

TOWN OF HAVANA, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

**TOWN OF HAVANA, FLORIDA
TABLE OF CONTENTS
SEPTEMBER 30, 2017**

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 10
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Position – Fiduciary Fund	20
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	21
Notes to Financial Statements	22 – 49
Required Supplementary Information	50
Schedule of Changes in Net Pension Liability and Related Ratios – Firefighter Pension Plan	51
Schedule of Contributions – Firefighter Pension Plan	52
Schedule of Investment Returns – Firefighter Pension Plan	53
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	54
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	55
Note to Required Supplementary Information	56
Schedule of Proportionate Share of Net Pension Liability	57
Schedule of Contributions	58
Officials	59
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	60 – 61
Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General	62 – 63
Independent Accountants' Examination Report	64

INDEPENDENT AUDITORS' REPORT

To the Honorable Town Council,
Town of Havana, 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 Town of Havana, Florida as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Havana, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Town of Havana, Florida'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

- 1 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Member of AGN International with offices in principal cities worldwide

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 Town of Havana, Florida, as of September 30, 2017, 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

Change in Accounting Principle

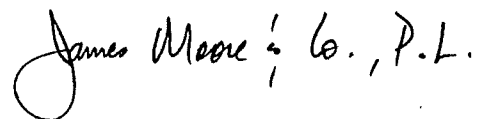
In 2017 the Town of Havana, Florida adopted a change in the method of applying Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* for the Firemen Pension Fund. Note III H. contains additional information on the change of method with regards to the measurement date of the pension fund net pension liability. Our opinion is not modified in respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and other pension 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2018 on our consideration of Town of Havana, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Havana, Florida's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
July 3, 2018

**TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

As management of the Town of Havana, Florida, we offer readers of the Town of Havana, Florida's financial statements this narrative overview and analysis of the financial activities of the Town of Havana, Florida for the fiscal year ended September 30, 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Havana, Florida's basic financial statements. The Town of Havana, Florida'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 supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents information on all of the Town of Havana, Florida's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Havana, Florida is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town of Havana, Florida 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 of Havana, Florida include general government, public safety, transportation, physical environment, and culture and recreation. The business-type activities of the Town of Havana, Florida include water, electric, gas and sewer operations.

The Community Redevelopment Agency, although legally separate, functions for all practical purposes as a department of the Town of Havana, Florida, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 11 – 12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Havana, Florida, 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 of Havana, Florida can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

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 of Havana, Florida maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and special revenue fund, both of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 13 – 16 of this report.

Proprietary funds. The Town of Havana, Florida maintains proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Havana, Florida uses enterprise funds to account for its water, electric, gas and sewer 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 water, electric, gas and sewer operations, which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 17 – 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town of Havana, Florida's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 20 – 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 – 49 of this report.

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town of Havana, Florida's budgetary information. Required supplementary information can be found on pages 50 – 58 of this report.

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 of Havana, Florida, assets exceeded liabilities by \$9,715,748 at the close of the most recent fiscal year.

A large portion of the Town of Havana, Florida's net position (58 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town of Havana, Florida uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Havana, Florida's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Havana, Florida's Net Position
2017

	Governmental activities	Business- type activities	Total
Current and other assets	\$ 1,683,397	\$ 4,433,745	\$ 6,117,142
Net pension asset	1,045,493	-	1,045,493
Capital assets, net	1,756,502	5,012,379	6,768,881
Total assets	<u>4,485,392</u>	<u>9,446,124</u>	<u>13,931,516</u>
Deferred outflows	<u>612,575</u>	<u>342,171</u>	<u>954,746</u>
Other liabilities	189,805	1,551,439	1,741,244
Net pension liability	1,437,181	812,197	2,249,378
Long-term liabilities outstanding	28,371	1,012,046	1,040,417
Total liabilities	<u>1,655,357</u>	<u>3,375,682</u>	<u>5,031,039</u>
Deferred inflows	<u>89,114</u>	<u>50,361</u>	<u>139,475</u>
Net position:			
Net investment in capital assets	1,711,833	3,904,783	5,616,616
Restricted	2,839,568	347,830	3,187,398
Unrestricted	<u>(1,197,905)</u>	<u>2,109,639</u>	<u>911,734</u>
Total net position	<u>\$ 3,353,496</u>	<u>\$ 6,362,252</u>	<u>\$ 9,715,748</u>

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

Town of Havana, Florida's Net Position

	2016		
	Governmental activities	Business- type activities	Total
Current and other assets	\$ 1,875,670	\$ 4,312,749	\$ 6,188,419
Net pension asset	845,900	-	845,900
Capital assets, net	1,802,622	3,887,856	5,690,478
Total assets	<u>4,524,192</u>	<u>8,200,605</u>	<u>12,724,797</u>
Deferred outflows	<u>571,316</u>	<u>359,803</u>	<u>931,119</u>
Other liabilities	201,416	536,213	737,629
Net pension liability	1,166,354	898,676	2,065,030
Long-term liabilities outstanding	31,582	857,417	888,999
Total liabilities	<u>1,399,352</u>	<u>2,292,306</u>	<u>3,691,658</u>
Deferred inflows	<u>25,010</u>	<u>19,271</u>	<u>44,281</u>
Net position:			
Net investment in capital assets	1,750,697	2,983,601	4,734,298
Restricted	2,608,744	327,167	2,935,911
Unrestricted	(688,295)	2,938,063	2,249,768
Total net position	<u>\$ 3,671,146</u>	<u>\$ 6,248,831</u>	<u>\$ 9,919,977</u>

An additional portion of the Town of Havana, Florida's net position (33 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Havana, Florida is able to report positive balances in all categories of net position for the government as a whole.

Governmental activities. Governmental activities decreased the Town of Havana, Florida's net position by \$361,191.

The key elements of this decrease include: 9th St. NE road improvements, short street road improvements, and increased health insurance costs.

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

Town of Havana, Florida's Changes in Net Position

	2017		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 63,972	\$ 3,571,734	\$ 3,635,706
Operating grants and contributions	237,733	-	237,733
Capital grants and contributions	10,000	724,347	734,347
General revenues:			
Property taxes	132,171	-	132,171
Intergovernmental and other	398,625	78,266	476,891
Total revenues	<u>842,501</u>	<u>4,374,347</u>	<u>5,216,848</u>
Expenses:			
General government	106,470	-	106,470
Public Safety	1,076,494	-	1,076,494
Physical environment	157,867	-	157,867
Transportation	507,080	-	507,080
Culture and recreation	114,085	-	114,085
Water	-	511,506	511,506
Electric	-	2,222,017	2,222,017
Gas	-	247,358	247,358
Sewer	-	521,741	521,741
Total expenses	<u>1,961,996</u>	<u>3,502,622</u>	<u>5,464,618</u>
Increase (decrease) in net position before transfers	(1,119,495)	871,725	(247,770)
Transfers	758,304	(758,304)	-
Net change in net position	(361,191)	113,421	(247,770)
Net position, beginning of year, as restated	<u>3,714,687</u>	<u>6,248,831</u>	<u>9,963,518</u>
Net position, end of year	<u>\$ 3,353,496</u>	<u>\$ 6,362,252</u>	<u>\$ 9,715,748</u>

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

Town of Havana, Florida's Changes in Net Position

	2016		
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 68,353	\$ 3,600,264	\$ 3,668,617
Operating grants and contributions	89,193	-	89,193
Capital grants and contributions	-	57,848	57,848
General revenues:			
Property taxes	124,016	-	124,016
Intergovernmental and other	352,899	58,672	411,571
Total revenues	<u>634,461</u>	<u>3,716,784</u>	<u>4,351,245</u>
Expenses:			
General government	110,448	-	110,448
Public safety	929,547	-	929,547
Physical environment	2,500	-	2,500
Transportation	372,194	-	372,194
Culture and recreation	121,217	-	121,217
Water	-	493,105	493,105
Electric	-	2,287,168	2,287,168
Gas	-	230,308	230,308
Sewer	-	522,462	522,462
Total expenses	<u>1,535,906</u>	<u>3,533,043</u>	<u>5,068,949</u>
Increase (decrease) in net position before transfers	(901,445)	183,741	(717,704)
Transfers	862,000	(862,000)	-
Increase in net position	(39,445)	(678,259)	(717,704)
Net position, beginning of year	<u>3,710,591</u>	<u>6,927,090</u>	<u>10,637,681</u>
Net position, end of year	<u>\$ 3,671,146</u>	<u>\$ 6,248,831</u>	<u>\$ 9,919,977</u>

Business-type activities. Business-type activities increased the Town of Havana, Florida's net position by \$113,421. Key elements of this increase include: capital grant revenues.

Financial Analysis of the Government's Funds

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

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

Governmental funds. The focus of the Town of Havana, Florida'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 of Havana, Florida'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 the current fiscal year, the Town of Havana, Florida's governmental funds reported combined ending fund balances of \$1,586,990, a decrease of \$179,050 in comparison with the prior year.

