

Town of Howey-in-the-Hills, Florida  
Audit Report  
For the Year Ended September 30, 2021

**TOWN OF HOWEY-IN-THE-HILLS, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
TABLE OF CONTENTS  
Year Ended September 30, 2021

Table of Contents .....	i
Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	3
<b>Basic Financial Statements:</b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position .....	10
Statement of Activities .....	11
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds .....	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	15
Statement of Net Position – Proprietary Funds .....	16
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds .....	17
Statement of Cash Flows – Proprietary Funds .....	18
Statement of Fiduciary Net Position – Pension Trust Fund .....	19
Statement of Changes in Fiduciary Net Position – Pension Trust Fund .....	20
<i>Notes to the Financial Statements</i> .....	21
<b>Required Supplementary Information:</b>	
<i>Budgetary Comparison Schedules (GAAP Basis):</i>	
General Fund .....	40
Building Services Fund .....	41
Impact Fees Fund .....	42
<i>Town Retirement Plan Schedules and Notes:</i>	
Police Officers' Schedule of Changes in Net Pension Liability and Related Ratios .....	44
Police Officers' Schedule of Actuarially Determined Contributions .....	45
Money-weighted Rate of Return .....	46
<b>Other Supplemental Information:</b>	
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	49
<b>Compliance Section:</b>	
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 <i>Government Auditing Standards</i> .....	51
Independent Auditors' Management Letter .....	53
Independent Accountants' Report .....	55
Impact Fee Affidavit .....	56

*This Page Intentionally Left Blank*

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of  
the Town Council  
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 fiscal year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, other supplementary information section, and statistical section, as listed in the table of contents are presented for purposes of additional analysis and are 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the Town's internal control over financial reporting and compliance.

*Binney Accounting and  
Assurance Services, PLLC*

Clermont, Florida  
May 5, 2022

**TOWN OF HOWEY-IN-THE-HILLS, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2021

---

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, 2021. 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 2021 by \$8,231,419 (net position). Of this amount, \$2,220,652 represents unrestricted net position.
- The Town's net position increased by \$1,419,645. Governmental activities contributed 72% of the increase.
- The Town's total governmental fund balances increased \$758,768 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 2021. 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, 2021

---

**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, 2021

**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 \$8,231,419 at the close of the fiscal year ended September 30, 2021.

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 (\$1,421,913) for construction projects, public safety programs, recreation projects, and other purposes. The unrestricted net position (\$2,220,652) is available for future spending. At the end of fiscal year 2021, 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 \$560,369 from the prior year, primarily in governmental activities for public safety vehicle and technology upgrades (\$187,495) and in business-type activities for Downtown sewer improvements (\$416,735) during FY21. Other non-capital assets increased by \$1,558,122 from the prior year mostly from replenishment of cash due to timing of reimbursements from grantor agencies. Liabilities increased by \$519,785 from the prior year due to additional accounts payable of \$338,496 due to timing of vendor invoices, and additional unearned revenue of \$176,152 for coronavirus relief funds not spent during the fiscal year.

There was a net increase of \$1,419,645 in the Town's net position over fiscal year 2020. There was a net increase of \$1,016,997 in net position reported in connection with the Town's governmental activities and \$402,648 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	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Non-capital assets	\$ 3,410,710	\$ 2,111,955	\$ 1,418,455	\$ 1,159,088	\$ 4,829,165	\$ 3,271,043
Capital assets	2,926,401	2,702,503	3,344,778	3,008,307	6,271,179	5,710,810
<b>Total assets</b>	<b>6,337,111</b>	<b>4,814,458</b>	<b>4,763,233</b>	<b>4,167,395</b>	<b>11,100,344</b>	<b>8,981,853</b>
<b>Deferred outflows of resources</b>						
Pension related	140,768	217,090	-	-	140,768	217,090
<b>Liabilities</b>						
Current liabilities	388,818	197,493	415,049	86,589	803,867	284,082
Long-term liabilities	174,753	218,862	1,512,598	1,647,868	1,687,351	1,866,730
<b>Total liabilities</b>	<b>563,571</b>	<b>416,355</b>	<b>1,927,647</b>	<b>1,734,457</b>	<b>2,491,218</b>	<b>2,150,812</b>
<b>Deferred inflows of resources</b>						
Pension related	518,475	236,357	-	-	518,475	236,357
<b>Net position</b>						
Net investment in capital assets	2,789,398	2,466,676	1,799,456	1,363,526	4,588,854	3,830,202
Restricted	1,421,913	1,035,693	-	-	1,421,913	1,035,693
Unrestricted	1,184,522	876,467	1,036,130	1,069,412	2,220,652	1,945,879
<b>Total net position</b>	<b>\$ 5,395,833</b>	<b>\$ 4,378,836</b>	<b>\$ 2,835,586</b>	<b>\$ 2,432,938</b>	<b>\$ 8,231,419</b>	<b>\$ 6,811,774</b>



