

Town of Howey-in-the-Hills, Florida
Audit Report
For the Year Ended September 30, 2020

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
ANNUAL FINANCIAL REPORT
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Year Ended September 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Town Council
Town of Howey-in-the-Hills, 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 Howey-in-the-Hills, Florida (the "Town") as of and for the 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.

Auditors' 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 *Governmental 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.

Town of Howey-in-the-Hills, Florida

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 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, budgetary comparison schedules and the Town's retirement plan schedules and notes 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information section as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information 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 May 15, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

Town of Howey-in-the-Hills, Florida

with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Binney Accounting and
Assurance Services, PLLC*

Binney Accounting and Assurance Services, PLLC

Clermont, Florida

May 15, 2021

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020

The Town of Howey-in-the-Hills, Florida's (the "Town") Management's Discussion and Analysis (the "MD&A") presents an overview of the Town's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the letter of transmittal in the introductory section, and the Town's financial statements following the MD&A.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2020 by \$6,811,774 (net position). Of this amount, \$1,945,879 represents unrestricted net position.
- The Town's net position increased by \$1,093,996. Governmental activities contributed 82% of the increase.
- The Town's total governmental fund balances increased \$13,677 from the prior year.

Overview of the Financial Statements

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

Government-wide financial statements

The *government-wide financial statements*, which consist of the following two statements, are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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. Additionally, nonfinancial factors, such as a change in the Town's property tax base or the condition of Town facilities and infrastructure, should be considered to assess the overall financial health of the Town.

The *statement of activities* presents information showing how the government's net position changed during fiscal year 2020. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected but earned revenue and unused vacation leave).

Both of these financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, physical environment, transportation, and culture/recreation. The business-type activities of the Town include water and sanitation services, and storm water services. The government-wide financial statements can be found immediately following the MD&A.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

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 government'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Impact Fees Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation noted as Nonmajor Governmental Funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the other supplemental information section of this report.

The Town adopts an annual appropriated budget for its general fund and most special revenue funds. Budgetary comparison schedules have been provided for the major funds to demonstrate budgetary compliance.

Proprietary Funds

The Town maintains one type of proprietary fund. The *enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for the fiscal activities relating to water/sanitation, and storm water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Fund (major fund) and the Stormwater Fund (nonmajor fund).

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is similar to proprietary funds. The Town has one pension trust fund to account for the police officers' pension plan.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, *required supplementary information* is included which presents budgetary comparison schedules for the Town's General Fund and Impact Fees Fund; and required pension schedules for the Town's pension plan. Required supplementary information can be found following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented in the other supplemental information section of this report.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

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 and deferred outflows exceeded liabilities and deferred inflows by \$6,811,774 at the close of the fiscal year ended September 30, 2020.

The largest portion of the Town's net position (56%) reflects its net investment in capital assets (land, buildings, infrastructure and equipment less any related outstanding debt used to acquire those assets). The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's net 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 has restricted net position (\$1,035,693) for construction projects, public safety programs, recreation projects, and other purposes. The unrestricted net position (\$1,945,879) is available for future spending. At the end of fiscal year 2020, the Town is able to report positive balances in all three categories of net position for governmental and business-type activities.

Capital assets increased by \$647,862 from the prior year, primarily in governmental activities for the Island Drive paving project (\$212,092) and Library expansion (\$541,297) during FY20.

There was a net increase of \$1,093,996 in the Town's net position over fiscal year 2019. There was a net increase of \$899,571 in net position reported in connection with the Town's governmental activities and \$194,425 in business-type activities. Key reasons for these changes are presented in the following pages for governmental and business-type activities.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Non-capital assets	\$ 2,111,955	\$ 1,866,123	\$ 1,159,088	\$ 1,069,957	\$ 3,271,043	\$ 2,936,080
Capital assets	2,702,503	1,957,321	3,008,307	3,105,627	5,710,810	5,062,948
Total assets	4,814,458	3,823,444	4,167,395	4,175,584	8,981,853	7,999,028
Deferred outflows of resources						
Pension related	217,090	291,098	-	-	217,090	291,098
Liabilities						
Current liabilities	197,493	93,492	86,589	138,146	284,082	231,638
Long-term liabilities	218,862	245,576	1,647,868	1,798,925	1,866,730	2,044,501
Total liabilities	416,355	339,068	1,734,457	1,937,071	2,150,812	2,276,139
Deferred inflows of resources						
Pension related	236,357	296,209	-	-	236,357	296,209
Net position						
Net investment in capital assets	2,466,676	1,744,969	1,363,526	1,310,289	3,830,202	3,055,258
Restricted	1,035,693	842,485	-	-	1,035,693	842,485
Unrestricted	876,467	891,811	1,069,412	928,224	1,945,879	1,820,035
Total net position	\$ 4,378,836	\$ 3,479,265	\$ 2,432,938	\$ 2,238,513	\$ 6,811,774	\$ 5,717,778

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Program revenues						
Charges for services	\$ 236,717	\$ 292,559	\$ 1,027,818	\$ 1,010,078	\$ 1,264,535	\$ 1,302,637
Operating grants & contributions	191,469	137,098	-	-	191,469	137,098
Capital grants & contributions	604,068	256,642	-	-	604,068	256,642
General revenues						
Property taxes	887,874	824,490	-	-	887,874	824,490
Franchise fees and utility taxes	342,303	311,497	51,278	51,365	393,581	362,862
Infrastructure surtax	139,069	131,660	-	-	139,069	131,660
Other taxes	55,052	57,473	-	-	55,052	57,473
Shared revenues	133,784	129,319	-	-	133,784	129,319
Other	6,421	10,815	1,304	2,072	7,725	12,887
Total revenues	2,596,757	2,151,553	1,080,400	1,063,515	3,677,157	3,215,068
Program expenses						
General government	507,226	563,577	-	-	507,226	563,577
Public safety	740,198	688,043	-	-	740,198	688,043
Physical environment	174,645	140,772	-	-	174,645	140,772
Transportation	110,669	122,927	-	-	110,669	122,927
Culture and recreation	154,383	167,163	-	-	154,383	167,163
Interest on long-term debt	10,065	11,366	-	-	10,065	11,366
Utility	-	-	882,059	811,207	882,059	811,207
Stormwater	-	-	3,916	5,040	3,916	5,040
Total expenses	1,697,186	1,693,848	885,975	816,247	2,583,161	2,510,095
Change in net position	899,571	457,705	194,425	247,268	1,093,996	704,973
Beginning net position	3,479,265	3,021,560	2,238,513	1,991,245	5,717,778	5,012,805
Ending net position	\$ 4,378,836	\$ 3,479,265	\$ 2,432,938	\$ 2,238,513	\$ 6,811,774	\$ 5,717,778

Governmental activities

Governmental activities accounted for an increase of \$899,571 from the prior year net position. The largest factor in this increase was \$445,204 increase in revenues from the prior year, primarily in capital grants and contributions of \$347,426 for the library expansion project and property tax revenues of \$63,384 from increasing property values. The expenses remained in line with the prior year.

Business-type activities

Business-type activities increased the Town's net position by \$194,425 accounting for 18% of the total growth in the Town's net position. Charges for services increased by \$17,740, with a corresponding increase in expenses of \$69,728 to provide the increased services to system users. The overall increase appears in line with the results of prior year activities and rates appear to be sufficient to sustain current operations.

Financial Analysis of the Town's Funds

Governmental funds

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

As of the end of fiscal year 2020, the Town's governmental funds reported combined ending fund balances of \$1,593,944, an increase of \$13,677 in comparison with the prior year. This increase was largely the result of an increase in intergovernmental revenues for COVID-19 relief and property tax revenues offset by increased expenditures for expansion project and COVID-19 related costs. Components of fund balance are comprised of nonspendable, restricted, committed, assigned, and unassigned. The components of committed, assigned and unassigned are considered spendable unrestricted fund balance. The total spendable unrestricted fund balance of governmental funds in fiscal year 2020 was \$684,968 compared to \$745,706 for fiscal year 2019, a decrease of \$60,738 for all governmental funds. The main cause of this decrease in spendable unrestricted fund balance was a decrease in user charges for services and general revenue sources during the COVID-19 shutdown period.

