

TOWN OF HAVANA, FLORIDA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021

TOWN OF HAVANA, FLORIDA
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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 of the Town of Havana, Florida (the Town), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 (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

The Town has not received an actuarial valuation for its firefighter pension fund, discussed in Note (11) to the financial statements, 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 (13) 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, 2021, 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, 2021, 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

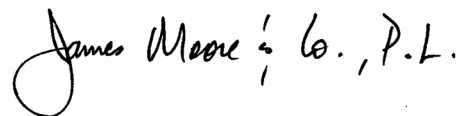
Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and other pension information in relation to the Florida Retirement System pension plan as listed in the table of contents presented to supplement 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, 2021 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, 2021 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2023, 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.



Tallahassee, Florida
August 3, 2023

**TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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, 2021.

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, 2021
(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, 2021
(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 \$11,910,448 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

	2021		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,005,917	\$ 2,441,036	\$ 3,446,953
Net pension asset	1,045,493	-	1,045,493
Capital assets, net	1,618,131	11,773,862	13,391,993
Total assets	<u>3,669,541</u>	<u>14,214,898</u>	<u>17,884,439</u>
Deferred outflows	<u>308,763</u>	<u>144,886</u>	<u>453,649</u>
Other liabilities	30,386	607,693	638,079
Net pension liability	554,166	266,167	820,333
Long-term liabilities outstanding	133,347	3,229,005	3,362,352
Total liabilities	<u>717,899</u>	<u>4,102,865</u>	<u>4,820,764</u>
Deferred inflows	<u>1,085,506</u>	<u>521,370</u>	<u>1,606,876</u>
Net position:			
Net investment in capital assets	1,618,131	8,567,559	10,185,690
Restricted	2,385,817	236,949	2,622,766
Unrestricted	(1,829,049)	931,041	(898,008)
Total net position	<u>\$ 2,174,899</u>	<u>\$ 9,735,549</u>	<u>\$ 11,910,448</u>

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)

	2020		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,072,266	\$ 3,318,928	\$ 4,391,194
Net pension asset	1,045,493	-	1,045,493
Capital assets, net	1,702,930	11,911,146	13,614,076
Total assets	<u>3,820,689</u>	<u>15,230,074</u>	<u>19,050,763</u>
Deferred outflows	<u>642,340</u>	<u>340,513</u>	<u>982,853</u>
Other liabilities	75,431	1,268,731	1,344,162
Net pension liability	1,887,243	1,011,650	2,898,893
Long-term liabilities outstanding	116,564	3,060,542	3,177,106
Total liabilities	<u>2,079,238</u>	<u>5,340,923</u>	<u>7,420,161</u>
Deferred inflows	<u>93,845</u>	<u>50,305</u>	<u>144,150</u>
Net position:			
Net investment in capital assets	1,702,930	8,867,223	10,570,153
Restricted	2,420,846	237,508	2,658,354
Unrestricted	<u>(1,833,830)</u>	<u>1,074,628</u>	<u>(759,202)</u>
Total net position	<u>\$ 2,289,946</u>	<u>\$ 10,179,359</u>	<u>\$ 12,469,305</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 \$(115,047).

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 is being 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. Fees for services are being evaluated to ensure costs are covered.

Business-type activities. Business-type activities decreased the Town of Havana, Florida's net position by \$(443,810). Major infrastructure upgrades are essential to the improvement of Havana.

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)

Town of Havana, Florida's Changes in Net Position

	2021		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 41,262	\$ 3,801,413	\$ 3,842,675
Operating grants and contributions	134,365	-	134,365
Capital grants and contributions	-	171,657	171,657
General revenues:			
Property taxes	158,378	-	158,378
Intergovernmental and other	426,163	83,099	509,262
Total revenues	<u>760,168</u>	<u>4,056,169</u>	<u>4,816,337</u>
Expenses:			
General government	202,684	-	202,684
Public Safety	1,077,094	-	1,077,094
Physical environment	8,671	-	8,671
Transportation	390,044	-	390,044
Culture and recreation	38,722	-	38,722
Water	-	455,513	455,513
Electric	-	2,238,702	2,238,702
Gas	-	279,114	279,114
Sewer	-	684,650	684,650
Total expenses	<u>1,717,215</u>	<u>3,657,979</u>	<u>5,375,194</u>
Increase (decrease) in net position before transfers	(957,047)	398,190	(558,857)
Transfers	<u>842,000</u>	<u>(842,000)</u>	<u>-</u>
Net change in net position	(115,047)	(443,810)	(558,857)
Net position, beginning of year	<u>2,289,946</u>	<u>10,179,359</u>	<u>12,469,305</u>
Net position, end of year	<u>\$ 2,174,899</u>	<u>\$ 9,735,549</u>	<u>\$ 11,910,448</u>

**TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)**

Town of Havana, Florida's Changes in Net Position

	2020		Total
	Governmental Activities	Business-type Activities	
Revenues:			
Program revenues:			
Charges for services	\$ 66,101	\$ 3,832,875	\$ 3,898,976
Operating grants and contributions	127,684	-	127,684
Capital grants and contributions	84,500	2,850,885	2,935,385
General revenues:			
Property taxes	135,257	-	135,257
Intergovernmental and other	532,044	263,550	795,594
Total revenues	<u>945,586</u>	<u>6,947,310</u>	<u>7,892,896</u>
Expenses:			
General government	318,565	-	318,565
Public Safety	987,726	-	987,726
Physical environment	25,806	-	25,806
Transportation	461,884	-	461,884
Culture and recreation	328,704	-	328,704
Water	-	552,760	552,760
Electric	-	2,335,004	2,335,004
Gas	-	314,658	314,658
Sewer	-	492,525	492,525
Total expenses	<u>2,122,685</u>	<u>3,694,947</u>	<u>5,817,632</u>
Increase (decrease) in net position before transfers	(1,177,099)	3,252,363	2,075,264
Transfers	878,000	(878,000)	-
Net change in net position	<u>(299,099)</u>	<u>2,374,363</u>	<u>2,075,264</u>
Net position, beginning of year	<u>2,589,045</u>	<u>7,804,996</u>	<u>10,394,041</u>
Net position, end of year	<u>\$ 2,289,946</u>	<u>\$ 10,179,359</u>	<u>\$ 12,469,305</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, 2021
(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 \$975,531, a decrease of \$21,304 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 \$(624,543) and \$740,500, 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 \$235,031.

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 \$810,305. The total net position for the Water fund was \$2,661,679.

Unrestricted net position of the Electric fund at the end of the year amounted to \$763,497. The total net position for the Electric fund was \$1,035,477.

Unrestricted net position of the Gas fund at the end of the year amounted to \$368,254. The total net position for the Gas fund was \$419,152.

The Sewer fund had a deficit in unrestricted net position at the end of the year of \$(1,011,015). The total in net position for the Sewer fund in the current year was \$5,619,241.

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 citizens are 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, 2021
(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, 2021, amounts to \$13,391,993 (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 \$3,206,303.

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, 2021**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 279,656	\$ 338,934	\$ 618,590
Certificates of deposit	125,678	1,471,505	1,597,183
Receivables, net	119,686	667,833	787,519
Internal balances	396,294	(396,294)	-
Due from other governments	64,745	63,906	128,651
Inventories	-	41,485	41,485
Prepays	19,858	16,718	36,576
Restricted assets:			
Cash and cash equivalents	-	208,931	208,931
Certificates of deposit	-	28,018	28,018
Net pension asset	1,045,493	-	1,045,493
Capital assets, not being depreciated	312,788	104,090	416,878
Capital assets, being depreciated, net	1,305,343	11,669,772	12,975,115
Total assets	<u>\$ 3,669,541</u>	<u>\$ 14,214,898</u>	<u>\$ 17,884,439</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pensions	<u>\$ 308,763</u>	<u>\$ 144,886</u>	<u>\$ 453,649</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 30,386	\$ 271,082	\$ 301,468
Customer deposits	-	336,611	336,611
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	-	168,148	168,148
Compensated absences	30,783	14,520	45,303
Due in more than one year:			
Bonds and notes payable	-	3,038,155	3,038,155
Compensated absences	102,564	8,182	110,746
Net pension liability	554,166	266,167	820,333
Total liabilities	<u>\$ 717,899</u>	<u>\$ 4,102,865</u>	<u>\$ 4,820,764</u>
DEFERRED INFLOWS			
Deferred inflows related to pensions	<u>\$ 1,085,506</u>	<u>\$ 521,370</u>	<u>\$ 1,606,876</u>
NET POSITION			
Net investment in capital assets	\$ 1,618,131	\$ 8,567,559	\$ 10,185,690
Restricted for:			
Debt service	-	236,949	236,949
Pensions	1,052,601	-	1,052,601
Infrastructure	1,075,664	-	1,075,664
Community development	8,587	-	8,587
Community redevelopment	235,031	-	235,031
Law enforcement trust	13,934	-	13,934
Unrestricted	(1,829,049)	931,041	(898,008)
Total net position	<u>\$ 2,174,899</u>	<u>\$ 9,735,549</u>	<u>\$ 11,910,448</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, 2021**