**TOWN OF HOWEY-IN-THE-HILLS, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
September 30, 2021

	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
<b>Program revenues</b>						
Charges for services	\$ 615,508	\$ 236,717	\$ 1,042,237	\$ 1,027,818	\$ 1,657,745	\$ 1,264,535
Operating grants & contributions	88,053	191,469	-	-	88,053	191,469
Capital grants & contributions	546,724	604,068	377,747	-	924,471	604,068
<b>General revenues</b>						
Property taxes	845,527	887,874	-	-	845,527	887,874
Franchise fees and utility taxes	356,249	342,303	48,682	51,278	404,931	393,581
Infrastructure surtax	168,031	139,069	-	-	168,031	139,069
Other taxes	53,479	55,052	-	-	53,479	55,052
Shared revenues	164,996	133,784	-	-	164,996	133,784
Other	43,490	6,421	486	1,304	43,976	7,725
<b>Total revenues</b>	<b>2,882,057</b>	<b>2,596,757</b>	<b>1,469,152</b>	<b>1,080,400</b>	<b>4,351,209</b>	<b>3,677,157</b>
<b>Program expenses</b>						
General government	398,134	507,226	-	-	398,134	507,226
Public safety	969,793	740,198	-	-	969,793	740,198
Physical environment	210,064	174,645	-	-	210,064	174,645
Transportation	105,997	110,669	-	-	105,997	110,669
Culture and recreation	174,157	154,383	-	-	174,157	154,383
Interest on long-term debt	6,915	10,065	-	-	6,915	10,065
Utility	-	-	1,062,589	882,059	1,062,589	882,059
Stormwater	-	-	3,915	3,916	3,915	3,916
<b>Total expenses</b>	<b>1,865,060</b>	<b>1,697,186</b>	<b>1,066,504</b>	<b>885,975</b>	<b>2,931,564</b>	<b>2,583,161</b>
<b>Change in net position</b>	<b>1,016,997</b>	<b>899,571</b>	<b>402,648</b>	<b>194,425</b>	<b>1,419,645</b>	<b>1,093,996</b>
<b>Beginning net position</b>	<b>4,378,836</b>	<b>3,479,265</b>	<b>2,432,938</b>	<b>2,238,513</b>	<b>6,811,774</b>	<b>5,717,778</b>
<b>Ending net position</b>	<b>\$ 5,395,833</b>	<b>\$ 4,378,836</b>	<b>\$ 2,835,586</b>	<b>\$ 2,432,938</b>	<b>\$ 8,231,419</b>	<b>\$ 6,811,774</b>

**Governmental activities**

Governmental activities accounted for an increase of \$1,016,997 from the prior year net position. The largest factor in this increase was \$285,300 increase in revenues from the prior year, primarily in charges for services of \$378,791 as additional Town facilities returned to normal operations after the COVID-19 shutdowns in the previous year. Public safety expenses increased by \$229,595 over the prior year for additional personnel costs and operational costs of COVID-19 supplies. The remaining expenses were in line with the prior year.

**Business-type activities**

Business-type activities increased the Town's net position by \$402,648 accounting for 28% of the total growth in the Town's net position. Capital grants and contributions increased by \$377,747 from the Florida Department of Environmental Protection (FDEP) grant to assist the Town with expansion of the Downtown sewer system. Business-type expenses were in line with the prior year.

## **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 2021, the Town's governmental funds reported combined ending fund balances of \$2,352,712, an increase of \$758,768 in comparison with the prior year. This increase was largely the result of an increase in charges for services revenues for Town services that were returned to normal operations after the COVID-19 shutdowns. 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 2021 was \$785,958 compared to \$684,968 for fiscal year 2020, an increase of \$100,990 for all governmental funds. The main cause of this increase in spendable unrestricted fund balance was an increase in user charges for services and general revenue sources after 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 2021, the spendable unassigned fund balance of the General Fund totaled \$785,958 compared to \$684,968 in fiscal year 2020, a decrease of \$100,990. As a measure of the General Fund's liquidity, it may be useful to compare the spendable unassigned fund balance of \$785,958 to the total fund's expenditures of \$1,841,327. This represents 43% of total expenditures compared to 28% 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 increased by \$110,990 during the current fiscal year. The General Fund reported decreased expenditures by \$641,997 from the prior year; however, much of this is attributed to certain cost centers previously reported in the General Fund now being reported as separate special revenue funds (Building services and infrastructure surtax). Actual General Fund expenditures were in line with the prior year with effective budgeting to maintain Town services without significantly increasing costs.

#### The Impact Fees Fund

The Impact Fees Fund total fund balance increased by \$378,186 from the prior year. The impact fee receipts increased by \$317,832 from the prior year due to increased construction projects within the Town, while expenditures remained in line with the prior year. The fund balance of \$1,278,006 is restricted for future public safety, physical environment, and recreation expansion projects and equipment.

#### The Building Services Fund

The Building Services Fund total fund balance increased by \$158,928 from the prior year. The building services receipts were slightly greater than the prior year, in line with increased impact fee revenues as construction projects picked up within the Town after the COVID-19 shutdowns.

### **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 decreased by \$33,282 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, 2021

---

Utility Fund

The Utility Fund had an increase in net position of \$406,563 mostly attributed to the capital contribution of \$377,747 from the FDEP to reimburse the Town for the Downtown sewer project. Utility and sanitation user fees were in line with the prior year. Operating expenses were \$184,938 greater than the prior year due to increased personnel and operating costs related to COVID safety protocol improvements.

**General Fund Budgetary Highlights**

The General Fund original budgeted revenues increased by \$645,637 and original budgeted expenditures increased by \$269,661 during the current fiscal year. The largest factor in the increase in budgeted revenues was \$484,827 for intergovernmental revenues due to additional grants awarded during the year. The largest factor in the increase in budgeted expenditures was \$301,909 for public safety for additional coronavirus prevention measures and safe provision of public safety services. Total revenues were less than the final amended budget by \$253,822 mostly from timing of grants receipts. Total expenditures exceeded the final amended budget by \$11,164 mostly from accounting for 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, 2021 amounts to \$6,271,179 (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 \$560,369. Governmental activities increased capital assets by \$223,898 from technology and vehicle purchases, and business-type activities increased by \$336,471 due to the Downtown sewer improvements project. 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 2021, the Town had total debt outstanding of \$1,644,621. This is a decrease of \$185,046 from the prior year, primarily due to scheduled principal payments. Of the total outstanding, \$137,003 is related to governmental activities and \$1,507,618 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 remained the same at 7.50 for the 2022 fiscal year budget.
- The COVID-19 pandemic continues as of the date of this report causing uncertainty in future operations and safety protocols. The Town recently received its first allotment of the ARPA funding and is determining the best use of those funds.

