

**TOWN OF HILLSBORO BEACH, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2021**

**TOWN OF HILLSBORO BEACH, FLORIDA  
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## INDEPENDENT AUDITOR'S REPORT

To the Town Commission  
Town of Hillsboro Beach, Florida

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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


## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, 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, grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



June 30, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Hillsboro Beach, Florida ("Town") would like to offer the readers of the Town's financial statements this discussion and analysis of the financial activities of the Town's financial statements for the fiscal year ended September 30, 2021. Please read it in conjunction with the Town's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2021, resulting in a net position balance of \$5,273,163.
- The Town's net position increased by \$1,099,220 in comparison with the prior year. The key components of the Town's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2021, the Town's governmental funds reported a total ending fund balance of \$3,688,349, a decrease of (\$2,899,617) in comparison with the prior year. Of the total fund balance, \$144,847 is non-spendable for inventory, prepaid items and deposits; \$51,927 is restricted related to building services, \$94,225 is restricted related to forfeitures and seizures, and \$3,397,350 is unassigned fund balance which is available for spending at the Town's discretion.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### 1) 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 the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government'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.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (government 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, physical environment, transportation and building and engineering. The business-type activities of the Town include the water utility operation.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### 2) Fund Financial Statement

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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains three governmental funds for external reporting. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and building fund which are considered major funds and the law enforcement special revenue fund which is considered a non-major fund.

The Town adopts an annual appropriated budget for its general fund and building fund. A budgetary comparison schedule has been provided for the general fund and building fund to demonstrate compliance with this budget.

#### Proprietary Funds

The Town maintains one type of proprietary fund: an enterprise fund. An enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water distribution and plant operations within the Town.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

### 3) Notes to the Basic 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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year.

Key components of the Town's net position are reflected in the following table:

	NET POSITION					
	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 3,958,903	\$ 7,654,626	\$ 2,868,454	\$ 2,787,389	\$ 6,827,357	\$ 10,442,015
Capital assets, net of depreciation	1,437,553	1,453,398	10,840,425	11,305,977	12,277,978	12,759,375
Total assets	5,396,456	9,108,024	13,708,879	14,093,366	19,105,335	23,201,390
Deferred outflows of resources	1,052,564	1,666,099	33,580	83,810	1,086,144	1,749,909
Current liabilities	235,225	721,294	51,356	77,169	286,581	798,463
Long-term liabilities	2,156,733	9,297,318	9,175,535	10,121,632	11,332,268	19,418,950
Total liabilities	2,391,958	10,018,612	9,226,891	10,198,801	11,618,849	20,217,413
Deferred inflows of resources	3,077,197	545,582	222,270	14,361	3,299,467	559,943
Net position						
Net investment in capital assets	1,437,553	1,453,398	1,827,360	1,627,845	3,264,913	3,081,243
Restricted	146,152	365,351	1,569,984	1,569,984	1,716,136	1,935,335
Unrestricted	(603,840)	(1,608,820)	895,954	766,185	292,114	(842,635)
Total net position	\$ 979,865	\$ 209,929	\$ 4,293,298	\$ 3,964,014	\$ 5,273,163	\$ 4,173,943

A portion of the Town's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the Town's investment in 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.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

The Town's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing revenues exceeded the cost of operations and depreciation expense.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Key elements of the change in the Town's net position are reflected in the following table:

	CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,					
	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 611,578	\$ (321,437)	\$ 1,672,602	\$ 1,717,657	\$ 2,284,180	\$ 1,396,220
Operating grants and contributions	259,539	3,730,773	-	-	259,539	3,730,773
Capital grants and contributions	77,517	117,170	-	-	77,517	117,170
General revenues:						
Property taxes	4,885,850	4,699,652	-	-	4,885,850	4,699,652
Utility and franchise fees	236,050	223,730	-	-	236,050	223,730
Intergovernmental revenue	253,690	232,729	-	-	253,690	232,729
Unrestricted investment earnings	31,641	103,822	11,901	31,809	43,542	135,631
Gain (loss) on the disposition of fixed assets	(24,705)	-	-	-	(24,705)	-
Miscellaneous	22,401	-	112,566	104,950	134,967	104,950
Total revenues	6,353,561	8,786,439	1,797,069	1,854,416	8,150,630	10,640,855
Expenses:						
Governmental activities:						
General government	834,248	1,053,650	-	-	834,248	1,053,650
Public safety	3,832,659	4,407,148	-	-	3,832,659	4,407,148
Physical environment	350,379	4,891,735	-	-	350,379	4,891,735
Transportation	71,602	73,006	-	-	71,602	73,006
Building and engineering	544,737	362,242	-	-	544,737	362,242
Debt issuance costs	-	48,000	-	-	-	48,000
Interest expense	-	70,197	-	-	-	70,197
Business - type activities:						
Water utilities	-	-	1,417,785	1,501,203	1,417,785	1,501,203
Total expenses	5,633,625	10,905,978	1,417,785	1,501,203	7,051,410	12,407,181
Transfers	50,000	50,000	(50,000)	(50,000)	-	-
Change in net position	769,936	(2,069,539)	329,284	303,213	1,099,220	(1,766,326)
Net position - beginning	209,929	2,279,468	3,964,014	3,660,801	4,173,943	5,940,269
Net position - ending	\$ 979,865	\$ 209,929	\$ 4,293,298	\$ 3,964,014	\$ 5,273,163	\$ 4,173,943

### Governmental activities

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2021 was \$5,633,625. These activities were financed primarily through revenues of \$6,353,561, which consist primarily of ad valorem taxes and permit revenues. The decrease in total revenues in fiscal year 2021 is primarily the result of a decrease in grant revenues in the current fiscal year. The decrease in current fiscal year expenses is mainly due to the decrease in expenses for the beach re-nourishment project.

### Business-type activities

Business-type activities reflect the operations of the water facilities within the Town. The cost of operations is covered primarily by charges to customers. The decrease in current fiscal year expenses is mainly due to decreases in operating and maintenance expenses.



## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the Town pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Town Commission. The general fund budget for the fiscal year ended September 30, 2021 was amended to increase revenues by \$463,990, appropriations by \$3,376,526, and use of fund balance by \$2,912,536. The building fund budget for the fiscal year ended September 30, 2021 was amended to increase revenues and appropriations by \$284,100. Actual general fund and building fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2021.

## CAPITAL ASSETS

At September 30, 2021, the Town had \$3,379,661 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$1,942,108 has been taken, which resulted in a net book value of \$1,437,553. The Town's business-type activities reported net capital assets of \$10,840,425. More detailed information about the Town's capital assets is presented in the notes of the financial statements.

## CAPITAL DEBT

At September 30, 2021, the Town had loans outstanding of \$9,013,065 for its business-type activities. More detailed information about the Town's capital debt is presented in the notes of the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's local economy is primarily services for retirees, while commercial retail and service activity combine for a small segment. A large portion of the Town's residents are seasonal. Consequently, local economic detriments affect the Town to a lesser extent due to the broad natural and worldwide composition of the Town's seasonal resident.

## REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the financial resources it manages and the stewardship of the facilities it maintains.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town's finance department c/o Inframark, 210 N. University Drive, Suite 702, Coral Springs, Florida 33071. Telephone 954-603-0033.

