

TOWN OF HAVANA, FLORIDA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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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, and each major fund, and the aggregate remaining fund information of the Town of Havana, Florida (the Town), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the 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 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 obtained is sufficient and appropriate to provide a basis for our (1) unmodified audit opinion on the General and Special revenue funds, and aggregate remaining fund information; and (2) qualified audit opinion on the governmental activities, business-type activities, and Water, Electric, Gas and Sewer funds.

Basis for Qualified Opinion on the Governmental Activities, Business-type Activities, and Water, Electric, Gas and Sewer Funds

As discussed in Note (11) to the financial statements, the Town has not received an actuarial valuation for its firefighter pension fund and therefore has not adjusted the accounting records to reflect the current actuarial valuation for the respective pension funds as required in Statement No. 67 *Financial Reporting for Pension Plans* and Statement No. 68 *Accounting and Financial Reporting for Pensions*. Accounting principles generally accepted in the United States of America require recording of a net pension (asset) liability, and any associated deferred inflows and outflows related to the pension fund. A valuation would likely produce changes in the recorded net pension asset, deferred outflows, net position, revenues and expenses in the governmental activities related to the firefighter pension.

In addition, as discussed in Note (14) to the financial statements, the Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for any postemployment benefits other than pensions, which would affect the deferred inflows, liabilities, deferred outflows, net position, and expenses in the governmental activities, business-type activities, and the Water, Electric, Gas and Sewer funds.

The amounts by which these departures would affect the deferred inflows, liabilities, deferred outflows, net position, and expenses of the governmental activities, business-type activities, and Water, Electric, Gas and Sewer funds has not been determined.

Qualified Opinion on the Governmental Activities, Business-type Activities, and Water, Electric, Gas and Sewer funds

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph on the governmental activities, business-type activities and Water, Electric, Gas and Sewer funds, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, business-type activities, and Water, Electric, Gas and Sewer fund of the Town as of September 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the General and Special Revenue funds and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General and Special revenue funds and the aggregate remaining fund information for the Town, as of September 30, 2019, and the respective changes in financial position thereof, and where applicable cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and other pension information in relation to the Florida Retirement System pension plan as listed in the table of contents 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 Management's Discussion and Analysis, budgetary comparison information, and other pension information in relation to the Florida Retirement System pension plan, in accordance with auditing standards generally accepted in the United States of America, which consisted principally 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 and opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability and related ratios, the schedule of contributions, pension plan, and the schedule of investment returns for the fire firefighters' pension plan as of September 30, 2019 and years prior, as indicated 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 accounting principles generally accepted in the United States of America 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. Although our opinion on the basic financial statements is not affected, the following material departures from the prescribed guidelines exist: Accounting principles generally accepted in the United States of America require the schedule of changes in net pension liability and related ratios, schedule of contributions, and the schedule of investment returns for the firefighters' pension plan be presented as of the fiscal year ended and the 10 years prior. As the Town did not receive an actuarial valuation for its firefighters' pension plan for the year ended September 30, 2019 and prior years information was presented as an alternative. This alternative is considered to be a material departure from the prescribed guidelines. We do not express an opinion or provide any assurance on the information.

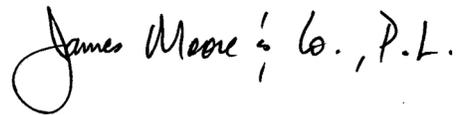
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. The schedule of expenditures of federal awards is required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2021, on our consideration of the Town of Havana, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Havana, Florida's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J" for "James".

Tallahassee, Florida
May 12, 2021

**TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

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, 2019.

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.

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, 2019
(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.

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.

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.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town of Havana, Florida's budgetary information.

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Continued)

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 and deferred outflows exceeded liabilities and deferred inflows by \$2,589,045 at the close of the most recent fiscal year.

A large portion of the Town of Havana, Florida's net position 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

	2019		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,316,777	\$ 3,030,353	\$ 4,347,130
Net pension asset	1,045,493	-	\$ 1,045,493
Capital assets, net	1,631,590	8,408,461	10,040,051
Total assets	3,993,860	11,438,814	15,432,674
 Deferred outflows	503,388	280,439	783,827
 Other liabilities	105,648	686,682	792,330
Net pension liability	1,574,671	892,380	2,467,051
Long-term liabilities outstanding	86,802	2,257,553	2,344,355
Total liabilities	1,767,121	3,836,615	5,603,736
 Deferred inflows	141,082	77,642	218,724
 Net position:			
Net investment in capital assets	1,631,590	6,179,067	7,810,657
Restricted	2,527,720	230,684	2,758,404
Unrestricted	(1,570,265)	1,395,245	(175,020)
Total net position	\$ 2,589,045	\$ 7,804,996	\$ 10,394,041

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Continued)

	2018		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,535,129	\$ 3,702,622	\$ 5,237,751
Net pension asset	1,045,493	-	1,045,493
Capital assets, net	1,703,555	5,820,897	7,524,452
Total assets	<u>4,284,177</u>	<u>9,523,519</u>	<u>13,807,696</u>
Deferred outflows	<u>574,633</u>	<u>321,627</u>	<u>896,260</u>
Other liabilities	189,304	622,327	811,631
Net pension liability	1,418,173	801,905	2,220,078
Long-term liabilities outstanding	110,277	1,695,681	1,805,958
Total liabilities	<u>1,717,754</u>	<u>3,119,913</u>	<u>4,837,667</u>
Deferred inflows	<u>164,502</u>	<u>91,181</u>	<u>255,683</u>
Net position:			
Net investment in capital assets	1,703,555	4,163,499	5,867,054
Restricted	2,548,676	168,534	2,717,210
Unrestricted	<u>(1,275,677)</u>	<u>2,302,019</u>	<u>1,026,342</u>
Total net position	<u>\$ 2,976,554</u>	<u>\$ 6,634,052</u>	<u>\$ 9,610,606</u>

An additional portion of the Town of Havana, Florida's net position 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.

Governmental activities. Governmental activities decreased the Town of Havana, Florida's net position by \$(387,509).

The Town will continue to explore ways to sustain and improve the net position. Key improvements to critical thoroughfares within the Town are essential. The increased cost of healthcare is a factor that must be monitored closely. The Town will research other healthcare options that provide benefit and solvency to the Town's financial position. Road projects will be addressed annually with grant funds, to ensure that the Town's net position is protected.

Business-type activities. Business-type activities increased the Town of Havana, Florida's net position by \$1,170,944. Major infrastructure upgrades are essential to the improvement of Havana's local assets. The Town will continue to ascertain local needs, and seek to acquire grant funds where available.

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Continued)

Town of Havana, Florida's Changes in Net Position

	2019		Total
	Governmental Activities	Business-type Activities	
Revenues:			
Program revenues:			
Charges for services	\$ 34,846	\$ 3,637,364	\$ 3,672,210
Operating grants and contributions	125,732	-	125,732
Capital grants and contributions	1,106	1,962,632	1,963,738
General revenues:			
Property taxes	138,075	-	138,075
Intergovernmental and other	481,216	139,488	620,704
Total revenues	<u>780,975</u>	<u>5,739,484</u>	<u>6,520,459</u>
Expenses:			
General government	127,550	-	127,550
Public Safety	1,196,848	-	1,196,848
Physical environment	28,590	-	28,590
Transportation	536,194	-	536,194
Culture and recreation	124,869	-	124,869
Debt service	758	-	758
Water	-	540,254	540,254
Electric	-	2,423,348	2,423,348
Gas	-	358,435	358,435
Sewer	-	400,178	400,178
Total expenses	<u>2,014,809</u>	<u>3,722,215</u>	<u>5,737,024</u>
Increase (decrease) in net position before transfers	(1,233,834)	2,017,269	783,435
Transfers	846,325	(846,325)	-
Net change in net position	(387,509)	1,170,944	783,435
Net position , beginning of year	<u>2,976,554</u>	<u>6,634,052</u>	<u>9,610,606</u>
Net position , end of year	<u>\$ 2,589,045</u>	<u>\$ 7,804,996</u>	<u>\$ 10,394,041</u>

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Continued)

Town of Havana, Florida's Changes in Net Position

	2018		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 32,957	\$ 3,581,598	\$ 3,614,555
Operating grants and contributions	127,072	-	127,072
Capital grants and contributions	35,500	823,772	859,272
General revenues:			
Property taxes	132,506	-	132,506
Intergovernmental and other	408,810	91,155	499,965
Total revenues	<u>736,845</u>	<u>4,496,525</u>	<u>5,233,370</u>
Expenses:			
General government	123,622	-	123,622
Public Safety	1,086,530	-	1,086,530
Physical environment	53,693	-	53,693
Transportation	451,863	-	451,863
Culture and recreation	122,804	-	122,804
Debt service	17,139	-	17,139
Water	-	515,888	515,888
Electric	-	2,274,613	2,274,613
Gas	-	280,449	280,449
Sewer	-	529,911	529,911
Total expenses	<u>1,855,651</u>	<u>3,600,861</u>	<u>5,456,512</u>
Increase (decrease) in net position before transfers	(1,118,806)	895,664	(223,142)
Transfers	741,864	(741,864)	-
Net change in net position	<u>(376,942)</u>	<u>153,800</u>	<u>(223,142)</u>
Net position, beginning of year	<u>3,353,496</u>	<u>6,480,252</u>	<u>9,833,748</u>
Net position, end of year	<u>\$ 2,976,554</u>	<u>\$ 6,634,052</u>	<u>\$ 9,610,606</u>

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, 2019
(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 \$1,211,129, a decrease of \$134,696 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 \$(554,154) and \$834,195, 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 \$376,934.