**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, 2021**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and equivalents	\$ 1,215,603	\$ 951,418	\$ 2,167,021
Investment in state pool	19,084	-	19,084
Due from other governments	74,263	342,747	417,010
Prepays	10,100	-	10,100
Accounts receivable	567	88,729	89,296
Pension asset	669,180	-	669,180
Restricted assets:			
Cash and equivalents	1,421,913	35,561	1,457,474
Capital assets:			
Non-depreciable	417,321	436,969	854,290
Depreciable, net	2,509,080	2,907,809	5,416,889
<b>Total assets</b>	<b>6,337,111</b>	<b>4,763,233</b>	<b>11,100,344</b>
<b>Deferred outflows of resources</b>			
Pension related	140,768	-	140,768
<b>Total assets and deferred outflows of resources</b>	<b>6,477,879</b>	<b>4,763,233</b>	<b>11,241,112</b>
<b>Liabilities</b>			
Accounts payable	163,162	311,202	474,364
Contracts payable	-	37,705	37,705
Accrued liabilities	29,065	4,538	33,603
Due to pension	20,439	-	20,439
Interest payable	-	17,069	17,069
Unearned revenues	176,152	-	176,152
Customer deposits	-	44,535	44,535
Noncurrent liabilities:			
Due within one year	60,440	143,428	203,868
Due in more than one year	114,313	1,369,170	1,483,483
<b>Total liabilities</b>	<b>563,571</b>	<b>1,927,647</b>	<b>2,491,218</b>
<b>Deferred inflows of resources</b>			
Pension related	518,475	-	518,475
<b>Total liabilities and deferred inflows of resources</b>	<b>1,082,046</b>	<b>1,927,647</b>	<b>3,009,693</b>
<b>Net position</b>			
Net investment in capital assets	2,789,398	1,799,456	4,588,854
Restricted:			
Public safety projects	282,076	-	282,076
Public works projects	661,778	-	661,778
Other purposes	268,225	-	268,225
Recreation projects	208,269	-	208,269
Tree replenishment program	1,565	-	1,565
Unrestricted	1,184,522	1,036,130	2,220,652
<b>Total net position</b>	<b>\$ 5,395,833</b>	<b>\$ 2,835,586</b>	<b>\$ 8,231,419</b>

See accompanying notes.

**Town of Howey-in-the-Hills, Florida**  
**Statement of Activities**  
**Year ended September 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>							
General government	\$ 398,134	\$ 34,114	\$ 3,189	\$ -	\$ (360,831)	\$ -	\$ (360,831)
Public safety	969,793	494,895	34,298	247,740	(192,860)	-	(192,860)
Physical environment	210,064	72,368	-	211,124	73,428	-	73,428
Transportation	105,997	5,942	-	-	(100,055)	-	(100,055)
Culture and recreation	174,157	8,189	50,566	87,860	(27,542)	-	(27,542)
Interest on long-term debt	6,915	-	-	-	(6,915)	-	(6,915)
Total governmental activities	1,865,060	615,508	88,053	546,724	(614,775)	-	(614,775)
<b>Business-type activities</b>							
Utility	1,062,589	1,042,237	-	377,747	-	357,395	357,395
Stormwater	3,915	-	-	-	-	(3,915)	(3,915)
Total business-type activities	1,066,504	1,042,237	-	377,747	-	353,480	353,480
Total	\$ 2,931,564	\$ 1,657,745	\$ 88,053	\$ 924,471	(614,775)	353,480	(261,295)
<b>General revenues</b>							
Property taxes					845,527	-	845,527
Franchise and utility taxes					356,249	48,682	404,931
Infrastructure surtax					168,031	-	168,031
Local option tax					40,703	-	40,703
Shared revenues - unrestricted					164,996	-	164,996
Other taxes					12,776	-	12,776
Miscellaneous					43,490	486	43,976
Total general revenues					1,631,772	49,168	1,680,940
<b>Change in net position</b>					1,016,997	402,648	1,419,645
<b>Net position - beginning of year</b>					4,378,836	2,432,938	6,811,774
<b>Net position - end of year</b>					\$ 5,395,833	\$ 2,835,586	\$ 8,231,419

See accompanying notes.

**Town of Howey-in-the-Hills, Florida**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2021**

	General Fund	Impact Fees Fund	Building Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and equivalents	\$ 975,813	\$ 1,268,006	\$ 289,030	\$ 104,667	\$ 2,637,516
Investment in state pool	19,084	-	-	-	19,084
Account receivable, net	567	-	-	-	567
Due from other funds	-	10,000	-	-	10,000
Due from other governments	59,210	-	-	15,053	74,263
Prepays	10,100	-	-	-	10,100
<b>Total assets</b>	<b>\$ 1,064,774</b>	<b>\$ 1,278,006</b>	<b>\$ 289,030</b>	<b>\$ 119,720</b>	<b>\$ 2,751,530</b>
<b>Liabilities</b>					
Accounts payable	33,060	-	130,102	-	163,162
Contracts payable	-	-	-	-	-
Accrued liabilities	29,065	-	-	-	29,065
Due to other funds	10,000	-	-	-	10,000
Due to police pension	20,439	-	-	-	20,439
Unearned revenues	176,152	-	-	-	176,152
	268,716	-	130,102	-	398,818
<b>Fund balances</b>					
Nonspendable - prepaids	10,100	-	-	-	10,100
Restricted:					
Capital projects	-	-	-	109,297	109,297
Public safety	-	273,218	158,928	8,858	441,004
Physical environment	-	731,659	-	1,565	733,224
Culture and recreation	-	273,129	-	-	273,129
Unassigned	785,958	-	-	-	785,958
<b>Total fund balances</b>	<b>796,058</b>	<b>1,278,006</b>	<b>158,928</b>	<b>119,720</b>	<b>2,352,712</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,064,774</b>	<b>\$ 1,278,006</b>	<b>\$ 289,030</b>	<b>\$ 119,720</b>	<b>\$ 2,751,530</b>

See accompanying notes.