**TOWN OF HILLSBORO BEACH, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 676,889	\$ 364,463	\$ 1,041,352
Investments	2,900,038	792,278	3,692,316
Accounts receivable, net	92,047	140,755	232,802
Assessments receivable	50,853	-	50,853
Interest receivable	4	-	4
Inventory	7,350	-	7,350
Prepays	137,497	974	138,471
Restricted assets:			
Cash	94,225	1,569,984	1,664,209
Capital assets:			
Nondepreciable	57,457	-	57,457
Depreciable, net	1,380,096	10,840,425	12,220,521
Total assets	<u>5,396,456</u>	<u>13,708,879</u>	<u>19,105,335</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	1,026,444	30,633	1,057,077
OPEB	26,120	2,947	29,067
Total deferred outflows of resources	<u>1,052,564</u>	<u>33,580</u>	<u>1,086,144</u>
<b>LIABILITIES</b>			
Accounts payable	87,562	23,755	111,317
Accrued liabilities	139,538	-	139,538
Accrued interest payable	-	27,601	27,601
Customer deposits	8,125	-	8,125
Noncurrent liabilities:			
Due in less than one year:			
Note payable	-	679,097	679,097
Compensated absences	35,329	7,145	42,474
Due in more than one year:			
Note payable	-	8,333,968	8,333,968
Compensated absences	364,523	85,059	449,582
Total Other Post Employment Benefit (OPEB) liability	216,248	10,033	226,281
Net pension liability	1,540,633	60,233	1,600,866
Total liabilities	<u>2,391,958</u>	<u>9,226,891</u>	<u>11,618,849</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	2,954,024	208,655	3,162,679
OPEB	123,173	13,615	136,788
Total deferred inflows of resources	<u>3,077,197</u>	<u>222,270</u>	<u>3,299,467</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,437,553	1,827,360	3,264,913
Restricted for debt service		1,569,984	1,569,984
Restricted for building services	51,927		51,927
Restricted for forfeitures and seizures	94,225	-	94,225
Unrestricted	(603,840)	895,954	292,114
Total net position	<u>\$ 979,865</u>	<u>\$ 4,293,298</u>	<u>\$ 5,273,163</u>

See notes to the financial statements

**TOWN OF HILLSBORO BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	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
Primary government:							
Governmental activities:							
General government	\$ 834,248	\$ 542,340	\$ -	\$ -	\$ (291,908)	\$ -	\$ (291,908)
Public safety	3,832,659	-	-	77,517	(3,755,142)	-	(3,755,142)
Physical environment	350,379	69,238	259,539	-	(21,602)	-	(21,602)
Transportation	71,602	-	-	-	(71,602)	-	(71,602)
Building and engineering	544,737	-	-	-	(544,737)	-	(544,737)
Total governmental activities	5,633,625	611,578	259,539	77,517	(4,684,991)	-	(4,684,991)
Business-type activities:							
Water utilities	1,417,785	1,672,602	-	-	-	254,817	254,817
Total business-type activities	1,417,785	1,672,602	-	-	-	254,817	254,817
Total	7,051,410	2,284,180	259,539	77,517	(4,684,991)	254,817	(4,430,174)
General revenues:							
Property taxes					4,885,850	-	4,885,850
Utility and franchise fees					236,050	-	236,050
Intergovernmental revenue					253,690	-	253,690
Unrestricted investment earnings					31,641	11,901	43,542
Miscellaneous					22,401	112,566	134,967
Gain (loss) on the disposition of fixed assets					(24,705)	-	(24,705)
Transfers in (out)					50,000	(50,000)	-
Total general revenues and transfers					5,454,927	74,467	5,529,394
Change in net position					769,936	329,284	1,099,220
Net position - beginning					209,929	3,964,014	4,173,943
Net position - ending					\$ 979,865	\$ 4,293,298	\$ 5,273,163

See notes to the financial statements

**TOWN OF HILLSBORO BEACH, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUND  
SEPTEMBER 30, 2021**

	Major Funds		Non-major	Total Governmental Funds
	General	Building Fund	Special Revenue Fund	
<b>ASSETS</b>				
Cash	\$ 664,691	\$ 12,198	\$ -	\$ 676,889
Investments	2,819,759	80,279	-	2,900,038
Interest receivable	4	-	-	4
Accounts receivables, net	69,231	22,816	-	92,047
Assessments receivable	50,853	-	-	50,853
Inventory	7,350	-	-	7,350
Prepays	25,393	-	112,104	137,497
Restricted cash	-	-	94,225	94,225
Total assets	<u>\$ 3,637,281</u>	<u>\$ 115,293</u>	<u>\$ 206,329</u>	<u>\$ 3,958,903</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 55,853	\$ 31,709	\$ -	\$ 87,562
Accrued liabilities	143,210	31,657	-	174,867
Customer deposits	8,125	-	-	8,125
Total liabilities	<u>207,188</u>	<u>63,366</u>	<u>-</u>	<u>270,554</u>
Fund balance:				
Nonspendable:				
Prepaid items, deposits, and inventories	32,743	-	112,104	144,847
Restricted:				
Forfeitures and seizures	-	-	94,225	94,225
Building services	-	51,927	-	51,927
Unassigned	3,397,350	-	-	3,397,350
Total fund balance	<u>3,430,093</u>	<u>51,927</u>	<u>206,329</u>	<u>3,688,349</u>
Total liabilities and fund balances	<u>\$ 3,637,281</u>	<u>\$ 115,293</u>	<u>\$ 206,329</u>	<u>\$ 3,958,903</u>

See notes to the financial statements

**TOWN OF HILLSBORO BEACH, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021**

Fund balance - governmental funds		\$ 3,688,349
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.		
Cost of capital assets	3,379,661	
Accumulated depreciation	<u>(1,942,108)</u>	1,437,553
Deferred outflows of resources related to pensions and OPEB are recorded in the statement of net position.		1,052,564
Deferred inflows of resources related to pensions and OPEB are recorded in the statement of net position.		(3,077,197)
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.		
Total Other Post Employment Benefit obligation		(216,248)
Net pension liability		(1,540,633)
Compensated absences due in more than one year		<u>(364,523)</u>
Net position of governmental activities		<u>\$ 979,865</u>

See notes to the financial statements

**TOWN OF HILLSBORO BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	Major Funds		Non-major	Total
	General	Building Fund	Special Revenue Fund	Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 4,885,850	\$ -	\$ -	\$ 4,885,850
Licenses and permits	2,107	540,233	-	542,340
Utility and franchise fees	236,050	-	-	236,050
Intergovernmental	253,690	-	-	253,690
Grant revenue	557,604	-	-	557,604
Fines and forfeitures	-	-	77,517	77,517
Interest	31,340	-	301	31,641
Miscellaneous	174,445	-	-	174,445
Total revenues	<u>6,141,086</u>	<u>540,233</u>	<u>77,818</u>	<u>6,759,137</u>
<b>EXPENDITURES</b>				
Current:				
General government	847,604	-	-	847,604
Public safety	3,825,173	-	6,006	3,831,179
Physical environment	416,022	-	-	416,022
Transportation	71,602	-	-	71,602
Building and engineering	-	544,737	-	544,737
Debt service:				
Principal payment	3,621,979	-	-	3,621,979
Interest expense	50,930	-	-	50,930
Capital outlay	144,797	-	179,904	324,701
Total expenditures	<u>8,978,107</u>	<u>544,737</u>	<u>185,910</u>	<u>9,708,754</u>
Excess (deficiency) of revenues over (under) expenditures	(2,837,021)	(4,504)	(108,092)	(2,949,617)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in/(out)	(6,431)	56,431	-	50,000
Total other financing sources (uses)	<u>(6,431)</u>	<u>56,431</u>	<u>-</u>	<u>50,000</u>
Net change in fund balances	(2,843,452)	51,927	(108,092)	(2,899,617)
Fund balance - beginning	<u>6,273,545</u>	<u>-</u>	<u>314,421</u>	<u>6,587,966</u>
Fund balance - ending	<u>\$ 3,430,093</u>	<u>\$ 51,927</u>	<u>\$ 206,329</u>	<u>\$ 3,688,349</u>

