

**TOWN OF HILLSBORO BEACH, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020**

**TOWN OF HILLSBORO BEACH, FLORIDA
TABLE OF CONTENTS**

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Fund	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	13
Statement of Net Position – Proprietary Fund	14
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	15
Statement of Cash Flows – Proprietary Fund	16
Notes to the Financial Statements	17-38
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	39
Notes to Required Supplementary Information	40
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios	41
Schedule of Proportionate Share of Net Pension Liability – Pension	42
Schedule of Pension Contributions	43
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 <i>GOVERNMENT AUDITING STANDARDS</i>	44-45
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	46
MANAGEMENT LETTER PURSUANT TO THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	47-49

TABLE OF CONTENTS (CONTINUED)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AWARD AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	50-51
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	52
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	53
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS	54



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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, 2020, 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, 2020, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards projects is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, 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 29, 2021

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, 2020. 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, 2020, resulting in a net position balance of \$4,173,943.
- The Town's net position decreased by (\$1,766,326) 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, 2020, the Town's governmental fund reported a total ending fund balance of \$6,587,966 an increase of \$1,772,889 in comparison with the prior year. Of the total fund balance, \$377,454 is non-spendable for inventory, prepaid items and deposits; \$50,930 is restricted related to debt service, \$314,421 is restricted related to forfeitures and seizures, \$981,013 is assigned to subsequent year's expenditures, \$3,622,029 is assigned for debt service, and \$1,242,119 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 two 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 which is considered a major fund and the special revenue fund which are considered non-major funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 7,654,626	\$ 6,618,742	\$ 2,787,389	\$ 2,195,477	\$ 10,442,015	\$ 8,814,219
Capital assets, net of depreciation	1,453,398	1,328,653	11,305,977	11,729,773	12,759,375	13,058,426
Total assets	9,108,024	7,947,395	14,093,366	13,925,250	23,201,390	21,872,645
Deferred outflows of resources	1,666,099	1,684,177	83,810	84,510	1,749,909	1,768,687
Current liabilities	721,294	296,567	77,169	87,551	798,463	384,118
Long-term liabilities	9,297,318	6,564,504	10,121,632	10,250,669	19,418,950	16,815,173
Total liabilities	10,018,612	6,861,071	10,198,801	10,338,220	20,217,413	17,199,291
Deferred inflows of resources	545,582	491,033	14,361	10,739	559,943	501,772
Net position						
Net investment in capital assets	1,453,398	1,328,653	1,627,845	1,889,574	3,081,243	3,218,227
Restricted	365,351	974,849	1,569,984	409,202	1,935,335	1,384,051
Unrestricted	(1,608,820)	(24,034)	766,185	1,362,025	(842,635)	1,337,991
Total net position	\$ 209,929	\$ 2,279,468	\$ 3,964,014	\$ 3,660,801	\$ 4,173,943	\$ 5,940,269

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

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	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ (321,437)	\$ 361,973	\$ 1,717,657	\$ 1,659,191	\$ 1,396,220	\$ 2,021,164
Operating grants and contributions	3,730,773	98,608	-	-	3,730,773	98,608
Capital grants and contributions	117,170	285,849	-	-	117,170	285,849
General revenues:						
Property taxes	4,699,652	4,617,684	-	-	4,699,652	4,617,684
Utility and franchise fees	223,730	226,894	-	-	223,730	226,894
Intergovernmental revenue	232,729	254,119	-	-	232,729	254,119
Unrestricted investment earnings	103,822	127,722	31,809	38,880	135,631	166,602
Miscellaneous	-	-	104,950	91,855	104,950	91,855
Total revenues	8,786,439	5,972,849	1,854,416	1,789,926	10,640,855	7,762,775
Expenses:						
Governmental activities:						
General government	1,053,650	888,900	-	-	1,053,650	888,900
Public safety	4,407,148	4,106,937	-	-	4,407,148	4,106,937
Physical environment	4,891,735	976,916	-	-	4,891,735	976,916
Transportation	73,006	72,538	-	-	73,006	72,538
Building and engineering	362,242	276,006	-	-	362,242	276,006
Debt issuance costs	48,000	-	-	-	48,000	-
Interest expense	70,197	48,958	-	-	70,197	48,958
Business - type activities:						
Water utilities	-	-	1,501,203	1,372,080	1,501,203	1,372,080
Total expenses	10,905,978	6,370,255	1,501,203	1,372,080	12,407,181	7,742,335
Transfers	50,000	50,000	(50,000)	(50,000)	-	-
Change in net position	(2,069,539)	(347,406)	303,213	367,846	(1,766,326)	20,440
Net position - beginning	2,279,468	2,626,874	3,660,801	3,292,955	5,940,269	5,919,829
Net position - ending	\$ 209,929	\$ 2,279,468	\$ 3,964,014	\$ 3,660,801	\$ 4,173,943	\$ 5,940,269

Governmental activities

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2020 was \$10,905,978. These activities were financed primarily through revenues of \$8,786,439, which consist primarily of ad valorem taxes and grant revenues. The increase in total revenues in fiscal year 2020 is primarily the result of an increase in grant revenues in the current fiscal year. The increase in current fiscal year expenses is mainly due to the increase 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 increase in current fiscal year expenses is mainly due to the increases in operating and maintenance expenses and increases in depreciation 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. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2020.