**Town of Howey-in-the-Hills, Florida**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**September 30, 2021**

**Fund balances - total governmental funds** \$ 2,352,712

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 2,926,401

The net pension liability/asset is not reported in governmental funds. 669,180

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 140,768

Deferred inflows of resources pensions (518,475)

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 (59,601)

Lake County loan (77,402)

Compensated absences (37,750)

**Net position of governmental activities** \$ 5,395,833



**Town of Howey-in-the-Hills, Florida**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended September 30, 2021**

	General Fund	Impact Fees Fund	Building Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 1,030,629	\$ -	\$ -	\$ 218,272	\$ 1,248,901
Permits, fees and special assessments	175,270	413,482	429,409	-	1,018,161
Intergovernmental	512,850	-	-	-	512,850
Charges for services	168,568	-	-	-	168,568
Judgments, fines and forfeits	8,668	-	-	3,318	11,986
Miscellaneous	56,332	-	-	-	56,332
<b>Total revenues</b>	<b>1,952,317</b>	<b>413,482</b>	<b>429,409</b>	<b>221,590</b>	<b>3,016,798</b>
<b>Expenditures</b>					
Current:					
General government	391,213	-	-	-	391,213
Public safety	970,656	31,023	270,481	95,196	1,367,356
Physical environment	190,355	2,598	-	-	192,953
Transportation	68,562	-	-	15,730	84,292
Culture and recreation	165,744	1,675	-	-	167,419
Debt service:					
Principal retirement	47,882	-	-	-	47,882
Interest	6,915	-	-	-	6,915
<b>Total expenditures</b>	<b>1,841,327</b>	<b>35,296</b>	<b>270,481</b>	<b>110,926</b>	<b>2,258,030</b>
<b>Excess of revenues over (under) expenditures</b>	<b>110,990</b>	<b>378,186</b>	<b>158,928</b>	<b>110,664</b>	<b>758,768</b>
<b>Fund balances - beginning of year</b>	<b>685,068</b>	<b>899,820</b>	<b>-</b>	<b>9,056</b>	<b>1,593,944</b>
<b>Fund balances - end of year</b>	<b>\$ 796,058</b>	<b>\$ 1,278,006</b>	<b>\$ 158,928</b>	<b>\$ 119,720</b>	<b>\$ 2,352,712</b>

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, 2021**

**Net change in fund balances** \$ 758,768

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	406,064
Current year depreciation expense	(182,166)

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 repayments	38,252
Lake County loan repayments	9,630

Under the modified accrual basis of accounting, governmental revenues are recognized when both the measureable 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. (134,741)

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

Change in net pension liability or asset	483,403
Change in deferred outflows related to pensions	(76,322)
Change in deferred inflows related to pensions	(282,118)

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	(3,773)
----------------------	---------

**Change in net position of governmental activities** **\$ 1,016,997**

*See accompanying notes.*

**Town of Howey-in-the-Hills, Florida**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2021**

	Business-type Activities		
	Enterprise Funds		
	Utility Fund	Nonmajor Stormwater Fund	Total Enterprise Funds
<b>Current assets</b>			
Cash and equivalents	\$ 939,522	\$ 11,896	\$ 951,418
Accounts receivable, net	88,729	-	88,729
Due from other governments	342,747	-	342,747
Total current assets	<u>1,370,998</u>	<u>11,896</u>	<u>1,382,894</u>
<b>Noncurrent assets</b>			
Restricted cash and equivalents	35,561	-	35,561
Capital assets, net	3,271,961	72,817	3,344,778
Total noncurrent assets	<u>3,307,522</u>	<u>72,817</u>	<u>3,380,339</u>
Total assets	<u>4,678,520</u>	<u>84,713</u>	<u>4,763,233</u>
<b>Current liabilities</b>			
Accounts payable	311,202	-	311,202
Contracts payable	37,705	-	37,705
Accrued liabilities	4,538	-	4,538
Interest payable	17,069	-	17,069
Customer deposits	44,535	-	44,535
Current portion of long-term liabilities	143,428	-	143,428
Total current liabilities	<u>558,477</u>	<u>-</u>	<u>558,477</u>
<b>Noncurrent liabilities</b>	1,369,170	-	1,369,170
Total liabilities	<u>1,927,647</u>	<u>-</u>	<u>1,927,647</u>
<b>Net position</b>			
Net investment in capital assets	1,726,639	72,817	1,799,456
Unrestricted	1,024,234	11,896	1,036,130
Total net position	<u>\$ 2,750,873</u>	<u>\$ 84,713</u>	<u>\$ 2,835,586</u>

*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, 2021**

	Business-type Activities		
	Enterprise Funds		
	Utility Fund	Nonmajor Stormwater Fund	Total Enterprise Funds
<b>Operating revenues</b>			
User fees - water	\$ 827,007	\$ -	\$ 827,007
User fees - sanitation	210,125	-	210,125
Miscellaneous revenues	5,105	-	5,105
	<hr/>		
Total operating revenues	1,042,237	-	1,042,237
	<hr/>		
<b>Operating expenses</b>			
Personal services	175,220	-	175,220
Operating expenses	708,938	-	708,938
Depreciation	136,280	3,915	140,195
	<hr/>		
Total operating expenses	1,020,438	3,915	1,024,353
	<hr/>		
<b>Operating income (loss)</b>	21,799	(3,915)	17,884
	<hr/>		
<b>Nonoperating revenues (expenses)</b>			
Utility service taxes	48,682	-	48,682
Interest income	486	-	486
Interest (expense)	(42,151)	-	(42,151)
	<hr/>		
Total nonoperating revenues (expenses)	7,017	-	7,017
	<hr/>		
<b>Income (loss) before contributions</b>	28,816	(3,915)	24,901
	<hr/>		
<b>Capital contributions</b>			
Capital grants	377,747	-	377,747
Total capital contributions	377,747	-	377,747
	<hr/>		
<b>Change in net position</b>	406,563	(3,915)	402,648
	<hr/>		
<b>Net position - beginning of year</b>	2,344,310	88,628	2,432,938
	<hr/>		
<b>Net position - end of year</b>	\$ 2,750,873	\$ 84,713	\$ 2,835,586
	<hr/> <hr/>		