See notes to the financial statements

**TOWN OF HILLSBORO BEACH, FLORIDA  
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net change in fund balance - total governmental funds	\$ (2,899,617)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is eliminated and are capitalized and reported as capital assets in the statement of net position.	204,213
Certain revenues were unavailable for the fund financial statements in the prior fiscal year. In the current fiscal year, these revenues were recorded in the governmental fund financial statements.	(372,471)
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	3,621,979
Depreciation on capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(186,953)
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. The details of the differences are as follows:	
Pension expense	386,971
Change in compensated absence	(16,080)
Other Post Employment Benefit expense	14,069
Loss on the disposal of capital assets	(33,105)
Change in accrued interest	50,930
Change in net position of governmental activities	\$ 769,936

See notes to the financial statements

**TOWN OF HILLSBORO BEACH, FLORIDA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**SEPTEMBER 30, 2021**

	Enterprise Fund
	Water Utility
<b>ASSETS</b>	
Current assets:	
Cash	\$ 364,463
Investments	792,278
Accounts receivable, net	140,755
Prepaid expenses	974
Restricted investments	1,569,984
Total current assets	2,868,454
Capital assets:	
Buildings	2,037,360
Distribution system	11,740,489
Plant improvements	608,583
Infrastructure	102,068
Meters	410,776
Vehicles	104,552
Machinery and equipment	144,706
Less accumulated depreciation	(4,308,109)
Total capital assets, net	10,840,425
Total noncurrent assets	10,840,425
Total assets	13,708,879
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	30,633
OPEB	2,947
Total deferred outflows of resources	33,580
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	23,755
Accrued interest payable	27,601
Compensated absences	7,145
Current portion of loan payable	679,097
Total current liabilities	737,598
Noncurrent liabilities:	
Loan payable	8,333,968
Compensated absences	85,059
Net pension liability	60,233
Total Other Post Employment Benefit liability	10,033
Total noncurrent liabilities	8,489,293
Total liabilities	9,226,891
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	208,655
OPEB	13,615
Total deferred inflows of resources	222,270
<b>NET POSITION</b>	
Net investment in capital assets	1,827,360
Restricted for debt service	1,542,383
Unrestricted	923,555
Total net position	\$ 4,293,298

See notes to the financial statements



**TOWN OF HILLSBORO BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	Enterprise Fund <u>Water Utility</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,672,602
Total operating revenues	<u>1,672,602</u>
<b>OPERATING EXPENSES</b>	
Salaries and benefits	478,489
Operating	258,061
Repairs and maintenance	62,342
Depreciation and amortization	<u>473,655</u>
Total operating expense	<u>1,272,547</u>
Operating income	<u>400,055</u>
<b>NON OPERATING REVENUES (EXPENSES)</b>	
Interest revenue	11,901
Interest expense	(145,238)
Miscellaneous revenue	<u>112,566</u>
Total non operating revenue (expenses)	<u>(20,771)</u>
Income before transfers	379,284
Transfers out	<u>(50,000)</u>
Change in net position	329,284
Net position - beginning	<u>3,964,014</u>
Net position - ending	<u><u>\$ 4,293,298</u></u>

See notes to the financial statements

**TOWN OF HILLSBORO BEACH, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	Enterprise Fund
	Water Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,731,712
Payments to employees	(501,380)
Payments to suppliers of goods and services	(345,076)
Net cash provided (used) by operating activities	885,256
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Miscellaneous revenue	112,566
Transfer out	(50,000)
Net cash provided (used) by noncapital financing activities	62,566
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchases of capital assets	(8,103)
Principal paid	(665,067)
Interest paid	(146,378)
Net cash provided (used) by capital and related financing activities	(819,548)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earnings	11,901
Purchase of investments	(792,278)
Net cash provided (used) by investing activities	(780,377)
Net increase (decrease) in cash and cash equivalents	(652,103)
Cash and cash equivalents - October 1	1,016,566
Cash and cash equivalents - September 30	\$ 364,463
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 400,055
Adjustments to reconcile operating income (loss) to net cash provided (used) by Operating Activities:	
Depreciation and amortization	473,655
FRS/HIS pension expense	(31,883)
OPEB expense	(1,620)
(Increase) decrease in accounts receivable	59,110
Increase (decrease) in accounts payable	(24,673)
Increase (decrease) in compensated absences	10,612
Total adjustments	485,201
Net cash provided (used) by operating activities	\$ 885,256

See notes to the financial statements

**TOWN OF HILLSBORO BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

The Town of Hillsboro Beach, Florida (the “Town”) was incorporated in 1939, under the provisions of the State of Florida. The Town is governed by a Mayor, Vice Mayor, and Town Commission which appoints a Town Manager. The Town provides the following services to its residents: public safety, sanitation, road and street facilities, parks, planning and zoning, general administrative services, and water utility. The Town Commission, (Commission) is responsible for legislative and fiscal control of the Town.

The financial statements were prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the Town is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that, if excluded, the financial statements of the Town would be considered incomplete or misleading. There are no entities considered to be component units of the Town; therefore, the financial statements include only the operations of the Town.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

#### Property Taxes

Property taxes are ad valorem and levied each November 1 on property as of the previous January 1. The Broward County, Florida Tax Collector's Office bills and collects ad valorem taxes on behalf of the Town. The ad valorem tax rate for fiscal year ended September 30, 2021 was \$3.50 per \$1,000 of assessed taxable property value. Ad valorem taxes are due for payment on March 31 and become delinquent April 1. Tax certificates are sold to satisfy liens on delinquent assessments in July. Property taxes relating to the current budget and collected within 60 days after the year end of the budget period are recognized as revenue.

In the governmental fund, property taxes, assessments franchise fees, licenses and permits, 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. The portion of receivables due within the current fiscal period is considered to be susceptible to accrual as revenue for the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town. In the government-wide financial statements property taxes are recorded when assessed and levied.

#### Special Assessments and Assessments Receivable

Special assessments are non-ad valorem assessments on certain benefited property within the Town. Special assessments were levied over ten years to pay for the debt service related to the Beach Restoration Project at the time the debt was authorized. Assessments receivable recorded in the General Fund represent the balance of outstanding assessments levied by the Town to repay the outstanding debt. Assessments receivable are collected in annual installments together with assessments for interest and collection costs in amounts sufficient to meet the annual debt service requirements. The annual installments are due for payment on March 31 and become delinquent April 1. Tax certificates are sold to satisfy liens on delinquent assessments in July. Special assessments relating to the current budget and collected within 60 days after the year end of the budget period are recognized as revenue in the General fund.

The Town reports unavailable revenue in the fund financial statements in an amount equal to the assessments receivable since this revenue will be collected in future years. In the government-wide financial statements the assessment revenue is recognized at the time the assessments are levied.

The Town reports the following major governmental funds:

#### General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

#### Building Fund

This special revenue fund accounts for revenue and expenditures applicable to the building function. The revenues received are from the issuance of licenses and permits.

The Town also reports the following non-major governmental funds:

#### Law Enforcement Trust Fund

This special revenue fund accounts for revenue and expenditures related to federal forfeiture funds.

The Town reports the following major proprietary fund:

#### Water Fund

This enterprise fund is used to account for the operations of the water utility services within the Town. The costs of providing services to the residents are recovered primarily through user charges.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's various utility functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

### **Assets, Liabilities and Net Position or Equity**

#### Restricted Assets

These assets represent cash and investments set aside pursuant to debt covenants or other contractual restrictions.

#### Deposits and Investments

The Town considers cash on hand, demand deposits, and all other short-term investments that are highly liquid as cash equivalents. Highly liquid short-term investments are those readily convertible to a known amount of cash, and at the day of purchase, have a maturity date no longer than three months.