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 \$657,296. The total net position for the Water fund was \$2,604,948.

Unrestricted net position of the Electric fund at the end of the year amounted to \$1,402,521. The total net position for the Electric fund was \$1,722,850.

Unrestricted net position of the Gas fund at the end of the year amounted to \$467,002. The total increases net position for the Gas fund was \$536,965.

The Sewer fund had a deficit in unrestricted net position at the end of the year of \$(1,131,574). The total in net position for the Sewer fund in the current year was \$2,940,233.

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

The Town will work to properly assess its capital assets and the ability to fund them in the future budget. Vehicle equipment expenses and infrastructure repairs are necessary in the short run, to ensure the citizenry is adequately served. The Town will address cost measures in future budgets that will minimize uncertainty of repair expenses through proper investment in vehicles and local infrastructure upgrades.

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(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, 2019, amounts to \$10,040,051 (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 notes to the financial statements as indicated in the table on contents.

Long-term debt. At the end of the current fiscal year, the Town of Havana, Florida had notes and bonds payable amounting to \$2,235,801.

Additional information on the Town of Havana, Florida's long-term debt can be found in the notes to the financial statements as indicated in the table of contents.

Economic Factors and Next Year's Budgets and Rates

A utility rate study, a review of the current ad valorem rate, and the conclusion of several projects tied to grant fund revenues may improve the economic factors and budgetary outcomes sustained by the government.

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, 2019**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 73,240	\$ 489,534	\$ 562,774
Certificates of deposit	503,534	1,593,652	2,097,186
Receivables, net	27,514	600,117	627,631
Internal balances	580,517	(580,517)	-
Due from other governments	88,808	300,898	389,706
Inventories	5,469	149,845	155,314
Prepays	37,695	24,046	61,741
Restricted assets:			
Cash and cash equivalents	-	424,760	424,760
Certificates of deposit	-	28,018	28,018
Net pension asset	1,045,493	-	1,045,493
Capital assets, not being depreciated	312,788	2,983,833	3,296,621
Capital assets, being depreciated, net	1,318,802	5,424,628	6,743,430
Total assets	<u>\$ 3,993,860</u>	<u>\$ 11,438,814</u>	<u>\$ 15,432,674</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pensions	<u>\$ 503,388</u>	<u>\$ 280,439</u>	<u>\$ 783,827</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 105,648	\$ 397,783	\$ 503,431
Customer deposits	-	288,899	288,899
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	6,407	77,025	83,432
Compensated absences	43,599	12,149	55,748
Due in more than one year:			
Bonds and notes payable	-	2,152,369	2,152,369
Compensated absences	36,796	16,010	52,806
Net pension liability	1,574,671	892,380	2,467,051
Total liabilities	<u>\$ 1,767,121</u>	<u>\$ 3,836,615</u>	<u>\$ 5,603,736</u>
DEFERRED INFLOWS			
Deferred inflows related to pensions	<u>\$ 141,082</u>	<u>\$ 77,642</u>	<u>\$ 218,724</u>
NET POSITION			
Net investment in capital assets	\$ 1,631,590	\$ 6,179,067	\$ 7,810,657
Restricted for:			
Debt service	-	230,684	230,684
Pensions	1,052,601	-	1,052,601
Infrastructure	1,075,664	-	1,075,664
Community development	8,587	-	8,587
Community redevelopment	376,934	-	376,934
Law enforcement trust	13,934	-	13,934
Unrestricted	(1,570,265)	1,395,245	(175,020)
Total net position	<u>\$ 2,589,045</u>	<u>\$ 7,804,996</u>	<u>\$ 10,394,041</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, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 127,550	\$ 15,888	\$ -	\$ -	\$ (111,662)	\$ -	\$ (111,662)
Public safety	1,196,848	7,357	-	1,106	(1,188,385)	-	(1,188,385)
Physical environment	28,590	11,601	-	-	(16,989)	-	(16,989)
Transportation	536,194	-	125,732	-	(410,462)	-	(410,462)
Culture and recreation	124,869	-	-	-	(124,869)	-	(124,869)
Debt service	758	-	-	-	(758)	-	(758)
Total governmental activities	<u>2,014,809</u>	<u>34,846</u>	<u>125,732</u>	<u>1,106</u>	<u>(1,853,125)</u>	<u>-</u>	<u>(1,853,125)</u>
Business-type activities:							
Water	540,254	436,403	-	322,263	-	218,412	218,412
Electric	2,423,348	2,654,993	-	-	-	231,645	231,645
Gas	358,435	231,869	-	-	-	(126,566)	(126,566)
Sewer	400,178	314,099	-	1,640,369	-	1,554,290	1,554,290
Total business-type activities	<u>3,722,215</u>	<u>3,637,364</u>	<u>-</u>	<u>1,962,632</u>	<u>-</u>	<u>1,877,781</u>	<u>1,877,781</u>
Total government	<u>\$ 5,737,024</u>	<u>\$ 3,672,210</u>	<u>\$ 125,732</u>	<u>\$ 1,963,738</u>	<u>(1,853,125)</u>	<u>1,877,781</u>	<u>24,656</u>
General revenues:							
Property taxes					138,075	-	138,075
Intergovernmental revenue					373,556	-	373,556
Other revenues					107,660	139,488	247,148
Transfers					846,325	(846,325)	-
Total general revenues and transfers					<u>1,465,616</u>	<u>(706,837)</u>	<u>758,779</u>
Change in net position					<u>(387,509)</u>	<u>1,170,944</u>	<u>783,435</u>
Net position, beginning of year					<u>2,976,554</u>	<u>6,634,052</u>	<u>9,610,606</u>
Net position, end of year					<u>\$ 2,589,045</u>	<u>\$ 7,804,996</u>	<u>\$ 10,394,041</u>

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

**TOWN OF HAVANA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 73,240	\$ -	\$ 73,240
Certificates of deposit	503,534	-	503,534
Receivables, net	27,514	-	27,514
Due from other funds	240,671	600,163	840,834
Due from other governments	72,585	16,223	88,808
Inventories	5,469	-	5,469
Prepaid items	37,695	-	37,695
Total assets	<u>\$ 960,708</u>	<u>\$ 616,386</u>	<u>\$ 1,577,094</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued expenses	\$ 86,159	\$ -	\$ 86,159
Deposits	19,489	-	19,489
Due to other funds	20,865	239,452	260,317
Total liabilities	<u>126,513</u>	<u>239,452</u>	<u>365,965</u>
FUND BALANCES			
Nonspendable:			
Prepays	37,695	-	37,695
Inventory	5,469	-	5,469
Restricted for:			
Infrastructure	1,075,664	-	1,075,664
Community development	8,587	-	8,587
Community redevelopment	-	376,934	376,934
Law enforcement trust	13,934	-	13,934
Assigned - 2020 budget	247,000	-	247,000
Unassigned	(554,154)	-	(554,154)
Total fund balances	<u>834,195</u>	<u>376,934</u>	<u>1,211,129</u>
Total liabilities and fund balances	<u>\$ 960,708</u>	<u>\$ 616,386</u>	<u>\$ 1,577,094</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, 2019

Total fund balances-governmental funds		\$ 1,211,129
<p>Amounts reported for net position of governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		1,631,590
<p>On the governmental fund statements, a net pension asset or liability and related deferred inflows/outflows are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Deferred outflows related to pensions	503,388	
Deferred inflows related to pensions	(141,082)	
Net pension asset	1,045,493	
Net pension liability	(1,574,671)	(166,872)
<p>Long term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Compensated absences	(80,395)	
Note payable	(6,407)	(86,802)
Net position of governmental activities		\$ 2,589,045

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, 2019

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes, licenses and permits	\$ 483,632	\$ 19,688	\$ 503,320
Intergovernmental	174,278	1,225	175,503
Other	131,809	143	131,952
Total revenues	<u>789,719</u>	<u>21,056</u>	<u>810,775</u>
Expenditures			
Current:			
General government	128,806	-	128,806
Public safety	1,023,040	502	1,023,542
Physical environment	7,500	22,899	30,399
Transportation	496,630	26,835	523,465
Culture and recreation	52,346	16,101	68,447
Debt service:			
Principal	16,379	-	16,379
Interest	758	-	758
Total expenditures	<u>1,725,459</u>	<u>66,337</u>	<u>1,791,796</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(935,740)</u>	<u>(45,281)</u>	<u>(981,021)</u>
Other financing sources (uses)			
Transfers in	822,000	24,325	846,325
Transfers out	-	-	-
Total other financing sources (uses)	<u>822,000</u>	<u>24,325</u>	<u>846,325</u>
Net change in fund balances	<u>(113,740)</u>	<u>(20,956)</u>	<u>(134,696)</u>
Fund balances, beginning of year	947,935	397,890	1,345,825
Fund balances, end of year	<u>\$ 834,195</u>	<u>\$ 376,934</u>	<u>\$ 1,211,129</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, 2019**