CAPITAL ASSETS

At September 30, 2020, the Town had \$3,264,740 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$1,811,342 has been taken, which resulted in a net book value of \$1,453,398. The Town's business-type activities reported net capital assets of \$11,305,977. More detailed information about the Town's capital assets is presented in the notes of the financial statements.

CAPITAL DEBT

At September 30, 2020, the Town had a \$3,621,979 loan outstanding for its governmental activities. For business-type activities, the Town had loans outstanding of \$9,678,132. 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.

Subsequent to fiscal year end, the Town paid in full the 2020 Beach Renourishment Promissory Note.

Coronavirus Pandemic

During the current fiscal year end, the coronavirus ("COVID-19") outbreak prompted global health concerns. The duration and full effects of the COVID-19 outbreak are yet unknown. As a result of the COVID-19 outbreak, economic uncertainties have arisen which may negatively impact the Town, including, but not limited to stock market volatility. Other financial impacts could occur though such potential impact is unknown at this time

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 Infrastructure Management Services, 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, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 1,711,932	\$ 1,016,566	\$ 2,728,498
Investments	4,579,682	-	4,579,682
Accounts receivable, net	69,908	199,865	269,773
Assessments receivable	72,647	-	72,647
Interest receivable	13	-	13
Intergovernmental receivables	372,471	-	372,471
Inventory	2,618	-	2,618
Deposits	350,000	-	350,000
Prepays	24,836	974	25,810
Restricted assets:			
Cash	470,519	1,569,984	2,040,503
Capital assets:			
Nondepreciable	30,000	-	30,000
Depreciable, net	1,423,398	11,305,977	12,729,375
Total assets	<u>9,108,024</u>	<u>14,093,366</u>	<u>23,201,390</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	1,649,712	81,984	1,731,696
OPEB	16,387	1,826	18,213
Total deferred outflows of resources	<u>1,666,099</u>	<u>83,810</u>	<u>1,749,909</u>
LIABILITIES			
Accounts payable	479,464	48,428	527,892
Accrued liabilities	182,775	-	182,775
Accrued interest payable	50,930	28,741	79,671
Customer deposits	8,125	-	8,125
Noncurrent liabilities:			
Due in less than one year:			
Note payable	3,621,979	668,497	4,290,476
Compensated absences	23,825	-	23,825
Due in more than one year:			
Note payable	-	9,009,635	9,009,635
Compensated absences	348,443	81,592	430,035
Total Other Post Employment Benefit (OPEB) liability	200,128	8,177	208,305
Net pension liability	5,102,943	353,731	5,456,674
Total liabilities	<u>10,018,612</u>	<u>10,198,801</u>	<u>20,217,413</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	401,953	(1,609)	400,344
OPEB	143,629	15,970	159,599
Total deferred inflows of resources	<u>545,582</u>	<u>14,361</u>	<u>559,943</u>
NET POSITION			
Net investment in capital assets	1,453,398	1,627,845	3,081,243
Restricted for debt service	50,930	1,569,984	1,620,914
Restricted for forfeitures and seizures	314,421	-	314,421
Unrestricted	(1,608,820)	766,185	(842,635)
Total net position	<u>\$ 209,929</u>	<u>\$ 3,964,014</u>	<u>\$ 4,173,943</u>

See notes to the financial statements

**TOWN OF HILLSBORO BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,053,650	\$ 341,806	\$ -	\$ -	\$ (711,844)	\$ -	\$ (711,844)
Public safety	4,407,148	-	-	117,170	(4,289,978)	-	(4,289,978)
Physical environment	4,891,735	84,042	3,730,773	-	(1,076,920)	-	(1,076,920)
Transportation	73,006	-	-	-	(73,006)	-	(73,006)
Building and engineering	362,242	-	-	-	(362,242)	-	(362,242)
Debt issuance costs	48,000	-	-	-	(48,000)	-	(48,000)
Interest	70,197	(747,285)	-	-	(817,482)	-	(817,482)
Total governmental activities	10,905,978	(321,437)	3,730,773	117,170	(7,379,472)	-	(7,379,472)
Business-type activities:							
Water utilities	1,501,203	1,717,657	-	-	-	216,454	216,454
Total business-type activities	1,501,203	1,717,657	-	-	-	216,454	216,454
Total	12,407,181	1,396,220	3,730,773	117,170	(7,379,472)	216,454	(7,163,018)
General revenues:							
Property taxes					4,699,652	-	4,699,652
Utility and franchise fees					223,730	-	223,730
Intergovernmental revenue					232,729	-	232,729
Unrestricted investment earnings					103,822	31,809	135,631
Miscellaneous					-	104,950	104,950
Transfers in (out)					50,000	(50,000)	-
Total general revenues and transfers					5,309,933	86,759	5,396,692
Change in net position					(2,069,539)	303,213	(1,766,326)
Net position - beginning					2,279,468	3,660,801	5,940,269
Net position - ending					\$ 209,929	\$ 3,964,014	\$ 4,173,943