Major Funds

General Fund

The General Fund is the chief operating fund of the Town. At the end of fiscal year 2020, the spendable unassigned fund balance of the General Fund totaled \$684,968 compared to \$745,706 in fiscal year 2019, a decrease of \$60,738. As a measure of the General Fund's liquidity, it may be useful to compare the spendable unassigned fund balance of \$684,968 to the total fund's expenditures of \$2,483,324. This represents 28% of total expenditures compared to 38% in the prior fiscal year. Thus, the Town was able to maintain liquidity available to meet upcoming expenditures in its chief operating fund.

The fund balance in the General Fund decreased by \$60,638 during the current fiscal year. The General Fund increased spending by \$520,188 from the prior year for the Island Drive paving project and Library Expansion, while increasing its revenues and other sources by \$317,465 primarily from reimbursement for the Library Expansion project and CARES Act. Due to timing of some reimbursements for the Library project and CARES Act from Lake County, \$134,741 of expenditures in this fiscal year will be offset by revenues in next year.

The Impact Fees Fund

The Impact Fees Fund total fund balance increased by \$73,568 from the prior year. The impact fee receipts were in line with the prior year; however, the Town expended \$22,082 for part of the Library expansion project. The fund balance of \$899,820 is restricted for future public safety, physical environment, and recreation expansion projects and equipment.

Enterprise funds

The Town's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. The Town has one major enterprise fund – the Utility Fund, and one nonmajor fund – the Stormwater Fund. For the current fiscal year, unrestricted net position in the Utility Fund increased by \$141,188 and the Stormwater Fund had no change over the prior year.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2020

Utility Fund

The Utility Fund had an increase in net position of \$198,341, which is consistent with the prior year. User fees were \$17,740 greater than the prior year for increased usage from utility and sanitation customers. Operating expenses were in line with the prior year. There were no significant changes in the current year.

General Fund Budgetary Highlights

The General Fund original budgeted revenues were increased by \$496,685 primarily for additional grant reimbursements awarded during the year. That budgeted revenue increase was offset by increased budgeted expenditures of \$643,474 in transportation and culture and recreation for the Island Drive and Library expansion projects. Total revenues exceeded the final amended budget by \$181,135 mostly from unbudgeted intergovernmental CARES Act reimbursements. Total expenditures exceeded the final amended budget by \$144,127 mostly from accounting for capital equipment acquisitions through financings and COVID-19 related expenditures.

Capital Assets and Long-term Debt

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2020 amounts to \$5,710,810 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, equipment, vehicles, and construction in progress. The total increase in the Town's investment in capital assets for the current fiscal year was \$647,862. Governmental activities increased capital assets by \$745,182 from several large projects, and business-type activities decreased by \$97,320 due to depreciation of currently held assets. The largest components of this increase were for the Island Drive paving project (\$212,092) and Library Expansion project (\$541,297). Additional information on the Town's capital assets, including major construction commitments, can be found in Note 3 of this report.

Long-term Debt

At the end of fiscal year 2020, the Town had total debt outstanding of \$1,829,667. This is a decrease of \$178,023 from the prior year, primarily due to scheduled principal payments. Of the total outstanding, \$184,885 is related to governmental activities and \$1,644,782 is related to business-type activities. Additional information on the Town's debt can be found in Note 4 of this report.

Economic Factors and Next Year's Budgets and Rates

- The ad valorem tax rate for the General Fund decreased to 7.50 for the 2021 fiscal year budget.
- The COVID-19 pandemic continues as of the date of this report causing uncertainty and declines in the overall local and state economic activity. The ultimate effect of the pandemic on the Town is not quantifiable at this time.

Requests for Information

This financial report is designed to present users with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Town's Clerk, 101 N Palm Avenue, Howey-in-the-Hills, Florida 34737.

BASIC FINANCIAL STATEMENTS

Town of Howey-in-the-Hills, Florida
Statement of Net Position
September 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 552,563	\$ 1,013,138	\$ 1,565,701
Investment in state pool	19,054	-	19,054
Due from other governments	318,201	-	318,201
Prepays	100	-	100
Accounts receivable	567	110,421	110,988
Pension asset	185,777	-	185,777
Restricted assets:			
Cash and equivalents	1,035,693	35,529	1,071,222
Capital assets:			
Non-depreciable	919,088	33,820	952,908
Depreciable, net	1,783,415	2,974,487	4,757,902
Total assets	4,814,458	4,167,395	8,981,853
Deferred outflows of resources			
Pension related	217,090	-	217,090
Total assets and deferred outflows of resources	5,031,548	4,167,395	9,198,943
Liabilities			
Accounts payable	115,675	20,193	135,868
Contracts payable	50,942	-	50,942
Accrued liabilities	14,169	3,935	18,104
Due to pension	14,153	-	14,153
Due to other governments	-	-	-
Interest payable	-	18,351	18,351
Unearned revenues	2,554	-	2,554
Customer deposits	-	44,110	44,110
Noncurrent liabilities:			
Due within one year	61,712	138,399	200,111
Due in more than one year	157,150	1,509,469	1,666,619
Total liabilities	416,355	1,734,457	2,150,812
Deferred inflows of resources			
Pension related	236,357	-	236,357
Total liabilities and deferred inflows of resources	652,712	1,734,457	2,387,169
Net position			
Net investment in capital assets	2,466,676	1,363,526	3,830,202
Restricted:			
Public Safety Projects	206,652	-	206,652
Public Works Projects	585,090	-	585,090
Recreation Projects	242,386	-	242,386
Tree Replenishment Program	1,565	-	1,565
Unrestricted	876,467	1,069,412	1,945,879
Total net position	\$ 4,378,836	\$ 2,432,938	\$ 6,811,774

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Statement of Activities
Year ended September 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 507,226	\$ 11,784	\$ 80	\$ -	\$ (495,362)	\$ -	\$ (495,362)
Public safety	740,198	207,970	143,244	19,016	(369,968)	-	(369,968)
Physical environment	174,645	3,799	1,314	56,733	(112,799)	-	(112,799)
Transportation	110,669	5,769	-	-	(104,900)	-	(104,900)
Culture and recreation	154,383	7,395	46,831	528,319	428,162	-	428,162
Interest on long-term debt	10,065	-	-	-	(10,065)	-	(10,065)
Total governmental activities	1,697,186	236,717	191,469	604,068	(664,932)	-	(664,932)
Business-type activities							
Utility	882,059	1,027,818	-	-	-	145,759	145,759
Stormwater	3,916	-	-	-	-	(3,916)	(3,916)
Total business-type activities	885,975	1,027,818	-	-	-	141,843	141,843
Total	\$ 2,583,161	\$ 1,264,535	\$ 191,469	\$ 604,068	(664,932)	141,843	(523,089)
General revenues							
Property taxes					887,874	-	887,874
Franchise and utility taxes					342,303	51,278	393,581
Infrastructure surtax					139,069	-	139,069
Local option tax					39,864	-	39,864
Shared revenues - unrestricted					133,784	-	133,784
Other taxes					15,188	-	15,188
Miscellaneous					6,421	1,304	7,725
Total general revenues					1,564,503	52,582	1,617,085
Change in net position					899,571	194,425	1,093,996
Net position - beginning of year					3,479,265	2,238,513	5,717,778
Net position - end of year					\$ 4,378,836	\$ 2,432,938	\$ 6,811,774