The general fund is the chief operating fund of the Town of Havana, Florida. At the end of the current fiscal year, unassigned and total fund balances of the general fund were \$(95,182) and \$1,131,385, respectively.

The special revenue fund accounts for revenue sources that are legally restricted to expenditure for specific purposes for the Town of Havana, Florida. At the end of the current fiscal year, total fund balance of the special revenue fund was \$455,605.

Proprietary funds. The Town of Havana, Florida's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water fund at the end of the year amounted to \$15,326. The total increase in net position for the Water fund was \$778,439.

Unrestricted net position of the Electric fund at the end of the year amounted to \$2,145,191. The total decrease in net position for the Electric fund was \$444,062.

Unrestricted net position of the Gas fund at the end of the year amounted to \$687,545. The total decrease in net position for the Gas fund was \$57,664.

The Sewer fund had a deficit in unrestricted net position at the end of the year of \$(738,423). The total decrease in net position for the Sewer fund in the current year was \$163,292.

Other factors concerning the finances of these four funds have already been addressed in the discussion of the Town of Havana, Florida's business-type activities.

General Fund Budgetary Highlights

During the year there was a \$44,000 increase in expenditures for the general fund appropriations between the original and amended budget. The main components of this increase were increases in street infrastructure, repairs, and vehicle expense.

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

Capital Asset and Debt Administration

Capital assets. The Town of Havana, Florida's investment in capital assets for its governmental and business type activities as of September 30, 2017, amounts to \$6,768,881 (net of accumulated depreciation).

This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads.

Additional information on the Town of Havana, Florida's capital assets can be found in Note II.C. on pages 30 – 31 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Havana, Florida had bonded debt outstanding of \$737,000. The remaining Town of Havana, Florida long-term obligations are comprised of compensated absences, a revolving fund loan, a note payable and capital lease liabilities.

Additional information on the Town of Havana, Florida's long-term debt can be found in note II.G. on pages 33 – 36 of this report.

Economic Factors and Next Year's Budgets and Rates

All of the following factors were considered in preparing the Town of Havana, Florida's budget for the 2018 fiscal year:

- Leveling of ad-valorem taxes due to current real estate market;
- Increased health insurance and retirement costs
- Reduced investment earnings;
- No utility revenue growth due to current pricing constraints and conservation efforts;
- A small rate of inflation;
- New water supply well;
- Award of a Community Development Block Grant;
- A new loan from the State of Florida for water infrastructure; and
- A Northwest Florida Water Management grant

Requests for Information

This financial report is designed to provide a general overview of the Town of Havana, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town Manager, Post Office Box 1068, Havana, Florida 32333-1068.

**TOWN OF HAVANA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 807,095	\$ 1,086,953	\$ 1,894,048
Certificates of deposit	503,534	1,593,652	2,097,186
Receivables, net	41,532	688,955	730,487
Internal balances	219,240	(219,240)	-
Due from other governments	42,075	469,616	511,691
Notes receivable	32,349	-	32,349
Inventories	4,993	156,769	161,762
Prepays	32,579	19,273	51,852
Restricted assets:			
Cash and cash equivalents	-	609,749	609,749
Certificates of deposit	-	28,018	28,018
Net pension asset	1,045,493	-	1,045,493
Capital assets, not being depreciated	312,788	1,674,940	1,987,728
Capital assets, being depreciated, net	1,443,714	3,337,439	4,781,153
Total assets	<u>\$ 4,485,392</u>	<u>\$ 9,446,124</u>	<u>\$ 13,931,516</u>
DEFERRED OUTFLOWS			
Related to changes in the net pension liability	<u>\$ 612,575</u>	<u>\$ 342,171</u>	<u>\$ 954,746</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 96,407	\$ 1,145,145	\$ 1,241,552
Liabilities payable from restricted assets	-	289,937	289,937
Noncurrent liabilities:			
Due within one year	93,398	116,357	209,755
Due in more than one year	28,371	1,012,046	1,040,417
Net pension liability	1,437,181	812,197	2,249,378
Total liabilities	<u>\$ 1,655,357</u>	<u>\$ 3,375,682</u>	<u>\$ 5,031,039</u>
DEFERRED INFLOWS			
Related to changes in the net pension liability	<u>\$ 89,114</u>	<u>\$ 50,361</u>	<u>\$ 139,475</u>
NET POSITION			
Net investment in capital assets	\$ 1,711,833	\$ 3,904,783	\$ 5,616,616
Restricted for:			
Debt service	-	347,830	347,830
Pensions	1,045,493	-	1,045,493
Community development	538,475	-	538,475
Infrastructure	1,183,239	-	1,183,239
Community redevelopment	72,361	-	72,361
Unrestricted	(1,197,905)	2,109,639	911,734
Total net position	<u>\$ 3,353,496</u>	<u>\$ 6,362,252</u>	<u>\$ 9,715,748</u>

The accompanying notes to financial statements
are an integral part of this statement.

TOWN OF HAVANA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES TOTAL
Functions/Programs						
Governmental activities:						
General government	\$ 106,470	\$ 9,711	\$ -	\$ -	\$ (96,759)	\$ (96,759)
Public safety	1,076,494	8,539	150,463	10,000	(907,492)	(907,492)
Physical environment	157,867	13,008	-	-	(144,859)	(144,859)
Transportation	507,080	32,714	87,270	-	(387,096)	(387,096)
Culture and recreation	114,085	-	-	-	(114,085)	(114,085)
Total governmental activities	<u>1,961,996</u>	<u>63,972</u>	<u>237,733</u>	<u>10,000</u>	<u>(1,650,291)</u>	<u>(1,650,291)</u>
Business-type activities:						
Water	511,506	456,268	-	716,995	-	661,757
Electric	2,222,017	2,602,725	-	-	-	380,708
Gas	247,358	186,193	-	-	-	(61,165)
Sewer	521,741	326,548	-	7,352	-	(187,841)
Total business-type activities	<u>3,502,622</u>	<u>3,571,734</u>	<u>-</u>	<u>724,347</u>	<u>-</u>	<u>793,459</u>
Total government	<u>\$ 5,464,618</u>	<u>\$ 3,635,706</u>	<u>\$ 237,733</u>	<u>\$ 734,347</u>	<u>(1,650,291)</u>	<u>(856,832)</u>
General revenues:						
Property taxes					132,171	132,171
Intergovernmental revenue					330,642	330,642
Unrestricted investment earnings and other					67,983	146,249
Transfers					758,304	-
Total general revenues and transfers					<u>1,289,100</u>	<u>609,062</u>
Change in net position					(361,191)	(247,770)
Net position, beginning of year, as restated					3,714,687	9,963,518
Net position, end of year					<u>\$ 3,353,496</u>	<u>\$ 9,715,748</u>

The accompanying notes to financial statements
are an integral part of this statement.

**TOWN OF HAVANA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 374,847	\$ 432,248	\$ 807,095
Certificates of deposit	503,534	-	503,534
Notes receivable	6,992	25,357	32,349
Receivables, net of allowance for uncollectibles	41,532	-	41,532
Due from other funds	219,240	-	219,240
Due from other governments	42,075	-	42,075
Inventories	4,993	-	4,993
Prepaid items	32,579	-	32,579
Total assets	<u>\$ 1,225,792</u>	<u>\$ 457,605</u>	<u>\$ 1,683,397</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued expenses	94,407	\$ 2,000	\$ 96,407
Total liabilities	<u>94,407</u>	<u>2,000</u>	<u>96,407</u>
Fund Balances:			
Nonspendable	37,572	-	37,572
Restricted for:			
Infrastructure	1,183,239	-	1,183,239
Community development	4,658	533,817	538,475
Community redevelopment	-	72,361	72,361
Law enforcement trust	1,098	-	1,098
Unassigned	(95,182)	(150,573)	(245,755)
Total fund balances	<u>1,131,385</u>	<u>455,605</u>	<u>1,586,990</u>
Total liabilities and fund balances	<u>\$ 1,225,792</u>	<u>\$ 457,605</u>	<u>\$ 1,683,397</u>

The accompanying notes to financial statements
are an integral part of this statement.