See notes to the financial statements

**TOWN OF HILLSBORO BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2020**

	Major Fund	Non-major	Total
	General	Special Revenue Funds	Governmental Funds
ASSETS			
Cash	\$ 1,711,932	\$ -	\$ 1,711,932
Investments	4,579,682	-	4,579,682
Interest receivable	13	-	13
Accounts receivables, net	68,358	1,550	69,908
Assessments receivable	72,647	-	72,647
Intergovernmental receivable	372,471	-	372,471
Inventory	2,618	-	2,618
Prepays	24,836	-	24,836
Deposits	350,000	-	350,000
Restricted cash	50,930	419,589	470,519
Total assets	<u>\$ 7,233,487</u>	<u>\$ 421,139</u>	<u>\$ 7,654,626</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 377,271	\$ 102,193	\$ 479,464
Accrued liabilities	202,075	4,525	206,600
Customer deposits	8,125	-	8,125
Total liabilities	<u>587,471</u>	<u>106,718</u>	<u>694,189</u>
Deferred inflows of resources:			
Unavailable revenue - grants	372,471	-	372,471
Total deferred inflows of resources	<u>372,471</u>	<u>-</u>	<u>372,471</u>
Fund balance:			
Nonspendable:			
Prepaid items, deposits, and inventories	377,454	-	377,454
Restricted:			
Forfeitures and seizures	-	314,421	314,421
Debt service	50,930	-	50,930
Assigned:			
Debt service	3,622,029	-	3,622,029
Subsequent year's expenditures	981,013	-	981,013
Unassigned	1,242,119	-	1,242,119
Total fund balance	<u>6,273,545</u>	<u>314,421</u>	<u>6,587,966</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,233,487</u>	<u>\$ 421,139</u>	<u>\$ 7,654,626</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, 2020**

Fund balance - governmental funds \$ 6,587,966

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	3,264,740	
Accumulated depreciation	<u>(1,811,342)</u>	1,453,398

Assets recorded in the governmental fund financial statements that are not available to pay for current-period expenditures are unavailable revenue in the governmental funds.	372,471
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Deferred outflows of resources related to pensions and OPEB are recorded in the statement of net position.	1,666,099
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Deferred inflows of resources related to pensions and OPEB are recorded in the statement of net position.	(545,582)
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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	(200,128)
Net pension liability	(5,102,943)
Interest payable	(50,930)
Note payable	(3,621,979)
Compensated absences due in more than one year	<u>(348,443)</u>

Net position of governmental activities	<u>\$ 209,929</u>
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TOWN OF HILLSBORO BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Major Fund	Non-major	Total
	General	Special Revenue Funds	Governmental Funds
REVENUES			
Property taxes	\$ 4,699,652	\$ -	\$ 4,699,652
Special assessments	752,836	-	752,836
Licenses and permits	2,071	339,735	341,806
Utility and franchise fees	223,730	-	223,730
Intergovernmental	232,729	-	232,729
Grant revenue	3,358,302	-	3,358,302
Fines and forfeitures	-	117,170	117,170
Interest	101,488	2,334	103,822
Miscellaneous	84,042	-	84,042
Total revenues	<u>9,454,850</u>	<u>459,239</u>	<u>9,914,089</u>
EXPENDITURES			
Current:			
General government	985,595	-	985,595
Public safety	3,766,944	-	3,766,944
Physical environment	4,885,988	-	4,885,988
Transportation	73,006	-	73,006
Building and engineering	-	362,242	362,242
Debt service:			
Principal payment	1,331,440	-	1,331,440
Interest expense	38,534	-	38,534
Debt issue costs	48,000	-	48,000
Capital outlay	224,862	96,568	321,430
Total expenditures	<u>11,354,369</u>	<u>458,810</u>	<u>11,813,179</u>
Excess (deficiency) of revenues over (under) expenditures	(1,899,519)	429	(1,899,090)
OTHER FINANCING SOURCES (USES)			
Transfer in/(out)	27,493	22,507	50,000
Debt proceeds	3,621,979	-	3,621,979
Total other financing sources (uses)	<u>3,649,472</u>	<u>22,507</u>	<u>3,671,979</u>
Net change in fund balances	1,749,953	22,936	1,772,889
Fund balance - beginning	<u>4,523,592</u>	<u>291,485</u>	<u>4,815,077</u>
Fund balance - ending	<u>\$ 6,273,545</u>	<u>\$ 314,421</u>	<u>\$ 6,587,966</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, 2020**

Net change in fund balance - total governmental funds	\$ 1,772,889
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.	223,474
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.	(1,500,121)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues 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.	1,331,440
Depreciation on capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(98,729)
Governmental funds report the face amount of debt issued as financial resources when debt is first issued, whereas these amounts are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net position.	(3,621,979)
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	(546,953)
Change in compensated absence	7,203
Other Post Employment Benefit expense	22,429
Change in accrued interest	(31,663)
Change in net position of governmental activities	<u>\$ (2,069,539)</u>

See notes to the financial statements

TOWN OF HILLSBORO BEACH, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2020