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Impact Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and equivalents	\$ 679,380	\$ 899,820	\$ 9,056	\$ 1,588,256
Investment in state pool	19,054	-	-	19,054
Account receivable, net	567	-	-	567
Due from other governments	318,201	-	-	318,201
Prepays	100	-	-	100
Total assets	<u>\$ 1,017,302</u>	<u>\$ 899,820</u>	<u>\$ 9,056</u>	<u>\$ 1,926,178</u>
Liabilities				
Accounts payable	115,675	-	-	115,675
Contracts payable	50,942	-	-	50,942
Accrued liabilities	14,169	-	-	14,169
Due to police pension	14,153	-	-	14,153
Unearned revenues	2,554	-	-	2,554
	<u>197,493</u>	<u>-</u>	<u>-</u>	<u>197,493</u>
Deferred Inflows of Resources				
Unavailable grant revenues	<u>134,741</u>	<u>-</u>	<u>-</u>	<u>134,741</u>
Fund balances				
Nonspendable - prepaids	100	-	-	100
Restricted:				
Public safety	-	199,161	7,491	206,652
Physical environment	-	523,133	1,565	524,698
Culture and recreation	-	177,526	-	177,526
Unassigned	<u>684,968</u>	<u>-</u>	<u>-</u>	<u>684,968</u>
Total fund balances	<u>685,068</u>	<u>899,820</u>	<u>9,056</u>	<u>1,593,944</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,017,302</u>	<u>\$ 899,820</u>	<u>\$ 9,056</u>	<u>\$ 1,926,178</u>

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2020

Fund balances - total governmental funds \$ 1,593,944

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 in the funds.

Capital assets - net 2,702,503

Amount for earned but unavailable revenues recognized as revenue of the current period

134,741

The net pension liability/asset is not reported in governmental funds.

185,777

Deferred inflows and outflows of resources related to pensions are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.

Deferred outflows of resources pensions 217,090

Deferred inflows of resources pensions (236,357)

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities--both current and long-term--are reported in the statement of net position.

Long-term liabilities at year-end consist of:

Capital leases (97,853)

Lake County loan (87,032)

Compensated absences (33,977)

Net position of governmental activities \$ 4,378,836

Town of Howey-in-the-Hills, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2020

	General Fund	Impact Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,255,793	\$ -	\$ -	\$ 1,255,793
Permits, fees and special assessments	305,823	95,650	-	401,473
Intergovernmental	708,398	-	-	708,398
Charges for services	89,148	-	-	89,148
Judgments, fines and forfeits	7,874	-	747	8,621
Miscellaneous	6,507	-	-	6,507
Total revenues	2,373,543	95,650	747	2,469,940
Expenditures				
Current:				
General government	549,918	-	-	549,918
Public safety	719,928	-	-	719,928
Physical environment	203,963	-	-	203,963
Transportation	297,109	-	-	297,109
Culture and recreation	635,910	22,082	-	657,992
Debt service:				
Principal retirement	66,431	-	-	66,431
Interest	10,065	-	-	10,065
Total expenditures	2,483,324	22,082	-	2,505,406
Excess of revenues over (under) expenditures	(109,781)	73,568	747	(35,466)
Other financing sources (uses)				
Capital lease and loan	49,143	-	-	49,143
Net change in fund balances	(60,638)	73,568	747	13,677
Fund balances - beginning of year	745,706	826,252	8,309	1,580,267
Fund balances - end of year	\$ 685,068	\$ 899,820	\$ 9,056	\$ 1,593,944

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
Year ended September 30, 2020

Net change in fund balances \$ 13,677

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 depreciated over their estimated useful lives.

Acquisitions of capital assets	891,025
Current year depreciation expense	(145,843)

The issuance of bonds and similar long-term debt provides current financial resources to governmental funds and thus contributes to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. The amounts of the items that make up these differences in the treatment of long-term debt and related items are:

Capital lease issuance	(49,143)
Capital lease repayments	67,005
Lake County loan repayments	9,605

Under the modified accrual basis of accounting, governmental revenues are recognized when both the measurable and available criteria have been met. Those revenues earned in the current year were not recognized since availability criteria was not met. Under full accrual accounting, all revenues would be recognized.

126,817

The accounting for pension costs differs between governmental funds and governmental activities

Change in net pension liability or asset	1,337
Change in deferred outflows related to pensions	(74,008)
Change in deferred inflows related to pensions	59,852

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

Compensated absences	(753)
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Change in net position of governmental activities \$ 899,571

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Statement of Net Position
Proprietary Funds
September 30, 2020

	Business-type Activities Enterprise Funds		
	Utility Fund	Nonmajor Stormwater Fund	Total Enterprise Funds
Current assets			
Cash and equivalents	\$ 1,001,242	\$ 11,896	\$ 1,013,138
Accounts receivable, net	110,421	-	110,421
Total current assets	1,111,663	11,896	1,123,559
Noncurrent assets			
Restricted cash and equivalents	35,529	-	35,529
Capital assets, net	2,931,575	76,732	3,008,307
Total noncurrent assets	2,967,104	76,732	3,043,836
Total assets	4,078,767	88,628	4,167,395
Current liabilities			
Accounts payable	20,193	-	20,193
Accrued liabilities	3,935	-	3,935
Interest payable	18,351	-	18,351
Customer deposits	44,110	-	44,110
Current portion of long-term liabilities	138,399	-	138,399
Total current liabilities	224,988	-	224,988
Noncurrent liabilities	1,509,469	-	1,509,469
Total liabilities	1,734,457	-	1,734,457
Net position			
Net investment in capital assets	1,286,794	76,732	1,363,526
Unrestricted	1,057,516	11,896	1,069,412
Total net position	\$ 2,344,310	\$ 88,628	\$ 2,432,938

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended September 30, 2020

	Business-type Activities		
	Enterprise Funds		
	Utility Fund	Nonmajor Stormwater Fund	Total Enterprise Funds
Operating revenues			
User fees - water	\$ 823,919	\$ -	\$ 823,919
User fees - sanitation	203,899	-	203,899
Total operating revenues	1,027,818	-	1,027,818
Operating expenses			
Personal services	80,068	-	80,068
Operating expenses	619,943	-	619,943
Depreciation	135,489	3,916	139,405
Total operating expenses	835,500	3,916	839,416
Operating income (loss)	192,318	(3,916)	188,402
Nonoperating revenues (expenses)			
Utility service taxes	51,278	-	51,278
Interest income	1,304	-	1,304
Interest (expense)	(46,559)	-	(46,559)
Total nonoperating revenues (expenses)	6,023	-	6,023
Change in net position	198,341	(3,916)	194,425
Net position - beginning of year	2,145,969	92,544	2,238,513
Net position - end of year	\$ 2,344,310	\$ 88,628	\$ 2,432,938

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2020

	Utility Fund	Nonmajor Stormwater Fund	Total Enterprise Funds
Operating activities			
Receipts from customers	\$ 1,028,638	\$ -	\$ 1,028,638
Payments to suppliers	(670,150)	-	(670,150)
Payments to employees	(78,815)	-	(78,815)
Net cash provided by operating activities	<u>279,673</u>	<u>-</u>	<u>279,673</u>
Noncapital financing activities			
Receipts/(Payments) from/to other funds	-	-	-
Utility service taxes	51,278	-	51,278
Net cash provided by noncapital financing activities	<u>51,278</u>	<u>-</u>	<u>51,278</u>
Capital and related financing activities			
Principal paid on debt	(150,556)	-	(150,556)
Interest paid on debt	(47,951)	-	(47,951)
Acquisition of capital assets	(42,085)	-	(42,085)
Net cash used by capital and related financing activities	<u>(240,592)</u>	<u>-</u>	<u>(240,592)</u>
Investment Activities			
Interest on investments	1,304	-	1,304
Net cash provided by investment activities	<u>1,304</u>	<u>-</u>	<u>1,304</u>
Change in cash and equivalents	91,663	-	91,663
Cash and equivalents - beginning of year	<u>945,108</u>	<u>11,896</u>	<u>957,004</u>
Cash and equivalents - end of year	<u>\$ 1,036,771</u>	<u>\$ 11,896</u>	<u>\$ 1,048,667</u>
Operating income (loss)			
Depreciation	192,318	(3,916)	188,402
Change in:	135,489	3,916	139,405
Receivables	2,532	-	2,532
Accounts payable	(50,207)	-	(50,207)
Accrued liabilities	1,754	-	1,754
Customer deposits	(1,712)	-	(1,712)
Compensated absences	(501)	-	(501)
Net cash provided by operating activities	<u>\$ 279,673</u>	<u>\$ -</u>	<u>\$ 279,673</u>

There were no noncash activities.