*See accompanying notes.*

**Town of Howey-in-the-Hills, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended September 30, 2021**

	Utility Fund	Nonmajor Stormwater Fund	Total Enterprise Funds
<b>Operating activities</b>			
Receipts from customers	\$ 1,064,354	\$ -	\$ 1,064,354
Payments to suppliers	(417,929)	-	(417,929)
Payments to employees	(172,722)	-	(172,722)
Net cash provided by operating activities	473,703	-	473,703
<b>Noncapital financing activities</b>			
Receipts/(Payments) from/to other funds	-	-	-
Utility service taxes	48,682	-	48,682
Net cash provided by noncapital financing activities	48,682	-	48,682
<b>Capital and related financing activities</b>			
Principal paid on debt	(137,165)	-	(137,165)
Interest paid on debt	(43,433)	-	(43,433)
Capital contributions	35,000	-	35,000
Acquisition of capital assets	(438,961)	-	(438,961)
Net cash used by capital and related financing activities	(584,559)	-	(584,559)
<b>Investment Activities</b>			
Interest on investments	486	-	486
Net cash provided by investment activities	486	-	486
<b>Change in cash and equivalents</b>	(61,688)	-	(61,688)
<b>Cash and equivalents - beginning of year</b>	1,036,771	11,896	1,048,667
<b>Cash and equivalents - end of year</b>	\$ 975,083	\$ 11,896	\$ 986,979
<b>Operating income (loss)</b>			
Depreciation	136,280	3,915	140,195
Change in:			
Receivables	21,692	-	21,692
Accounts payable	291,009	-	291,009
Accrued liabilities	603	-	603
Customer deposits	425	-	425
Compensated absences	1,895	-	1,895
<b>Net cash provided by operating activities</b>	\$ 473,703	\$ -	\$ 473,703

There were no noncash activities.

See accompanying notes.

**Town of Howey-in-the-Hills, Florida**  
**Statement of Fiduciary Net Position**  
**September 30, 2021**

	Pension Trust Fund
<b>Assets</b>	
Investments	\$ 2,325,450
Receivables	20,439
Total assets	<u>2,345,889</u>
<b>Liabilities</b>	<u>-</u>
<b>Net position</b>	
Restricted for pension benefits	<u><u>\$ 2,345,889</u></u>

*See accompanying notes.*

**Town of Howey-in-the-Hills, Florida**  
**Statement of Changes in Fiduciary Net Position**  
**Year ended September 30, 2021**

	<u>Pension Trust Fund</u>
<b>Additions</b>	
Contributions:	
Employer	\$ 95,657
Member	17,714
State	20,439
Total contributions	<u>133,810</u>
 Investment income:	
Investment income	373,406
Less, investment management fee	<u>(5,302)</u>
Net investment income	<u>368,104</u>
Total additions	<u>501,914</u>
 <b>Deductions</b>	
Member benefits	67,986
Administrative costs	<u>20,003</u>
 <b>Change in net position</b>	 413,925
 <b>Net position restricted for pension benefits</b>	
Beginning of year	<u>1,931,964</u>
 <b>Net position restricted for pension benefits</b>	
End of year	<u><u>\$ 2,345,889</u></u>

*See accompanying notes.*

# TOWN OF HOWEY-IN-THE-HILLS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2021

### 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. The Town has included the Police Officers Retirement Plan as a fiduciary component unit. It is included in the financial statements as a pension trust fund. Additionally, the Town did not participate in any joint ventures during the 2021-2021 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, 2021

**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, Impact Fees Fund, and Building Services 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 seven special revenue funds consisting of the Impact Fees Fund to account for police, water and parks impact fees, the Building Fund to account for Florida building code revenues and expenditures, the Infrastructure Surtax Fund to account for tax revenues restricted for capital, 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, 2021

**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, 2021

**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 2021 and are uncollected as of September 30, 2021, 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, 2021

**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, 2021, 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, 2021

**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, 2021

**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 \$1,278,006 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, 2021

**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, 2021 was 7.50 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, 2021, the bank balance of the Town's cash deposit accounts was \$3,601,455 and the carrying amount of the demand deposits and cash on hand was \$3,624,495. 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 \$19,084 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, 2021 of AAAM. The weighted average days to maturity of Florida PRIME at September 30, 2021 is 49 days.

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2021

**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	\$ 16,278	\$ 16,278		
FMIvT Broad Market High Quality Bond Portfolio	360,445		\$ 360,445	
FMIvT Core Plus	367,421			\$ 367,421
FMIvT Large Cap Diversified Value Portfolio	588,339		588,339	
FMIvT Diversified Small to Mid Cap Equity Portfolio	323,237		323,237	
FMIvT International Equity Portfolio	474,392		474,392	
FMIvT Core Real Estate Portfolio	195,338			195,338
<b>Total</b>	<b>\$ 2,325,450</b>	<b>\$ 16,278</b>	<b>\$ 1,746,413</b>	<b>\$ 562,759</b>

**Credit Risk** –The Bond Portfolio is rated by Fitch and has a rating at September 30, 2021 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 6.30 years and the Core Plus is 8.21 years.



TOWN OF HOWEY-IN-THE-HILLS, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2021

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended September 30, 2021 was as follows:

<b>Governmental Activities</b>	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021
Capital assets, not being depreciated:				
Land and improvements	\$ 377,790	\$ -	\$ -	\$ 377,790
Construction in Process	541,298	80,313	582,080	39,531
Total capital assets, not being depreciated	<u>919,088</u>	<u>80,313</u>	<u>582,080</u>	<u>417,321</u>
Capital assets, being depreciated:				
Buildings and improvements	602,314	714,740	-	1,317,054
Improvements	1,877,698	-	-	1,877,698
Equipment and machinery	677,580	193,091	-	870,671
Assets under capital lease	155,818	-	-	155,818
Total capital assets, being depreciated	<u>3,313,410</u>	<u>907,831</u>	<u>-</u>	<u>4,221,241</u>
Less accumulated depreciation for:				
Buildings and improvements	305,072	25,993	-	331,065
Improvements	639,131	67,608	-	706,739
Equipment and machinery	547,194	53,720	-	600,914
Assets under capital lease	38,598	34,845	-	73,443
Total accumulated depreciation	<u>1,529,995</u>	<u>182,166</u>	<u>-</u>	<u>1,712,161</u>
Total capital assets being depreciated, net	<u>1,783,415</u>	<u>725,665</u>	<u>-</u>	<u>2,509,080</u>
Governmental activities capital assets, net	<u>\$ 2,702,503</u>	<u>\$ 805,978</u>	<u>\$ 582,080</u>	<u>\$ 2,926,401</u>