	Enterprise Fund
	Water Utility
ASSETS	
Current assets:	
Cash	\$ 1,016,566
Accounts receivable, net	199,865
Prepaid expenses	974
Restricted investments	1,569,984
Total current assets	2,787,389
Capital assets:	
Buildings	2,037,360
Distribution system	11,740,489
Plant improvements	608,583
Infrastructure	102,068
Meters	409,486
Vehicles	104,552
Machinery and equipment	140,393
Less accumulated depreciation	(3,836,954)
Total capital assets, net	11,305,977
Total noncurrent assets	11,305,977
Total assets	14,093,366
DEFERRED OUTFLOWS OF RESOURCES	
Pension	81,984
OPEB	1,826
Total deferred outflows of resources	83,810
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	48,428
Accrued interest payable	28,741
Current portion of loan payable	668,497
Total current liabilities	745,666
Noncurrent liabilities:	
Loan payable	9,009,635
Compensated absences	81,592
Net pension liability	353,731
Total Other Post Employment Benefit liability	8,177
Total noncurrent liabilities	9,453,135
Total liabilities	10,198,801
DEFERRED INFLOWS OF RESOURCES	
Pension	(1,609)
OPEB	15,970
Total deferred inflows of resources	14,361
NET POSITION	
Net investment in capital assets	1,627,845
Restricted for debt service	1,541,243
Unrestricted	794,926
Total net position	\$ 3,964,014

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, 2020**

	Enterprise Fund <u>Water Utility</u>
OPERATING REVENUES	
Charges for services	\$ 1,717,657
Total operating revenues	<u>1,717,657</u>
OPERATING EXPENSES	
Salaries and benefits	529,006
Operating	268,328
Repairs and maintenance	72,962
Depreciation and amortization	478,074
Total operating expense	<u>1,348,370</u>
Operating income	<u>369,287</u>
NON OPERATING REVENUES (EXPENSES)	
Interest revenue	31,809
Interest expense	(152,833)
Miscellaneous revenue	104,950
Total non operating revenue (expenses)	<u>(16,074)</u>
Income before transfers	353,213
Transfers out	<u>(50,000)</u>
Change in net position	303,213
Net position - beginning	<u>3,660,801</u>
Net position - ending	<u>\$ 3,964,014</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, 2020**

	Enterprise Fund
	Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,713,011
Payments to employees	(491,654)
Payments to suppliers of goods and services	(353,996)
Net cash provided (used) by operating activities	867,361
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Miscellaneous revenue	104,950
Transfer out	(50,000)
Net cash provided (used) by noncapital financing activities	54,950
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(54,278)
Proceeds from long term debt	469,777
Principal paid	(631,844)
Interest paid	(151,483)
Net cash provided (used) by capital and related financing activities	(367,828)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	31,809
Purchase of investments	184,695
Net cash provided (used) by investing activities	216,504
Net increase (decrease) in cash and cash equivalents	770,987
Cash and cash equivalents - October 1	245,579
Cash and cash equivalents - September 30	\$ 1,016,566
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 369,287
Adjustments to reconcile operating income (loss) to net cash provided (used) by Operating Activities:	
Depreciation and amortization	478,074
FRS/HIS pension expense	40,089
OPEB expense	(2,499)
(Increase) decrease in accounts receivable	(4,646)
(Increase) decrease in prepaids	(974)
Increase (decrease) in accounts payable	(11,732)
Increase (decrease) in compensated absences	(238)
Total adjustments	498,074
Net cash provided (used) by operating activities	\$ 867,361

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, 2020 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 also reports the following major governmental fund:

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.

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

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.

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.

New Accounting Standards Adopted

During the current fiscal year, the Town adopted two new accounting standards as follows:

GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance

Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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.

Investments

The Town's investments were held as follows at September 30, 2020:

Investment	Amortized cost	Fair Value	Level	Credit Rating	Maturities
Corporate Bonds	\$ -	\$ 493,823	2	AA- to AA+	10/27/2020 - 8/12/2023
Municipal Bonds	-	1,428,857	2	AA- to AA+	12/1/2020 - 7/1/2025
US Treasuries	-	274,446	2	Not rated	4/15/2021
Federal Home Loan Mortgage Corp	-	354,458	2	Not available	4/16/2025-5/27/2025
Federal Home Loan Bank	-	103,638	2	AA+	12/9/2022
Federal Farm Credit Bank	-	540,303	2	AA+	5/3/2024-8/12/2025
FL St Brd of Admin Fin Corp	-	203,512	2	AA	7/1/2021
Florida Prime	1,180,645	-		AAA	Weighted average maturities: 48 days
Total Investments	<u>\$ 1,180,645</u>	<u>\$ 3,399,037</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.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

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, 2020, 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, 2020 were as follows:

Fund	Transfers in	Transfers out
General	\$ 50,000	\$ 22,507
Building	22,507	-
Water	-	50,000
Total	<u>\$ 72,507</u>	<u>\$ 72,507</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 that fund.