The Town has adopted a written investment policy, which complies with the requirements of Section 218.415 Florida Statutes. All investments comply with the requirements of the written investment policy. The Town may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act;
- b) U.S. Government Securities;
- c) Bonds, debentures, notes or callable issued or guaranteed by U.S. Government Agencies provided they are backed by the full faith and credit of the United States;
- d) Bonds, debentures, notes or callable issued or guaranteed by U.S. Government sponsored agencies;
- e) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- f) Interest bearing time deposits or savings accounts in qualified public depositories;
- g) Repurchase agreement;
- h) Commercial paper of any U.S. company that is rated, at the time of purchase, Prime-1 by Moody's and A-1 by Standard & Poor's. If commercial paper is backed by a letter of credit (LOC), the LOC must be rated A or better by at least two national rating agencies;
- i) Corporate notes that have a minimum rating, at the time of purchase, of Aa by Moody's and AA by Standard & Poor's;
- j) State or local government taxable or tax-exempt debt rated at least Aa by Moody's and AA by Standard & Poor's;
- k) Banker's acceptances issued by a domestic bank or a federally chartered domestic office of a foreign banks office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, "P- 1" by Moody's Investors Services and "A-1" Standard & Poor's.

In addition, surplus funds may be deposited into certificates of deposit which are insured.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position or Equity (Continued)**

Deposits and Investments (Continued)

The State Board of Administration’s (“SBA”) Local Government Surplus Funds Trust Fund (“Florida PRIME”) is a “2a-7 like” pool. A “2a-7 like” pool is an external investment pool that is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. The Town has reported its investment in Florida PRIME at amortized cost for financial reporting purposes.

The Town records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Receivables and Payables

During the course of operations, transactions occur between individual funds. Any residual balances outstanding between governmental activities and business-type activities for internal borrowing are reported in the government-wide financial statements as “internal balances”.

Accounts and property tax receivables are shown net of an allowance for uncollectible balances. These receivables will be recognized as revenue if they are collected within 60 days of the year end, otherwise they will be deferred at the fund level.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of one year and a cost greater than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

	<u>Assets</u>	<u>Years</u>
Buildings		10-50
Distribution system, plant improvements, and infrastructure		3-30
Meters, Vehicles, Machinery and equipment		3-10
Improvements other than buildings		5-10

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### Capital Assets (Continued)

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

#### Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

#### Compensated Absences

Sick and vacation time is granted to employees of the Town for use of vacation, illness or other personal business. Accumulated unpaid personal time off is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. A liability for accrued compensated absences of the governmental activities that have not matured is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations. Payments are generally paid out of the general fund.

#### Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Premiums and discounts are deferred and amortized ratably over the life of the loan. Long-term obligations are reported net of applicable premiums or discounts. Issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

#### Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The Town can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Town Commission. Commitments may be changed or lifted only by the Town Commission taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### Fund Equity/Net Position (Continued)

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Town Commission may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The Town first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the Town's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

### **Other Disclosures**

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## **NOTE 3 – BUDGETARY INFORMATION**

The Town is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

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

- a) Each year the Town Manager submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the Town Commission.
- d) All budget changes must be approved by the Town Commission.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

## **NOTE 4 – DEPOSITS AND INVESTMENTS**

### **Deposits**

The Town's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.



## NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

### Investments

The Town's investments were held as follows at September 30, 2021:

Investment	Amortized cost	Fair Value	Level	Credit Rating	Maturities
Corporate Bonds	\$ -	\$ 285,696	2	BAA2- to AA1	3/3/2022 - 8/12/2023
Municipal Bonds	-	1,202,006	2	A1 to AA+	10/18/22 - 7/1/2025
US Treasuries	-	300,156	2	Not rated	1/31/2022
Federal National Mortgage Association	-	192,957	2	AAA	10/29/2025-10/29/2026
Federal Home Loan Mortgage Corp	-	262,319	2	AAA	5/27/2025 - 10/29/2025
Federal Home Loan Bank	-	769,426	2	AAA, WR	12/9/2022 - 8/17/2026
Federal Farm Credit Bank	-	248,465	2	AAA	8/12/2025
					Weighted average
Florida Prime	431,291	-		AAA m	maturities: 49 days
Total Investments	<u>\$ 431,291</u>	<u>\$ 3,261,025</u>			

*Custodial credit risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Town has no formal policy for custodial risk.

The Town's investments are held by a third party custodian and held in the Town's name.

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

*Concentration risk* – The Town's policy limits the amount the Town may invest in any one issuer for certain investments types.

*Interest rate risk* – The Town's policy limits investment maturities by investment type as a means of managing exposure to fair value losses arising from increasing interest rates.

*Fair Value Measurement* – When applicable, the Town measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the Town has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

*Fixed income* – Some of the underlying securities have observable level 1 quoted pricing inputs. However, while the underlying asset values may be based on quoted market prices, the net asset value of the portfolios is not publicly quoted. Additionally, some of the underlying securities employ matrix pricing. Accordingly, these investments have been reported as level 2.

## NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

### Investments (Continued)

For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes.

*External Investment Pool* – With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.” With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

## NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2021 were as follows:

Fund	Transfers in	Transfers out
General	\$ 50,000	\$ 56,431
Building	56,431	-
Water	-	50,000
Total	<u>\$ 106,431</u>	<u>\$ 106,431</u>

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the case of the Town, transfers from the enterprise fund to the general fund were in accordance with the current fiscal year budget. Transfers from the general fund to the building fund were to finance a deficit in the planning and zoning department.

## NOTE 6 – RECEIVABLES

Receivables at September 30, 2021 are as follows:

	General	Building	Water	Total
State of Florida	\$ 20,216	\$ -	\$ -	\$ 20,216
Franchise fee	69,381	-	-	69,381
Broward County	20,903	-	-	20,903
Intergovernmental	8,641	-	-	8,641
Other receivables	27,015	22,816	22,311	72,142
Customer accounts receivable	-	-	166,369	166,369
Gross receivables	146,156	22,816	188,680	357,652
Less: Allowance for uncollectible accounts	(26,072)	-	(47,925)	(73,997)
Receivables, net	<u>\$ 120,084</u>	<u>\$ 22,816</u>	<u>\$ 140,755</u>	<u>\$ 283,655</u>

## NOTE 7 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
CIP	-	27,457	-	27,457
Total capital assets, not being depreciated	30,000	27,457	-	57,457
Capital assets, being depreciated				
Buildings	1,900,254	-	-	1,900,254
Machinery and equipment	1,155,779	173,914	(85,989)	1,243,704
Improvements other than buildings	178,707	2,842	(3,303)	178,246
Total capital assets, being depreciated	3,234,740	176,756	(89,292)	3,322,204
Less accumulated depreciation for:				
Buildings	763,067	36,986	-	800,053
Machinery and equipment	884,662	146,661	(52,884)	978,439
Improvements other than buildings	163,613	3,306	(3,303)	163,616
Total accumulated depreciation	1,811,342	186,953	(56,187)	1,942,108
Total capital assets, being depreciated, net	1,423,398	(10,197)	(33,105)	1,380,096
Governmental activities capital assets, net	\$ 1,453,398	\$ 17,260	\$ (33,105)	\$ 1,437,553

Depreciation expense was charged to the following function/programs as follows:

General government	\$ 29,912
Public safety	157,041
	<u>\$ 186,953</u>

Capital asset activity for the business-type activities for the fiscal year ended September 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business-type Activities</u>				
Capital assets, being depreciated				
Buildings	\$ 2,037,360	\$ -	\$ -	\$ 2,037,360
Distribution system	11,740,489	-	-	11,740,489
Plant improvements	608,583	-	-	608,583
Infrastructure	102,068	-	-	102,068
Meters	409,486	1,290	-	410,776
Vehicles	104,552	-	-	104,552
Machinery and equipment	140,393	6,813	2,500	144,706
Total capital assets, being depreciated	15,142,931	8,103	2,500	15,148,534
Less accumulated depreciation for:				
Buildings	821,497	93,624	-	915,121
Distribution system, plant improvements, and infrastructure	2,319,658	338,049	-	2,657,707
Meters, Vehicles, Machinery & Equipment	695,799	41,982	2,500	735,281
Total accumulated depreciation	3,836,954	473,655	2,500	4,308,109
Total capital assets, being depreciated, net	11,305,977	(465,552)	-	10,840,425
Business-type activities capital assets, net	\$ 11,305,977	\$ (465,552)	\$ -	\$ 10,840,425