TOWN OF HAVANA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Amounts reported for governmental activities in the statement
of net position (page 11) are different because:

Total fund balances-governmental funds (page 13)		\$ 1,586,990
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,756,502
Net pension asset and liability and related deferred inflows/outflows are not due and payable in the current period and, therefore, are not reported in the funds.		
Deferred outflows	612,575	
Net pension asset	1,045,493	
Net pension liability	(1,437,181)	
Deferred inflows	<u>(89,114)</u>	131,773
Long term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	(77,100)	
Note payable	(38,631)	
Capital lease payable	<u>(6,038)</u>	(121,769)
Net position of governmental activities		<u><u>\$ 3,353,496</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

TOWN OF HAVANA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes, licenses and permits	\$ 441,713	\$ 19,794	\$ 461,507
Intergovernmental	131,001	160,519	291,520
Other	73,167	16,307	89,474
Total revenues	<u>645,881</u>	<u>196,620</u>	<u>842,501</u>
Expenditures			
General government	91,143	-	91,143
Public safety	976,978	4,293	981,271
Physical environment	-	157,867	157,867
Transportation	475,388	-	475,388
Culture and recreation	59,376	14,810	74,186
Total expenditures	<u>1,602,885</u>	<u>176,970</u>	<u>1,779,855</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(957,004)</u>	<u>19,650</u>	<u>(937,354)</u>
Other financing sources (uses)			
Transfers in	914,000	506,067	1,420,067
Transfers out	(1,652)	(660,111)	(661,763)
Total other financing sources (uses)	<u>912,348</u>	<u>(154,044)</u>	<u>758,304</u>
Net change in fund balances	<u>(44,656)</u>	<u>(134,394)</u>	<u>(179,050)</u>
Fund balances, beginning of year	1,176,041	589,999	1,766,040
Fund balances, end of year	<u><u>\$ 1,131,385</u></u>	<u><u>\$ 455,605</u></u>	<u><u>\$ 1,586,990</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

TOWN OF HAVANA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances-total governmental funds (page 15)	\$ (179,050)
--	--------------

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay expense in the current year:

Capital outlay	63,507	
Depreciation expense	(109,627)	
		(46,120)

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. Changes in:

Net pension liability	(189,141)	
Deferred outflows related to net pension liability	115,625	
Deferred inflows related to net pension liability	(64,104)	
Compensated absences	(5,657)	
		(143,277)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds.

Debt issued:		
Debt Proceeds	(20,000)	
Principal repayments:		
Capital lease payments	5,052	
Note payable payments	22,204	
		7,256

Change in net position of governmental activities (page 12)	\$ (361,191)
---	--------------

The accompanying notes to financial statements
are an integral part of this statement.

**TOWN OF HAVANA, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017**

	Water Fund	Electric Fund	Gas Fund	Sewer Fund	Total All Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 133,767	\$ 565,697	\$ 387,489	\$ -	\$ 1,086,953
Certificates of deposit	138,205	1,080,680	374,767	-	1,593,652
Accounts receivable, net of allowance for uncollectibles	412,648	235,637	7,297	32,051	687,633
Accrued interest receivable	114	888	308	12	1,322
Due from other funds	-	498,578	-	-	498,578
Due from other governments	461,916	-	-	7,700	469,616
Inventories	20,128	122,931	13,422	288	156,769
Prepaid items	5,022	6,191	5,519	2,541	19,273
Total current assets	<u>1,171,800</u>	<u>2,510,602</u>	<u>788,802</u>	<u>42,592</u>	<u>4,513,796</u>
Noncurrent assets:					
Restricted assets					
Cash and cash equivalents	292,776	222,833	740	93,400	609,749
Certificates of deposit	-	-	-	28,018	28,018
Capital assets, net, where applicable, of accumulated depreciation	2,121,863	366,085	59,929	2,464,502	5,012,379
Total noncurrent assets	<u>2,414,639</u>	<u>588,918</u>	<u>60,669</u>	<u>2,585,920</u>	<u>5,650,146</u>
Total assets	<u>\$ 3,586,439</u>	<u>\$ 3,099,520</u>	<u>\$ 849,471</u>	<u>\$ 2,628,512</u>	<u>\$ 10,163,942</u>
DEFERRED OUTFLOWS					
Related to changes in the net pension liability	<u>\$ 111,800</u>	<u>\$ 146,167</u>	<u>\$ 53,866</u>	<u>\$ 30,338</u>	<u>\$ 342,171</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	964,470	\$ 162,397	\$ 5,235	\$ 13,043	\$ 1,145,145
Due to other funds	-	-	-	717,818	717,818
Compensated absences	15,573	2,449	-	-	18,022
Payable from restricted assets:					
Current portion of revenue bonds payable	-	-	-	22,000	22,000
Current portion of revolving loan payable	76,157	-	-	178	76,335
Accrued interest payable	872	-	-	2,764	3,636
Utility deposits	62,728	222,833	740	-	286,301
Total current liabilities	<u>1,119,800</u>	<u>387,679</u>	<u>5,975</u>	<u>755,803</u>	<u>2,269,257</u>
Noncurrent liabilities:					
Revenue bonds payable, long-term portion	-	-	-	715,000	715,000
State revolving fund loan payable, long-term portion	294,439	-	-	2,607	297,046
Net pension liability	270,701	330,183	138,139	73,174	812,197
Total noncurrent liabilities	<u>565,140</u>	<u>330,183</u>	<u>138,139</u>	<u>790,781</u>	<u>1,824,243</u>
Total liabilities	<u>\$ 1,684,940</u>	<u>\$ 717,862</u>	<u>\$ 144,114</u>	<u>\$ 1,546,584</u>	<u>\$ 4,093,500</u>
DEFERRED INFLOWS					
Related to changes in the net pension liability	<u>\$ 17,530</u>	<u>\$ 16,549</u>	<u>\$ 11,749</u>	<u>\$ 4,533</u>	<u>\$ 50,361</u>
NET POSITION					
Net investment in capital assets	\$ 1,751,267	\$ 366,085	\$ 59,929	\$ 1,727,502	\$ 3,904,783
Restricted for debt service	229,176	-	-	118,654	347,830
Unrestricted	15,326	2,145,191	687,545	(738,423)	2,109,639
Total net position	<u>\$ 1,995,769</u>	<u>\$ 2,511,276</u>	<u>\$ 747,474</u>	<u>\$ 1,107,733</u>	<u>\$ 6,362,252</u>

The accompanying notes to financial statements
are an integral part of this statement.

TOWN OF HAVANA, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Gas Fund</u>	<u>Sewer Fund</u>	<u>Total All Funds</u>
Operating revenues					
Charges for services	\$ 456,268	\$2,602,725	\$ 186,193	\$ 326,548	\$3,571,734
Operating expenses					
Purchases	34,171	1,766,470	68,475	-	1,869,116
Salaries	187,544	227,369	92,119	39,102	546,134
Employee benefits	58,209	62,578	28,121	14,002	162,910
Other contractual services	111	881	14,696	247,680	263,368
Auto and truck	4,892	8,270	2,388	79	15,629
Bad debts	232	2,077	312	139	2,760
Depreciation and amortization	87,562	28,913	6,194	106,292	228,961
Insurance	11,866	9,575	13,991	7,785	43,217
Miscellaneous	73,969	34,262	5,410	3,299	116,940
Professional fees	2,636	8,696	2,031	31,439	44,802
Repairs and maintenance	18,083	22,032	4,838	36,748	81,701
Supplies	22,923	50,894	8,783	133	82,733
Total operating expenses	502,198	2,222,017	247,358	486,698	3,458,271
Operating income (loss)	(45,930)	380,708	(61,165)	(160,150)	113,463
Nonoperating revenues (expenses)					
Capital grant	716,995	-	-	7,352	724,347
Interest revenue	1,162	8,245	2,994	-	12,401
Miscellaneous	49,824	14,985	507	549	65,865
Interest and loan costs	(9,308)	-	-	(35,043)	(44,351)
Total nonoperating revenues (expenses)	758,673	23,230	3,501	(27,142)	758,262
Income (loss) before transfers	712,743	403,938	(57,664)	(187,292)	871,725
Transfers					
Transfers in	660,111	-	-	24,000	684,111
Transfers out	(594,415)	(848,000)	-	-	(1,442,415)
Total transfers	65,696	(848,000)	-	24,000	(758,304)
Change in net position	778,439	(444,062)	(57,664)	(163,292)	113,421
Net position, beginning of year	1,217,330	2,955,338	805,138	1,271,025	6,248,831
Net position, end of year	<u>\$ 1,995,769</u>	<u>\$2,511,276</u>	<u>\$ 747,474</u>	<u>\$ 1,107,733</u>	<u>\$6,362,252</u>

The accompanying notes to financial statements
are an integral part of this statement.