NOTE 6 – RECEIVABLES

Receivables at September 30, 2020 are as follows:

	General	Building	Water	Total
State of Florida	\$ 14,688	\$ -	\$ -	\$ 14,688
Franchise fee	63,958	-	-	63,958
Broward County	43,289	-	-	43,289
Intergovernmental	387,142	-	-	387,142
Other receivables	30,471	1,550	22,311	54,332
Customer accounts receivable	-	-	209,741	209,741
Gross receivables	539,548	1,550	232,052	773,150
Less: Allowance for uncollectible accounts	(26,072)	-	(32,187)	(58,259)
Receivables, net	<u>\$ 513,476</u>	<u>\$ 1,550</u>	<u>\$ 199,865</u>	<u>\$ 714,891</u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the fiscal year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Total capital assets, not being depreciated	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Capital assets, being depreciated				
Buildings	1,900,254	-	-	1,900,254
Machinery and equipment	1,028,751	223,474	(96,446)	1,155,779
Improvements other than buildings	178,707	-	-	178,707
Total capital assets, being depreciated	<u>3,107,712</u>	<u>223,474</u>	<u>(96,446)</u>	<u>3,234,740</u>
Less accumulated depreciation for:				
Buildings	725,662	37,405	-	763,067
Machinery and equipment	923,067	58,041	(96,446)	884,662
Improvements other than buildings	160,330	3,283	-	163,613
Total accumulated depreciation	<u>1,809,059</u>	<u>98,729</u>	<u>(96,446)</u>	<u>1,811,342</u>
Total capital assets, being depreciated, net	<u>1,298,653</u>	<u>124,745</u>	<u>-</u>	<u>1,423,398</u>
Governmental activities capital assets, net	<u>\$ 1,328,653</u>	<u>\$ 124,745</u>	<u>\$ -</u>	<u>\$ 1,453,398</u>

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

General government	\$ 15,797
Public safety	82,932
	<u>\$ 98,729</u>

NOTE 7 – CAPITAL ASSETS (Continued)

Capital asset activity for the business-type activities for the fiscal year ended September 30, 2020 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	11,713,307	27,182	-	11,740,489
Plant improvements	608,583	-	-	608,583
Infrastructure	102,068	-	-	102,068
Meters	406,036	3,450	-	409,486
Vehicles	80,905	23,647	-	104,552
Machinery and equipment	140,393	-	-	140,393
Total capital assets, being depreciated	15,088,652	54,279	-	15,142,931
Less accumulated depreciation for:				
Buildings	727,873	93,624	-	821,497
Distribution system, plant improvements, and infrastructure	1,982,152	337,506	-	2,319,658
Meters, Vehicles, Machinery & Equipment	648,854	46,945	-	695,799
Total accumulated depreciation	3,358,879	478,075	-	3,836,954
Total capital assets, being depreciated, net	11,729,773	(423,796)	-	11,305,977
Business-type activities capital assets, net	\$ 11,729,773	\$ (423,796)	\$ -	\$ 11,305,977

NOTE 8 – LONG-TERM LIABILITIES

Changes in long-term liability activity for the fiscal year ended September 30, 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in less than one year
<u>Governmental activities</u>					
Beach note	\$ 1,331,440	\$ -	\$ (1,331,440)	\$ -	\$ -
2020 Beach renourishment note	-	3,621,979	-	3,621,979	3,621,979
Compensated absences	381,890	195,944	(205,566)	372,268	23,825
	\$ 1,713,330	\$ 3,817,923	\$ (1,537,006)	\$ 3,994,247	\$ 3,645,804
<u>Business-type activities</u>					
Water plant loan ("SRF") - DW062600	\$ 3,702,882	\$ -	\$ (316,288)	\$ 3,386,594	\$ 324,085
Water plant loan ("SRF") - DW062610	6,137,317	469,777	(315,556)	6,291,538	344,412
Compensated absences	81,830	34,623	(34,861)	81,592	-
	\$ 9,922,029	\$ 504,400	\$ (666,705)	\$ 9,759,724	\$ 668,497

Beach Renourishment Promissory Note

On January 19, 2011, the Town entered into a promissory note agreement with a bank in the amount of \$5,896,567 with interest payable at 3.02%. The note is repayable over a 10 year period and will be funded through non-ad valorem special assessments levied upon those lots that directly benefit from the project. The purpose of the debt is to provide capital expenditures related to the renourishment to the beachfront areas of the Town. The Town will make equal annual payments of principal and interest in the amount of \$695,962 due on April 1, 2012 and on the first day of April thereafter, and is payable in full on April 1, 2021. The loan is secured by the pledged revenues received by the Town from the imposition and collection of the special assessments. The loan was paid in full during the current fiscal year.

NOTE 8 – LONG-TERM LIABILITIES (Continued)

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 disbursable funds under the loan were originally \$5,532,317. Interest payable on the original funding amount is 2.42% per annum. The amount of disbursable 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, 2020, the Town owes \$3,386,594 on this loan.

At September 30, 2020, the scheduled debt service requirements on water plant loan "SRF" – DW062600 were as follows:

	Principal	Interest	Total
2021	\$ 324,085	\$ 79,911	\$ 403,996
2022	331,976	72,020	403,996
2023	340,058	63,938	403,996
2024	348,337	55,659	403,996
2025	356,818	47,178	403,996
2026-2030	1,685,320	100,976	1,786,296
Total	\$ 3,386,594	\$ 419,682	\$ 3,806,276

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.

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Water Main Project Loan Agreement “SRF” – DW062610 (Continued)

The semi-annual loan payments was revised to \$203,725 commencing on November 15, 2019. Through the year fiscal year ended September 30, 2020, 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, 2020, the Town owes \$6,291,538 on this loan which includes capitalized interest of \$15,593.

