%	0.002322179%	0.002285661%	0.002176129%	0.002149189%	0.002094049%	0.002017062%	0.002102171%	0.002091187%	0.002133527%
Town's proportionate share of the FRS net pension liability (asset)	\$ 1,197,008	\$ 864,038	\$ 172,656	\$ 943,166	\$ 740,151	\$ 630,739	\$ 596,633	\$ 530,800	\$ 275,574	\$ 127,593
Town's proportion of the HIS net pension liability (asset)	0.003717812%	0.002333802%	0.002234101%	0.002139214%	0.002084895%	0.001990617%	0.001942035%	0.001970390%	0.002005955%	0.002140285%
Town's proportionate share of the HIS net pension liability (asset)	590,438	247,187	274,046	261,194	233,279	210,689	207,651	229,641	204,576	200,122
Town's proportionate share of the total net pension liability (asset)	\$ 1,787,446	\$ 1,111,225	\$ 446,702	\$ 1,204,359	\$ 973,430	\$ 841,428	\$ 804,284	\$ 760,441	\$ 480,150	\$ 327,715
Town's covered-employee payroll	\$ 1,372,901	\$ 854,795	\$ 754,680	\$ 748,053	\$ 708,884	\$ 699,740	\$ 626,425	\$ 606,433	\$ 611,101	\$ 615,696
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	130.19%	130.00%	56.01%	157.94%	138.16%	116.57%	126.96%	125.40%	78.57%	53.23%
Plan fiduciary net position as a percentage of the total pension liability	77.04%	79.09%	91.09%	74.46%	78.22%	79.86%	79.30%	79.36%	86.53%	90.67%

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 207,686	\$ 132,274	\$ 93,683	\$ 80,140	\$ 71,541	\$ 80,142	\$ 73,631	\$ 68,901	\$ 70,234	\$ 65,999
Contractually required HIS contribution	35,147	18,850	14,129	13,663	12,428	82,160	14,412	13,575	10,495	9,862
Total Contractually Required Contributions	242,833	151,124	107,812	93,803	83,969	162,302	88,043	82,476	80,729	75,861
Contribution in relation to the contractually required contribution	(242,833)	(151,124)	(107,812)	(93,803)	(83,969)	(94,638)	(88,043)	(82,476)	(80,729)	(75,861)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,664	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 1,539,245	\$ 873,868	\$ 797,577	\$ 762,548	\$ 704,569	\$ 721,827	\$ 633,480	\$ 605,259	\$ 609,954	\$ 614,541
Contributions as a percentage of covered-employee payroll	15.78%	17.29%	13.52%	12.30%	11.92%	13.11%	13.90%	13.63%	13.24%	12.34%

TOWN OF HILLIARD, FLORIDA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
THE 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, 2023

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, 2023, are shown below (in thousands):

	<u>FRS</u>	<u>HIS</u>
Total pension liability	\$226,204,201,000	\$ 16,563,148,691
Plan fiduciary net position	(186,357,365,968)	(681,814,936)
	<u>\$ 39,846,835,032</u>	<u>\$ 15,881,333,755</u>
 Plan fiduciary net position as a percentage of the total pension liability	 82.38%	 4.12%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2023. 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, 2023. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the Plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2014 through 2023, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2023, in addition to contributions from employers the required accrued contributions for the Division (paid on behalf of the Division's employees who administer the Plans) were allocated to each employer on a proportionate basis. The Division administers the Plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's ACFR for that fiscal year.

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

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

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 2023 for the period July 1, 2013 through June 30, 2022. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 2.40%. Payroll growth, including inflation, for both Plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.54% 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 2023:

- **HIS:** The discount rate was modified to reflect the change in value of the municipal bond index between GASB measurement dates.
- **HIS:** Chapter 2023-193 Laws of Florida (Senate Bill 7024) increased the level of monthly benefits from \$5 times years of service to \$7.50, with an increased minimum of \$45 and maximum of \$225. This change applies to all years of service for both members currently receiving benefits and members not yet receiving benefits.

OTHER INFORMATION

TOWN OF HILLIARD, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2023

<u>GRANTOR/PROGRAM TITLE</u>	Assistance Listing #/ CSFA #	Contract Number	Award Amount	Reported in Prior Years	Revenue	Expenditures
Federal Awards						
<i>US Department of Transportation - Federal Aviation Administration</i>						
Airport Improvement Program	20.106	3-12-0099-015-2021	\$ 489,143	\$ 435,888	\$ 15,982	\$ 15,982
Total US DOT Federal Aviation Administration			<u>489,143</u>	<u>435,888</u>	<u>15,982</u>	<u>15,982</u>
<i>US Department of Treasury</i>						
<i>passed through the Florida Executive Office of the Governor</i>						
Coronavirus State and Local Fiscal Recovery Funds	21.027	CSLFRF-21	1,634,286	-	1,634,286	1,634,286
Total US Department of Treasury			<u>1,634,286</u>	<u>-</u>	<u>1,634,286</u>	<u>1,634,286</u>
Total federal awards			<u>\$ 2,123,429</u>	<u>\$ 435,888</u>	<u>\$ 1,650,268</u>	<u>\$ 1,650,268</u>
State Financial Assistance						
<i>Florida Department of Environmental Protection</i>						
FRDAP - Oxford Street Park Phase IV	37.017	A21009	\$ 200,000	\$ -	\$ 200,000	\$ 200,000
FRDAP - Town Hall Park Phase I	37.017	A21011	200,000	-	200,000	200,000
Total Florida Department of Environmental Protection			<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>
<i>Florida Department of Transportation</i>						
FDOT Hilliard Airpark Land Acquisition	55.004	G2791	464,000	1,350	32,060	32,060
Total Florida Department of Transportation			<u>464,000</u>	<u>1,350</u>	<u>32,060</u>	<u>32,060</u>
Total state financial assistance			<u>\$ 864,000</u>	<u>\$ 1,350</u>	<u>\$ 432,060</u>	<u>\$ 432,060</u>

TOWN OF HILLIARD, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Accounting

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

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

C. Grant Awards

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

NOTE 2. INDIRECT COST RATE

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

ADDITIONAL REPORTS

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

May 16, 2024

To the Town Council
Town of Hilliard, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hilliard, Florida (the Town) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 16, 2024.