Net change in fund balances - total governmental funds		\$ (134,696)
Differences in amounts reported for changes in net position in the statement of activities are:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.		
Capital outlay	38,674	
Depreciation expense	<u>(110,639)</u>	(71,965)
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	(156,498)	
Deferred outflows related to net pensions	(71,245)	
Deferred inflows related to net pensions	<u>23,420</u>	(204,323)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Repayment of principal of long-term debt	16,379	
Changes in compensated absences	4,493	
Repayment of principal of capital lease	<u>2,603</u>	23,475
Change in net position of governmental activities		<u><u>\$ (387,509)</u></u>

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, 2019

	Business-type Activities - Enterprise Funds				
	Water	Electric	Gas	Sewer	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 297,134	\$ -	\$ 192,388	\$ 12	\$ 489,534
Certificates of deposit	138,205	1,080,680	374,767	-	1,593,652
Accounts receivable, net	69,323	445,531	33,124	52,139	600,117
Due from other funds	516,001	475,748	-	50,000	1,041,749
Due from other governments	252	-	-	300,646	300,898
Inventories	12,075	123,105	14,532	133	149,845
Prepaid items	6,504	9,240	4,840	3,462	24,046
Total current assets	<u>1,039,494</u>	<u>2,134,304</u>	<u>619,651</u>	<u>406,392</u>	<u>4,199,841</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	89	220,904	1,190	202,577	424,760
Certificates of deposit	-	-	-	28,018	28,018
Capital assets, net of accumulated depreciation	2,833,548	320,329	69,963	5,184,621	8,408,461
Total noncurrent assets	<u>2,833,637</u>	<u>541,233</u>	<u>71,153</u>	<u>5,415,216</u>	<u>8,861,239</u>
Total assets	<u>\$ 3,873,131</u>	<u>\$ 2,675,537</u>	<u>\$ 690,804</u>	<u>\$ 5,821,608</u>	<u>\$ 13,061,080</u>
DEFERRED OUTFLOWS					
Deferred outflows related to pensions	<u>\$ 91,259</u>	<u>\$ 133,313</u>	<u>\$ 44,912</u>	<u>\$ 10,955</u>	<u>\$ 280,439</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	\$ 2,201	\$ 148,430	\$ 15,239	\$ 225,004	\$ 390,874
Due to other funds	54,141	343,417	16,868	1,207,840	1,622,266
Compensated absences	9,530	2,619	-	-	12,149
Customer deposits	66,805	220,904	1,190	-	288,899
Current portion of notes payable	47,160	-	-	29,865	77,025
Accrued interest payable	4,106	-	-	2,803	6,909
Total current liabilities	<u>183,943</u>	<u>715,370</u>	<u>33,297</u>	<u>1,465,512</u>	<u>2,398,122</u>
Noncurrent liabilities:					
Compensated absences	12,559	3,451	-	-	16,010
Bonds and Notes payable	838,825	-	-	1,313,544	2,152,369
Net pension liability	298,284	333,231	149,626	111,239	892,380
Total noncurrent liabilities	<u>1,149,668</u>	<u>336,682</u>	<u>149,626</u>	<u>1,424,783</u>	<u>3,060,759</u>
Total liabilities	<u>\$ 1,333,611</u>	<u>\$ 1,052,052</u>	<u>\$ 182,923</u>	<u>\$ 2,890,295</u>	<u>\$ 5,458,881</u>
DEFERRED INFLOWS					
Deferred inflows related to pensions	<u>\$ 25,831</u>	<u>\$ 33,948</u>	<u>\$ 15,828</u>	<u>\$ 2,035</u>	<u>\$ 77,642</u>
NET POSITION					
Net investment in capital assets	\$ 1,947,563	\$ 320,329	\$ 69,963	\$ 3,841,212	\$ 6,179,067
Restricted for debt service	89	-	-	230,595	230,684
Unrestricted	657,296	1,402,521	467,002	(1,131,574)	1,395,245
Total net position	<u>\$ 2,604,948</u>	<u>\$ 1,722,850</u>	<u>\$ 536,965</u>	<u>\$ 2,940,233</u>	<u>\$ 7,804,996</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, 2019

	Business-type Activities - Enterprise Funds				Total
	Water	Electric	Gas	Sewer	
Operating revenues					
Charges for services	\$ 436,403	\$2,654,993	\$ 231,869	\$ 314,099	\$3,637,364
Operating expenses					
Purchases	22,735	1,668,949	98,473	-	1,790,157
Salaries	198,501	228,040	93,770	35,315	555,626
Employee benefits	128,464	94,086	53,057	69,047	344,654
Other contractual services	1,962	15,094	24,429	43,132	84,617
Auto and truck	3,895	8,329	1,953	273	14,450
Depreciation and amortization	88,779	24,188	8,388	104,283	225,638
Insurance	20,710	18,141	22,198	16,325	77,374
Miscellaneous	23,504	43,829	10,262	34,634	112,229
Professional fees	4,705	5,943	1,407	1,153	13,208
Repairs and maintenance	29,309	235,069	40,267	63,700	368,345
Supplies	3,586	81,680	4,231	627	90,124
Total operating expenses	526,150	2,423,348	358,435	368,489	3,676,422
Operating income (loss)	(89,747)	231,645	(126,566)	(54,390)	(39,058)
Nonoperating revenues (expenses)					
Capital grant	322,263	-	-	1,640,369	1,962,632
Interest revenue	2,277	17,199	5,988	308	25,772
Miscellaneous	62,307	46,756	-	4,653	113,716
Interest and loan costs	(14,104)	-	-	(31,689)	(45,793)
Total nonoperating revenues (expenses)	372,743	63,955	5,988	1,613,641	2,056,327
Income (loss) before transfers	282,996	295,600	(120,578)	1,559,251	2,017,269
Transfers					
Transfers in	-	-	-	24,000	24,000
Transfers out	(46,325)	(782,000)	(42,000)	-	(870,325)
Total transfers	(46,325)	(782,000)	(42,000)	24,000	(846,325)
Change in net position	236,671	(486,400)	(162,578)	1,583,251	1,170,944
Net position, beginning of year	2,368,277	2,209,250	699,543	1,356,982	6,634,052
Net position, end of year	\$ 2,604,948	\$1,722,850	\$ 536,965	\$ 2,940,233	\$7,804,996

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, 2019**

	<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	\$ 446,121	\$ 2,615,102	\$ 222,690	\$ 319,831	\$ 3,603,744
Cash paid to suppliers	(83,881)	(2,192,275)	(184,530)	(478,713)	(2,939,399)
Cash paid to employees	(321,775)	(318,228)	(146,827)	(104,362)	(891,192)
Net cash provided by (used in) operating activities	<u>40,465</u>	<u>104,599</u>	<u>(108,667)</u>	<u>(263,244)</u>	<u>(226,847)</u>
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	-	24,000	24,000
Transfers to other funds	(46,325)	(782,000)	(42,000)	-	(870,325)
Miscellaneous	62,307	46,756	-	4,653	113,716
Interfund loans	(730,776)	343,417	16,868	351,445	(19,046)
Net cash provided by (used in) noncapital financing activities	<u>(714,794)</u>	<u>(391,827)</u>	<u>(25,132)</u>	<u>380,098</u>	<u>(751,655)</u>
Cash flows from capital and related financing activities					
Proceeds from capital grants	591,179	-	-	1,339,723	1,930,902
Acquisition and construction of capital assets	(322,263)	(2,800)	(24,396)	(1,870,147)	(2,219,606)
Principal payments of long-term debt	(79,344)	-	-	(23,000)	(102,344)
Proceeds from issuance of long-term debt	124,704	-	-	530,424	655,128
Interest paid	(18,419)	-	-	(32,089)	(50,508)
Net cash provided by (used in) capital and related financing activities	<u>295,857</u>	<u>(2,800)</u>	<u>(24,396)</u>	<u>(55,089)</u>	<u>213,572</u>
Cash flows from investing activities					
Interest received	2,277	17,199	5,988	308	25,772
Net increase (decrease) in cash and cash equivalents	<u>(376,195)</u>	<u>(272,829)</u>	<u>(152,207)</u>	<u>62,073</u>	<u>(739,158)</u>
Cash and cash equivalents and restricted cash and cash equivalents, beginning of year					
	673,418	493,733	345,785	140,516	1,653,452
Cash and cash equivalents and restricted cash and cash equivalents, end of year					
	<u>\$ 297,223</u>	<u>\$ 220,904</u>	<u>\$ 193,578</u>	<u>\$ 202,589</u>	<u>\$ 914,294</u>
Cash and cash equivalents classified as:					
Unrestricted	\$ 297,134	\$ -	\$ 192,388	\$ 12	\$ 489,534
Restricted	89	220,904	1,190	202,577	424,760
Total cash and cash equivalents	<u>\$ 297,223</u>	<u>\$ 220,904</u>	<u>\$ 193,578</u>	<u>\$ 202,589</u>	<u>\$ 914,294</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (89,747)	\$ 231,645	\$ (126,566)	\$ (54,390)	\$ (39,058)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	88,779	24,188	8,388	104,283	225,638
Changes in assets and liabilities:					
Accounts receivable	6,403	(36,640)	(9,679)	5,732	(34,184)
Inventories	(4,340)	28,683	(1,717)	131	22,757
Prepaid items	(1,184)	(2,832)	(516)	(154)	(4,686)
Accounts payable and accrued liabilities	(8,216)	(151,180)	3,943	(369,637)	(525,090)
Deposits	3,315	(3,251)	500	-	564
Compensated absences	5,190	3,898	-	-	9,088
Net pension liability	40,265	10,088	16,980	50,791	118,124
Net cash provided by (used in) operating activities	<u>\$ 40,465</u>	<u>\$ 104,599</u>	<u>\$ (108,667)</u>	<u>\$ (263,244)</u>	<u>\$ (226,847)</u>
Supplemental schedule of noncash investing and financing activities:					
Capital assets purchased with accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 593,596</u>	<u>\$ 593,596</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, 2019