At September 30, 2020, the scheduled debt service requirements on water plant loan “SRF” – DW062610 were as follows:

	Principal	Interest	Total
2021	\$ 344,412	\$ 66,486	\$ 410,898
2022	347,228	63,669	410,897
2023	350,951	59,946	410,897
2024	354,714	56,183	410,897
2025	358,518	52,379	410,897
2026-2030	1,851,106	203,380	2,054,486
2030-2034	1,952,576	101,909	2,054,485
2035-2037	732,033	11,079	743,112
	<u>\$ 6,291,538</u>	<u>\$ 615,031</u>	<u>\$ 6,906,569</u>

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 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).

The Town’s pension expense totaled \$1,020,251 for the fiscal year ended September 30, 2020.

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.

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

FRS Pension Plan (Continued)

Plan Description (Continued) – 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:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
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
Regular Class members initially enrolled on or after July 1, 2011	
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
Special Risk Class	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
Senior Management Service Class	
	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.

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

FRS Pension Plan (Continued)

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2020 fiscal year were as follows:

Class	Percent of Gross Salary		Percent of Gross Salary	
	October 1, 2019 to June 30, 2020		July 1, 2020 to September 30, 2020	
	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.00	8.47	3.00	10.00
FRS, Special Risk	3.00	25.48	3.00	24.45
FRS, Senior Management	3.00	25.41	3.00	27.29

The Town’s contributions to the Plan totaled \$386,616 for the fiscal year ended September 30, 2020. 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, 2020, the Town reported a liability of \$4,686,990 for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2020, 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 Town’s contributions for the year ended June 30, 2020 relative to the contributions made during the year ended June 30, 2019 of all participating members. At June 30, 2020, the Town’s proportionate share was .0108%, a decrease of .0014 from its proportionate share measured as of June 30, 2019. For the fiscal year ended September 30, 2020, the Town recognized pension expense of \$956,518 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 179,381	\$ -
Change of assumptions	848,494	-
Net difference between projected and actual earnings on FRS pension plan investments	279,068	-
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	144,640	(305,175)
Town FRS contributions subsequent to the measurement date	99,904	-
Total	<u>\$ 1,551,487</u>	<u>\$ (305,175)</u>

The deferred outflows of resources related to pensions, totaling \$99,904, 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, 2021.

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

Year Ending September 30:	Amount
2021	\$ 258,473
2022	397,260
2023	324,776
2024	169,125
2025	(3,226)
Total	<u>\$ 1,146,408</u>

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

FRS 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	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, 2020, 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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.2%	2.2%	1.2%
Fixed income	19.0%	3.0%	2.9%	3.5%
Global equity	54.2%	8.0%	6.7%	17.1%
Real estate (property)	10.3%	6.4%	5.8%	11.7%
Private equity	11.1%	10.8%	8.1%	25.7%
Strategic investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100.0%</u>			
Assumed inflation - mean			2.4%	1.7%

(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:

	<u>1% Decrease (5.8%)</u>	<u>Current Discount Rate (6.8%)</u>	<u>1% Increase (7.8%)</u>
Town's proportionate share of net pension liability	\$ 7,484,335	\$ 4,686,990	\$ 2,350,635

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, 2020, the Town reported payables to the plan of \$54,360.

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

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, 2020, 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.

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, 2020, the contribution rate was 1.66% of payroll from October 1, 2019 through September 30, 2020 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 \$37,240 for the fiscal year ended September 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2020, the Town reported a net pension liability of \$769,684 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020 contributions relative to the year ended June 30, 2019 contributions of all participating members. At June 30, 2020, the Town’s proportionate share was .0063%, which did not significantly change compared to its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the Town recognized pension expense of \$64,003 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	\$ 31,485	\$ (594)
Change of assumptions	82,763	(44,754)
Net difference between projected and actual earnings on HIS plan investments	615	-
Changes in proportion and differences between Town HIS contributions and proportionate share of HIS contributions	55,395	(49,821)
Town HIS contributions subsequent to the measurement date	9,951	-
Total	<u>\$ 180,209</u>	<u>\$ (95,169)</u>

The deferred outflows of resources related to pensions, totaling \$9,951, 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

HIS Pension Plan (Continued)

Year Ending September 30:	Amount
2021	21,796
2022	16,601
2023	7,967
2024	13,852
2025	11,542
Thereafter	3,331
Total	\$ 75,089

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	2.21%

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 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 2.21%. 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 2.21%, 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 (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Town’s proportionate share of net pension liability	\$ 889,721	\$ 769,684	\$ 671,435

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, 2020, the Town reported payables to the plan of \$1,022.

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 2020 fiscal year were as follows:

Class	Percent of Gross Compensation
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 \$39,209 for the fiscal year ended September 30, 2020.

At September 30, 2020, the Town reported payables to the Investment Plan of \$6,210.

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 5 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. The plan does not issue separate financial statements.