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Statement of Fiduciary Net Position
September 30, 2020

	Pension Trust Fund
Assets	
Investments	\$ 1,917,811
Receivables	14,153
Total assets	1,931,964
 Liabilities	
	-
 Net position	
Restricted for pension benefits	\$ 1,931,964

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Statement of Changes in Fiduciary Net Position
Year ended September 30, 2020

	<u>Pension Trust Fund</u>
Additions	
Contributions:	
Employer	\$ 84,488
Member	15,715
State	14,153
Total contributions	<u>114,356</u>
Investment income:	
Investment income	119,226
Less, investment management fee	<u>(8,765)</u>
Net investment income	<u>110,461</u>
Total additions	<u>224,817</u>
Deductions	
Member benefits	<u>64,734</u>
Change in net position	160,083
Net position restricted for pension benefits	
Beginning of year	<u>1,771,881</u>
Net position restricted for pension benefits	
End of year	<u><u>\$ 1,931,964</u></u>

See accompanying notes.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Howey-in-the-Hills, Florida (the "Town"), have been prepared in conformity with generally accepted accounting principles ("GAAP"), as applied to governmental units, which were promulgated by the Governmental Accounting Standards Board ("GASB"). A summary of the Town's significant accounting policies applied in the preparation of these financial statements follows.

A. REPORTING ENTITY

The Town of Howey-in-the-Hills is a political subdivision of the state of Florida established under the Laws of Florida, Chapter 10675(1925). The Town was originally incorporated on May 8, 1925. The Town provides a wide range of services that include police protection, recreation services, public works services, and general administration. The Town also operates enterprise activities, including: water, sewer, sanitation and stormwater.

The Town is a municipal corporation governed by an elected mayor and four-member council. As required by GAAP, these financial statements present the Town as a primary government. Component units are entities for which a primary government is considered financially accountable or entities that would be misleading to exclude. Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units would be combined with data of the primary government. The Town has no blended component units. Discretely presented component units, on the other hand, would be reported in separate columns to emphasize that they are legally separate from the Town. There are no discretely presented component units included in the Town's financial reporting entity. Additionally, the Town did not participate in any joint ventures during the 2019-2020 fiscal year.

B. BASIC FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide statements (statement of net position and statement of activities) are presented using a full accrual, economic resource basis, which incorporates long-term assets and receivables, deferred outflows of resources, long-term liabilities, and deferred inflows of resources. The Town's fiduciary funds are not included in the government-wide statements since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Town.

The government-wide statement of activities reports the gross and net cost for the various functional categories (general government, public safety, physical environment, transportation, and culture and recreation) of the Town that are otherwise supported by general government revenues (property, sales and use tax, and certain intergovernmental revenues, etc.). For the most part, the effect of interfund activity has been removed from this statement. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are defined as charges for services, and operating and capital grants and contributions that specifically relate to a specific program function. Charges for services include revenue arising from charges to customers or applicants who purchase, use or directly benefit from the goods, services, or privileges provided. Operating and capital grants and contributions consist of revenues received from governments, organizations, or individuals that are specifically attributable to an activity program for either operating expenses or capital expenses associated with the specific program.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All non-major funds are summarized into a single column. The Town has reported the General Fund and Impact Fees Fund as major funds. In addition, the Town's Utility Fund is a major fund. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

C. MEASUREMENT FOCUS AND BASIS OF PRESENTATION

The Town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. The minimum number of funds is maintained consistent with legal and managerial requirements. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three fund types: governmental, proprietary, and fiduciary. Each fund type is described below:

1. Governmental Funds:

The focus of governmental fund measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources), rather than upon net income. The following is a description of the governmental funds that the Town has presented:

- a) **General Fund** - This 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.
- b) **Special Revenue Funds** - These funds are used to account for and report the proceeds of specific revenue sources (other than debt service or major capital projects) that are legally restricted or committed to expenditures for specified purposes. The Town has five special revenue funds consisting of the Impact Fees Fund to account for police, water and parks impact fees, the Law Enforcement Trust Fund and Special Law Enforcement Trust Fund to account for forfeiture proceeds restricted in use by Florida Statutes, the Police Automation Fund, and the Tree Fund for proceeds restricted for Town tree planting projects.

2. Proprietary Funds:

These funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds – These funds are used to account for those operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. The Utility Fund is used to account for water and refuse system, and the Stormwater Fund is used to account for the Town's stormwater activities.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF PRESENTATION (Continued)

2. Proprietary Funds: (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in conjunction with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of personnel, contractual services, supplies, maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

3. Fiduciary Fund:

The fiduciary fund accounts for assets held by the Town in a trustee capacity. A trust fund accounts for assets held by the government under the terms of a formal trust agreement.

Pension Trust Fund - These funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The pension trust fund accounts for the assets of the Town's police officers' pension plan.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

All proprietary funds and pension trust funds are accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

1. Modified Accrual:

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are utility and franchise taxes, intergovernmental revenues and grants, state revenue sharing, and interest on pooled investments.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

2. Accrual:

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

E. ASSETS, LIABILITIES, DEFERRED ELEMENTS, AND FUND EQUITY

Cash and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are carried at a mixture of fair value measurement and amortized cost because certain investments meet GASB Statement No. 31, as amended by GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*, which establishes criteria for external investment pools to qualify for making the election to measure all of their investments at amortized cost for financial reporting purposes. The Town's investments in the Florida PRIME are similar to money market funds in which units are owned in the fund rather than the underlying investments, and they are reported at amortized cost.

There are no limitations or restrictions on withdrawals from the Florida PRIME. In the occurrence of an event that has a material impact on the liquidity or operations of the PRIME, the fund's executive director may limit contributions to or withdrawals from the PRIME for a period of 48 hours. The Office of the Auditor General of the State of Florida performs the operational audit of the activities and investments of the Florida PRIME.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All accounts receivable are shown net of an allowance for uncollectible accounts receivable. Accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectible. Receivables of the Utility Fund are reduced by an allowance of \$20,053.

Property taxes, which were levied during fiscal year 2020 and are uncollected as of September 30, 2020, are immaterial and, therefore, not recorded as a receivable.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, DEFERRED ELEMENTS AND FUND EQUITY (Continued)

Inventories and Prepaids

Inventories are valued at cost using the first-in first-out ("FIFO") method and consist of expendable items held for consumption or resale. The cost of these items is recorded as expenditure or expense at the time the inventory item is consumed or sold.

Payments made to vendors for services, as well as to the actuary for pension contributions, that will benefit periods beyond September 30, 2020, are recorded as prepaid items. These payments are recorded as expenditures or expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, buildings, improvements, equipment (including assets acquired by capital lease), and infrastructure assets (i.e., roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost, of more than \$1,000 and an estimated useful life beyond one year. These assets are recorded at historical cost or estimated historical cost, if purchased, and acquisition value, if contributed or donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred and are not capitalized. In accordance with GASB Statement No. 34, as amended, the Town has elected to report general infrastructure prospectively, effective October 1, 2003. Depreciation on all capital assets is provided on a straight-line basis over the following estimated useful lives: buildings 10-50 years; improvements other than buildings, including infrastructure assets, 15-50 years; and furniture, equipment and vehicles 3-15 years.

For its business-type activities, it is the Town's policy not to capitalize construction period interest costs on projects funded specifically through debt financing in accordance with GASB Statement No. 89.