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2021

**NOTE 3 - CAPITAL ASSETS (Continued)**

	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Construction in Process	\$ 33,820	\$ 436,969	\$ 33,820	\$ 436,969
Capital assets, being depreciated:				
Buildings and improvements	7,693	-	-	7,693
Machinery and equipment	287,253	39,698	5,286	321,665
Improvements - water system	4,859,178	33,819	-	4,892,997
Total capital assets, being depreciated	5,154,124	73,517	5,286	5,222,355
Less accumulated depreciation for:				
Buildings and improvements	7,693	-	-	7,693
Machinery and equipment	277,842	3,149	5,286	275,705
Improvements - water system	1,894,102	137,046	-	2,031,148
Total accumulated depreciation	2,179,637	140,195	5,286	2,314,546
Total capital assets being depreciated, net	2,974,487	(66,678)	-	2,907,809
Business-type activities capital assets, net	\$ 3,008,307	\$ 370,291	\$ 33,820	\$ 3,344,778

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

**Governmental activities:**

General government	\$ 6,796
Public safety	66,431
Physical environment	24,125
Transportation	37,435
Culture and recreation	47,380
Total depreciation expense - governmental activities	\$ 182,166

**Business-type activities:**

Utility	\$ 136,280
Stormwater	3,915
Total depreciation expense - business-type activities	\$ 140,195

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
Year Ended September 30, 2021

**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
<u>Governmental Activities:</u>	2020	Additions	Deductions	2021	One Year	
Capital lease obligations	\$ 97,853	\$ -	\$ 38,252	\$ 59,601	\$ 34,881	
Lake County radio loan	87,032	-	9,630	77,402	10,459	
Compensated absences	33,977	29,024	25,251	37,750	15,100	
Total	<u>\$ 218,862</u>	<u>\$ 29,024</u>	<u>\$ 73,133</u>	<u>\$ 174,753</u>	<u>\$ 60,440</u>	
<u>Business-Type Activities:</u>						
Revenue refunding note *	\$ 108,010	\$ -	\$ 31,517	\$ 76,493	\$ 33,048	
State revolving loan fund *	1,536,772	-	105,648	1,431,124	108,387	
Compensated absences	3,086	5,600	3,705	4,981	1,993	
Total	<u>\$ 1,647,868</u>	<u>\$ 5,600</u>	<u>\$ 140,870</u>	<u>\$ 1,512,598</u>	<u>\$ 143,428</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 originally set at \$12,274 at an interest rate of 2.8%. This loan interest rate was renegotiated in 2021 to 1.85% with annual payments of \$11,890. Future debt service payments on the loan are as follows:

Year ending September 30,	Lake County Loan	
	Principal	Interest
2022	\$ 10,459	\$ 1,432
2023	10,652	1,238
2024	10,849	1,041
2025	11,050	841
2026	11,254	636
2027 - 2031	23,138	644
	<u>\$ 77,402</u>	<u>\$ 5,832</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, 2021

**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 \$82,328 and the SRF loan is \$1,665,836. Principal and interest of \$144,629 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 \$93,685 for the FY21 year and fell under rate coverage due to irregular increased salaries during the pandemic.

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
2022	\$ 33,048	\$ 4,450	\$ 108,387	\$ 38,841
2023	34,652	1,316	111,199	33,430
2024	8,793	69	114,085	30,545
2025	-	-	117,046	27,583
2026	-	-	120,085	24,545
2027 - 2031	-	-	648,866	74,280
2032 - 2034	-	-	211,456	5,487
<b>Totals</b>	<b>\$ 76,493</b>	<b>\$ 5,835</b>	<b>\$ 1,431,124</b>	<b>\$ 234,711</b>

*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
2022	\$ 34,881	\$ 2,853
2023	24,720	1,172
	<b>\$ 59,601</b>	<b>\$ 4,025</b>

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2021

**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, 2020*

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, 2021

**NOTE 5 - PENSION PLANS (Continued)**

**Plan Description (Continued)**

For the year ended September 30, 2021, the active employee contribution rate was 5.0% of pensionable earnings. The Town's contribution rate, actuarially determined, was 22.68% of pensionable earnings, and the State's contribution rate was 0.0%.

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

*Actuarial Assumptions.* The total pension liability (asset) was determined by an actuarial valuation as of October 1, 2020 updated to September 30, 2021 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.77%
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 PUB-2010 Headcount-Weighted Healthy Retiree Mortality Table with full generational improvements in mortality using Scale MP-2018 (with ages set forward one year for non-disabled employees). 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, 2021

**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)	\$ (483,756)	\$ (669,180)	\$ (825,909)

For the year ended September 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 52.0%. 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, 2021.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of October 1, 2020	\$ 1,731,976	\$ (1,917,753)	\$ (185,777)
Changes for the year:			
Service cost	67,402	-	67,402
Expected interest growth	123,805	(136,126)	(12,321)
Unexpected investment income	-	(237,280)	(237,280)
Demographic experience	(129,762)	-	(129,762)
Assumption changes	(48,725)	-	(48,725)
Employer contributions	-	(130,249)	(130,249)
Employee contributions	-	(17,772)	(17,772)
Benefit payments and refunds	(67,987)	67,987	-
Administrative expenses	-	25,304	25,304
Balances as of September 30, 2021	<u>\$ 1,676,709</u>	<u>\$ (2,345,889)</u>	<u>\$ (669,180)</u>

TOWN OF HOWEY-IN-THE-HILLS, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year Ended September 30, 2021

**NOTE 5 - PENSION PLANS (Continued)**

For the year ended September 30, 2021, the Town recognized pension expense of \$5,286 related to the Plan.

At September 30, 2021, 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	\$ -	\$ 177,263
Differences between expected and actual experience	62,826	301,411
Changes to assumptions	77,942	39,801
Total	\$ 140,768	\$ 518,475

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
2022	\$ (40,833)
2023	(53,399)
2024	(113,080)
2025	(113,135)
2026	(48,026)
Thereafter	(9,234)
Total	\$ (377,707)

**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, 2021, employer contributions of \$2,655 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, 2021

**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 continues to affect communities and business operations, as well as the US economy. Federal financial assistance for state and local governments is expected to help offset some of these effects including the recent Coronavirus State and Local Fiscal Recovery Fund grant, part of the federal American Rescue Plan Act of 2021.

**NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The General Fund and Building Services Fund both had an excess of expenditures over final budgeted appropriations of \$11,164 and \$130,102, respectively, primarily for yearend recording of capital acquisitions. There was sufficient 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 Leases 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 Fund:
  - Building Services Fund
  - 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, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 994,437	\$ 1,027,245	\$ 1,030,629	\$ 3,384
Permits, fees and special assessments	307,700	287,248	175,270	(111,978)
Intergovernmental	161,523	646,350	512,850	(133,500)
Charges for services	66,659	162,626	168,568	5,942
Judgments, fines and forfeits	8,720	8,668	8,668	-
Miscellaneous	21,463	74,002	56,332	(17,670)
Total revenues	1,560,502	2,206,139	1,952,317	(253,822)
<b>Expenditures</b>				
Current:				
General government	523,735	383,574	391,213	(7,639)
Public safety	708,627	1,010,536	970,656	39,880
Physical environment	108,580	202,293	190,355	11,938
Transportation	70,029	68,403	68,562	(159)
Culture and recreation	149,531	165,357	165,744	(387)
Debt service:				
Principal retirement	-	-	47,882	(47,882)
Interest	-	-	6,915	(6,915)
Total expenditures	1,560,502	1,830,163	1,841,327	(11,164)
<b>Excess of revenues over (under) expenditures</b>	-	375,976	110,990	(242,658)
<b>Fund balances - beginning of year</b>	-	-	685,068	685,068
<b>Fund balances - end of year</b>	\$ -	\$ 375,976	\$ 796,058	\$ 442,410

**Town of Howey-in-the-Hills, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Building Services Fund**  
**Year ended September 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Permits, fees and special assessments	\$ -	\$ 320,669	\$ 429,409	\$ 108,740
<b>Expenditures</b>				
Current:				
Public safety	-	140,379	270,481	130,102
Total expenditures	-	140,379	270,481	(130,102)
<b>Excess of revenues over (under) expenditures</b>	-	180,290	158,928	238,842
<b>Fund balances - beginning of year</b>	-	-	-	-
<b>Fund balances - end of year</b>	\$ -	\$ 180,290	\$ 158,928	\$ 238,842

**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, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Permits, fees and special assessments	\$ 95,000	\$ 413,482	\$ 413,482	\$ -
<b>Expenditures</b>				
Current:				
Public safety	-	31,023	31,023	-
Public works	-	2,598	2,598	-
Culture and recreation	-	11,675	1,675	10,000
Total expenditures	-	45,296	35,296	10,000
<b>Excess of revenues over (under) expenditures</b>	95,000	368,186	378,186	(10,000)
<b>Fund balances - beginning of year</b>	-	-	899,820	899,820
<b>Fund balances - end of year</b>	\$ 95,000	\$ 368,186	\$ 1,278,006	\$ 889,820

**Town of Howey-in-the-Hills, Florida**  
**Notes to the Budgetary Schedules**  
**Year ended September 30, 2021**

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**

	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>							
Service cost	\$ 67,402	\$ 79,129	\$ 79,129	\$ 61,873	\$ 61,873	\$ 43,667	\$ 9,782
Interest	123,805	115,070	123,888	114,769	107,490	70,706	86,408
Differences between expected and actual experience	(129,762)	-	(273,146)	(24,948)	(32,313)	200,034	81,475
Benefit payments, including refunds of employee contributions	(67,987)	(52,990)	(52,946)	(54,670)	(79,800)	(77,149)	(138,134)
Assumption changes	(48,725)	-	-	-	48,246	264,972	-
<b>Net change in total pension liability</b>	(55,267)	141,209	(123,075)	97,024	105,496	502,230	39,531
<b>Total pension liability - beginning of year</b>	1,731,976	1,590,767	1,713,842	1,616,818	1,511,322	1,009,092	969,561
<b>Total pension liability - end of year</b>	<u>\$ 1,676,709</u>	<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>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 130,249	\$ 81,736	\$ 106,904	\$ 97,179	\$ 81,225	\$ 82,122	\$ 65,002
Contributions - employee	17,772	15,147	16,698	14,544	13,006	12,605	10,401
Net investment income	373,406	119,226	90,347	110,663	173,224	95,228	4,532
Benefit payments, including refunds of employee contributions	(67,987)	(64,734)	(52,946)	(54,670)	(79,800)	(77,149)	(138,134)
Administrative expense	(25,304)	(8,829)	(16,400)	(7,081)	(13,899)	(5,549)	(12,076)
<b>Net change in plan fiduciary net position</b>	428,136	142,546	144,603	160,635	173,756	107,257	(70,275)
<b>Plan fiduciary net position - beginning of year</b>	1,917,753	1,775,207	1,630,604	1,469,969	1,296,213	1,188,956	1,259,231
<b>Plan fiduciary net position - end of year</b>	<u>\$ 2,345,889</u>	<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>
<b>Net pension liability (asset) - end of year</b>	<u>\$ (669,180)</u>	<u>\$ (185,777)</u>	<u>\$ (184,440)</u>	<u>\$ 83,238</u>	<u>\$ 146,849</u>	<u>\$ 215,109</u>	<u>\$ (179,864)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	139.91%	110.73%	111.59%	95.14%	90.92%	85.77%	117.82%
<b>Covered payroll</b>	\$ 284,227	\$ 330,473	\$ 330,473	\$ 265,367	\$ 265,367	\$ 220,740	\$ 220,740
<b>Net pension liability (asset) as a percentage of covered payroll</b>	-235.44%	-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 Employer Contributions**  
**Police Officers' Plan**  
**Last 10 Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 81,044	\$ 53,355	\$ 58,177	\$ 100,555	\$ 89,926	\$ 77,216	\$ 57,831
Contributions in relation to the actuarially determined contribution	130,249	81,736	106,904	97,179	81,225	82,122	65,002
Contribution deficiency (excess)	<u>\$ (49,205)</u>	<u>\$ (28,381)</u>	<u>\$ (48,727)</u>	<u>\$ 3,376</u>	<u>\$ 8,701</u>	<u>\$ (4,906)</u>	<u>\$ (7,171)</u>
Covered payroll	\$ 284,227	\$ 330,473	\$ 330,473	\$ 265,367	\$ 265,367	\$ 220,740	\$ 220,740
Contributions as a percentage of covered payroll	45.83%	24.73%	32.35%	36.62%	30.61%	37.20%	29.45%

**Notes to Schedule:**

Valuation date: Actuarially determined contribution rates are calculated as of October 1 of each fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Discount rate	7%
Salary increases	4%
Retirement age	Retirement is assumed to occur at the rate of 5% at ages 50 through 54 and 10% at age after 54 if eligible for early retirement. 100% retirement is assumed at age 58 with at least 13 years of service or at age 55 with at least 28 years of service.