Internal Control Over Financial Reporting

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

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

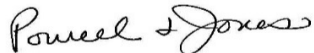
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Powell & Jones".

Powell and Jones CPA
Lake City, Florida
May 16, 2024

MANAGEMENT LETTER

To the Town Council
Town of Hilliard, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Hilliard, Florida (the Town), for the year ended September 30, 2023, and have issued our report thereon dated May 16, 2024

Auditor's Responsibility

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; Independent Auditor's Reports on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with AICPA *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 20, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. The following finding was included in the preceding report and second preceding audit reports:

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.

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

The circumstances surrounding this finding are substantially the same. There were no further findings during the audited period.

AUDITOR GENERAL COMPLIANCE MATTERS

Official Title and Legal Authority – Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in Note 1 of the financial statements.

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on the representations made by management and review of financial information provided by the same. Additionally, section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. Below are significant results of our review as well as any recommendations.

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

The Enterprise Fund showed the following trends:

	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Operating Income/(Loss)	\$ (621,090)	\$ (689,253)	\$ (463,294)	\$ (384,628)	\$ (385,158)
Unrestricted Net Position	<u>\$ 1,544,978</u>	<u>\$ 40,983</u>	<u>\$ 810,021</u>	<u>\$ 957,090</u>	<u>\$ 1,050,047</u>

In the current year, the Enterprise Fund showed an overall increase in Unrestricted Net Position of \$1,503,995. This was primarily due to the transfer of over \$1.6 million in funds that were saved by using federal COVID grants to cover operational expenses in the General Fund. The increase does not reflect the operational performance of the Town's Enterprise Fund as a whole.

To correct these deteriorating financial conditions, we recommend that the Town continue to implement strict measures during the budget cycle to ensure that revenues are sufficient to fund expenditures and replenish the needed fiscal reserves in the Enterprise Fund. Additionally, we would recommend that beyond what the Town already does with MCI to assess rates, that it perform a rate study through Florida Rural Water that will help to bring billing rates in line with amounts that will provide sufficient revenue to meet the annual costs of providing utility services to its constituency.

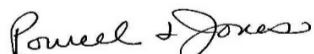
Additional Matters - Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material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

Rural Economic and Community Redevelopment Requirements - We are providing the following information relative to our examination of the financial statements of the Town, for the year ended September 30, 2023, as provided in the audit requirements for the USDA-Rural Development borrowers.

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

Purpose of This Letter

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



Powell and Jones CPA
Lake City, Florida
May 16, 2024

**Independent Accountant's Report on the Examination of the Town of Hilliard, Florida's
Compliance with Requirements in the OMB Compliance Supplement related to the
Coronavirus State and Local Fiscal Recovery Funds Program**

To the Town Council
Town of Hilliard, Florida

We have examined the management of the Town of Hilliard, Florida's (the Town) assertion that the Town complied with the types of compliance requirements identified as subject to examination in the OMB Compliance Supplement that could have a direct and material effect on the usage of funds from the Department of Treasury's Coronavirus State and Local Fiscal Recovery Funds program (ALN# 21.027) during the fiscal year ending September 30, 2023. The Town's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the Town's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (the AICPA). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated in all material respects. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of management's assertion. Whether due to fraud or error. We believe that the evidence that we obtained is sufficient and appropriate to provide 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, management's assertion that the Town complied with the specified requirements is fairly stated, in all material respects.



Powell and Jones CPA
Lake City, Florida
May 16, 2024

INDEPENDENT ACCOUNTANT'S REPORT

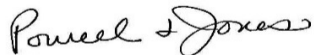
To the Town Council
Town of Hilliard, Florida

We have examined the Town of Hilliard, Florida's (the Town's) compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2023. 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, 2023.

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



Powell and Jones CPA
Lake City, Florida
May 16, 2024

Communication with Those Charged with Governance

To the Town Council
Town of Hilliard, Florida

We have audited the financial statements of the Town of Hilliard, Florida (the Town) for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 16, 2024

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

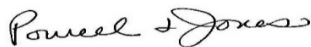
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

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

Very truly yours,



Powell and Jones CPA
Lake City, Florida
May 16, 2024

**TOWN OF HILLIARD
SYSTEM DEVELOPMENT CHARGE
IMPACT FEE AFFIDAVIT**

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

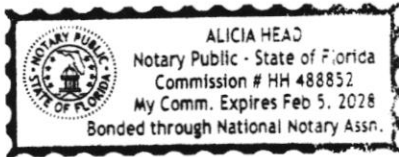
1. I am the Town Clerk and Chief Administrative Officer of the Town of Hilliard which is a local government entity of the State of Florida.
2. The governing body of the Town of Hilliard adopted Ordinance No. 2005-02, implementing an impact fee.
3. The Town of Hilliard has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.



Lisa Purvis, MMC
Hilliard Town Clerk & Chief Administrative Officer

**STATE OF FLORIDA
COUNTY OF NASSAU**

SWORN TO AND SUBSCRIBED before me this 26th day of April, 2024



NOTARY PUBLIC

Printed Name Alicia Head

Personally known X or produced identification _____

Type of identification produced: _____

My Commission Expires: 2/5/2028