**TOWN OF HAVANA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Gas Fund</u>	<u>Sewer Fund</u>	<u>Total All Funds</u>
Cash flows from operating activities					
Cash received from customers	\$ 84,485	\$ 2,631,692	\$ 185,919	\$ 324,427	\$ 3,226,523
Cash paid to suppliers	(185,107)	(1,976,540)	(151,940)	(334,101)	(2,647,688)
Cash paid to employees	(199,078)	(244,803)	(97,863)	(42,147)	(583,891)
Net cash provided by (used in) operating activities	<u>(299,700)</u>	<u>410,349</u>	<u>(63,884)</u>	<u>(51,821)</u>	<u>(5,056)</u>
Cash flows from noncapital financing activities					
Change in due to/from other funds	-	123,023	-	97,067	220,090
Transfers in	660,111	-	-	24,000	684,111
Transfers out	(594,415)	(848,000)	-	-	(1,442,415)
Net cash provided by (used in) noncapital financing activities	<u>65,696</u>	<u>(724,977)</u>	<u>-</u>	<u>121,067</u>	<u>(538,214)</u>
Cash flows from capital and related financing activities					
Proceeds from capital grants	347,226	-	-	7,352	354,578
Proceed from revolving loan payable	231,480	-	-	-	231,480
Principal paid on capital debt	(6,790)	-	-	(21,000)	(27,790)
Acquisition and construction of capital assets	(512,783)	-	(1,376)	(14,226)	(528,385)
Interest and loan costs paid	(9,308)	-	-	(34,494)	(43,802)
Net cash used in capital and related financing activities	<u>49,825</u>	<u>-</u>	<u>(1,376)</u>	<u>(62,368)</u>	<u>(13,919)</u>
Cash flows from investing activities					
Interest and other nonoperating revenues	50,986	23,230	3,501	-	77,717
Net increase (decrease) in cash and cash equivalents	<u>(133,193)</u>	<u>(291,398)</u>	<u>(61,759)</u>	<u>6,878</u>	<u>(479,472)</u>
Cash and cash equivalents and restricted cash and cash equivalents, beginning of year	<u>559,736</u>	<u>1,079,928</u>	<u>449,988</u>	<u>86,522</u>	<u>2,176,174</u>
Cash and cash equivalents and restricted cash and cash equivalents, end of year	<u>\$ 426,543</u>	<u>\$ 788,530</u>	<u>\$ 388,229</u>	<u>\$ 93,400</u>	<u>\$ 1,696,702</u>
Cash and cash equivalents classified as:					
Unrestricted	\$ 133,767	\$ 565,697	\$ 387,489	\$ -	\$ 1,086,953
Restricted	292,776	222,833	740	93,400	609,749
Total cash and cash equivalents	<u>426,543</u>	<u>788,530</u>	<u>388,229</u>	<u>93,400</u>	<u>1,696,702</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (45,930)	\$ 380,708	\$ (61,165)	\$ (160,150)	\$ 113,463
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	87,562	28,913	6,194	106,292	228,961
(Increase) decrease in accounts receivable	(370,597)	16,633	(112)	(2,118)	(356,194)
Increase in due from other governments	(92,147)	-	-	-	(92,147)
Increase in accrued interest receivables	(57)	(444)	(154)	(3)	(658)
(Increase) decrease in inventories	(80)	(785)	696	(3)	(172)
Increase in prepaid items	(59)	(17)	(1,758)	(116)	(1,950)
Increase (decrease) in accounts payable and accrued expenses	134,271	(10,003)	(1,833)	7,322	129,757
Increase (decrease) in utility deposits	(1,129)	12,778	(8)	-	11,641
Decrease in net pension liability	(26,418)	(39,932)	(13,156)	(6,973)	(86,479)
Increase in deferred outflows	5,386	8,142	2,682	1,422	17,632
Decrease in deferred inflows	9,498	14,356	4,730	2,506	31,090
Total adjustments	<u>(253,770)</u>	<u>29,641</u>	<u>(2,719)</u>	<u>108,329</u>	<u>(118,519)</u>
Net cash provided by (used in) operating activities	<u>\$ (299,700)</u>	<u>\$ 410,349</u>	<u>\$ (63,884)</u>	<u>\$ (51,821)</u>	<u>\$ (5,056)</u>
Non-cash investing, capital, and financing activities:					
Capital assets acquired through accounts payable	\$ 824,921	\$ -	\$ -	\$ -	\$ 824,921
Capital grants earned but not yet received	<u>\$ 369,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369,769</u>

The accompanying notes to financial statements
are an integral part of this statement.

TOWN OF HAVANA, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2017

	<u>Municipal Firemen's Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 187,613
Investments, at fair value	
Mutual and pooled funds	922,832
Total assets	<u>\$ 1,110,445</u>
LIABILITIES	<u>\$ -</u>
NET POSITION	
Net position held in trust for pension benefits	<u>\$ 1,110,445</u>

The accompanying notes to financial statements
are an integral part of this statement.

**TOWN OF HAVANA, FLORIDA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Municipal Firemen's Pension Trust Fund
ADDITIONS	
Contributions:	
State of Florida	\$ 7,587
Plan members	50
Total contributions	<u>7,637</u>
Investment earnings:	
Interest and dividends	16,488
Net increase in the fair value of investments	<u>69,818</u>
Net investment earnings	<u>86,306</u>
Total additions	<u>93,943</u>
DEDUCTIONS	
Benefits paid	-
Administrative expenses	<u>5,000</u>
Total deductions	<u>5,000</u>
Change in net assets	<u>88,943</u>
Net position held in trust for pension benefits, beginning of year	1,021,502
Net position held in trust for pension benefits, end of year	<u><u>\$ 1,110,445</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. Summary of Significant Accounting Policies:

A. Description of government wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting entity

The Town of Havana, Florida (the "Town") was originally incorporated under Chapter 5809 of the State of Florida Special Acts of 1907. The Town subsequently repealed its original charter and reincorporated under the State of Florida Special Acts of 1923, Chapter 9966, Laws of Florida, which as amended is the present charter of the Town. The Town operates under an elected Council form of government. The Town's major operations include electric, water, sewer and gas utility services as well as public safety, road and street maintenance, recreation and general administrative services. The government is a municipal corporation governed by an elected seven member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financial accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended component unit. The Town's Community Redevelopment Agency ("Agency") serves all the citizens of the Town and is governed by a Board of Directors made up of all members of the Town Council. The Agency was established to prevent the development or spread of slums and blight, reduce and prevent crime, and for the provision of affordable housing. The Agency is reported as part of the special revenue fund. Included in the special revenue fund are the transactions of the Agency as follows:

Cash and cash equivalents, beginning of year	\$ 52,080
Revenues	
Ad valorem taxes	19,794
Lien Proceed	8,000
Interest	253
Total revenues	<u>28,047</u>
Expenditures	
Downtown improvements	7,766
Cash and cash equivalents, end of year	<u>\$ 72,361</u>

C. Basis of presentation - government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. Summary of Significant Accounting Policies: (Continued)

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary fund and blended component unit. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue fund* accounts for the Community Redevelopment Agency and other revenue sources that are legally restricted to expenditure for other purposes.

The Town reports the following major proprietary funds:

The *water fund* accounts for the activities of the Town's water distribution operations.

The *sewer fund* accounts for the activities of the Town's sewer operations.

The *electric fund* accounts for the activities of the Town's electric distribution operations.

The *gas fund* accounts for the activities of the Town's gas distribution operations.

Additionally, the Town reports the following fiduciary fund type:

The *pension trust fund* accounts for the activities of the Town of Havana, Florida Municipal Firemen's Pension Trust Fund, which accumulates resources for pension benefit payments to qualified firemen of the Town of Havana, Florida Voluntary Fire Department.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. Summary of Significant Accounting Policies: (Continued)

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds and municipal firemen's pension trust fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. Summary of Significant Accounting Policies: (Continued)

F. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund.

The appropriated budget is prepared by fund, function, and department. The Town's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

G. Assets, liabilities and net position/fund balance

1. *Deposits 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.

State statutes authorize the Town to invest in direct obligations of the U.S. Treasury, Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, SEC registered money market funds with the highest credit quality rating, and savings and CD accounts in state-certified public depositories.

Investments for the Town are reported at fair value.

2. *Inventories and prepaid items*

All inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. Summary of Significant Accounting Policies: (Continued)

G. Assets, liabilities and net position/fund balance (Continued)

3. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For financial reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. For financial reporting purposes, infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$15,000 (amount not rounded) acquired after September 30, 2003 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Land and construction in progress are not depreciated. Other property, plant, and equipment of the Town is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	10 – 40
Public domain infrastructure	30 – 50
System infrastructure	10 – 50
Vehicles, furniture, equipment and software	3 – 10

4. *Long-term obligations*

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

5. *Use of estimates*

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

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. Summary of Significant Accounting Policies: (Continued)

G. Assets, liabilities and net position/fund balance (Continued)

6. *Net position flow assumption*

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

7. *Fund balance flow assumptions*

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. *Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Town council is the highest level of decision making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Town council (council) has by resolution authorized the Town Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. Summary of Significant Accounting Policies: (Continued)

G. Assets, liabilities and net position/fund balance (Continued)

9. *Deferred outflows/inflows of resources*

In addition to assets and liabilities, the statement of financial position will, if required, report a separate section for deferred outflows of resources and deferred inflows of resources, respectfully. These separate financial statement elements, deferred outflows/inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (III B).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the two items in this category are unavailable revenues, which will be recognized as inflows of resources in the period that the amounts become available, and deferred inflows of resources related to pensions, as discussed further in Note (III B).

10. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and the Firemen's Municipal Pension Fund and additions to/deductions from FRS and Firemen's Municipal Pension Fund's fiduciary net position have been determined on the same basis as they are reported by FRS and actuary, respectfully. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. Revenues and expenditures/expenses

1. *Program revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property taxes*

Property taxes are billed and collected for the Town by the County Tax Collector according to Florida Statute under the following calendar:

Lien Date:	January 1
Levy Date:	October 1
Due Date:	November 1
Delinquency Date:	April 1, of the following year

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. Summary of Significant Accounting Policies: (Continued)

H. Revenues and expenditures/expenses (Continued)

3. *Compensated absences*

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

4. *Proprietary funds operating and nonoperating revenues and expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, electric fund, sewer fund and gas fund are charges to customers for sales and services. The water fund, electric fund, sewer fund and gas fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. Detailed Notes on All Funds:

A. Deposits

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned. At year end, the carrying amount of the Town's deposits was \$4,629,001 and the bank balance was \$4,773,457. Of the bank balance, \$4,773,457 was covered by Federal depository insurance or by collateral held by the Town's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

The carrying amount of deposits consisted of the following as of September 30, 2017:

Cash and cash equivalents	\$ 2,503,797
Certificates of deposit	2,125,204
	<u>\$ 4,629,001</u>

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

II. Detailed Notes on All Funds: (Continued)

B. Receivables

Below is the detail of receivables as of September 30, 2017, including the applicable allowances for uncollectible accounts:

	<u>General</u>	<u>Water</u>	<u>Electric</u>	<u>Gas</u>	<u>Sewer</u>	<u>Total</u>
Accounts	\$ 45,017	\$ 420,584	\$ 306,640	\$ 17,944	\$ 36,785	\$ 826,970
Interest	414	114	888	308	12	1,736
Intergovernmental	42,075	461,916	-	-	7,700	511,691
Gross Receivables	87,506	882,614	307,528	18,252	44,497	1,340,397
Less: allowance for uncollectibles	3,899	7,936	71,003	10,647	4,734	98,219
Net total receivables	<u>\$ 83,607</u>	<u>\$ 874,678</u>	<u>\$ 236,525</u>	<u>\$ 7,605</u>	<u>\$ 39,763</u>	<u>\$ 1,242,178</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 312,788	\$ -	\$ -	\$ 312,788
Total capital assets, not being depreciated	<u>312,788</u>	<u>-</u>	<u>-</u>	<u>312,788</u>
Capital assets, being depreciated:				
Buildings and improvements	1,784,085	-	-	1,784,085
Infrastructure	930,485	-	-	930,485
Equipment, furniture, fixtures and vehicles	1,273,501	63,507	(21,858)	1,315,150
Total capital assets, being depreciated	3,988,071	63,507	(21,858)	4,029,720
Less accumulated depreciation	(2,498,237)	(109,627)	21,858	(2,586,006)
Total capital assets, being depreciated, net	<u>1,489,834</u>	<u>(46,120)</u>	<u>-</u>	<u>1,443,714</u>
Governmental activities capital assets, net	<u>\$ 1,802,622</u>	<u>\$ (46,120)</u>	<u>-</u>	<u>\$ 1,756,502</u>

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

II. Detailed Notes on All Funds: (Continued)

C. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 54,090	\$ -	\$ -	\$ 54,090
Construction in progress	292,938	1,327,912	-	1,620,850
Total capital assets, not being depreciated	<u>347,028</u>	<u>1,327,912</u>	<u>-</u>	<u>1,674,940</u>
Capital assets, being depreciated:				
Equipment, buildings, utility systems and improvements	9,889,235	25,572	(14,511)	9,900,296
Less accumulated depreciation	<u>(6,348,407)</u>	<u>(228,961)</u>	<u>14,511</u>	<u>(6,562,857)</u>
Total capital assets, being depreciated, net	<u>3,540,828</u>	<u>(203,389)</u>	<u>-</u>	<u>3,337,439</u>
Business-type activities capital assets, net	<u>\$ 3,887,856</u>	<u>\$ 1,124,523</u>	<u>\$ -</u>	<u>\$ 5,012,379</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 13,298
Public safety	29,328
Transportation	27,052
Culture and recreation	39,949
Total	<u>\$ 109,627</u>
Business-type activities:	
Water Fund	\$ 87,562
Electric Fund	28,913
Sewer Fund	106,292
Gas Fund	6,194
Total	<u>\$ 228,961</u>

D. Interfund receivables and payables

The composition of interfund balances as of September 30, 2017 is as follows:

Due to the Electric Fund from the Sewer Fund for operating expenditures	\$ 498,578
Due to the General Fund from the Sewer Fund for operating expenditures	\$ 219,240

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

II. Detailed Notes on All Funds: (Continued)

E. Transfers to/from Other Funds

The composition of interfund transfers for the year ended September 30, 2017 is as follows:

To the General Fund from the Electric Fund for operating expenditures in excess of available funds	\$ 774,000
To the General Fund from the Water Fund for operating expenditures in excess of available funds	66,000
To the General Fund from the Electric Reserve Fund for operating expenditures in excess of available funds	74,000
To the Water Fund from the Special Revenue Fund for operating expenditures in excess of available funds	660,111
To the Special Revenue Fund from the General Fund for operating expenditures in excess of available funds	1,652
To the Special Revenue Fund from the Water Fund for operating expenditures in excess of available funds	504,415
To the Sewer Fund from the Water Fund for operating expenses in excess of available funds	24,000
	<u>\$ 2,104,178</u>

F. Lease obligations

Capital leases

The Town has entered into lease agreements as the lessee for financing the acquisition of two copy machines. The assets under lease have a cost of \$24,730 and associated accumulated depreciation of \$18,548. The copy machines have five year estimated useful lives. This year, \$4,946 was included in depreciation expense. The lease agreements qualify as capital lease agreements for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

Year Ending September 30,	Governmental Activities
2018	\$ 4,180
2019	1,980
Total minimum lease payments	6,160
Less: amount representing interest at 2.6%	122
Present value of minimum lease payments	<u>\$ 6,038</u>

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

II. Detailed Notes on All Funds: (Continued)

G. Long-term liabilities

Business-type Activities:

Revenue Bonds

Sewer revenue bonds outstanding at September 30, 2017 are comprised of the following:

\$991,000 - Sewer Revenue Bonds payable in annual installments ranging from \$15,000 to \$54,000 through September 1, 2038, plus interest at 4.5%, collateralized by net revenues of the sewer system	\$ 737,000
Less: Current portion	<u>22,000</u>
Note payable, less current portion	<u>\$ 715,000</u>

Revenue bonds debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	22,000	33,165
2019	23,000	32,175
2020	24,000	31,140
2021	25,000	30,060
2022	26,000	28,935
2023 – 2027	148,000	126,090
2028 – 2032	185,000	89,895
2033 – 2037	230,000	44,100
2038 – 2039	54,000	2,430
	<u>\$ 737,000</u>	<u>\$ 417,990</u>

State Revolving Fund Loans:

As of September 30, 2017, the Town had borrowed \$136,700 under a \$141,000 revolving fund loan agreement with the State of Florida Department of Environmental Protection for preconstruction activities associated with the construction of drinking water facilities. The loan is payable in semi-annual installments of \$4,075 of principal and 2.61% of interest, beginning January 15, 2014, collateralized by gross revenues of the water and sewer systems.

	\$ 119,054
Less: Current portion	<u>6,377</u>
Notes payable, less current portion	<u>\$ 112,677</u>

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

II. Detailed Notes on All Funds: (Continued)

G. Long-term liabilities (Continued)

State Revolving Fund Loans: (Continued)

State revolving loan debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest
2018	\$ 6,377	\$ 3,033
2019	6,544	2,866
2020	6,716	2,694
2021	6,893	2,517
2022	7,074	2,336
2023 – 2027	38,255	8,795
2028 – 2032	43,551	3,499
2033 – 2034	3,644	32
	<u>\$ 119,054</u>	<u>\$ 25,772</u>

As of September 30, 2017, the Town had borrowed \$252,289 under a \$1,097,818 revolving fund loan agreement with the State of Florida Department of Environmental Protection for preconstruction activities associated with the construction of drinking water facilities. The loan is payable in semi-annual installments of \$37,273 of principal and 1.54% of interest, beginning December 2018, collateralized by gross revenues of the water and sewer systems. All considered current until loan drawn down.

	\$ 251,364
Less: Current portion	69,780
Notes payable, less current portion	<u>\$ 181,584</u>

State revolving loan debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest
2018	\$ 69,781	\$ 4,764
2019	72,003	2,543
2020	73,120	1,425
2021	36,460	289
	<u>\$ 251,364</u>	<u>\$ 9,021</u>

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

II. Detailed Notes on All Funds: (Continued)

G. Long-term liabilities (Continued)

State Revolving Fund Loans: (Continued)

As of September 30, 2017, the Town had borrowed \$2,785 under a \$26,387 revolving fund loan agreement with the State of Florida Department of Environmental Protection for clean water study of drinking water facilities. The loan is payable in semi-annual installments of \$89 of principal and .51% of interest, beginning September 15, 2017, collateralized by gross revenues of the water and sewer systems.

	\$	2,785
Less: Current portion		178
Notes payable, less current portion	\$	<u>2,607</u>

Government-type Activities:

Notes Payable:

3.25% note payable to bank, due on demand, payable in five annual payments of \$6,627, principal and interest, beginning November 2, 2015 maturing November 2, 2019, secured by a pledge and collateralized by non-ad valorem tax revenues.