	Municipal Firemen's Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 159,986
Investments, at fair value	
Mutual and pooled funds	1,041,875
Total assets	\$ 1,201,861
 LIABILITIES	 \$ -
 NET POSITION	
Restricted for pensions	\$ 1,201,861

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, 2019**

	<u>Municipal Firemen's Pension Trust Fund</u>
Additions	
Contributions:	
State of Florida	\$ 8,106
Plan members	47
Total contributions	<u>8,153</u>
Investment earnings:	
Interest and dividends	26,799
Net decrease in the fair value of investments	<u>(3,459)</u>
Net investment earnings	23,340
Total additions	<u>31,493</u>
Deductions	
Administrative expenses	<u>2,100</u>
Total deductions	2,100
Change in net assets	<u>29,393</u>
Net position restricted for pensions, beginning of year	1,172,468
Net position restricted for pensions, end of year	<u><u>\$ 1,201,861</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, 2019

(1) **Summary of Significant Accounting Policies:**

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.

(a) **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.

(b) **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.

The accompanying financial statements present the Town and its component unit, an entity for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Thus blended component assets are appropriately presented as funds of the primary government.

(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, 2019

(1) **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:

General Fund— 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.

Special Revenue Fund— The Special Revenue Fund accounts for the Town’s Community Redevelopment Agency and other revenue sources that are legally restricted to expenditure for other purposes.

The Town reports the following major proprietary funds:

Water Fund— The Water Fund accounts for the activities of the Town’s water distribution operations.

Sewer Fund— The Sewer Fund accounts for the activities of the Town’s sewer operations.

Electric Fund— accounts for the activities of the Town’s electric distribution operations.

Gas Fund— The Gas Fund accounts for the activities of the Town’s gas distribution operations.

Additionally, the Town reports the following fiduciary fund:

Municipal Firemen’s Pension Trust Fund— 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.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

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.

(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, 2019

(1) **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) **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.

(h) **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, 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(i) **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

(j) **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.

(k) **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, 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(l) **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.

(m) **Fund balance flow assumption**— 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.

(n) **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.

(o) **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.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

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.

(p) **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.

(q) **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

(r) **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.

(s) **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.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**— Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Cash 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 \$3,272,724 and the bank balance was \$3,813,651. All of the bank balance 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, 2019:

Cash and cash equivalents – Government Wide	\$ 987,534
Cash and cash equivalents – fiduciary	159,986
Certificates of deposit	2,125,204
	\$ 3,272,724

(4) **Accounts Receivable:**

The Town’s receivables consisted of the following at September 30, 2019:

	<u>General</u>	<u>Special Revenue</u>	<u>Water</u>	<u>Electric</u>	<u>Gas</u>	<u>Sewer</u>	<u>Total</u>
Accounts	\$ 35,986	\$ -	\$ 82,869	\$ 525,422	\$ 38,885	\$ 61,525	\$ 744,687
Less: allowance for uncollectibles	(8,472)	-	(13,546)	(79,891)	(5,761)	(9,386)	(117,056)
Net total receivables	\$ 27,514	\$ -	\$ 69,323	\$ 445,531	\$ 33,124	\$ 52,139	\$ 627,631

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(5) **Interfund Loans and Transfers:**

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. Individual fund interfund receivables and payables for the primary government at September 30, 2019, are comprised of the following:

	Due From Other Funds	Due To Other Funds
Governmental Funds:		
General:		
Water	\$ 54,141	\$ -
Electric	16,868	-
Gas	16,868	-
Sewer	152,794	-
Special revenue	-	20,865
Special revenue:		
General	20,865	-
Water	-	189,452
Sewer	579,298	50,000
Total - Governmental Funds:	840,834	260,317
Proprietary Funds:		
Water:		
Special revenue	189,452	-
General	-	54,141
Electric	326,549	-
Electric:		
Sewer	475,748	-
General	-	16,868
Water	-	326,549
Gas:		
General	-	16,868
Sewer:		
Special revenue	50,000	579,298
General	-	152,794
Electric	-	475,748
Total - Proprietary Funds:	1,041,749	1,622,266
Total - All funds	\$ 1,882,583	\$ 1,882,583

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(5) **Interfund Loans and Transfers:** (Continued)

For the year ended September 30, 2019, individual fund transfers to and from other funds for the primary government were comprised of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Funds:		
General:		
Electric	\$ 780,000	\$ -
Gas	42,000	-
Special revenue:		
Water	24,325	-
Total - Governmental Funds:	<u>846,325</u>	<u>-</u>
Proprietary Funds:		
Water:		
Special revenue	-	24,325
Sewer	-	20,000
General	-	2,000
Electric:		
General	-	782,000
Gas:		
General	-	42,000
Sewer:		
Water	24,000	-
Total - Proprietary Funds:	<u>24,000</u>	<u>870,325</u>
Total - all funds	<u>\$ 870,325</u>	<u>\$ 870,325</u>

Transfers are used to move revenues between funds to reflect the activities of the fund with the primary government. The primary government accounts for activities such as budgetary authorizations, subsidies or matching funds for various grant programs, and reimbursements to the general fund for services provided to other funds.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2019 is as follows:

Governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 312,788	\$ -	\$ -	\$ 312,788
Total assets not being depreciated	<u>312,788</u>	<u>-</u>	<u>-</u>	<u>312,788</u>
Capital assets being depreciated:				
Building & Improvements	1,784,085	-	-	1,784,085
Infrastructure	930,485	-	-	930,485
Machinery and equipment	1,374,667	38,674	-	1,413,341
Total assets being depreciated	<u>4,089,237</u>	<u>38,674</u>	<u>-</u>	<u>4,127,911</u>
Less accumulated depreciation for:				
Buildings, Improvements	(1,245,903)	(36,117)	-	(1,282,020)
Infrastructure	(232,154)	(20,812)	-	(252,966)
Machinery and equipment	(1,220,413)	(53,710)	-	(1,274,123)
Total accumulated depreciation	<u>(2,698,470)</u>	<u>(110,639)</u>	<u>-</u>	<u>(2,809,109)</u>
Total capital assets being depreciated, net	<u>1,390,767</u>	<u>(71,965)</u>	<u>-</u>	<u>1,318,802</u>
Governmental activities capital assets, net	<u>\$ 1,703,555</u>	<u>(71,965)</u>	<u>-</u>	<u>\$ 1,631,590</u>

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 54,090	\$ -	\$ -	\$ 54,090
Construction in progress	466,000	2,463,743	-	2,929,743
Total assets not being depreciated	<u>520,090</u>	<u>2,463,743</u>	<u>-</u>	<u>2,983,833</u>
Capital assets being depreciated:				
Building & Improvements	44,420	-	-	44,420
Infrastructure	11,007,061	322,263	-	11,329,324
Machinery and equipment	991,382	27,196	-	1,018,578
Total assets being depreciated	<u>12,042,863</u>	<u>349,459</u>	<u>-</u>	<u>12,392,322</u>
Less accumulated depreciation for:				
Building & Improvements	(32,229)	(720)	-	(32,949)
Infrastructure	(5,975,288)	(211,014)	-	(6,186,302)
Machinery and equipment	(734,539)	(13,904)	-	(748,443)
Total accumulated depreciation	<u>(6,742,056)</u>	<u>(225,638)</u>	<u>-</u>	<u>(6,967,694)</u>
Total capital assets being depreciated, net	<u>5,300,807</u>	<u>123,821</u>	<u>-</u>	<u>5,424,628</u>
Business-type activities capital assets, net	<u>\$ 5,820,897</u>	<u>\$ 2,587,564</u>	<u>\$ -</u>	<u>\$ 8,408,461</u>

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(6) **Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 11,296
Public safety	34,857
Transportation	27,266
Culture and recreation	37,220
Total depreciation expense - governmental activities	\$ 110,639
Business-type activities:	
Water	\$ 88,779
Sewer	104,283
Electric	24,188
Gas	8,388
Total depreciation expense - business-type activities	\$ 225,638

(7) **Commitments:**

As of September 30, 2019, the Town had outstanding commitments on contracts in progress as follows:

Project	Remaining Commitment
Water Sewer utility upgrades	\$ 3,800,000

The Town has also 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.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(8) Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 22,786	\$ -	\$ (16,379)	\$ 6,407	\$ 6,407
Capital lease payable	2,603	-	(2,603)	-	-
Compensated absences	84,888	43,680	(48,173)	80,395	43,599
Governmental activities – Total long-term liabilities	<u>\$ 110,277</u>	<u>\$ 43,680</u>	<u>\$ (67,155)</u>	<u>\$ 86,802</u>	<u>\$ 50,006</u>
Business-type activities:					
Bonds and notes payable	\$ 1,676,610	\$ 655,128	\$ (102,344)	\$ 2,229,394	\$ 77,025
Compensated absences	19,071	16,778	(7,690)	28,159	12,149
Business-type activities – Total long-term liabilities	<u>\$ 1,695,681</u>	<u>\$ 671,906</u>	<u>\$ (110,034)</u>	<u>\$ 2,257,553</u>	<u>\$ 89,174</u>

Notes payable in the Town's governmental activities at September 30, 2019, were comprised of the following obligations:

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.