## NOTE 8 – LONG-TERM LIABILITIES

Changes in long-term liability activity for the fiscal year ended September 30, 2021 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in less than one year
<u>Governmental activities</u>					
Direct borrowing;					
2020 Beach renourishment note	\$ 3,621,979	\$ -	\$ (3,621,979)	\$ -	\$ -
Compensated absences	372,268	209,036	(181,452)	399,852	35,329
	<u>\$ 3,994,247</u>	<u>\$ 209,036</u>	<u>\$ (3,803,431)</u>	<u>\$ 399,852</u>	<u>\$ 35,329</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due in less than one year
<u>Business-type activities</u>					
Direct borrowing;					
Water plant loan ("SRF") - DW062600	\$ 3,386,594	\$ -	\$ (323,989)	\$ 3,062,605	\$ 331,973
Water plant loan ("SRF") - DW062610	6,291,538	-	(341,078)	5,950,460	347,124
Compensated absences	81,592	37,175	(26,563)	92,204	7,145
	<u>\$ 9,759,724</u>	<u>\$ 37,175</u>	<u>\$ (691,630)</u>	<u>\$ 9,105,269</u>	<u>\$ 686,242</u>

### **2020 Beach Renourishment Promissory Note**

On March 26, 2020, the Town entered into a promissory note agreement with a bank for a principal amount of up to \$5,000,000 with advances under the loan through March 31, 2021. The loan bears an interest rate of 2.96% through April 1, 2021 and 3.04% thereafter. The Town shall pay the Lender the accrued interest in arrears commencing on October 1, 2020 and on each April 1 and October 1 thereafter. The Town will pay the Lender principal and interest in equal combined installments beginning on April 1, 2021, and on each April 1 and October 1 thereafter and ending on April 1, 2026 (the "Repayment Period"). Each installment shall be in an amount sufficient to fully amortize the principal balance determined as of the close of business on March 31, 2021, plus the accrued interest thereon, over the Repayment Period. On April 1, 2026 the Town shall pay the Lender the entire unpaid principal balance, together with all accrued and unpaid interest. The purpose of the debt is to provide capital expenditures related to the renourishment to the beachfront areas of the Town. The loan is secured by the pledged revenues received by the Town from the imposition and collection of the non-ad valorem special assessments. The loan was repaid in full on October 2, 2020 for a principal amount of \$3,621,979 and accrued interest of \$50,930.

### **Water Plant Loan Agreement "SRF" – DW062600**

In fiscal year 2012, the Town entered into a state revolving funds loan with the Florida Department of Environmental Protection to provide financing for the water plant construction. The loan is a pass through federal grant from the Environmental Protection Agency. The disburseable funds under the loan were originally \$5,532,317. Interest payable on the original funding amount is 2.42% per annum. The amount of disburseable funds was increased in fiscal year 2013 by \$638,099. During the year fiscal year ended September 30, 2014, the Town received an additional loan disbursement in the amount of \$2,233,322. During the year fiscal year ended September 30, 2016, the Town received an additional disbursement of \$21,800. Interest payable on the additional funding amount is 2% per annum. Loan payments are due beginning on March 15, 2014 and semiannually thereafter on September 15 and March 15 of each year until all amounts due have been fully paid. Each semiannual loan payment shall be in the amount of \$201,998 until the agreement is amended for the final loan amount. The loan is secured by the pledged revenues of the water fund which are defined as the gross revenues minus the operating expenses and the satisfaction of all yearly payment obligations on account of any senior obligations. The Town is also subject to certain covenants and is mandated to establish water rates going forward so that each fiscal year they will provide pledged revenues which are at least 115% of the principal and interest coming due on the note in such fiscal year. As of September 30, 2021, the Town owes \$3,062,605 on this loan.

**NOTE 8 – LONG-TERM LIABILITIES (Continued)****Water Plant Loan Agreement “SRF” – DW062600 (Continued)**

At September 30, 2021, the scheduled debt service requirements on water plant loan “SRF” – DW062600 were as follows:

	Principal	Interest	Total
2022	\$ 331,973	\$ 72,023	\$ 403,996
2023	340,056	63,940	403,996
2024	348,335	55,661	403,996
2025	356,817	47,180	403,997
2026	365,503	38,493	403,996
2027-2030	1,319,921	63,214	1,383,135
<b>Total</b>	<b>\$ 3,062,605</b>	<b>\$ 340,511</b>	<b>\$ 3,403,116</b>

**Water Main Project Loan Agreement “SRF” – DW062610**

In March 2017, the Town entered into a state revolving funds loan with the Florida Department of Environmental Protection to provide financing for the water transmission and distribution construction. The loan is a pass through federal grant from the Environmental Protection Agency. The estimated principal available under the loan is \$6,672,209, which consists of \$6,649,709 to be disbursed and \$22,500 of capitalized interest. Interest payable on the original funding amount is 1.08% per annum. The loan is payable in 40 semiannual payments that was scheduled to begin on May 15, 2018, and semiannually thereafter on November 15 and May 15 of each year until all amounts due have been fully paid. The loan was amended in February 2018 to extend the due date to the first semiannual payment to May 15, 2019. Each semiannual loan payment was in the amount of \$189,665 until the payment amount is adjusted by amendment. In May 2020, the State approved a second amendment to the loan providing for additional financing of \$456,299, excluding capitalized interest. An interest rate of 1.18% is established for the additional financing amount awarded in amendment. Under the amendment, the estimated principal amount of the loan was revised to \$7,164,608, inclusive of \$58,600 in capitalized interest.

The semi-annual loan payments was revised to \$203,725 commencing on November 15, 2019. Through the year fiscal year ended September 30, 2021, the Town received total loan disbursements in the amount of \$6,753,601. The loan is secured by the pledged revenues of the water fund which are defined as the gross revenues minus the operating expenses and the satisfaction of all yearly payment obligations on account of any senior obligations. The Town is also subjected to certain covenants and is mandated to establish water rates going forward so that each fiscal year they will provide pledged revenues which are at least 115% of the principal and interest coming due on the note in such fiscal year. As of September 30, 2021, the Town owes \$5,950,460, including capitalized interest.

At September 30, 2021, the scheduled debt service requirements on water plant loan “SRF” – DW062610 were as follows:

	Principal	Interest	Total
2022	\$ 347,124	\$ 63,773	\$ 410,897
2023	351,026	59,871	410,897
2024	354,715	56,182	410,897
2025	358,519	52,378	410,897
2026	362,364	48,533	410,897
2027-2031	1,870,970	203,375	2,074,345
2032-2036	1,973,539	101,904	2,075,443
2037	332,203	11,077	343,280
	<b>\$ 5,950,460</b>	<b>\$ 597,093</b>	<b>\$ 6,547,553</b>

**NOTE 9 – FLORIDA RETIREMENT SYSTEM (FRS)****General Information about the FRS**

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree

## **NOTE 9 – FLORIDA RETIREMENT SYSTEM (FRS) (Continued)**

### **General Information about the FRS (Continued)**

Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

All regular employees of the Town are eligible to enroll as members of the FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The Town's pension expense totaled \$34,103 for the fiscal year ended September 30, 2021.