	\$	18,631
Less: Current portion		18,631
Notes payable, less current portion	\$	<u>-</u>

Note payable debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 6,013	\$ 615
2019	6,211	416
2020	6,407	220
	<u>\$ 18,631</u>	<u>\$ 1,251</u>

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

II. Detailed Notes on All Funds: (Continued)

G. Long-term liabilities (Continued)

Notes Payable: (Continued)

3.35% note payable to bank, payable in two annual payments of \$10,512, principal and interest, beginning May 16, 2018 maturing May 16, 2019, secured by a pledge and collateralized by non-ad valorem tax revenues.	\$ 20,000
Less: Current portion	<u>9,832</u>
Notes payable, less current portion	<u>\$ 10,168</u>

Note payable debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest
2018	\$ 9,832	\$ 680
2019	<u>10,168</u>	<u>416</u>
	<u>\$ 20,000</u>	<u>\$ 1,096</u>

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Capital lease payable	\$ 11,090	\$ -	\$ 5,052	\$ 6,038	\$ 4,079
Note payable	40,835	20,000	22,204	38,631	28,463
Compensated absences	71,443	66,513	60,856	77,100	60,856
Governmental activity long-term liabilities	<u>\$ 123,368</u>	<u>\$ 86,513</u>	<u>\$ 88,112</u>	<u>\$ 121,769</u>	<u>\$ 93,398</u>
Business-type activities:					
Revenue bonds	\$ 758,000	\$ -	\$ 21,000	\$ 737,000	\$ 22,000
State revolving fund loans	148,692	231,479	6,790	373,381	76,335
Compensated absences	15,301	25,998	23,277	18,022	18,022
Business-type activity long-term liabilities	<u>\$ 921,993</u>	<u>\$ 257,477</u>	<u>\$ 51,067</u>	<u>\$ 1,128,403</u>	<u>\$ 116,357</u>

The compensated absences liability of governmental activities will be liquidated primarily by the General Fund.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

II. Detailed Notes on All Funds: (Continued)

H. Notes receivable

Corry Cabinet Company CDBG Loan—In accordance with the terms of a CDBG grant contract, the Town loaned \$170,000 (“the CCC CDBG loan”) for a term of not greater than twenty years bearing interest at 4.0% per year. Monthly payments of accrued interest and principal in the minimum amount of \$1,038 are due by the 10th of each month. Corry Cabinet Company has executed a promissory note to the Town evidencing the CCC CDBG loan which is secured by a second mortgage on all lands, buildings and improvements located on the CCC property. The balance due to the Town on this note receivable at September 30, 2017 is \$25,357.

Gadsden County Loan—In accordance with the term of an Interlocal Agreement with Gadsden County, Florida, the Town loaned \$293,343 to Gadsden County for the construction of the Havana Library (the “Gadsden County Loan”). The term of the loan is not greater than 15 years, bearing interest at 5.0% per year. Monthly payments of accrued interest and principal in the minimum amount of \$2,375 are due to the Town. Gadsden County has executed an Interlocal agreement with the Town evidencing the Gadsden County loan. The balance due to the Town on this note receivable at September 30, 2017 is \$6,992.

III. Other Information:

A. Contingent Liabilities

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

Litigation—The Town has been named in lawsuits. The Town believes one of the claims has no merit and the current position is to contest the claim. The other suit has been settled subsequent to the date of the financial statements and does not have a material adverse effect on the financial statements.

B. Pension Plans

(1) General Information about the Pension Plan—The Town of Havana (The “Town”) participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the Town’s full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

III. Other Information: (Continued)

B. Pension Plans (Continued)

(1) General Information about the Pension Plan: (Continued)

In addition, all regular employees of the Town are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes.

The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

III. Other Information: (Continued)

B. Pension Plans (Continued)

Florida Retirement System (Continued)

(1) General Information about the Pension Plan: (Continued)

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

Contributions

The Organization participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2017, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Regular Class	3.00%	7.92%
Senior Management	3.00%	22.71
Special Risk	3.00%	23.27
DROP – Applicable to members above	0.00%	13.26

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

Actual contributions made for Town employees participating in FRS and HIS for the each of last three fiscal years ended September 30 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions – FRS	\$ 172,482	\$ 144,165	\$ 134,015
Contributions – HIS	20,355	20,065	15,783
Employee Contributions – FRS	30,713	31,142	28,231

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

III. Other Information: (Continued)

B. Pension Plans (Continued)

Florida Retirement System (Continued)

(2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the Town reported a liability of \$2,249,378 for its proportionate share of the net pension liability, \$1,842,542 related to FRS and \$406,836 to HIS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2017 and June 30, 2016, the Town's FRS proportion was 0.00622915533108416% and 0.00641664135164401%, respectively. At June 30, 2017 and June 30, 2016, the Town's HIS proportion was 0.00380489064654825% and 0.00381672413730526%, respectively. For the year ended September 30, 2017, the Town's recognized pension expense of \$313,268 from FRS and \$29,597 from HIS, for a grand total of \$342,865.

Deferred outflows/inflows related to pensions:

At September 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 169,101	\$ (10,207)	\$ -	\$ (847)
Changes of assumptions	619,224	-	57,187	(35,180)
Net different between projected and actual investment earnings	-	(45,663)	226	-
Change in proportionate share	49,716	(39,352)	1,413	(8,226)
Contributions subsequent to measurement date	45,319	-	5,451	-
	<u>\$ 883,360</u>	<u>\$ (95,222)</u>	<u>\$ 64,277</u>	<u>\$ (44,253)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2018	\$ 107,304
2019	265,766
2020	183,271
2021	40,454
2022	122,115
Thereafter	38,482
Total	<u>\$ 757,392</u>

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

III. Other Information: (Continued)

B. Pension Plans (Continued)

Florida Retirement System (Continued)

(2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial assumptions:

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 2.85%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2017, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

III. Other Information: (Continued)

B. Pension Plans (Continued)

Florida Retirement System (Continued)

(2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.0%
Fixed income	18.0%	4.5%
Global equities	53.0%	7.8%
Real estate	10.0%	6.6%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	<u>100.0%</u>	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the Town calculated using the current discount rates, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.10%	\$ 3,334,890	\$ 1,842,542	\$ 603,552
HIS	3.58%	464,254	406,836	359,011

Municipal Firefighter's Pension Trust Fund (MFPTF)

Method Used to Value Investments

Investments are reported at fair value (generally based on quoted market prices). Plan assets are invested with Capital City Bank Group in cash and cash equivalents and with Charles Schwab in Mutual Funds.

The total invested with Capital City Bank Group and Charles Schwab as of September 30, 2017 was \$84,285 and \$967,345, respectively.

Custodial Credit Risk – Investments are subject to custodial credit risk if the securities are uninsured, not registered in the Town's name, and are held by a party that either sells to or buys from the Town. All Town securities were held in the Town's name, therefore, no investments at year end were subject to custodial credit risk.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

III. Other Information: (Continued)

B. Pension Plans (Continued)

Municipal Firefighter's Pension Trust Fund (MFPTF) (Continued)

Credit Risk – The Town's policies are designed to maximize investment earnings while protecting the security of the principal and providing adequate liquidity, in accordance with applicable state laws.

Interest Rate Risk – In accordance with investment policy, the Town manages its exposure to declines in fair values by structuring the investment portfolio so that securities meet ongoing pension benefit requirements.

Plan Description and Administration

The Municipal Firefighters' Retirement Trust Fund is a single-employer defined benefit pension plan that provides pensions for qualified firefighters pursuant to Florida Statute, Chapter 175. The Town adopted a "chapter plan" that provides benefits based on years of service. The benefits are provided through a State contribution from collections of a Fire Insurance Premium Tax. The Town is required to participate only when the State contributions are insufficient to fund the plan.

Firefighters who meet minimum Town established standards are eligible to participate in the plan. Minimum standards are 19 years of age and approved by Town management firefighters. The plan is administered by a Board of Trustees. The Board has administrative authority over the plan, and acts as supervisor and plan administrator. The Board consists of five members, two Council appointed legal residents of the Town of Havana, Florida, two full-time firefighters elected by the plan and a fifth member chosen by a majority of the other four members. The authority to establish and amend benefits as well as funding policy rests with the Town Council.

Plan Membership.

Inactive plan members and beneficiaries currently receiving benefits	-
Inactive plan member entitled to but not receiving benefits	11
Active plan members	19
	<u>30</u>

Plan Benefits

The Town of Havana, Florida Municipal Firefighter's Pension Trust Fund provides retirement, disability, and death benefits. Retirement benefits are based on years of service multiplied by three and a half percent of his or her average final compensation as a full-time firefighter or volunteer firefighter.