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	\$ 202,684	\$ 18,660	\$ -	\$ -	\$ (184,024)	\$ -	\$ (184,024)
Public safety	1,077,094	6,468	7,115	-	(1,063,511)	-	(1,063,511)
Physical environment	8,671	16,134	-	-	7,463	-	7,463
Transportation	390,044	-	127,250	-	(262,794)	-	(262,794)
Culture and recreation	38,722	-	-	-	(38,722)	-	(38,722)
Total governmental activities	<u>1,717,215</u>	<u>41,262</u>	<u>134,365</u>	<u>-</u>	<u>(1,541,588)</u>	<u>-</u>	<u>(1,541,588)</u>
Business-type activities:							
Water	455,513	506,527	-	-	-	51,014	51,014
Electric	2,238,702	2,651,468	-	-	-	412,766	412,766
Gas	279,114	298,838	-	-	-	19,724	19,724
Sewer	684,650	344,580	-	171,657	-	(168,413)	(168,413)
Total business-type activities	<u>3,657,979</u>	<u>3,801,413</u>	<u>-</u>	<u>171,657</u>	<u>-</u>	<u>315,091</u>	<u>315,091</u>
Total government	<u>\$ 5,375,194</u>	<u>\$ 3,842,675</u>	<u>\$ 134,365</u>	<u>\$ 171,657</u>	<u>(1,541,588)</u>	<u>315,091</u>	<u>(1,226,497)</u>
		General revenues:					
		Property taxes			158,378	-	158,378
		Intergovernmental revenue			418,426	-	418,426
		Other revenues			7,737	83,099	90,836
		Transfers			842,000	(842,000)	-
		Total general revenues and transfers			<u>1,426,541</u>	<u>(758,901)</u>	<u>667,640</u>
		Change in net position			(115,047)	(443,810)	(558,857)
		Net position, beginning of year			2,289,946	10,179,359	12,469,305
		Net position, end of year			<u>\$ 2,174,899</u>	<u>\$ 9,735,549</u>	<u>\$ 11,910,448</u>

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

**TOWN OF HAVANA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,396	\$ 277,260	\$ 279,656
Certificates of deposit	125,678	-	125,678
Receivables, net	119,686	-	119,686
Due from other funds	3,227,011	5,526,934	8,753,945
Due from other governments	64,745	-	64,745
Prepaid items	19,858	-	19,858
Total assets	<u>\$ 3,559,374</u>	<u>\$ 5,804,194</u>	<u>\$ 9,363,568</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued expenses	\$ 30,386	\$ -	\$ 30,386
Due to other funds	2,788,488	5,569,163	8,357,651
Total liabilities	<u>2,818,874</u>	<u>5,569,163</u>	<u>8,388,037</u>
FUND BALANCES			
Nonspendable:			
Prepays	19,858	-	19,858
Restricted for:			
Infrastructure	1,075,664	-	1,075,664
Community development	8,587	-	8,587
Community redevelopment	-	235,031	235,031
Law enforcement trust	13,934	-	13,934
Assigned - 2022 budget	247,000	-	247,000
Unassigned	(624,543)	-	(624,543)
Total fund balances	<u>740,500</u>	<u>235,031</u>	<u>975,531</u>
Total liabilities and fund balances	<u>\$ 3,559,374</u>	<u>\$ 5,804,194</u>	<u>\$ 9,363,568</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, 2021**

Total fund balances-governmental funds		\$	975,531
<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>			1,618,131
<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	308,763		
Deferred inflows related to pensions	(1,085,506)		
Net pension asset	1,045,493		
Net pension liability	(554,166)		(285,416)
<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			(133,347)
Net position of governmental activities		\$	2,174,899

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, 2021

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes, licenses and permits	\$ 530,088	\$ 32,317	\$ 562,405
Intergovernmental	186,455	-	186,455
Other	43,840	215	44,055
Total revenues	<u>760,383</u>	<u>32,532</u>	<u>792,915</u>
Expenditures			
Current:			
General government	172,590	5,624	178,214
Public safety	1,025,887	-	1,025,887
Physical environment	38,666	3,500	42,166
Transportation	386,148	-	386,148
Culture and recreation	13,367	10,437	23,804
Total expenditures	<u>1,636,658</u>	<u>19,561</u>	<u>1,656,219</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(876,275)</u>	<u>12,971</u>	<u>(863,304)</u>
Other financing sources (uses)			
Transfers in	890,000	-	890,000
Transfers out	-	(48,000)	(48,000)
Total other financing sources (uses)	<u>890,000</u>	<u>(48,000)</u>	<u>842,000</u>
Net change in fund balances	<u>13,725</u>	<u>(35,029)</u>	<u>(21,304)</u>
Fund balances, beginning of year	726,775	270,060	996,835
Fund balances, end of year	<u>\$ 740,500</u>	<u>\$ 235,031</u>	<u>\$ 975,531</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, 2021**