### **FRS Pension Plan**

Plan Description – The FRS Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The classes of membership within the Town are as follows:

- Regular Class – Member of the FRS who do not qualify for membership in another class.
- Senior Management Service Class – Members in senior management level positions.
- Special Risk – Members of the FRS who are police officers.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided – Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation (AFC). For members initially enrolled before July 1, 2011, the AFC is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the AFC is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

**NOTE 9 – FLORIDA RETIREMENT SYSTEM (FRS) (Continued)**

**FRS Pension Plan (Continued)**

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 years of service	1.68
<b>Special Risk Class</b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
<b>Senior Management Service Class</b>	2.00

Per Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2021 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>		<u>Percent of Gross Salary</u>	
	<u>October 1, 2020 to June 30, 2021</u>		<u>July 1, 2021 to September 30, 2021</u>	
	<u>Employee</u>	<u>Employer (1)</u>	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.00	3.00	10.82
FRS, Special Risk	3.00	24.45	3.00	25.89
FRS, Senior Management	3.00	27.29	3.00	29.01

(1) Employer rates include a postemployment HIS contribution rate of 1.66%. Also, employer rates include .06% for administrative costs of the Investment plan.

The Town’s contributions to the Plan totaled \$380,866 for the fiscal year ended September 30, 2021. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the Town reported a liability of \$788,633 for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The Town’s proportionate share of the net pension liability was based on the Town’s contributions for the year ended June 30, 2021 relative to the contributions made during the year ended June 30, 2020 of all participating members. At June 30, 2020, the Town’s proportionate share was .0104%, a decrease of .0004 from its proportionate share measured as of June 30, 2020. For the fiscal year ended September 30, 2021, the Town recognized pension expense of (\$31,617) related to the FRS Pension Plan. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NOTE 9 – FLORIDA RETIREMENT SYSTEM (FRS) (Continued)**

**FRS Pension Plan (Continued)**

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 135,173	\$ -
Change of assumptions	539,622	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(2,751,341)
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	91,776	(337,839)
Town FRS contributions subsequent to the measurement date	115,467	-
Total	<u>\$ 882,038</u>	<u>\$ (3,089,180)</u>

The deferred outflows of resources related to pensions, totaling \$115,467, resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2022	\$ (408,443)
2023	(478,751)
2024	(629,444)
2025	(796,098)
2026	(9,873)
<b>Total</b>	<u>\$ (2,322,609)</u>

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

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Discount rate	6.8%

Mortality rates were based on the PUB-2010 base table varied by member category and sex, projected generationally with Scale MP-2018.

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

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



**NOTE 9 – FLORIDA RETIREMENT SYSTEM (FRS) (Continued)**

**FRS Pension Plan (Continued)**

<u>Asset Class</u>	<b>Target</b>			
	<b>Allocation</b> <b>(1)</b>	<b>Arithmetic</b> <b>Return</b>	<b>(Geometric)</b> <b>Return</b>	<b>Standard</b> <b>Deviation</b>
Cash	1.0%	2.1%	2.1%	1.1%
Fixed income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real estate (property)	10.3%	7.1%	6.2%	13.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
<b>Total</b>	<b>100.0%</b>			
Assumed inflation - mean			2.4%	1.2%

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

Discount Rate – The discount rate used to measure the total pension liability was 6.8 percent. 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.

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.8%, 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 1-percentage-point lower (5.8%) or 1-percentage-point higher (7.8%) than the current rate:

	<b>1%</b> <b>Decrease</b> <b>(5.8%)</b>	<b>Current</b> <b>Discount Rate</b> <b>(6.8%)</b>	<b>1%</b> <b>Increase</b> <b>(7.8%)</b>
Town's proportionate share of net pension liability	\$ 3,526,818	\$ 788,633	\$ (1,500,183)

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

Payables to the Plan – At September 30, 2021, the Town reported a payable of \$53,297 to the plan.

**HIS Pension Plan**

Plan Description – The HIS Pension Plan (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 Division of Retirement within the Florida Department of Management Services.

Benefits Provided – For the fiscal year ended September 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**NOTE 9 – FLORIDA RETIREMENT SYSTEM (FRS) (Continued)**

**HIS Pension Plan**

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2021, the contribution rate was 1.66% of payroll from October 1, 2020 through September 30, 2021 pursuant to section 112.363, Florida Statutes. The Town contributed 100 percent 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 the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Town’s contributions to the HIS Plan totaled \$33,741 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the Town reported a net pension liability of \$812,233 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Town’s proportionate share of the net pension liability was based on the year ended June 30, 2021 contributions relative to the year ended June 30, 2020 contributions of all participating members. At June 30, 2021, the Town’s proportionate share was .0066%, a decrease of .0002% compared to its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the Town recognized pension expense of \$65,720 related to the HIS Plan. 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	\$ 27,179	\$ (340)
Change of assumptions	63,823	(33,466)
Net difference between projected and actual earnings on HIS plan investments	847	-
Changes in proportion and differences between Town HIS contributions and proportionate share of HIS contributions	72,489	(39,693)
Town HIS contributions subsequent to the measurement date	10,701	-
Total	<u>\$ 175,039</u>	<u>\$ (73,499)</u>

The deferred outflows of resources related to pensions, totaling \$10,701, 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 ending September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2022	23,831
2023	14,675
2024	20,820
2025	18,674
2026	9,948
Thereafter	2,891
<b>Total</b>	<u><u>\$ 90,839</u></u>

**NOTE 9 – FLORIDA RETIREMENT SYSTEM (FRS) (Continued)**

**HIS Pension Plan (Continued)**

Actuarial Assumptions – The total pension liability in the July 1, 2020, 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
Discount rate	2.16%

Mortality rates were based on the on the PUB-2010 base table which varies by member category and sex, projected generationally with Scale MP-2018. The July 1, 2020, HIS valuation is the most recent actuarial valuation and was used to develop the liabilities for the June 30, 2021, financial reporting exhibits. The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate – The discount rate used to measure the total pension liability was 2.16%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 2.16%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Town’s proportionate share of net pension liability	\$ 939,017	\$ 812,233	\$ 708,359

Pension Plan Fiduciary Net Position – Detailed information about the HIS Plan’s fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Plan – At September 30, 2021, the Town reported payables to the plan of \$4,662.

**FRS – Defined Contribution Pension Plan**

The Town contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA’s annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member’s account upon retirement.

**NOTE 9 – FLORIDA RETIREMENT SYSTEM (FRS) (Continued)**

**FRS – Defined Contribution Pension Plan (Continued)**

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 Local Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member's accounts during the 2021 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30%
FRS, Special Risk	14.00%
FRS, Senior Management Class	7.67%

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 FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS 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. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% from and by forfeited benefits of Investment Plan members.

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 FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Town's Investment Plan pension expense totaled \$51,434 for the fiscal year ended September 30, 2021.

At September 30, 2021, the Town reported payables to the Investment Plan of \$7,250.

**NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

Pursuant to Section 112.0801, Florida Statutes, the Town is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. A "retiree" is defined under Section 112.0801 as any officer or employee who retires under a state retirement system or a state optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. Retirees pay 100% of the blended (active and retiree combined) equivalent premium rates. The blended rates provided an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The plan is a single employer plan. The Town currently provides a stipend of \$125 to 2 retirees towards the costs of their healthcare. This stipend will cease if the former employees become re-employed again. The plan has no assets accumulated in a GASB-compliant trust.

**NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

The plan does not issue separate financial statements.