Financial Statements

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Separate financial statements have not been prepared for the Plan.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

III. Other Information: (Continued)

B. Pension Plans (Continued)

Municipal Firefighter's Pension Trust Fund (MFPTF) (Continued)

Contributions

Members contribute .5% of their salaries to the plan. The benefits are provided through member contributions, a State contribution and, if State contributions are insufficient to pay current costs, then a Town contribution, as provided in Chapter 112, Florida Statutes. The amount recorded for the period ended September 30, 2017 was \$7,638. There were no required Town contributions.

Investment Policy

This plan's policy in regards to allocation of invested assets is establish and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. All investments made or held in the fund shall be limited to:

1. Time, savings, and money market deposit accounts of a national bank, a state bank or a savings and loan institution, insured by the Federal Deposit Corporation provided the amount deposited does not exceed the insured amount.
2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government.
3. Stocks, commingled funds administered by national or state banks, mutual funds and bonds or other evidences of indebtedness, issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States or the District of Columbia, provided: The securities meet the following ranking criteria:
 - i. Fixed Income Standard & Poor's, AAA, AA, A or Moody's Aaa, Aa, A.
 - ii. Equities Value line ranking for safety 1, 2 or 3, except that 20% of the funds assets may be invested in securities not meeting this requirement.
 - iii. Money Market Standard & Poor's A1 or Moody's P1.
 - a. Not more than 5% of the Fund's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
 - b. The value of bonds issued by any single corporation shall not exceed 10% of the total fund.
4. Commingled stock, bond or money^o market funds whose investments are restricted to securities meeting the above criteria.
5. Foreign securities.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

III. Other Information: (Continued)

B. Pension Plans (Continued)

Municipal Firefighter's Pension Trust Fund (MFPTF) (Continued)

Changes in Net Pension Liability (Asset) of the Town

The components of the net pension liability (asset) of the Town as of September 30, 2017 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2016	\$ 57,695	\$ 1,021,502	\$ (963,807)
Changes for year:			
Service Cost	2,553	-	2,553
Interest	4,205	-	4,205
Contributions - State	-	7,587	(7,587)
Contributions - Employee	-	51	(51)
Net Investment Income	-	86,306	(86,306)
Administrative Expense	-	(5,500)	5,500
Net changes	6,758	88,444	(81,686)
Ending balance	\$ 64,453	\$ 1,109,946	\$ (1,045,493)

Sensitivity of the Net Pension Liability to changes in Discount Rate:

Town's Net Pension Liability (Asset)	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Municipal Firefighter's Pension Trust Fund	(1,045,013)	(1,045,493)	(1,058,130)

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

III. Other Information: (Continued)

B. Pension Plans (Continued)

Municipal Firefighter's Pension Trust Fund (MFPTF) (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2017 using the following actuarial assumptions:

Inflation	3.00% per year
Salary Increase	5.50% - 10.00%
Discount Rate	7.00%
Investment Rate of Return	7.00% percent compounded annually, gross of investment related expenses

RP-2000 Table - Sex Distinct. Disabled lives are set forward 5 years. We feel this assumption sufficiently accommodates future mortality improvements.

The actuarial assumptions used in the December 1, 2013 valuation were based on the results of an actuarial experience study for the period 2002-2012.

The actuarial valuation utilized the aggregate actuarial cost method. Plan assets are reported at fair value.

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member 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 plan members. 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.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

III. Other Information: (Continued)

B. Pension Plans (Continued)

Municipal Firefighter's Pension Trust Fund (MFPTF) (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the Town recognized no additional pension expense.

At September 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net different between projected and actual investment earnings	7,108	-
Total	<u>\$ 7,108</u>	<u>\$ -</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2018	\$ 8,146
2019	8,146
2020	(6,239)
2021	(2,945)
2022	-
Thereafter	-
Total	<u>7,108</u>

C. Risk Management—The Town is a member of the Florida Municipal Self-Insurance Fund (the "Fund"). The Fund was created to allow members to pool their liabilities pursuant to provisions in Florida Worker's Compensation Law. The Town pays an annual premium to the Fund for its worker's compensation coverage. The Fund's underwriting and rate setting policies were established after consulting with an independent actuary. The Fund is non-assessable and therefore, the Town has no liability for future deficits of the Fund, if any.

D. Land Operating Lease—The Town leases land from a corporation to build and operate an effluent spray system under an operating lease expiring in 2026. This lease is renewable in five year increments if agreed to in writing by both parties. The lease amount includes costs of clearing land and an annual fee for lost timber growth. The Town is also responsible for paying the property taxes.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

III. Other Information: (Continued)

E. Construction Commitment—The Town of Havana, Florida is in the process of construction activities for a new public water system. The total estimated cost of these activities is expected to exceed \$1,000,000. Construction activities are being funded through grants and loans received from the State of Florida, Department of Environmental Protection. As of September 30, 2017, the Town has incurred \$1,621,751 in costs related to this activity.

F. Commitments and Contingencies

The Town has entered into a long-term contract ("All Requirements Contract") with the Florida Municipal Power Agency ("FMPA") to purchase and receive all electric capacity and energy that the Town will require for the operation of its municipal electric system over and above any contractually excluded power sources and over and above back-up and support services. The Town is required to reimburse FMPA each month for the monthly cost of all direct assignment facilities and additional facilities acquired or utilized heretofore by FMPA to provide All Requirement services. The Town must pay FMPA for all electric capacity and energy furnished as All Requirement services at rates established per the All Requirements Contract. In the event that during any portion of any month electric capacity and energy are made available to the Town by FMPA in accordance with the All Requirements Contract which the Town is required to take and receive as All Requirements services, but which the Town fails to take and receive from FMPA, the Town must pay FMPA for such availability an amount equal to the product of the demand related charges and the appropriate billing demand charges as calculated in accordance with the contractually established rate schedule. The All Requirements Contract remains in effect until October 1, 2030. Each October 1st, the All Requirements Contract automatically extends for an additional one year period unless either party, at least one year prior to such automatic extension date, notifies the other party in writing of its decision not to extend the All Requirements Contract.

G. Leased Equipment

As part of certain funding agreement with the United States Rural Development, the Town is required to charge rent for certain equipment provided to medical practitioners in the area. The Town received funding for a 2009 LOGIQ 86 ultrasound machine. In accordance with the original funding agreement, the Town has continued to charge rent for the use of the equipment as specified in the written lease agreement between the Town and the lessees. For the year ended September 30, 2017, rental income associated with this leased equipment was \$6,600.

H. Restatement of Net Assets

GASB 68 implementation for the Firemen Pension Fund was determined using a measurement date equal to the period fiscal year end during the prior year audit. Per GASB 68, the measurement period is required to be no earlier than the employer's prior fiscal year, and should be applied consistently from period to period. The Town has changed its policy in the current year to change the measurement date used. The Town will use the current fiscal year end as the measurement date; the measurement date will be applied consistently going forward. The impact on the governmental activities September 30, 2017 net position was an increase of \$43,541.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

III. Other Information: (Continued)

I. Subsequent Events

The Town has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 3, 2018, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

TOWN OF HAVANA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017

TOWN OF HAVANA, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' PENSION PLAN

	September 30, 2017	September 30, 2016	September 30, 2015
Total Pension Liability			
Service Cost	\$ 2,553	\$ 2,375	\$ 2,220
Interest	4,205	3,778	3,378
Change in Excess State Money	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Benefit Payments, Including Refunds of Member Contributions	-	(102)	-
Net Change in Total Pension Liability	6,758	6,051	5,998
Total Pension Liability - Beginning	57,695	51,644	46,046
Total Pension Liability - Ending (a)	64,453	57,695	51,644
Plan Fiduciary Net Position			
Contributions - State	7,587	46,805	12,795
Contributions - Employee	51	54	53
Net Investment Income	86,306	80,808	(8,679)
Benefit Payments, Including Refunds of Employee Contributions	-	(102)	-
Administrative Expense	(5,500)	(3,607)	(7,467)
Net Change in Plan Fiduciary Net Position	88,444	123,958	(3,298)
Plan Fiduciary Net Position - Beginning	1,021,502	897,544	900,842
Plan Fiduciary Net Position - Ending (b)	1,109,946	1,021,502	897,544
Net Pension Liability - Ending (a) - (b)	\$ (1,045,493)	\$ (963,807)	\$ (845,900)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	1722.10%	1770.52%	1737.94%
Covered Payroll	\$ 10,200	\$ 10,800	\$ 7,200
Net Pension Liability as a Percentage of Covered Payroll	-10249.93%	-8924.14%	-11748.61%

Additional years will be added to this schedule annually, until 10 years of data is presented.

Notes to Schedule:

Effective for the City's fiscal year ending 09/30/2016, the GASB 68 measurement date of the Pension Expense has been approved and changed from 09/30/2015 to 09/30/2016.