\$ 6,407

Total revenue bonds and notes payable

\$ 6,407

Annual debt service requirements to maturity for the Town's governmental activities notes payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 6,407	\$ 220	\$ 6,627

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(8) **Long-Term Liabilities:** (Continued)

Bonds and notes payable in the Town's business-type activities at September 30, 2019, were comprised of the following obligations:

\$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.	\$ 692,000
As of September 30, 2019, 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 \$4,607 of principal and 2.61% of interest, beginning January 15, 2014, collateralized by gross revenues of the water and sewer systems.	107,532
As of September 30, 2019, the Town had borrowed \$727,552 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.	778,453
As of September 30, 2019, 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
As of September 30, 2019, the Town had borrowed \$530,424 under a \$6,408,514 revolving fund loan agreement with the State of Florida Department of Environmental Protection for upgrades to the wastewater facilities. The loan is payable in semi-annual installments of \$48,472 of principal and .37% of interest, beginning January 2021, collateralized by gross revenues of the water and sewer systems.	530,424
As of September 30, 2019, the Town had borrowed \$118,200 under a \$118,200 revolving fund loan agreement with the State of Florida Department of Environmental Protection for the construction of sewer facilities. The loan is payable in semi-annual installments of \$3,553 of principal and .94% of interest, beginning June 15, 2018, collateralized by gross revenues of the water and sewer systems.	118,200
Total revenue bonds and notes payable	<u><u>\$ 2,229,394</u></u>

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(8) **Long-Term Liabilities:** (Continued)

Annual debt service requirements to maturity for the Town's business-type activities bonds and notes payable are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Revenue Bonds & Notes</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 77,025	\$ 42,484	\$ 119,509
2021	170,106	46,464	216,570
2022	170,738	45,708	216,446
2023	172,905	43,375	216,280
2024	175,088	32,373	207,461
2025-2029	584,276	166,242	750,518
2030-2034	488,090	99,154	587,244
2035-2039	391,166	28,816	419,982
Total	<u>\$ 2,229,394</u>	<u>\$ 504,616</u>	<u>\$ 2,734,010</u>

(9) **Contingencies:**

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.

(10) **Risk Management:**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

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 Workers' Compensation Law. The Town pays an annual premium to the Fund for workers' compensation coverage. The Fund's underwriting and rate setting policies were established after consulting with an independent actuary. The Fund is not assessable and the Town has no liability for future deficits of the Fund, if any.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(11) Employee Retirement Systems and Pension Funds:

The Town maintains a single-employer pension plan, Municipal Firefighter's Pension Trust Fund (MFPTF) which is included as pension trust funds in the Town's financial reporting entity. The Town's single-employer pension plan does not issue stand-alone financial statements.

The Town has not received an actuarial valuation and therefore has not implemented the provisions of GASB Statement No. 67 Financial Reporting for Pension Plans and Statement No. 68 Accounting and Financial Reporting for Pensions. Statements No. 67 and 68 establishes standards for the measurement, recognition, and display of pension expense/expenditures and related liabilities, note disclosures, and required supplementary information. The most recent actuarial valuation was measured as of September 30, 2017.

The Town also participates in the Florida Retirement System (FRS), which encompasses the FRS Pension and the Retiree Health Insurance Subsidy (HIS) cost-sharing, multiple-employer defined benefit plans, whose assets are not reported in the Town's financial statements. FRS offers eligible employees the ability to participate in an alternative defined contribution plan, the Investment Plan. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website at:

www.dms.myflorida.com/workforce_operations/retirement/publications

A. Florida Retirement System

Plan Description and Administration

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).

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, 2019, 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.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

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 four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. 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.

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

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

Contributions

The entity participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2019, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Through June 30, 2019</u>	<u>After June 30, 2019</u>
Regular Class	7.92%	8.26%
Elected Officers	45.50%	48.70%
Senior Management Service	22.71%	24.06%
Special Risk Regular	23.27%	24.50%
DROP from FRS	9.09%	9.62%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, included in the above rates.

For the plan year ended June 30, 2019, actual contributions made for employees participating in FRS and HIS were as follows:

Entity Contributions – FRS	\$ 184,092
Entity Contributions – HIS	20,963
Employee Contributions – FRS	37,885

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2019, the entity reported a liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 2,044,646
HIS	422,405
Total	<u>\$ 2,467,051</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The entity's proportion of the net pension liability was based on a projection of the 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, 2019 and June 30, 2018, the entity's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2019</u>	<u>2018</u>
FRS	0.005937076%	0.006032059%
HIS	0.003775179%	0.003809395%

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

For the year ended June 30, 2019, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 498,474
HIS	30,619
Total	<u>\$ 529,093</u>

Deferred outflows/inflows related to pensions:

At September 30, 2019, the entity 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	\$ 121,274	\$ (1,269)	\$ 5,131	\$ (517)
Changes of assumptions	525,153	-	48,910	(34,524)
Net different between projected and actual investment earnings	-	(113,121)	273	-
Change in proportionate share	18,883	(61,588)	859	(7,705)
Contributions subsequent to measurement date	50,658	-	5,577	-
	<u>\$ 715,968</u>	<u>\$ (175,978)</u>	<u>\$ 60,750</u>	<u>\$ (42,746)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from entity contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. 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:

2020	\$ 145,220
2021	140,189
2022	129,581
2023	61,425
2024	18,133
Thereafter	7,211
Total	<u>\$ 501,759</u>

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 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

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 6.90%. This rate decreased from the prior year rate, which was 7.00%. 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 3.50% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.87%. Mortality assumptions for both plans were based on the PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

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 2019, 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.3%
Fixed income	18.0%	4.1%
Global equities	54.0%	8.0%
Real estate	11.0%	6.7%
Private equity	10.0%	11.2%
Strategic investments	6.0%	5.9%
Total	<u>100.0%</u>	

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

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	6.90%	\$ 3,534,512	\$ 2,044,646	\$ 800,356
HIS	3.50%	482,197	422,405	372,605

B. Town-Sponsored Defined Benefit Pension Plan

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 Town Bank Group in cash and cash equivalents and with Charles Schwab in Mutual Funds.

The total invested as of September 30, 2019 was \$1,201,861.

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.

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.

**TOWN OF HAVANA, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019**

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

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	<div style="display: inline-block; text-align: right;"> <u>19</u> <u>30</u> </div>

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.

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, 2019 was \$8,106. There were no required Town contributions.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

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, 2019

(11) **Employee Retirement Systems and Pension Funds:** (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)
Balances at September 30, 2017	\$ 64,453	\$ 1,109,946	\$ (1,045,493)

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

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

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.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

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.

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

For the year ended September 30, 2019, the Town recognized no additional pension expense.

At September 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

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	\$	7,108

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(12) **Subsequent Events:**

Subsequent to September 30, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Town as of May 12, 2021, management believes that a material impact on Town's financial position and results of future operations is reasonably possible.

(13) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates, as adjusted based on the impacts of GASB Statement No. 95, effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

- (a) GASB issued Statement No. 87, Leases, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.
- (b) GASB issued Statement No. 91, Conduit Debt Obligations, in May 2019. GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions in GASB 91 are effective for periods beginning after December 15, 2021.
- (c) GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements, in May 2020. provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(14) Other Postemployment Benefits:

The Town provides other postemployment benefits (OPEB) to its employees by providing retirement healthcare benefits. The Town contributes, along with its employees and retirees, to the Capital Health Plan (Plan) to provide certain healthcare benefits to active and retired employees and their dependents. The Plan is a single-employer plan administered by Capital Health Plan, Inc. and the Town. The benefits, benefit levels, employee contributions and employer contributions are governed by the Plan.

Post-employment health care benefits are offered to retired employees and their dependents. All employees are eligible to receive benefits upon their retirement. All health care benefits are provided through the Town's Capital Health Plan employee health care plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental and substance abuse care; dental care; and prescriptions. Upon retirees reaching 65 years of age, Medicare becomes the primary insurer and the Town's plan will not pay benefits already paid by Medicare.

The Town does not contribute any portion of the premiums for current retired employees. All premiums are paid entirely by the plan participant. The use of age-adjusted premiums results in an implicit rate subsidy funded by the Town since the healthcare premiums for retirees and active employees are identical.

The state of Florida's Division of Retirement contributes each month \$5 for each year of service, up to \$150 per month. The Town's Capital Health Plan contract establishes the individual premium to be paid by the retired employees. The state of Florida prohibits the Town from separately rating retired employees and active employees. As a result, the Town's premium charges to retired employees can be no more than the premium cost applicable to active employees.

The Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HAVANA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget -
				Positive
				(Negative)
Revenues				
Taxes, licenses and permits	\$ 406,845	\$ 406,845	\$ 483,632	\$ 76,787
Intergovernmental	173,156	173,156	174,278	1,122
Other	182,351	182,351	131,809	(50,542)
Total revenues	<u>762,352</u>	<u>762,352</u>	<u>789,719</u>	<u>27,367</u>
Expenditures				
Current:				
General government	102,425	102,425	128,806	(26,381)
Public safety	1,041,264	1,041,264	1,023,040	18,224
Physical environment	-	-	7,500	(7,500)
Transportation	312,946	312,946	496,630	(183,684)
Culture and recreation	147,717	147,717	52,346	95,371
Debt service:				
Principal	-	-	16,379	(16,379)
Interest	-	-	758	(758)
Total expenditures	<u>1,604,352</u>	<u>1,604,352</u>	<u>1,725,459</u>	<u>(121,107)</u>
Excess (deficiency) of revenues over expenditures	<u>(842,000)</u>	<u>(842,000)</u>	<u>(935,740)</u>	<u>(93,740)</u>
Other financing sources (uses)				
Transfers in	822,000	822,000	822,000	-
Total other financing sources (uses)	822,000	822,000	822,000	-
Net change in fund balance	<u>(20,000)</u>	<u>(20,000)</u>	<u>(113,740)</u>	<u>(93,740)</u>
Fund balance, beginning of year	947,935	947,935	947,935	-
Fund balance, end of year	<u>\$ 927,935</u>	<u>\$ 927,935</u>	<u>\$ 834,195</u>	<u>\$ (93,740)</u>

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

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, 2019

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget - Positive (Negative)
Revenues				
Taxes, licenses and permits	\$ 21,000	\$ 21,000	\$ 19,688	\$ (1,312)
Intergovernmental	-	-	1,225	1,225
Other	-	-	143	143
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>21,056</u>	<u>56</u>
Expenditures				
Public safety	-	-	502	(502)
Physical environment	-	-	22,899	(22,899)
Transportation	-	-	26,835	(26,835)
Culture and recreation	22,500	22,500	16,101	6,399
Total expenditures	<u>22,500</u>	<u>22,500</u>	<u>66,337</u>	<u>(43,837)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,500)</u>	<u>(1,500)</u>	<u>(45,281)</u>	<u>(43,781)</u>
Other financing sources (uses)				
Transfers in	-	-	24,325	24,325
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>24,325</u>	<u>24,325</u>
Net change in fund balance	<u>(1,500)</u>	<u>(1,500)</u>	<u>(20,956)</u>	<u>(19,456)</u>
Fund balance, beginning of year	397,890	397,890	397,890	-
Fund balance, end of year	<u>\$ 396,390</u>	<u>\$ 396,390</u>	<u>\$ 376,934</u>	<u>\$ (19,456)</u>

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

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, 2019

(1) **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.
7. Expenditures exceeded appropriations in the funds listed below. These over expenditures were funded by available fund balances.

Fund	Over Expenditure
General fund	\$ 121,107
Special revenue fund	\$ 43,837

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

	2019	2018	2017	2016	2015	2014
Florida Retirement System (FRS)						
Proportion of the net pension liability (asset)	0.005937076%	0.006032059%	0.006229155%	0.006416641%	0.006108149%	0.006289704%
Proportionate share of the net pension liability (asset)	\$ 2,044,646	\$ 1,816,887	\$ 1,842,542	\$ 1,620,207	\$ 788,949	\$ 383,764
Covered payroll	1,262,843	1,244,485	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	161.91%	146.00%	150.26%	134.04%	64.34%	31.73%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)						
Proportion of the net pension liability (asset)	0.003775179%	0.003809395%	0.003804891%	0.003816724%	0.003846425%	0.003945497%
Proportionate share of the net pension liability (asset)	\$ 422,405	\$ 403,191	\$ 406,836	\$ 444,823	\$ 392,275	\$ 368,914
Covered payroll	1,262,843	1,244,485	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	33.45%	32.40%	33.18%	36.80%	31.99%	30.51%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	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**

	2019	2018	2017	2016	2015	2014
<u>Florida Retirement System (FRS)</u>						
Contractually required contribution	\$ 184,092	\$ 171,909	\$ 172,482	\$ 144,165	\$ 134,015	\$ 132,350
Contributions in relation to the contractually required contribution	(184,092)	(171,909)	(172,482)	(144,165)	(134,015)	(132,350)
Contribution deficiency (excess)	<u>\$ -</u>					
Covered payroll	\$ 1,262,843	\$ 1,244,485	\$ 1,226,229	\$ 1,208,727	\$ 1,252,595	\$ 1,209,296
Contributions as a percentage of covered-employee payroll	14.58%	13.81%	14.07%	11.93%	10.70%	10.94%
<u>Health Insurance Subsidy Program (HIS)</u>						
Contractually required contribution	\$ 20,963	\$ 20,658	\$ 20,355	\$ 20,065	\$ 15,783	\$ 14,512
Contributions in relation to the contractually required contribution	(20,963)	(20,658)	(20,355)	(20,065)	(15,783)	(14,512)
Contribution deficiency (excess)	<u>\$ -</u>					
Covered payroll	\$ 1,262,843	\$ 1,244,485	\$ 1,226,229	\$ 1,208,727	\$ 1,252,595	\$ 1,209,296
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	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
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' PENSION PLAN

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Total Pension Liability			
Service Cost	\$ 2,553	\$ 2,375	\$ 2,220
Interest	4,205	3,778	3,378
Benefit Payments, Including Refunds of Member Contributions	-	(102)	-
Net Change in Total Pension Liability	<u>6,758</u>	<u>6,051</u>	<u>5,998</u>
Total Pension Liability - Beginning	<u>57,695</u>	<u>51,644</u>	<u>46,046</u>
Total Pension Liability - Ending (a)	<u><u>64,453</u></u>	<u><u>57,695</u></u>	<u><u>51,644</u></u>
 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	<u>88,444</u>	<u>123,958</u>	<u>(3,298)</u>
Plan Fiduciary Net Position - Beginning	<u>1,021,502</u>	<u>897,544</u>	<u>900,842</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>1,109,946</u></u>	<u><u>1,021,502</u></u>	<u><u>897,544</u></u>
 Net Pension Liability (Asset) - Ending (a) - (b)	<u><u>\$ (1,045,493)</u></u>	<u><u>\$ (963,807)</u></u>	<u><u>\$ (845,900)</u></u>
 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.

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

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Actuarially Determined Contribution	\$ 8,197	\$ 7,441	\$ 7,303
Contributions in Relation to the Actuarially Determined Contributions	<u>7,587</u>	<u>46,805</u>	<u>12,795</u>
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.

<u>Age</u>	<u>% Becoming Disabled During the Year</u>
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.

<u>Service</u>	<u>% Terminating During the Year</u>
0-2	0.03%
3+	0.04%

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

<u>Years of Service</u>	<u>Salary Increase</u>
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 EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Federal Agency Pass-Through Entity Federal Program</u>	<u>CFDA Number</u>	<u>Pass-Through Identifying/ Grant Contract Identification Number</u>	<u>Expenditures</u>	<u>Amount Provided to Subrecipients</u>
FEDERAL AGENCY				
Department of Environmental Protection Agency				
Passed through Florida Department of Environmental Protection Capitalization Grants for Clean Water State Revolving Funds	66.458	WW200521	\$ 2,259,003	\$ -
Total Environmental Protection Agency			<u>2,259,003</u>	<u>-</u>
Department of Economic Opportunity				
Passed through Florida Department of Environmental Protection Community Development Block Grants	14.228	19DBON024902N30	204,740	-
Total Department of Economic Opportunity			<u>204,740</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,463,743</u>	<u>\$ -</u>

The accompanying notes to the
schedule of expenditures of federal awards is an integral part of this schedule.

TOWN OF HAVANA, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal and state grant activity of the Town of Havana, Florida (the Town), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Section 215, Florida Statutes, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) **De Minimis Indirect Cost Rate Election:**

The Town did not elect to use the 10% de minimis indirect cost rate as covered in §200.414, *Indirect (F&A) costs*, of the Uniform Guidance.

(4) **Subrecipients:**

The Town did not pass any monies recognized on the schedule of expenditures of federal awards to subrecipients.

(5) **Contingency:**

Project expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the Town. In the opinion of management, all Project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable federal laws and regulations.

**TOWN OF HAVANA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

B. Financial Statement Findings:

Finding 2019-001: Prepare Financial Statements in Accordance with GAAP and Significant Adjustments

Criteria: 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 (“GAAP”).

Condition: Material adjustments were required to be made to the accounting records subsequent to the start of the audit process to be in accordance with GAAP.

Cause: Management relied on auditors to propose entries that had not been recorded at the time of the audit.

Effect: Incorrect recording of accounting records could lead to a material misstatement on the financial statements.

Recommendation: We recommend that management implement policies and procedures that would prevent material adjustments being proposed to the financial statements by auditors.

Finding 2019-002: Segregation of Duties

Criteria: Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: The size of the Town’s accounting staff precludes certain internal controls that would be preferred. We believe that certain practices could be implemented to improve existing internal control without impairing efficiency.

Cause: The size of the Town’s accounting and administrative staff precludes certain internal controls that would be preferred – including the posting of journal entries to the accounting system without any evidence of review or approval by an individual not responsible for the creation and posting of the entry.

Effect: Increase in the potential for material misstatements in the financial statements or fraud.