Mortality Sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Healthy Retiree Mortality Table, using scale MP-2018

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**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	52.00%	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, 2021**

	Infrastructure Surtax Fund	Law Enforcement Trust Fund	Police Automation Fund	Special Law Enforcement Trust Fund	Tree Fund	Total Nonmajor Govern- mental Funds
<b>Assets</b>						
Cash and equivalents	\$ 94,244	\$ 6,362	\$ 62	\$ 2,434	\$ 1,565	\$ 104,667
Due from other governments	15,053	-	-	-	-	15,053
<b>Total assets</b>	<b>\$ 109,297</b>	<b>\$ 6,362</b>	<b>\$ 62</b>	<b>\$ 2,434</b>	<b>\$ 1,565</b>	<b>\$ 119,720</b>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund balances</b>						
Restricted:						
Capital Projects	109,297	-	-	-	-	109,297
Public safety	-	6,362	62	2,434	-	8,858
Physical environment	-	-	-	-	1,565	1,565
<b>Total fund balances</b>	<b>109,297</b>	<b>6,362</b>	<b>62</b>	<b>2,434</b>	<b>1,565</b>	<b>119,720</b>
<b>Total liabilities and fund balances</b>	<b>\$ 109,297</b>	<b>\$ 6,362</b>	<b>\$ 62</b>	<b>\$ 2,434</b>	<b>\$ 1,565</b>	<b>\$ 119,720</b>

**Town of Howey-in-the-Hills, Florida**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year ended September 30, 2021**

	Infrastructure Surtax Fund	Law Enforcement Trust Fund	Police Automation Fund	Special Law Enforcement Trust Fund	Tree Fund	Total Nonmajor Govern- mental Funds
<b>Revenues</b>						
Taxes	\$ 218,272	\$ -	\$ -	\$ -	\$ -	\$ 218,272
Judgments, fines and forfeits	-	3,318	-	-	-	3,318
Miscellaneous	-	-	-	-	-	-
Total revenues	218,272	3,318	-	-	-	221,590
<b>Expenditures</b>						
Current:						
Public safety	93,245	1,951	-	-	-	95,196
Transportation	15,730	-	-	-	-	15,730
	108,975	1,951	-	-	-	110,926
<b>Excess of revenues over (under) expenditures</b>	109,297	1,367	-	-	-	110,664
<b>Fund balances - beginning of year</b>	-	4,995	62	2,434	1,565	9,056
<b>Fund balances - end of year</b>	\$ 109,297	\$ 6,362	\$ 62	\$ 2,434	\$ 1,565	\$ 119,720

## **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**

Honorable Mayor and Members of the  
Town Council  
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 fiscal year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated May 5, 2022.

**Internal Control Over Financial Reporting**

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

Honorable Mayor and Members of the  
Town Council  
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 financial statements. 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*

Clermont, Florida

May 5, 2022

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER REQUIRED  
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA  
OFFICE OF THE AUDITOR GENERAL**

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

**Report on Financial Statements**

We have audited 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 fiscal year ended September 30, 2021 and have issued our report thereon dated May 5, 2022.

**Auditor's 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 Florida Auditor General*.

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Accountant's Examination 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 Florida Auditor General*. Disclosures in those reports, which are dated May 5, 2022, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1, *Rules of the Florida 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 findings or recommendations made in the preceding audit report.

**Official Title and Legal Authority**

Section 10.554(1)(i)4, *Rules of the Florida 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 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 Florida 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 to 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.



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

**Financial Condition and Management - continued**

Pursuant to sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Florida 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.

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

**Special District Component Units**

Special District Component Units Section 10.554(1)(i)5.c., *Rules of the Florida Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units in accordance with Section 218.39(3)(b), Florida Statutes.

**Additional Matters**

Section 10.554(1)(i)3, *Rules of the Florida 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.

*Benney Accounting and  
Assurance Services, PLLC*

Clermont, Florida  
May 5, 2022

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES**

Honorable Mayor and Members of the  
Town Council  
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, 2021, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied with the requirements referenced above. An examination involves performing procedures to obtain evidence about the Town's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of noncompliance, whether due to fraud or error. We believe that the evidence is sufficient to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2021.

This report is intended solely for the information and use of the Florida Auditor General, 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*

Clermont, Florida  
May 5, 2022

**IMPACT FEE AFFIDAVIT**

BEFORE ME, the undersigned authority, personally appeared Sean O’Keefe, who being duly sworn, deposes and says on oath that:

- 1. I am the Chief Financial Officer of the Town of Howey-in-the-Hills which is a local governmental entity of the State of Florida;
- 2. The governing body of the Town of Howey-in-the-Hills adopted Ordinance No. 2004-335, Sec. 2, implementing an impact fee; and
- 3. The Town of Howey-in-the-Hills has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

  
 \_\_\_\_\_  
 (Sean O’Keefe)

STATE OF FLORIDA  
COUNTY OF LAKE

SWORN TO AND SUBSCRIBED before me by means of  physical presence or [ ] online notarization, this 8th day of April, 2022 by Sean O’Keefe.


  
 \_\_\_\_\_  
 NOTARY PUBLIC  
 VICTORIA ELFERS

Personally known \_\_\_\_\_ or produced identification X

Type of identification produced: Florida Driver's License

My Commission Expires:

07/14/2025

 Victoria Dominique Elfers  
 Notary Public  
 State of Florida  
 Comm# HH153962  
 Expires 7/14/2025