At September 30, 2021, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving benefits	-
Active employees	<u>27</u>
	<u>29</u>

**Changes in Total OPEB Liability**

Sources of changes in the total OPEB liability were as follows:

	<b>Total OPEB Liability</b>
Beginning balance	\$ 208,305
Changes due to:	
Service cost	19,235
Expected interest growth	5,295
Demographic experience	(2,578)
Employer contributions	
Assumption changes	15,398
Benefit payments and refunds	(19,374)
Ending balance	<u>\$ 226,281</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2021, the Town recognized OPEB expense of (\$3,685). In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Balance at September 30, 2020	\$ 18,213	\$ 159,599
Amortization payments	(4,544)	(25,389)
Change of assumptions	15,398	-
Demographic gain /loss	-	2,578
Balance at September 30, 2021	<u>\$ 29,067</u>	<u>\$ 136,788</u>

## NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2022	\$ 20,845
2023	20,845
2024	20,845
2025	20,845
2026	20,845
Thereafter	3,496
Total	<u>\$ 107,721</u>

### Actuarial Assumptions

Significant actuarial assumptions used to calculate the total OPEB liability were as follows:

Measurement date	September 30, 2021
Actuarial valuation date	October 1, 2020

Actuarial assumptions:

Investment rate of return	2.43% per year; this rate was used to discount all future benefit payments and is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.
Salary increases	3% per year
Cost-of-living increases	Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates
Healthcare cost trend rates	Increases in healthcare costs are assumed to be 8% for the 2021 fiscal year graded down by 0.50% per year to 5.00% for the 2027 and later fiscal years.
Age-related morbidity	Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.
Implied subsidy	Because the insurance carrier charges the same monthly rate for health insurance regardless of age, an implied monthly subsidy of \$525.00 per individual has been assumed at age 62 for the 2021 fiscal year; at other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates. The implied subsidy is assumed to disappear at age 65.
Mortality basis	Sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general and public safety employees, with full generational improvements in mortality using Scale MP-2020.
Retirement	For general employees, retirement is assumed to occur at age 62 with six years of service or at any age with 30 years of service; for police officers, retirement is assumed to occur at age 52 with six years of service or at any age with 25 years of service.
Other decrements	Assumed employment termination is based on the Scale 155 table; assumed disability is based on the Wyatt 1985 Disability Study (Class 4 rates were used for police officers and Class 1 rates were used for general employees).
Coverage election	25% of eligible employees are assumed to elect single medical coverage upon retirement or disability.
Changes:	Since the prior measurement date, the discount rate was increased from 2.14% per annum to 2.43% per annum; the healthcare cost trend rates were increased from 6.5% for the 2021 fiscal year graded down to 5% thereafter to 8% for the 2021 fiscal year graded down to 5% thereafter; the implied monthly subsidy at age 62 for fiscal year 2021 was increased from \$508.25 to \$525; and the mortality improvement scale was updated from Scale MP-2017 to MP-2020.

**NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

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

<b>1% Decrease (1.43%)</b>	<b>Current Discount Rate (2.43%)</b>	<b>1% Increase (3.43%)</b>
\$ 249,992	\$ 226,281	\$ 205,591

**Sensitivity of the Total OPEB Liability Using Alternative Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7% decreasing to 4%) or 1-percentage-point higher (9% decreasing to 6%) than the current healthcare cost trend rates:

<b>1% Decrease (7% decreasing to 4%)</b>	<b>Healthcare Cost Trend Rates (8% Graded Down to 5%)</b>	<b>1% Increase (9% decreasing to 6%)</b>
\$ 200,002	\$ 226,281	\$ 257,725

**NOTE 11 – COMMITMENTS**

**Interlocal Agreements**

On January 10, 2012, the Town entered into an interlocal agreement with the City of Deerfield Beach, Florida to furnish emergency medical and fire protection services. The agreement had an annual base fee of \$592,540 to be adjusted annually to offset increased costs based upon further changes to the fees paid to Broward Sheriff’s Office (BSO) by the City of Deerfield Beach pursuant to the BSO contract. In the current fiscal year, the fee was adjusted and the fee paid to the City of Deerfield Beach under this agreement was \$833,021.

**NOTE 12 – LITIGATION AND CONTINGENCIES**

There are erosion problems on Town’s beaches caused by groins installed by the City of Deerfield Beach, Florida (“Deerfield Beach”). Certain permits state that if the groins have an adverse impact on the Town it is Deerfield Beach’s responsibility to take corrective action. After attempts to negotiate an interlocal agreement with Deerfield Beach failed, the Town took legal action under Chapter 164 of the Florida Statute against the City of Deerfield Beach, Florida to honor the permit conditions regarding the groins. In October 2020, the Town entered a settlement agreement with Deerfield Beach, whereby the parties agree to jointly manage their combined shoreline. Under the agreement, the parties agree to jointly perform and manage renourishment projects every five years during the term of the agreement, with the first project anticipated between 2021 and 2023. The parties agree to use best efforts to minimize cost by using the least expense source of beach compatible sand and maximizing third party funding. Third party funding will be applied first to soft costs then to sand costs, except as limited by FEMA projects. The parties agree to pay their own net sand costs based on the percentage of sand placed on each party’s respective profile. Net soft costs will be divided evenly. If the net cost of any renourishment project after deducting third party funding exceeds \$3 million for either party as adjusted by the Construction CPI for the Southeast Florida Region, the project shall not move forward, unless the greater expenditure is agreed to by the affected party. If the parties are unable to obtain third party funding to cover at least 50% of the total cost of the renourishment project in the first two years, project will not proceed unless the parties agree in writing. If the parties are unable to obtain third party funding to cover at least 50% of the total cost of the renourishment project in year three, project will proceed subject to the monetary cap. In addition, the parties agree to jointly conduct and pay for semi-annual beach monitoring in May and November to be treated as a soft costs. Furthermore, the Town shall file a voluntary dismissal of the litigation with prejudice resolving all claims. Each party will pay their own litigation

## **NOTE 12 – LITIGATION AND CONTINGENCIES (Continued)**

expenses. The agreement is effective for 30 years from the execution of the first renourishment project contract and may be renewed by mutual agreement for up to four additional five year periods. The financial statements have not been adjusted in relation to this matter.

## **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. The Town has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims did not exceed insurance coverage during the past three years.

## **NOTE 14 – SUBSEQUENT EVENTS**

### **Reedy Creek Improvement District Investment**

In April 2022, the Florida Governor signed Senate Bill 4C. The bill provides for the dissolution of any independent special district established by a special act prior to the ratification of the Florida Constitution on November 5, 1968, which has not been reestablished, re-ratified, or otherwise reconstituted by special act or general law after such date. The Bill appears to affect the Reedy Creek Improvement District and would result in its dissolution effective July 1, 2022. At September 30, 2021, the Town held \$154,105 in investment in Bonds issued by the Reedy Creek Improvement District. The ultimate effects of Senate Bill 4C on the value of this investment cannot be determined. The financial statements have not been adjusted related to this matter.



**TOWN OF HILLSBORO BEACH, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 4,884,842	\$ 4,884,842	\$ 4,885,850	\$ 1,008
Licenses and permits	1,900	1,900	2,107	207
Utility and franchise fees	260,000	260,000	236,050	(23,950)
Intergovernmental	185,607	185,607	253,690	68,083
Grant revenue	171,736	613,325	557,604	(55,721)
Interest	33,000	33,000	31,340	(1,660)
Miscellaneous	55,550	77,951	174,445	96,494
Total revenues	5,592,635	6,056,625	6,141,086	84,461
<b>EXPENDITURES</b>				
Current:				
General government	748,830	748,880	847,604	(98,724)
Public safety	3,815,815	3,818,663	3,825,173	(6,510)
Physical environment	709,679	709,679	222,415	487,264
Transportation	117,872	117,872	71,602	46,270
Beaches	587,000	587,000	193,607	393,393
Debt service:				
Principal payment	333,628	3,621,979	3,621,979	-
Interest expense	54,324	50,930	50,930	-
Capital outlay	218,000	306,671	144,797	161,874
Total expenditures	6,585,148	9,961,674	8,978,107	983,567
Excess (deficiency) of revenues over (under) expenditures	(992,513)	(3,905,049)	(2,837,021)	1,068,028
<b>OTHER FINANCING SOURCES</b>				
Use of fund balance reserves	981,013	3,893,549	-	(3,893,549)
Transfers in (out)	11,500	11,500	(6,431)	(17,931)
Total other financing sources	992,513	3,905,049	(6,431)	(3,911,480)
Net change in fund balance	\$ -	\$ -	(2,843,452)	\$(2,843,452)
Fund balance - beginning			6,273,545	
Fund balance - ending			\$ 3,430,093	