Recommendation: We recommend management design and implement internal controls related to the journal entry process.

**TOWN OF HAVANA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Finding 2019-003: Bank and Investment Reconciliations

Criteria: Reconciling all cash and Investment accounts on a timely basis is an essential internal control for preventing and detecting fraud.

Condition: We believe that certain practices should be implemented to ensure all cash accounts are reconciled to the accounting system on a timely basis.

Cause: Certain cash and investment accounts were not reconciled to the accounting system at the start of the audit. In addition, certain cash accounts that were reconciled, were not reconciled timely.

Effect: Failure to reconcile cash and investment accounts to the accounting system on a timely basis could prevent management from preventing or detecting fraud.

Recommendation: We recommend management implement a process that will ensure all cash and investment accounts are reconciled to the accounting system on a timely basis.

Finding 2019-009: Accounts Payable

Criteria: The ability to properly track vendor payables is an essential accounting function.

Condition: We noted the accounting process and system does not have the ability to generate an accounts payable aging detail as of a point in time.

Cause: The accounting system lacks this function and there is no process implemented outside of the system to track payables.

Effect: Failure to property track vendor payables could produce a material misstatement of the financial statements.

Recommendation: We recommend management implement a system or process in which an accounts payable aging detail can be produced as of a point in time.

**TOWN OF HAVANA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

2019-004: Debt Compliance

Criteria: The Town has various notes and bonds payables outstanding at year end with varying debt covenants. During our audit we became aware of covenants that were not met in accordance with the underlying debt agreements.

Condition:

State revolving fund loans:

The Town currently has various outstanding State revolving fund loans, all which require the water and sewer utility system to provide a rate coverage ratio of 1.15 of net earnings in excess of the next years debt service payments. The Town did not meet the required coverage ratio of 1.15 during the year ended September 30, 2019. In addition, the State revolving fund loans require that a debt service sinking fund be established and monthly amounts equal to 1/6 of the next semiannual payment be transferred. As of September 30, 2019, there has not been a debt service account established for any of the respective State revolving fund loans.

USDA 1999 Sewer Bonds

The Town currently has outstanding revenue bonds through USDA related to the Town sewer system, the bonds require the Town charge and collect an amount that will produce revenue which will be sufficient to pay operating expenses of the system and be sufficient to provide future payments of principal and interest related to the bonds. The Town's sewer system did not produce enough revenue in the current year to sufficiently pay operating expenses and provide future payment of principle and interest debt service. Transfers from other funds as well as prior year reserves were utilized in order to cover current year required payments. In addition, the bonds require the Town establish a renewal and replacement fund and make regular scheduled transfers to the fund in accordance with the bond agreements. As of September 30, 2019, there has not been a renewal and replacement fund established.

Cause: Unfavorable financial performance related to certain utility funds.

Effect: Noncompliance with certain debt covenants.

Recommendation: We recommend management take action to become in compliance with all debt covenants.

**TOWN OF HAVANA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

2019-005: Community Redevelopment Agency

Criteria: Florida Statutes Chapter 163.

Condition: During our audit, we noted that the Town has not yet transferred all of the appropriate amounts due to the Community Redevelopment Agency.

Cause: The Town did not transfer money in accordance with Florida Statutes Chapter 163.

Effect: Potential noncompliance with Florida Statutes Chapter 163.

Recommendation: We recommend the Town review Florida Statutes Chapter 163 to ensure the Town is in compliance with all requirements of the applicable statutes and begin to transfer the past amounts due to the Community Redevelopment Agency.

- C. **Federal Award Findings and Questioned Costs:** None.
- D. **Summary Schedule of Prior Audit Findings:** See summary schedule of prior audit findings as listed in table of contents.
- E. **Corrective Action Plan:** See Management's Response to findings as listed in the table of contents.

**TOWN OF HAVANA, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Finding 2018-001: Prepare Financial Statements in Accordance with GAAP and Significant Adjustments

Status: Unresolved

The Havana Town Council Authorized the Town Manager to release a solicitation to acquire a professional service contract with an outsourced Certified Public Accounting at the January Town Council Meeting. Upon acquisition, the measure will ensure assistance to the Town with external oversight of governmental activities. Timely reconciliation of all financial records, and accurate reporting with a dedicated financial professional will enable the Town to work with an independent auditor to perform a prompt annual performance audit.

Finding 2018-002: Segregation of Duties

Status: Unresolved

The Havana Town Council Authorized the Town Manager to release a solicitation to acquire a professional service contract with an outsourced Certified Public Accounting at the January Town Council Meeting. Upon acquisition, the measure will ensure assistance to the Town with external oversight of governmental activities. Timely reconciliation of all financial records, and accurate reporting with a dedicated financial professional will enable the Town to work with an independent auditor to perform a prompt annual performance audit.

Finding 2018-003: Bank Reconciliations

Status: Unresolved

The Havana Town Council Authorized the Town Manager to release a solicitation to acquire a professional service contract with an outsourced Certified Public Accounting at the January Town Council Meeting. Upon acquisition, the measure will ensure assistance to the Town with external oversight of governmental activities. Timely reconciliation of all financial records, and accurate reporting with a dedicated financial professional will enable the Town to work with an independent auditor to perform a prompt annual performance audit.

Finding 2018-004: Debt Compliance

Status: Unresolved

The Havana Town Council Authorized the Town Manager to release a solicitation to acquire a professional service contract with an outsourced Certified Public Accounting at the January Town Council Meeting. Upon acquisition, the measure will ensure assistance to the Town with external oversight of governmental activities. Timely reconciliation of all financial records, and accurate reporting with a dedicated financial professional will enable the Town to work with an independent auditor to perform a prompt annual performance audit.

**TOWN OF HAVANA, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

2018-005: Financial Condition

Status: Unresolved

The Havana Town Council Authorized the Town Manager to release a solicitation to acquire a professional service contract with an outsourced Certified Public Accounting at the January Town Council Meeting. Upon acquisition, the measure will ensure assistance to the Town with external oversight of governmental activities. Timely reconciliation of all financial records, and accurate reporting with a dedicated financial professional will enable the Town to work with an independent auditor to perform a prompt annual performance audit.

2018-006: Audit Deadline

Status: Unresolved

The Havana Town Council Authorized the Town Manager to release a solicitation to acquire a professional service contract with an outsourced Certified Public Accounting at the January Town Council Meeting. Upon acquisition, the measure will ensure assistance to the Town with external oversight of governmental activities. Timely reconciliation of all financial records, and accurate reporting with a dedicated financial professional will enable the Town to work with an independent auditor to perform a prompt annual performance audit.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Havana, Florida's (the Town) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended September 30, 2019. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance, and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

James Moore & Co., P.L.

Tallahassee, Florida
May 12, 2021

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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Havana, Florida (the Town), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 12, 2021.

Because the Town's management has not acquired an actuarial valuation to determine the amount of its firefighter pension fund or OPEB (Other Postemployment Benefits) liability and has not presented such liability as of September 30, 2019 in its financial statements as required by accounting principles generally accepted in the United States of America, we issued a qualified opinion on the Governmental Activities, Business-type Activities, and Water, Electric, Gas and Sewer funds. The impact of such departure from generally accepted accounting principles would affect the deferred inflows, liabilities, deferred outflows, net position, and expenses in the governmental activities, business-type activities, and the Water, Electric, Gas and Sewer funds.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs as indicated in the table of contents, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described as findings 2019-001, 2019-002, 2019-003, 2019-009 in the schedule of findings and questioned cost as noted in the table of contents to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* described as findings 2019-004 and 2019-005, in the schedule of findings and questioned cost as noted in the table of contents.

Town of Havana, Florida's Response to Findings

The Town of Havana, Florida's response to the findings identified in our audit are described in the accompanying corrective action plan. Town of Havana, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We also noted certain matters that we reported to management of Town of Havana, Florida, in a separate management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General dated May 12, 2021.

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.



Tallahassee, Florida
May 12, 2021

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

To the Honorable Mayor, Town Council, and Town Manager,
Town of Havana, Florida:

Report on the Financial Statements

We have audited the basic financial statements of Town of Havana, Florida (the Town), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated May 12, 2021.

Because the Town's management has not acquired an actuarial valuation to determine the amount of its firefighter pension fund or OPEB (Other Postemployment Benefits) liability and has not presented such liability as of September 30, 2019 in its financial statements as required by accounting principles generally accepted in the United States of America, we issued a qualified opinion on the Governmental Activities, Business-type Activities, and Water, Electric, Gas and Sewer funds. The impact of such departure from generally accepted accounting principles would affect the deferred inflows, liabilities, deferred outflows, net position, and expenses in the governmental activities, business-type activities, and the Water, Electric, Gas and Sewer funds.

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards (Uniform Guidance), and Chapter 10.550, Rules of the State of Florida Office of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in accordance with the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountant's Examination Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 12, 2021, should be considered in conjunction with this management letter.

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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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted in the table below.

Tabulation of Uncorrected Audit Findings			
Description	Current Year Finding #	2018-19 FY Finding #	2017-18 FY Finding #
Prepare Financial Statements in Accordance with GAAP and Significant Adjustments	2019-001	2018-001	NA
Segregation of Duties	2019-002	2018-002	NA
Bank and Investment Reconciliations	2019-003	2018-003	NA
Debt Compliance	2019-004	2018-004	NA
Financial Condition	2019-006	2018-005	NA
Audit Deadline	2019-010	2018-006	NA

Official Title and Legal Authority

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

Financial Condition and Management

Sections 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 Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the Town, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. As noted below, the result of our procedures indicated a deteriorating financial condition.