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

At September 30, 2020, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to, but not yet receiving benefits	-
Active employees	<u>26</u>
	<u>29</u>

Changes in Total OPEB Liability

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

	Total OPEB Liability
Beginning balance	\$ 204,056
Changes due to:	
Service cost	17,700
Expected interest growth	4,483
Demographic experience	(14,100)
Assumption changes	20,815
Benefit payments and refunds	<u>(24,649)</u>
Ending balance	<u>\$ 208,305</u>

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

For the year ended September 30, 2020, the Town recognized OPEB expense of (\$24,928). In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance at September 30, 2019	\$ -	\$ 170,563
Amortization payments	\$ (2,602)	\$ (25,064)
Change of assumptions	20,815	-
Demographic gain /loss	-	14,100
Balance at September 30, 2020	<u>\$ 18,213</u>	<u>\$ 159,599</u>

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>
2021	\$ 22,462
2022	22,462
2023	22,462
2024	22,462
2025	22,462
Thereafter	<u>29,076</u>
Total	<u>\$ 141,386</u>

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

Actuarial Assumptions

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

Measurement date	September 30, 2020
Actuarial valuation date	October 1, 2019
Actuarial assumptions:	
Investment rate of return	2.14% 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 7% for the 2020 fiscal year graded down by 0.50% per year to 5.00% for the 2024 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 \$475.00 per individual has been assumed at age 62 for the 2020 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-2017.
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 decreased from 3.58 per annum to 2.14% per annum, the implied monthly subsidy at age 62 for fiscal year 2019 was decreased from \$483.75 to \$475.

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 (1.14%) or 1-percentage-point higher (3.14%) than the current discount rate:

1% Decrease (1.14%)	Current Discount Rate (2.14%)	1% Increase (3.14%)
\$ 228,381	\$ 208,305	\$ 190,745

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

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 (6% decreasing to 4%) or 1-percentage-point higher (8% decreasing to 6%) than the current healthcare cost trend rates:

1% Decrease (6% decreasing to 4%)	Healthcare Cost Trend Rates (7% Graded Down to 5%)	1% Increase (8% decreasing to 6%)
\$ 186,031	\$ 208,305	\$ 234,921

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 \$819,257.

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 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

2020 Beach Renourishment Promissory Note Payoff

On October 2, 2020, the Town paid off the \$3,621,979 Beach Renourishment Promissory Note for a total payment of \$3,672,959, inclusive of \$50,930 in interest.

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, 2020

	<u>Budgeted Amounts</u>	Actual	Variance with Final Budget - Positive (Negative)
	<u>Original & Final</u>	Amounts	<u>(Negative)</u>
REVENUES			
Property taxes	\$ 4,715,939	\$ 4,699,652	\$ (16,287)
Special assessments	750,523	752,836	2,313
Licenses and permits	1,700	2,071	371
Utility and franchise fees	270,000	223,730	(46,270)
Intergovernmental	213,220	232,729	19,509
Grant revenue	4,690,380	3,358,302	(1,332,078)
Interest	48,000	101,488	53,488
Miscellaneous	50,100	84,042	33,942
Total revenues	<u>10,739,862</u>	<u>9,454,850</u>	<u>(1,285,012)</u>
EXPENDITURES			
Current:			
General government	775,688	985,595	(209,907)
Public safety	3,730,376	3,766,944	(36,568)
Physical environment	585,047	824,699	(239,652)
Transportation	81,900	73,006	8,894
Beaches	663,000	4,061,289	(3,398,289)
Debt service:			
Principal payment	655,740	1,331,440	(675,700)
Interest expense	40,214	38,534	1,680
Debt issue costs	54,569	48,000	6,569
Capital outlay	5,486,156	224,862	5,261,294
Total expenditures	<u>12,072,690</u>	<u>11,354,369</u>	<u>718,321</u>
Excess (deficiency) of revenues over (under) expenditures	(1,332,828)	(1,899,519)	(566,691)
OTHER FINANCING SOURCES			
Use of fund balance reserves	699,828	-	(699,828)
Transfers in	133,000	27,493	(105,507)
Loan proceeds	500,000	3,621,979	3,121,979
Total other financing sources	<u>1,332,828</u>	<u>3,649,472</u>	<u>2,316,644</u>
Net change in fund balance	<u>\$ -</u>	1,749,953	<u>\$ 1,749,953</u>
Fund balance - beginning		<u>4,523,592</u>	
Fund balance - ending		<u>\$ 6,273,545</u>	

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. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2020.

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

	2020	2019	2018
Total OPEB Liability			
Beginning balance	\$ 204,056	\$ 393,873	\$ 393,056
Service cost	17,700	12,167	16,623
Expected interest growth	4,483	14,141	14,368
Demographic experience	(14,100)	(122,756)	-
Assumption changes	20,815	(71,108)	-
Benefit payments and refunds	(24,649)	(22,261)	(30,174)
Ending balance	<u>\$ 208,305</u>	<u>\$ 204,056</u>	<u>\$ 393,873</u>
Covered payroll	\$ 2,014,454	\$ 1,925,230	\$ 1,836,995
Total OPEB liability as a percentage of covered payroll	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 and 8 years for the 2019/20 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, 2020**

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

	2020	2019	2018	2017	2016	2015
Town's proportion of the FRS net pension liability	0.01081410%	0.01224790%	0.01192774%	0.01122648%	0.01117190%	1.01757100%
Town's proportionate share of the FRS net pension liability	\$ 4,686,990	\$ 4,218,005	\$ 3,592,698	\$ 3,320,718	\$ 2,820,914	\$ 1,314,330
Town's covered payroll	\$ 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	242.63%	204.35%	170.73%	173.93%	163.16%	77.87%
FRS plan fiduciary net position as a percentage of the total pension liability	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)**