See notes to required supplementary information

**TOWN OF HILLSBORO BEACH, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL – BUILDING FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and permits	\$ 261,500	\$ 545,600	\$ 540,233	\$ (5,367)
Total revenues	261,500	545,600	540,233	(5,367)
<b>EXPENDITURES</b>				
Current:				
Building and engineering	300,000	584,100	544,737	39,363
Total expenditures	300,000	584,100	544,737	39,363
Excess (deficiency) of revenues over (under) expenditures	(38,500)	(38,500)	(4,504)	33,996
<b>OTHER FINANCING SOURCES</b>				
Use of fund balance reserves	-	-	-	-
Transfers in (out)	38,500	38,500	56,431	17,931
Total other financing sources	38,500	38,500	56,431	17,931
Net change in fund balance	\$ -	\$ -	51,927	\$ 51,927
Fund balance - beginning			-	
Fund balance - ending			\$ 51,927	

See notes to required supplementary information

**TOWN OF HILLSBORO BEACH, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The Town is required to establish a budgetary system and an approved Annual Budget for the general fund. The Town's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Commission. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Town Commission. The general fund budget for the fiscal year ended September 30, 2021 was amended to increase revenues by \$463,990, appropriations by \$3,376,526, and use of fund balance by \$2,912,536. The building fund budget for the fiscal year ended September 30, 2021 was amended to increase revenues and appropriations by \$284,100. Actual general fund and building fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2021.

**TOWN OF HILLSBORO BEACH  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS**

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Beginning balance	\$ 208,305	\$ 204,056	\$ 393,873	\$ 393,056
Service cost	19,235	17,700	12,167	16,623
Expected interest growth	5,295	4,483	14,141	14,368
Demographic experience	(2,578)	(14,100)	(122,756)	-
Assumption changes	15,398	20,815	(71,108)	-
Benefit payments and refunds	(19,374)	(24,649)	(22,261)	(30,174)
Ending balance	<u>\$ 226,281</u>	<u>\$ 208,305</u>	<u>\$ 204,056</u>	<u>\$ 393,873</u>
Covered payroll	\$ 2,168,341	\$ 2,014,454	\$ 1,925,230	\$ 1,836,995
Total OPEB liability as a percentage of covered payroll	10.44%	10.34%	10.60%	21.44%

Note: The amortization period for demographic experience and assumption changes was 8.32 years for the 2018/19 fiscal year, 8 years for the 2019/20 fiscal year, and 7.93 years for the 2020/21 fiscal year.

There are no assets in a trust compliant with GASB codification P22.101 or P52.101.

**TOWN OF HILLSBORO BEACH  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF  
NET PENSION LIABILITY  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

**Schedule of the Town's Proportionate Share of the Net Pension Liability -  
Florida Retirement System Pension Plan  
Last 10 Years (1) (2)**

	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the FRS net pension liability	0.01044012%	0.01081410%	0.01224790%	0.01192774%	0.01122648%	0.01117190%	1.01757100%
Town's proportionate share of the FRS net pension liability	\$ 788,633	\$ 4,217,889	\$ 4,218,005	\$ 3,592,698	\$ 3,320,718	\$ 2,820,914	\$ 1,314,330
Town's covered payroll	\$ 2,029,639	\$ 1,931,731	\$ 2,064,137	\$ 2,104,345	\$ 1,909,272	\$ 1,728,913	\$ 1,687,914
Town's proportionate share of the FRS net pension liability as a percentage of its covered payroll	38.86%	218.35%	204.35%	170.73%	173.93%	163.16%	77.87%
FRS plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

**Schedule of the Town's Proportionate Share of the Net Pension Liability -  
Health Insurance Subsidy Pension Plan  
Last 10 Years (1) (2)**

	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the HIS net pension liability	0.006621551%	0.006303805%	0.006772302%	0.006442838%	0.005941005%	0.005964028%	0.006147330%
Town's proportionate share of the HIS net pension liability	\$ 812,233	\$ 769,684	\$ 757,753	\$ 681,917	\$ 635,240	\$ 695,083	\$ 626,931
Town's covered payroll	\$ 2,029,639	\$ 1,931,731	\$ 2,064,137	\$ 2,104,345	\$ 1,909,272	\$ 1,728,913	\$ 1,687,914
Town's proportionate share of the HIS net pension liability as a percentage of its covered payroll	40.02%	39.84%	36.71%	32.41%	33.27%	40.20%	37.14%
HIS plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

(1) The amounts presented for each year were determined as of the measurement date, June 30.  
(2) Information is only available for the years presented.

**TOWN OF HILLSBORO BEACH  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

**Schedule of the Town Contributions -  
Florida Retirement System Pension Plan  
Last 10 Fiscal Years (1) (2)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required FRS contribution	\$ 380,866	\$ 386,616	\$ 358,900	\$ 354,171	\$ 288,224	\$ 260,082	\$ 248,093
FRS contributions in relation to the contractually required contribution	(380,866)	(386,616)	(358,900)	(354,171)	(288,224)	(260,082)	(248,093)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 2,032,604	\$ 2,142,438	\$ 2,005,228	\$ 2,092,174	\$ 1,906,430	\$ 1,664,196	\$ 1,720,063
FRS contributions as a percentage of covered payroll	18.74%	18.05%	17.90%	16.93%	15.12%	15.63%	14.42%

**Schedule of the Town Contributions -  
Health Insurance Subsidy Pension Plan  
Last 10 Fiscal Years (1) (2)**

	2021	2020	2019	2018	2017	2016	2015
Contractually required HIS contribution	\$ 33,741	\$ 35,564	\$ 33,287	\$ 34,730	\$ 31,647	\$ 27,626	\$ 23,499
HIS contributions in relation to the contractually required contribution	(33,741)	(35,564)	(33,287)	(34,730)	(31,647)	(27,626)	(23,499)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 2,032,604	\$ 2,142,438	\$ 2,005,228	\$ 2,092,174	\$ 1,906,430	\$ 1,664,196	\$ 1,720,063
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.37%

(1) The amounts presented for each fiscal year were determined as of September 30.

(2) Information is only available for the years presented.



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

To the Town Commission  
Town of Hillsboro Beach, 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, business type activities, each major fund, and the aggregate remaining fund information of the Town of Hillsboro Beach, Florida ("Town") as of and for the fiscal year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our opinion thereon dated June 30, 2022.

**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 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.

*Bhav & Associates*

June 30, 2022





**Grau & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Town Commission  
Town of Hillsboro Beach, Florida

We have examined the Town of Hillsboro Beach, Florida's ("Town") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2021. Management is responsible for Town's compliance with those requirements. Our responsibility is to express an opinion on 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence 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, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2021.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Town Commission of the Town of Hillsboro Beach, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

June 30, 2022



**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Town Commission  
Town of Hillsboro Beach, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Town of Hillsboro Beach, Florida ("Town") as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 30, 2022.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the 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 the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor'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, which are dated June 30, 2022, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the Town, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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

We wish to thank the Town of Hillsboro Beach, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

*Grau & Associates*

June 30, 2022

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND CURRENT YEAR STATUS

#### 2019-01 Internal Control Over Permits:

Current Status: Matter has been resolved.

### III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2020, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2021.

3. 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 which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2021.

4. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.

5. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2021. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.