**TOWN OF HAVANA, FLORIDA
SCHEDULE OF CONTRIBUTIONS
FIREFIGHTERS' PENSION PLAN**

	September 30, 2017	September 30, 2016	September 30, 2015
Actuarially Determined Contribution	\$ 8,197	\$ 7,441	\$ 7,303
Contributions in Relation to the Actuarially Determined Contributions	7,587	46,805	12,795
Contribution Deficiency (Excess)	<u>\$ 610</u>	<u>\$ (39,364)</u>	<u>\$ (5,492)</u>
Covered Payroll	\$ 10,200	\$ 10,800	\$ 7,200
Contributions as a Percentage of Covered Payroll	74.38%	433.38%	177.71%

Additional years will be added to this schedule annually, until 10 years of data is presented.

Notes to Schedule:

Valuation Date: 10/1/2015

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Mortality: RP 2000 Table - Sex Distinct. We feel this sufficiently accommodates expected mortality improvements for public safety employees.

Interest Rate: 7.0% per year, compounded annually, gross of investment related expenses. This assumption was adopted following an experience study dated December 1, 2013.

Retirement Age: 10% per year eligible for Early Retirement.
10% per year eligible for Normal Retirement (with 100% at Age 52 with 25 years of Service). Also, any member who has reached Normal Retirement Age on the valuation date is assumed to continue employment for one additional year. This assumption was adopted following an experience study dated December 1, 2013.

Disability Rates: See table below. This assumption was adopted following an experience study dated December 1, 2013.

Age	% Becoming Disabled During the Year
20	0.03%
30	0.04%
40	0.07%
50	0.18%

Termination Rates: See table below. This assumption was adopted following an experience study dated December 1, 2013.

Service	% Terminating During the Year
0-2	0.03%
3+	0.04%

Salary Increases: See table below. This assumption was adopted following an experience study dated December 1, 2013.

Years of Service	Salary Increase
0	10.00%
1	8.00%
4-Feb	7.00%
5+	5.50%

Payroll Growth Assumption: None.

Funding Method: Aggregate Actuarial Cost Method.

**TOWN OF HAVANA, FLORIDA
SCHEDULE OF INVESTMENT RETURNS
FIREFIGHTERS' PENSION PLAN**

Year Ended	Annual Money Weighted Rate of Return, Net of Investment Expenses
September 30, 2017	8.44%
September 30, 2016	8.79%
September 30, 2015	-0.96%

Additional years will be added to this schedule annually, until 10 years of data is presented.

TOWN OF HAVANA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues				
Taxes, licenses and permits	\$ 458,958	\$ 458,958	\$ 441,713	\$ (17,245)
Intergovernmental	131,374	131,374	131,001	(373)
Other	98,800	98,800	73,167	(25,633)
Total revenues	<u>689,132</u>	<u>689,132</u>	<u>645,881</u>	<u>(43,251)</u>
Expenditures				
General government	87,779	87,779	91,143	(3,364)
Public safety	1,096,584	1,092,584	976,978	115,606
Transportation	417,339	461,339	475,388	(14,049)
Culture and recreation	71,180	75,180	59,376	15,804
Total expenditures	<u>1,672,882</u>	<u>1,716,882</u>	<u>1,602,885</u>	<u>113,997</u>
Deficiency of revenues				
under expenditures	<u>(983,750)</u>	<u>(1,027,750)</u>	<u>(957,004)</u>	<u>70,746</u>
Other financing sources (uses)				
Transfers in	925,000	925,000	914,000	(11,000)
Total other financing sources (uses)	<u>925,000</u>	<u>925,000</u>	<u>914,000</u>	<u>(11,000)</u>
Net change in fund balance	<u>(58,750)</u>	<u>(102,750)</u>	<u>(43,004)</u>	<u>59,746</u>
Fund balance, beginning of year	1,176,041	1,176,041	1,176,041	-
Fund balance, end of year	<u><u>\$ 1,117,291</u></u>	<u><u>\$ 1,073,291</u></u>	<u><u>\$ 1,133,037</u></u>	<u><u>\$ 59,746</u></u>

The accompanying note to required supplementary information
is an integral part of this statement.

TOWN OF HAVANA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues				
Taxes, licenses and permits	\$ 17,000	\$ 17,000	\$ 19,794	\$ 2,794
Intergovernmental	1,351,000	1,351,000	160,519	(1,190,481)
Other	-	-	16,307	16,307
Total revenues	<u>1,368,000</u>	<u>1,368,000</u>	<u>196,620</u>	<u>(1,171,380)</u>
Expenditures				
Public safety	1,000	1,000	4,293	(3,293)
Physical environment	850,000	850,000	157,867	692,133
Culture and recreation	517,000	517,000	14,810	502,190
Total expenditures	<u>1,368,000</u>	<u>1,368,000</u>	<u>176,970</u>	<u>1,191,030</u>
Other financing sources (uses)				
Transfers in	-	-	506,067	506,067
Transfers out	-	-	(660,111)	(660,111)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(154,044)</u>	<u>(154,044)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(134,394)</u>	<u>(134,394)</u>
Fund balance, beginning of year	589,999	589,999	589,999	-
Fund balance, end of year	<u>\$ 589,999</u>	<u>\$ 589,999</u>	<u>\$ 455,605</u>	<u>\$ (134,394)</u>

The accompanying note to required supplementary information
is an integral part of this statement.

TOWN OF HAVANA, FLORIDA
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE FOR GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

I. Stewardship, Compliance and Accountability:

A. Budgetary Information

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund and special revenue fund. All annual appropriations lapse at fiscal year end.

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

1. Prior to October 1, the Town Council receives a proposed operating budget for the next fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The appropriated budget is prepared by fund, function and department. The Town's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council.
5. The legal level of budgetary control is the fund level.
6. The budgets for the General Fund and Special Revenue Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

TOWN OF HAVANA, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30

	2017	2016	2015	2014
Florida Retirement System (FRS)				
Proportion of the net pension liability (asset)	0.006416641%	0.006416641%	0.006108149%	0.006289704%
Proportionate share of the net pension liability (asset)	\$ 1,842,542	\$ 1,620,207	\$ 788,949	\$ 383,764
Covered-employee payroll	1,226,229	1,208,727	1,226,229	1,209,296
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	150.26%	134.04%	64.34%	31.73%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)				
Proportion of the net pension liability (asset)	0.003816724%	0.003816724%	0.003846425%	0.003945497%
Proportionate share of the net pension liability (asset)	\$ 406,836	\$ 444,823	\$ 392,275	\$ 368,914
Covered-employee payroll	1,226,229	1,208,727	1,226,229	1,209,296
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.18%	36.80%	31.99%	30.51%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for only those years for which information is available.

TOWN OF HAVANA, FLORIDA
SCHEDULE OF CONTRIBUTIONS -
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30

	2017	2016	2015	2014
<u>Florida Retirement System (FRS)</u>				
Contractually required contribution	\$ 172,482	\$ 144,165	\$ 134,015	\$ 132,350
Contributions in relation to the contractually required contribution	(172,482)	(144,165)	(134,015)	(132,350)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,226,229	\$ 1,208,727	\$ 1,252,595	\$ 1,209,296
Contributions as a percentage of covered-employee payroll	14.07%	11.93%	10.70%	10.94%
<u>Health Insurance Subsidy Program (HIS)</u>				
Contractually required contribution	\$ 20,355	\$ 20,065	\$ 15,783	\$ 14,512
Contributions in relation to the contractually required contribution	(20,355)	(20,065)	(15,783)	(14,512)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,226,229	\$ 1,208,727	\$ 1,252,595	\$ 1,209,296
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.26%	1.20%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for only those years for which information is available.

**TOWN OF HAVANA, FLORIDA
OFFICIALS
SEPTEMBER 30, 2017**

TOWN COMMISSIONERS

T.J. Davis, Mayor
Vernell Ross, Mayor Pro-Tem
Decorkus Allen
David Norman
Cathy Johnson
Shirley McGill
Phyllis Thomas

TOWN CLERK/TREASURER

Sheila Evans

TOWN MANAGER

Howard McKinnon

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

To the Honorable Town Council,
Town of Havana, Florida:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Havana, Florida as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Havana, Florida's basic financial statements, and have issued our report thereon dated July 3, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

- 60 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

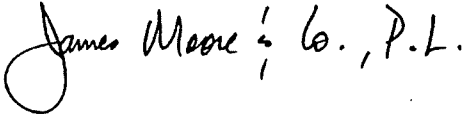
2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Tallahassee, Florida
July 3, 2018

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

To the Honorable Town Council,
Town of Havana, Florida:

Report on the Financial Statements

We have audited the financial statements of the Town of Havana, Florida, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated July 3, 2018

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated July 3, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed as required by accounting principles generally accepted in the United States of America in Note I.B. to the financial statements.

- 62 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Town of Havana, Florida'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 Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have such recommendations.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Town of Havana, Florida for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect of 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, Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida
July 3, 2018

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Town Council,
Town of Havana, Florida:

We have examined Town of Havana, Florida's (the Town) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017. The Town's management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on Town of Havana, Florida'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 Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017, in all material respects. 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 risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, Town of Havana, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

James Moore & Co., P.L.

Tallahassee, Florida
July 3, 2018

- 64 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Member of AGN International with offices in principal cities worldwide