Compensated Absences

It is the Town's policy to permit limited vesting of employee earned and unused vacation and compensatory leave benefits. Vested vacation and sick leave that accrues that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability of the appropriate proprietary fund. The portion of the liability expected to be liquidated within the next year has been classified as a current liability. Amounts not expected to be liquidated within the next year are reported as a component of long-term liabilities. Compensated absences are reported in governmental funds only upon the retirement or resignation of a vested employee. The payment of compensated absences is charged to the respective fund and department in which the individual being paid is employed.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, DEFERRED ELEMENTS AND FUND EQUITY (Continued)

Net Pension Liability / Asset

In the government-wide statements, net pension liability or asset represents the present value of projected benefit payments to be provided through the single employer defined benefit pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pension plans, pension expense, information about the fiduciary net position, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension investments are reported at fair value. The Town allocated its net pension liability or asset, deferred outflows for pensions, deferred inflows for pensions, and pension expense to governmental activities and public safety function.

Deferred Outflows of Resources / Deferred Inflows of Resources

In addition to assets and liabilities, the Town reports the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure or expense) until that applicable time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that applicable time.

The Town reports one item that qualifies as deferred outflows of resources on its government-wide statement of net position, deferred outflows for pensions. The deferred outflows for pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred outflows for pensions will be recognized as pension expense or a reduction of the net pension liability in future reporting years.

The Town reports one item that qualifies as deferred inflows of resources on its government-wide statement of net position, deferred inflows for pensions. The deferred inflows for pensions are an aggregate of items related to pensions as calculated under the same principles as deferred outflows for pensions, and will be recognized as a reduction to pension expense in future reporting years.

The Town sometimes reports deferred inflows of resources on applicable governmental fund statements that represent revenues which are measurable but not available in accordance with the modified accrual basis of accounting. These deferred inflows will be recognized as revenue in the fiscal year they are earned and become available. The majority of these deferred inflows of resources represent intergovernmental receipts and reimbursements.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, DEFERRED ELEMENTS AND FUND EQUITY (Continued)

Net Position

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is presented in three components - net investment in capital assets, restricted, and unrestricted.

- **Net Investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation and capital related debt.
- **Restricted**- This component consists of net position that has constraints placed either externally by third parties (grantors and contributors) or by law, through constitutional provisions of enabling legislation. The Town reports \$899,820 of net position restricted by enabling legislation relating to impact fees.
- **Unrestricted** - This component consists of net position that does not meet the definition of "net investment in capital assets" and "restricted." Allocations or earmarks of net position made by the Town's management are included in this component because these types of constraints are internal and management can remove or modify them.

Fund Balance

In accordance with GAAP, the Town classified governmental fund balances as follows:

- **Nonspendable Fund Balance** - Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted Fund Balance** - Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance** - Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the Town's highest level of decision-making authority, which is an ordinance. Committed amounts cannot be used for any other purpose unless the Town removes those constraints by taking the same type of action. The Council can establish, modify or rescind a fund balance commitment through the formal approval of an ordinance.
- **Assigned Fund Balance** - Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Council or (b) a body or official to which the Council has delegated the authority to assign amounts to be used for specific purposes. Additionally, this category is used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year's budget.
- **Unassigned Fund Balance** - Unassigned fund balance is the residual classification for the General Fund and also includes deficit fund balances of other governmental funds.

The Town intends that restricted amounts be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that would prohibit doing this, such as grant agreements with dollar-for-dollar spending. Additionally, the Town would first use 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.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. PROPERTY TAXES

The assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the Lake County Property Appraiser and Lake County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to ten mills. The millage rate in effect for the fiscal year ended September 30, 2020 was 9.275 mills. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the roll meets all of the appropriate requirements of State Statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they were assessed, and a lien on the property is recorded on Jan 1. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The Town does not accrue its portion of the county-held certificates due to the immateriality of the amount.

NOTE 2 - CASH, POOLED CASH, AND INVESTMENTS

The Town utilizes a consolidated cash pool to account for cash and investments of all Town funds. The consolidated cash pool concept allows each participating fund to benefit from the economies of scale and improved yield, which are inherent to a larger investment pool. The account balances of each fund are reported as cash and equivalents.

Cash and Pooled Cash

The Town has one cash pool that maintains most of the deposits of all the governmental and enterprise funds of the Town. The trust funds maintain their own cash accounts. Formal accounting records detail the individual equities of the participating funds. The cash pool utilizes a single checking account for all Town receipts and disbursements.

Deposits

At September 30, 2020, the bank balance of the Town's cash deposit accounts was \$2,693,496 and the carrying amount of the demand deposits and cash on hand was \$2,636,923. The cash deposits are held by a bank that qualifies as a public depository under the Florida Security and Public Deposits Act, as required by Chapter 280, Florida Statutes, and are considered fully insured.

Investments

Florida Statutes (218.415) authorize municipalities to invest excess funds in time deposits or savings accounts of financial institutions approved by the State Treasurer, obligations of the U.S. Government, U.S. Government Instrumentalities, State of Florida Local Government Surplus Funds Trust Fund, and mutual funds investing in U.S. Government securities.

The Town's investment in the Florida PRIME of \$19,054 exposes it to credit risk. The Town does not have a formal investment policy relating to that risk, which is described as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Florida PRIME is rated by Standard & Poor's and has a rating at September 30, 2020 of AAAM. The weighted average days to maturity of Florida PRIME at September 30, 2020 is 48 days.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended September 30, 2020

NOTE 2 - CASH, POOLED CASH, AND INVESTMENTS (Continued)

The Town is a participating employer in the Florida Municipal Pension Trust Fund (FMPTF), which is sponsored by the Florida League of Cities, Inc. The Town's pension plan assets are invested by the FMPTF through the Florida Municipal Investment Trust (FMIvT), which is an external investment pool. The fair value of the position in the pool is equal to the value of the Town's beneficial interest in the pool's portfolio. The pool is not registered with the Securities and Exchange Commission.

The Town categorizes the fair value measurement of its investments based on the hierarchy established by GASB Statement No. 72 *Fair Value Measurement and Application*. The hierarchy has three levels based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Town uses quoted prices provided by FMIvT for its pension trust fund.

The Town's beneficial interest in the FMIvT portfolio for the Pension Trust is summarized below:

	<u>Fair Value Hierarchy</u>			
	Fair Value	Level 1	Level 2	Level 3
Cash and Money Market	\$ 15,342	\$ 15,342		
FMIvT Broad Market High Quality Bond Portfolio	266,576		\$ 266,576	
FMIvT Core Plus	268,493			\$ 268,493
FMIvT Large Cap Diversified Value Portfolio	692,330		692,330	
FMIvT Diversified Small to Mid Cap Equity Portfolio	195,617		195,617	
FMIvT International Equity Portfolio	304,932		304,932	
FMIvT Core Real Estate Portfolio	174,521			174,521
Total	\$ 1,917,811	\$ 15,342	\$ 1,459,455	\$ 443,014

Credit Risk –The Bond Portfolio is rated by Fitch and has a rating at September 30, 2020 of AAf/S4.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Town's investment policies do not provide specific restrictions as to maturity length of investments. The weighted average maturity of the Bond Portfolio is 6.60 years and the Core Plus is 5.82 years.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2020 was as follows:

Governmental Activities	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
Capital assets, not being depreciated:				
Land and improvements	\$ 377,790	\$ -	\$ -	\$ 377,790
Construction in Process	-	753,390	212,092	541,298
Total capital assets, not being depreciated	<u>377,790</u>	<u>753,390</u>	<u>212,092</u>	<u>919,088</u>
Capital assets, being depreciated:				
Buildings and improvements	530,242	72,072	-	602,314
Improvements	1,665,606	212,092	-	1,877,698
Equipment and machinery	556,733	16,420	(104,427)	677,580
Assets under capital lease	219,218	49,143	112,543	155,818
Total capital assets, being depreciated	<u>2,971,799</u>	<u>349,727</u>	<u>8,116</u>	<u>3,313,410</u>
Less accumulated depreciation for:				
Buildings and improvements	290,381	14,691	-	305,072
Improvements	583,306	55,825	-	639,131
Equipment and machinery	431,706	47,034	(68,454)	547,194
Assets under capital lease	86,875	28,293	76,570	38,598
Total accumulated depreciation	<u>1,392,268</u>	<u>145,843</u>	<u>8,116</u>	<u>1,529,995</u>
Total capital assets being depreciated, net	<u>1,579,531</u>	<u>203,884</u>	<u>-</u>	<u>1,783,415</u>
Governmental activities capital assets, net	<u>\$ 1,957,321</u>	<u>\$ 957,274</u>	<u>\$ 212,092</u>	<u>\$ 2,702,503</u>

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 3 - CAPITAL ASSETS (Continued)

Business-type Activities	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
Capital assets, not being depreciated:				
Construction in Process	\$ -	\$ 42,085	\$ 8,265	\$ 33,820
Capital assets, being depreciated:				
Buildings and improvements	7,693	-	-	7,693
Machinery and equipment	287,253	-	-	287,253
Improvements - water system	4,850,913	8,265	-	4,859,178
Total capital assets, being depreciated	<u>5,145,859</u>	<u>8,265</u>	<u>-</u>	<u>5,154,124</u>
Less accumulated depreciation for:				
Buildings and improvements	7,693	-	-	7,693
Machinery and equipment	275,350	2,492	-	277,842
Improvements - water system	1,757,189	136,913	-	1,894,102
Total accumulated depreciation	<u>2,040,232</u>	<u>139,405</u>	<u>-</u>	<u>2,179,637</u>
Business-type activities capital assets, net	<u>\$ 3,105,627</u>	<u>\$ (89,055)</u>	<u>\$ 8,265</u>	<u>\$ 3,008,307</u>

Depreciation and amortization was charged to governmental and business-type activities, as follows:

Governmental activities:

General government	\$ 3,621
Public safety	61,317
Physical environment	17,575
Transportation	25,652
Culture and recreation	<u>37,678</u>
Total depreciation expense - governmental activities	<u>\$ 145,843</u>

Business-type activities:

Utility	\$ 135,489
Stormwater	<u>3,916</u>
Total depreciation expense - business-type activities	<u>\$ 139,405</u>

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 4 - LONG TERM LIABILITIES

The Town's long-term liabilities consist of capital leases, notes from direct borrowing, a loan payable, and accrued compensated absences. The change in long term liabilities is as follows:

	Balance October 1,			Balance September 30,	Due Within
	2019	Additions	Deductions	2020	One Year
Governmental Activities:					
Capital lease obligations	\$ 115,715	\$ 49,143	\$ 67,005	\$ 97,853	\$ 38,251
Lake County radio loan	96,637	-	9,605	87,032	9,870
Compensated absences	33,224	22,800	22,047	33,977	13,591
Total	<u>\$ 245,576</u>	<u>\$ 71,943</u>	<u>\$ 98,657</u>	<u>\$ 218,862</u>	<u>\$ 61,712</u>
Business-Type Activities:					
Revenue refunding note *	\$ 138,016	\$ -	\$ 30,006	\$ 108,010	\$ 31,517
State revolving loan fund *	1,657,322	-	120,550	1,536,772	105,647
Compensated absences	3,587	1,631	2,132	3,086	1,235
Total	<u>\$ 1,798,925</u>	<u>\$ 1,631</u>	<u>\$ 152,688</u>	<u>\$ 1,647,868</u>	<u>\$ 138,399</u>

* These notes are considered notes from direct borrowing.

Governmental activities compensated absences will be liquidated in future periods primarily by the General Fund.

Lake County Equipment Loan

In 2019, the Town entered into an interlocal agreement with Lake County to finance the acquisition of new police radios in the amount of \$105,983. The loan is payable over ten years with annual payments of \$12,274 at an interest rate of 2.8%. Future debt service payments on the loan are as follows:

Year ending September 30,	Lake County Loan	
	Principal	Interest
2021	\$ 9,870	\$ 2,404
2022	10,143	2,132
2023	10,423	1,851
2024	10,711	1,563
2025	11,007	1,268
2026 - 2030	34,878	1,944
	<u>\$ 87,032</u>	<u>\$ 11,162</u>

Revenue Refunding Note

The Town issued the Revenue Refunding Note, Series 2013 for \$285,000 to refund the Town's USDA Water Revenue Bond, Series 1989, originally used to finance certain extensions and improvements of the Town's water system. Principal and interest are paid monthly in the amount of \$2,997 and the interest rate is 4.75%.

The Revenue Refunding Note contains remedies for events of default that are dependent upon judicial actions and may be limited, and may include an interest default rate escalation on the outstanding balance.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended September 30, 2020

NOTE 4 - LONG TERM LIABILITIES (Continued)

State Revolving Loan

The Town entered into an agreement with the Florida Department of Environmental Protection for a loan of \$2,301,053 for planning and construction costs involved in major utility system expansion and improvements. This is funded through the Clean Water State Revolving Fund (SRF) Loan Program protected under the Federal Clean Water Act. The interest rates are 2.71% and 2.12% per year for different segments of the project, and repayment of the loan began after construction was completed.

Under the agreement with the State Revolving Fund, upon occurrence of an event of default, the Department may provide notice to the Florida Auditor General and Chief Financial Officer regarding delinquency of debt service payments, and intercept delinquent amounts from unobligated revenue or tax-sharing funds to the Town. The Department may impose a penalty of 18% annually on the amount due. Additionally, the Department may accelerate the repayment schedule or increase the financing rate up to 1.667 times the current rate.

The Town has pledged future water customer revenues, net of specified operating expenses, to repay the two loans. The loans are payable solely from water customer net revenues and are payable through 2031. Rate coverage for the SRF loan requires that the pledged revenues equal or exceed 1.15 times the sum of the semiannual loan payments due in the fiscal year. The total principal and interest to be paid on the Revenue Note is \$116,765 and the SRF loan is \$1,807,725. Principal and interest of \$162,540 for the SRF and \$35,968 for the Revenue Note was paid during the current year. Pledged net revenues for the water system were approximately \$284,810 for the FY20 year.

Future debt service payments on the Revenue Note and SRF Loan are as follows:

Year ending September 30,	Revenue Refunding Note		State Revolving Fund Note	
	Principal	Interest	Principal	Interest
2021	\$ 31,517	\$ 4,450	\$ 105,647	\$ 38,841
2022	33,048	2,920	108,387	36,242
2023	34,652	1,316	111,199	33,430
2024	8,793	69	114,085	30,545
2025	-	-	117,046	27,583
2026 - 2030	-	-	632,435	90,711
2030 - 2034	-	-	347,973	13,601
Totals	\$ 108,010	\$ 8,755	\$ 1,536,772	\$ 270,953

Capital Leases

The Town entered into several equipment lease/purchase agreements to acquire police vehicles, computers and public works equipment. The equipment's cost on a cumulative basis under these agreements is \$155,818. The interest rate for these agreements range from 3.98% - 5.99%. The equipment leases contain remedies for events of default that may include declaring all unpaid amounts immediately due, and/or requiring return of all equipment under the agreements. Future minimum lease payments are as follows:

Year ending September 30,	Capital leases	
	Principal	Interest
2021	\$ 38,251	\$ 4,655
2022	34,881	2,853
2023	24,721	1,172
	\$ 97,853	\$ 8,680

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended September 30, 2020

NOTE 5 - PENSION PLAN

Summary of Significant Accounting Policies

Basis of Accounting. The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Plan Description

Plan Administration. The Town sponsors a public employee retirement system (the "System") administered by the Town Pension Board of Trustees. The System administers the Police Officers' Retirement Plan (the "Plan"), an employee contributory single-employer defined benefit pension plan. Members of the plan include all sworn police officers, The Plan is maintained as a Pension Trust Fund and reported as a fiduciary fund of the Town. The Council has the authority to establish and amend plan benefits. The Town does not issue a stand-alone financial report for the Plan; however, more information on the plan can be found in this section.