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 recommended the following:

2019-006: Financial Condition

The results of our financial condition procedures indicated a deteriorating financial condition in the sewer fund. As of September 30, 2019, the sewer fund had a balance in unrestricted net position of (\$1,131,574). Unrestricted net position is considered a key financial indicator in the determination of overall financial condition. We recommend management take action to improve the financial condition of the sewer fund.

2019-007: Custodial Accounts

The Town is the custodian for a small amount of funds for local organizations and reported the assets and related liability with general fund. We noted the accounts in which the Town is a custodian for have not been reconciled on a timely basis. We recommend the Town implement policies and procedures in which the accounts in which the Town is a custodian for are reconciled on a timely basis. In addition, we recommend custodian accounts be presented in a fiduciary fund type as a best practice, rather than the general fund.

2019-008: Budgetary Control – Florida Statutes, Chapter 166.241(2) provides that the budget must regulate expenditures of the municipality, and it is unlawful for any officer of municipal government to expend or contract for expenditures in any fiscal year except in pursuant of budgeted expenditures. During our audit, we noted the Town’s expenditures were in excess of budgeted amounts in the general and special revenue funds.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we noted the following:

2019-010: Audit Deadline

Under Section 218.39, Florida Statutes, the required completion date for the September 30, 2019 audit was June 30, 2020. The Town did not meet the required deadline. We recommend management implement policies and procedures to ensure the audit deadline is met in future years.

Town of Havana, Florida’s Response to Findings

The Town’s responses to the findings identified in our audit are outlined as listed in the table of contents. The Town’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Town Council, management, others within the Town, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Tallahassee, Florida
May 12, 2021

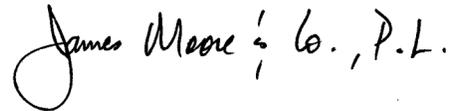
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, Town Council, and Town Manager,
Town of Havana, Florida:

We have examined the Town of Havana, Florida's (the Town) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019, 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 judgment, 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, the Town of Havana, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.



Tallahassee, Florida
May 12, 2021

Corrective Action Plan

2019-001: Prepare Financial Statements in Accordance with GAAP and Significant Adjustments

Criteria: 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 (“GAAP”).

Condition: Material adjustments were required to be made to the accounting records subsequent to the start of the audit process to be in accordance with GAAP.

Cause: Management relied on auditors to propose entries that had not been recorded at the time of the audit.

Effect: Incorrect recording of accounting records could lead to a material misstatement on the financial statements.

Recommendation: We recommend that management implement policies and procedures that would prevent material adjustments being proposed to the financial statements by auditors.

Management’s Response: The Town has obtained the services of an experienced CPA who will assist in maintaining our accounting records.

2019-002: Segregation of Duties

Criteria: Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: The size of the Town’s accounting staff precludes certain internal controls that would be preferred. We believe that certain practices could be implemented to improve existing internal control without impairing efficiency.

Cause: The size of the Town’s accounting and administrative staff precludes certain internal controls that would be preferred – including the posting of journal entries to the accounting system without any evidence of review or approval by an individual not responsible for the creation and posting of the entry.

Effect: Increase in the potential for material misstatements in the financial statements or fraud.

Recommendation: We recommend management design and implement internal controls related to the journal entry process.

Management’s Response: We have instituted a process on routine journal entries, where the CPA reviews the proposed journal entries and makes a recommendation to the Town Manager. We will institute a process where routine monthly journal entries are reviewed on a monthly basis for appropriateness.

Corrective Action Plan

2019-003: Bank and Investment Reconciliations

Criteria: Reconciling all cash and Investment accounts on a timely basis is an essential internal control for preventing and detecting fraud.

Condition: We believe that certain practices should be implemented to ensure all cash accounts are reconciled to the accounting system on a timely basis.

Cause: Certain cash and investment accounts were not reconciled to the accounting system at the start of the audit. In addition, certain cash accounts that were reconciled, were not reconciled timely.

Effect: Failure to reconcile cash and investment accounts to the accounting system on a timely basis could prevent management from preventing or detecting fraud.

Recommendation: We recommend management implement a process that will ensure all cash and investment accounts are reconciled to the accounting system on a timely basis.

Management's Response: We will implement this recommendation.

2019-004: Debt Compliance

Criteria: The Town has various notes and bonds payables outstanding at year end with varying debt covenants. During our audit we became aware of covenants that were not met in accordance with the underlying debt agreements.

Condition:

State revolving fund loans:

The Town currently has various outstanding State revolving fund loans, all which require the water and sewer utility system to provide a rate coverage ratio of 1.15 of net earnings in excess of the next years debt service payments. The Town did not meet the required coverage ratio of 1.15 during the year ended September 30, 2019. In addition, the State revolving fund loans require that a debt service sinking fund be established and monthly amounts equal to 1/6 of the next semiannual payment be transferred. As of September 30, 2019, there has not been a debt service account established for any of the respective State revolving fund loans.

USDA 1999 Sewer Bonds

The Town currently has outstanding revenue bonds through USDA related to the Town sewer system, the bonds require the Town charge and collect an amount that will produce revenue which will be sufficient to pay operating expenses of the system and be sufficient to provide future payments of principal and interest related to the bonds. The Town's sewer system did not produce enough revenue in the current year to sufficiently pay operating expenses and provide future payment of principle and interest debt service. Transfers from other funds as well as prior year reserves were utilized in order to cover current year required payments. In addition, the bonds require the Town establish a renewal and replacement fund and make regular scheduled transfers to the fund in accordance with the bond agreements. As of September 30, 2019, there has not been a renewal and replacement fund established.

Corrective Action Plan

Cause: Unfavorable financial performance related to certain utility funds.

Effect: Noncompliance with certain debt covenants.

Recommendation: We recommend management take action to become in compliance with all debt covenants.

Management's Response: We have instituted a plan to increase the sewer rates. DEP and SRF made recommendations during fiscal year 19/20 to increase our rates. As a result, the Town has instituted a plan to increase the rates in fiscal year 20/21 and 21/22 by 3 percent each year.

2019-005: Community Redevelopment Agency

Criteria: Florida Statutes Chapter 163.

Condition: During our audit, we noted that the Town has not yet transferred all of the appropriate amounts due to the Community Redevelopment Agency.

Cause: The Town did not transfer money in accordance with Florida Statutes Chapter 163.

Effect: Potential noncompliance with Florida Statutes Chapter 163.

Recommendation: We recommend the Town review Florida Statutes Chapter 163 to ensure the Town is in compliance with all requirements of the applicable statutes and begin to transfer the past amounts due to the Community Redevelopment Agency.

Management Response: We will review Chapter 163 to ensure the Town is in compliance with all applicable statutes. However, the transfer of funds will take place when the Town receives these funds. We have been delayed in receiving these funds because of our need to complete the audit of our financials. Management expects this issue to be addressed adequately once the audit is complete.

2019-006: Financial Condition

The results of our financial condition procedures indicated a deteriorating financial condition in the sewer fund. As of September 30, 2019, the sewer fund had a balance in unrestricted net position of (\$838,624). Unrestricted net position is considered a key financial indicator in the determination of overall financial condition. We recommend management take action to improve the financial condition of the sewer fund.

Management's Response: The town has taken steps to increase our sewer rates. This action will assist in addressing the Unrestricted net position.

2019-007: Custodial Accounts

The Town is the custodian for a small amount of funds for local organizations and reported the assets and related liability with general fund. We noted the accounts in which the Town is a custodian for have not been reconciled on a timely basis. We recommend the Town implement policies and procedures in which the accounts in which the Town is a custodian for are reconciled on a timely basis. In addition, we recommend custodian accounts be presented in a fiduciary fund type as a best practice, rather than the general fund.

Management's Response: We will implement this recommendation.

Corrective Action Plan

2019-008: Budgetary Control – Florida Statutes, Chapter 166.241(2) provides that the budget must regulate expenditures of the municipality, and it is unlawful for any officer of municipal government to expend or contract for expenditures in any fiscal year except in pursuant of budgeted expenditures. During our audit, we noted the Town’s expenditures were in excess of budgeted amounts in the general and special revenue funds.

Management’s Response: We will implement this recommendation.

Finding 2019-009: Accounts Payable

Criteria: The ability to properly track vendor payables is an essential accounting function.

Condition: We noted the accounting process and system does not have the ability to generate an accounts payable aging detail as of a point in time.

Cause: The accounting system lacks this function and there is no process implemented outside of the system to track payables.

Effect: Failure to property track vendor payables could produce a material misstatement of the financial statements.

Recommendation: We recommend management implement a system or process in which an accounts payable aging detail can be produced as of a point in time.

Management’s Response: We seek to find a method to age our accounts payable.

2019-010: Audit Deadline

Under Section 218.39, Florida Statutes, the required completion date for the September 30, 2019 audit was June 30, 2020. The Town did not meet the required deadline. We recommend management implement policies and procedures to ensure the audit deadline is met in future years.

Management’s Response: We will implement this recommendation.