	2020	2019	2018	2017	2016	2015
Town's proportion of the HIS net pension liability	0.006303805%	0.006772302%	0.006442838%	0.005941005%	0.005964028%	0.006147330%
Town's proportionate share of the HIS net pension liability	\$ 769,684	\$ 757,753	\$ 681,917	\$ 635,240	\$ 695,083	\$ 626,931
Town's covered payroll	\$ 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	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	3.00%	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, 2020**

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

	2020	2019	2018	2017	2016	2015
Contractually required FRS contribution	\$ 386,616	\$ 358,900	\$ 354,171	\$ 288,224	\$ 260,082	\$ 248,093
FRS contributions in relation to the contractually required contribution	(386,616)	(358,900)	(354,171)	(288,224)	(260,082)	(248,093)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 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	18.05%	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)**

	2020	2019	2018	2017	2016	2015
Contractually required HIS contribution	\$ 35,564	\$ 33,287	\$ 34,730	\$ 31,647	\$ 27,626	\$ 23,499
HIS contributions in relation to the contractually required contribution	(35,564)	(33,287)	(34,730)	(31,647)	(27,626)	(23,499)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 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%	1.37%

(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, 2020, 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 29, 2021.

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*.

We noted certain matters involving the internal control over financial reporting and compliance that we have reported to management of the Town in a separate letter dated June 29, 2021.

The Town's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the Town's responses and, accordingly, we express no opinion on it.

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.

June 29, 2021



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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, 2020. 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, 2020.

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.

June 29, 2021



**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, 2020, and have issued our report thereon dated June 29, 2021.

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 29, 2021, 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.

June 29, 2021

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2020-01 Internal Control Over Permits:

Observation: During our testing we noted several errors that did not appear to be corrected during the normal course of operations, including:

- Lack of clarity of charges for public awareness and education fees relating to permits. Per the fee schedule, amounts are based on permit and review fees. In four of the cases examined, the fee was charged only on the permit fee.

Recommendation: The Town should implement improved internal control procedures to ensure that all permit fee amounts are charged in accordance with approved fee schedules.

Management Response: Regarding the clarity of charges for public awareness and education fees, the permits identified were priced prior to the identification of a training issue. Upon identification of the issue in June 2020, staff training was updated immediately and an amended fee schedule was adopted by Commission on 9/23/20 to help address potential inconsistencies.

II. PRIOR YEAR FINDINGS AND CURRENT YEAR STATUS

2019-01 Internal Control Over Permits:

Current Status: See finding no. 2020-01 above

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, 2019, 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, 2020, except as noted above.

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, 2020.

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.

REPORT TO MANAGEMENT (Continued)

6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2020. 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.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL AWARD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the Town Commission
Town of Hillsboro Beach, Florida

Report on Compliance for the Major Federal Award

We have audited the Town of Hillsboro Beach, Florida's ("Town") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Town's major Federal Award for the fiscal year ended September 30, 2020. The Town's major Federal Award program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, laws, regulations, and the terms and conditions of its state awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major Federal Award program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major Federal Award. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on the Major Federal Award Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal Award program for the fiscal year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal Award program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal Award program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

June 29, 2021

TOWN OF HILLSBORO BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FISCAL YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Homeland Security Pass-Through Program From:			
State of Florida Florida Division of Emergency Management			
Public Assistance Grants - Hurricane IRMA	97.036	14-PA-US-11-16-01-526	\$ 3,433,810
<i>Total Department of Homeland Security</i>			<u>3,433,810</u>
Department of Justice Pass-Through Program From:			
State of Florida Department of Law Enforcement			
Bulletproof Vest Partnership Program	16.607	2012BUBX12060948	2,613
<i>Total Department of Justice</i>			<u>2,613</u>
 Total Expenditures of Federal Awards			 <u>\$ 3,436,423</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

TOWN OF HILLSBORO BEACH, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FISCAL YEAR ENDED SEPTEMBER 30, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Hillsboro Beach, Florida. The information in this schedule is presented in accordance with the requirements Uniform Guidance. Since the schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting.

TOWN OF HILLSBORO BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
FISCAL YEAR ENDED SEPTEMBER 30, 2020

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Town.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Town were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major Federal Award are reported in the independent auditor's report on compliance for each major Federal Award and on internal control over compliance required by the Uniform Guidance.
5. The independent auditor's report on compliance with requirements that could have a direct and material effect on the Federal Award for the Town expresses an unmodified opinion.
6. There were no audit findings relative to the major Federal Award tested for the Town.
7. The Federal Award tested as a major project include:

Federal Award	CFDA#	Amount
Public Assistance Grants - Hurricane IRMA	97.036	\$3,433,810

8. The dollar threshold used to distinguish between Type A and Type B for major Federal Awards program was \$750,000.
9. The Town did not qualify as a low-risk auditee for the fiscal year ended September 30, 2020.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

See accompanying Management Letter.

C. FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

None

D. OTHER ISSUES

No summary schedule of prior audit findings is required because there were no prior audit findings related to Federal Awards.

No corrective action plan is required because there were no findings required to be reported under the Uniform Guidance.

E. PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARDS

Not applicable