Plan Membership as of October 1, 2018

Active employees	7
Inactive employees receiving benefits	3
Total	10

Benefits Provided

Officers attaining the age of 55 who have completed 10 or more years of creditable service or attaining the age of 52 who have completed 25 years of creditable service are entitled to monthly benefits of 3 percent of their average final compensation times years of credited service. The plan permits early retirement at the completion of 10 years of contributing service and attaining the age of 50. Active officers who retire disabled with disability that occurs in the line of duty and have 10 years of credited and contributing service shall receive the greater of 42 percent of average financial compensation or the accrued benefit actuarially reduced. Disability benefits are paid for 10 years certain and life or until recovery from disability. If a non-vested active officer dies before retirement eligibility, his or her beneficiary receives a refund of the officer's contributions to the Plan. If the officer dies prior to retirement but has at least 10 years of contributing service, his or her beneficiary is entitled to either early or normal retirement benefits.

Contributions

The contribution requirements of plan members and the Town are established and approved by the Town Council in accordance with applicable State statute. In addition, State contributions are also made to the Plan on behalf of the Town.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 5 - PENSION PLANS (Continued)

Plan Description (Continued)

For the year ended September 30, 2020, the active employee contribution rate was 5.0% of pensionable earnings. The Town's contribution rate, actuarially determined, was 14.02% of pensionable earnings, and the State's contribution rate was 3.58%.

Net Pension Liability (Asset) and Actuarial Assumptions

Actuarial Assumptions. The total pension liability (asset) was determined by an actuarial valuation as of October 1, 2018 updated to September 30, 2020 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.9%
Salary increases	4.0%
Cost-of-living increases	None assumed
Investment rate of return	7.0% net of pension plan inv expense, including inflation

Mortality rates were based on sex-distinct rates set forth in the RP-2000 Blue Collar Mortality Table with full generational improvements in mortality using Scale BB. There is no automatic cost of living adjustment.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment category	Target Allocation	Expected Long-term Real Return
Core bonds	15%	1.60%
Core plus	15%	2.10%
U.S. large cap equity	34%	4.60%
U.S. small cap equity	11%	5.50%
Non-U.S. equity	15%	6.70%
Core real estate	10%	5.00%
Total or weighted arithmetic average	100%	4.23%

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 5 - PENSION PLANS (Continued)

Net Pension Liability (Asset) and Actuarial Assumptions (Continued)

Discount Rate Sensitivity Analysis

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the Town and State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the sensitivity of the net pension liability (asset) to changes in the discount rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability (asset)	\$ 18,177	\$ (185,777)	\$ (357,127)

For the year ended September 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability (Asset), Deferred Outflows/Deferred Inflows of Resources, and Pension Expense

The following table presents the change in net pension liability (asset) of the Town's Plan as of the measurement date of September 30, 2020.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of October 1, 2019	\$ 1,590,767	\$ (1,775,207)	\$ (184,440)
Changes for the year:			
Service cost	79,129	-	79,129
Expected interest growth	115,070	(125,067)	(9,997)
Unexpected investment income	-	5,841	5,841
Demographic experience	-	-	-
Employer contributions	-	(81,736)	(81,736)
Employee contributions	-	(15,147)	(15,147)
Benefit payments and refunds	(52,990)	64,734	11,744
Administrative expenses	-	8,829	8,829
Balances as of September 30, 2020	<u>\$ 1,731,976</u>	<u>\$ (1,917,753)</u>	<u>\$ (185,777)</u>

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 5 - PENSION PLANS (Continued)

For the year ended September 30, 2020, the Town recognized pension expense of \$94,555 related to the Plan.

At September 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on pension plan investments	\$ 1,157	\$ -
Differences between expected and actual experience	97,730	236,357
Changes to assumptions	118,203	-
	\$ 217,090	\$ 236,357

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,	Net
2021	\$ 22,820
2022	39,314
2023	26,745
2024	(32,932)
2025	(32,989)
Thereafter	(42,225)
Total	\$ (19,267)

NOTE 6 - DEFERRED COMPENSATION PLAN

For employees who do not qualify for the Police Pension Plan, the Town offers a deferred compensation plan created in accordance with Section 457, Internal Revenue Code. During the year ended September 30, 2020, employer contributions of \$3,001 were made to the 457 plan.

GASB Statement No. 32 eliminates the requirement that the Town report the assets of Internal Revenue Code, Section 457, plans on the statement of net position.

NOTE 7 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to general liability, workers' compensation, public liability, law enforcement liability, health benefits, property damage, and errors and omissions. To manage its risks, the Town purchases insurance coverage. The Town's settled claims have not exceeded coverage in any of the past three fiscal years.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2020

NOTE 8 - CONTINGENCIES

Litigation

The Town is sometimes a party to lawsuits and claims arising out of the normal conduct of its activities. While the results of lawsuits or other proceedings against the Town cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the Town.

Grants

The Town receives financial assistance from federal, state, and local agencies in the form of operating and capital grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Disallowed claims, if any, resulting from such audits, may become liabilities of the Town. However, in the opinion of management, disallowed claims, if any, will not have a material effect on the Town's financial statements.

Contingency - COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) pandemic. The pandemic is affecting communities and business operations, as well as the US economy. The Town expects to continue to experience losses of various local and state shared revenues and declines in user fees. Federal financial assistance for state and local governments is expected to help offset some of these effects; however, it is not currently known how much the Town will be eligible to receive. The full extent to which the pandemic will impact the Town is uncertain at this time and will depend on new information that may emerge concerning action to contain and treat COVID-19 and the economic impact of that action.

NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund and Impact Fees Fund both had an excess of expenditures over final budgeted appropriations of \$144,127 and \$22,082, respectively, primarily for yearend recording of capital acquisitions. There was sufficient residual fund balance in each fund to cover the excesses.

NOTE 10 - FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in 2021. One statement addresses Fiduciary Activities and will have some impact on the Town's future financial reporting.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules (GAAP BASIS):

- General Fund
- Major Special Revenue Funds:
 - Impact Fees Fund

City Retirement Plan Schedules and Notes:

- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Actuarially Determined Contributions
- Money-weighted Rate of Return

Town of Howey-in-the-Hills, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,169,433	\$ 1,223,033	\$ 1,255,793	\$ 32,760
Permits, fees and special assessments	221,713	300,043	305,823	5,780
Intergovernmental	212,846	542,289	708,398	166,109
Charges for services	62,743	80,006	89,148	9,142
Judgments, fines and forfeits	10,720	11,642	7,874	(3,768)
Miscellaneous	18,268	35,395	6,507	(28,888)
Total revenues	<u>1,695,723</u>	<u>2,192,408</u>	<u>2,373,543</u>	<u>181,135</u>
Expenditures				
Current:				
General government	471,343	519,271	549,918	(30,647)
Public safety	741,985	692,467	719,928	(27,461)
Physical environment	170,551	252,535	203,963	48,572
Transportation	108,627	297,917	297,109	808
Culture and recreation	203,217	577,007	635,910	(58,903)
Debt service:				
Principal retirement	-	-	66,431	(66,431)
Interest	-	-	10,065	(10,065)
Total expenditures	<u>1,695,723</u>	<u>2,339,197</u>	<u>2,483,324</u>	<u>(144,127)</u>
Excess of revenues over (under) expenditures	-	(146,789)	(109,781)	325,262
Other financing sources (uses)				
Capital lease and loan	-	-	49,143	49,143
Net change in fund balances	-	(146,789)	(60,638)	374,405
Fund balances - beginning of year	-	146,789	745,706	598,917
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,068</u>	<u>\$ 973,322</u>

Town of Howey-in-the-Hills, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Impact Fees Fund
Year ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Permits, fees and special assessments	\$ 107,000	\$ 95,650	\$ 95,650	\$ -
Expenditures				
Current:				
Culture and recreation	-	-	22,082	(22,082)
Total expenditures	-	-	22,082	(22,082)
Excess of revenues over (under) expenditures	107,000	95,650	73,568	22,082
Fund balances - beginning of year	-	-	826,252	826,252
Fund balances - end of year	\$ 107,000	\$ 95,650	\$ 899,820	\$ 848,334

Town of Howey-in-the-Hills, Florida
Notes to the Budgetary Schedules
Year ended September 30, 2020

The Town's procedures in establishing the budgetary data reflected in the financial statements are generally as follows:

- In July, the Lake County Property Appraiser notifies the Town as to its tentative property tax assessed valuation, from which the Town can estimate the property tax resources available and the limitations thereon.
- During August, budget workshops are held to determine proposed expenditures and the means of financing them. The Council then adopts the proposed property tax millage rate and sets the date, time and place of the first public hearing.
- A public hearing on the tentative budget is held. Within fifteen (15) days of the first public hearing, the Town advertises its intention to finalize its budget and millage rate, and a date, time, and place for a public hearing. The second public hearing is convened several days after the final advertisement, at which time the final budget and millage are adopted.
- Appropriations lapse at year-end.
- The fund is the legal level of control.

Town of Howey-in-the-Hills, Florida
Schedule of Changes in Net Pension Liability and Related Ratios
Police Officers' Plan
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 79,129	\$ 79,129	\$ 61,873	\$ 61,873	\$ 43,667	\$ 9,782
Interest	115,070	123,888	114,769	107,490	70,706	86,408
Differences between expected and actual experience	-	(273,146)	(24,948)	(32,313)	200,034	81,475
Benefit payments, including refunds of employee contributions	(52,990)	(52,946)	(54,670)	(79,800)	(77,149)	(138,134)
Assumption changes	-	-	-	48,246	264,972	-
Net change in total pension liability	141,209	(123,075)	97,024	105,496	502,230	39,531
Total pension liability - beginning of year	1,590,767	1,713,842	1,616,818	1,511,322	1,009,092	969,561
Total pension liability - end of year	<u>\$ 1,731,976</u>	<u>\$ 1,590,767</u>	<u>\$ 1,713,842</u>	<u>\$ 1,616,818</u>	<u>\$ 1,511,322</u>	<u>\$ 1,009,092</u>
Plan fiduciary net position						
Contributions - employer	\$ 81,736	\$ 106,904	\$ 97,179	\$ 81,225	\$ 82,122	\$ 65,002
Contributions - employee	15,147	16,698	14,544	13,006	12,605	10,401
Net investment income	119,226	90,347	110,663	173,224	95,228	4,532
Benefit payments, including refunds of employee contributions	(64,734)	(52,946)	(54,670)	(79,800)	(77,149)	(138,134)
Administrative expense	(8,829)	(16,400)	(7,081)	(13,899)	(5,549)	(12,076)
Net change in plan fiduciary net position	142,546	144,603	160,635	173,756	107,257	(70,275)
Plan fiduciary net position - beginning of year	1,775,207	1,630,604	1,469,969	1,296,213	1,188,956	1,259,231
Plan fiduciary net position - end of year	<u>\$ 1,917,753</u>	<u>\$ 1,775,207</u>	<u>\$ 1,630,604</u>	<u>\$ 1,469,969</u>	<u>\$ 1,296,213</u>	<u>\$ 1,188,956</u>
Net pension liability (asset) - end of year	<u>\$ (185,777)</u>	<u>\$ (184,440)</u>	<u>\$ 83,238</u>	<u>\$ 146,849</u>	<u>\$ 215,109</u>	<u>\$ (179,864)</u>
Plan fiduciary net position as a percentage of the total pension liability	110.73%	111.59%	95.14%	90.92%	85.77%	117.82%
Covered-employee payroll	\$ 330,473	\$ 330,473	\$ 265,367	\$ 265,367	\$ 220,740	\$ 220,740
Net pension liability (asset) as a percentage of covered-employee payroll	-56.22%	-55.81%	31.37%	55.34%	97.45%	-81.48%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which it is available will be presented.

Town of Howey-in-the-Hills, Florida
Schedule of Investment Returns
Police Officers' Plan
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	6.06%	4.82%	7.64%	7.04%	8.18%	0.37%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which it is available will be presented.

OTHER SUPPLEMENTAL INFORMATION

Non-Major Governmental Funds:
Combining Financial Statements for All Non-major
Governmental Funds

Town of Howey-in-the-Hills, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2020

	Law Enforcement Trust Fund	Police Automation Fund	Special Law Enforcement Trust Fund	Tree Fund	Total Nonmajor Govern- mental Funds
Assets					
Cash and equivalents	\$ 4,995	\$ 62	\$ 2,434	\$ 1,565	\$ 9,056
Due from other governments	-	-	-	-	-
Total assets	\$ 4,995	\$ 62	\$ 2,434	\$ 1,565	\$ 9,056
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances					
Restricted:					
Public safety	4,995	62	2,434	-	7,491
Physical environment	-	-	-	1,565	1,565
Total fund balances	4,995	62	2,434	1,565	9,056
Total liabilities and fund balances	\$ 4,995	\$ 62	\$ 2,434	\$ 1,565	\$ 9,056

Town of Howey-in-the-Hills, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended September 30, 2020

	Law Enforcement Trust Fund	Police Automation Fund	Special Law Enforcement Trust Fund	Tree Fund	Total Nonmajor Govern- mental Funds
Revenues					
Judgments, fines and forfeits	\$ 747	\$ -	\$ -	\$ -	\$ 747
Total revenues	747	-	-	-	747
Expenditures					
Current:					
Public safety	-	-	-	-	-
	-	-	-	-	-
Excess of revenues over (under) expenditures	747	-	-	-	747
Fund balances - beginning of year	4,248	62	2,434	1,565	8,309
Fund balances - end of year	\$ 4,995	\$ 62	\$ 2,434	\$ 1,565	\$ 9,056

COMPLIANCE SECTION

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

To the Honorable Mayor and Town Council
Town of Howey-in-the-Hills, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Howey-in-the-Hills, Florida (the "Town"), as of and for the 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 report thereon dated May 15, 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 opinion 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.

Town of Howey-in-the-Hills, Florida

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Binney Accounting and
Assurance Services, PLLC*

Binney Accounting and Assurance Services, PLLC
Clermont, Florida
May 15, 2021

INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the Honorable Mayor and Town Council
Town of Howey-in-the-Hills, Florida

Report on Financial Statements

We have audited the financial statements of the Town of Howey-in-the-Hills, Florida (the "Town") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated May 15, 2021. That report should be considered in conjunction with this management letter.

Auditors' Responsibility

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 and Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items be addressed in this letter..

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated May 15, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1, *Rules of the Auditor General*, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4, *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority of the Town is disclosed in the notes to the financial statements.

Financial Condition and Management

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

Pursuant to sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the Town. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Town of Howey-in-the-Hills, Florida

Section 10.554(1)(i)2., *Rules of the Auditor General*, require that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations to be included herein.

Additional Matters

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

Purpose of this Letter

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, the Mayor and Town Council and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Binney Accounting and
Assurance Services, PLLC*

Binney Accounting and Assurance Services, PLLC

Clermont, Florida

May 15, 2021



**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 218.45, *FLORIDA STATUTES***

To the Honorable Mayor and Town Council
Town of Howey-in-the-Hills, Florida

We have examined the Town of Howey-in-the-Hills, Florida's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies* during the fiscal year ended September 30, 2020. Management of the Town is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 above. 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 judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination of the Town's compliance with the 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 Town and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than those specified parties.

*Binney Accounting and
Assurance Services, PLLC*

Binney Accounting and Assurance Services, PLLC

Clermont, Florida

May 15, 2021