Net change in fund balances - total governmental funds		\$ (21,304)
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	-	
Depreciation expense	<u>(84,800)</u>	(84,800)
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	1,333,077	
Deferred outflows related to net pensions	(333,577)	
Deferred inflows related to net pensions	<u>(991,661)</u>	7,839
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	-	
Changes in compensated absences	<u>(16,782)</u>	(16,782)
Change in net position of governmental activities		<u><u>\$ (115,047)</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, 2021

	Business-type Activities - Enterprise Funds				
	Water	Electric	Gas	Sewer	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 336,744	\$ 1,000	\$ 1,190	\$ -	\$ 338,934
Certificates of deposit	138,205	958,530	374,770	-	1,471,505
Accounts receivable, net	73,578	498,756	39,746	55,753	667,833
Due from other funds	596,160	826,522	385,116	4,215,025	6,022,823
Due from other governments	253	-	-	63,653	63,906
Inventories	-	41,485	-	-	41,485
Prepaid items	4,390	6,412	3,403	2,513	16,718
Total current assets	<u>1,149,330</u>	<u>2,332,705</u>	<u>804,225</u>	<u>4,336,944</u>	<u>8,623,204</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	-	-	208,931	208,931
Certificates of deposit	-	-	-	28,018	28,018
Capital assets, net of accumulated depreciation	2,650,373	271,980	50,898	8,800,611	11,773,862
Total noncurrent assets	<u>2,650,373</u>	<u>271,980</u>	<u>50,898</u>	<u>9,037,560</u>	<u>12,010,811</u>
Total assets	<u>\$ 3,799,703</u>	<u>\$ 2,604,685</u>	<u>\$ 855,123</u>	<u>\$ 13,374,504</u>	<u>\$ 20,634,015</u>
DEFERRED OUTFLOWS					
Deferred outflows related to pensions	<u>\$ 45,346</u>	<u>\$ 73,371</u>	<u>\$ 19,940</u>	<u>\$ 6,229</u>	<u>\$ 144,886</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	\$ 3,710	\$ 187,079	\$ 21,656	\$ 50,452	\$ 262,897
Due to other funds	54,141	774,425	325,181	5,265,370	6,419,117
Compensated absences	6,161	8,359	-	-	14,520
Customer deposits	66,727	269,194	690	-	336,611
Current portion of notes payable	44,555	-	-	123,593	168,148
Accrued interest payable	3,677	-	-	4,508	8,185
Total current liabilities	<u>178,971</u>	<u>1,239,057</u>	<u>347,527</u>	<u>5,443,923</u>	<u>7,209,478</u>
Noncurrent liabilities:					
Compensated absences	3,472	4,710	-	-	8,182
Bonds and Notes payable	754,444	-	-	2,283,711	3,038,155
Net pension liability	83,305	134,788	36,631	11,443	266,167
Total noncurrent liabilities	<u>841,221</u>	<u>139,498</u>	<u>36,631</u>	<u>2,295,154</u>	<u>3,312,504</u>
Total liabilities	<u>\$ 1,020,192</u>	<u>\$ 1,378,555</u>	<u>\$ 384,158</u>	<u>\$ 7,739,077</u>	<u>\$ 10,521,982</u>
DEFERRED INFLOWS					
Deferred inflows related to pensions	<u>\$ 163,178</u>	<u>\$ 264,024</u>	<u>\$ 71,753</u>	<u>\$ 22,415</u>	<u>\$ 521,370</u>
NET POSITION					
Net investment in capital assets	\$ 1,851,374	\$ 271,980	\$ 50,898	\$ 6,393,307	\$ 8,567,559
Restricted for debt service	-	-	-	236,949	236,949
Unrestricted	810,305	763,497	368,254	(1,011,015)	931,041
Total net position	<u>\$ 2,661,679</u>	<u>\$ 1,035,477</u>	<u>\$ 419,152</u>	<u>\$ 5,619,241</u>	<u>\$ 9,735,549</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, 2021

	Business-type Activities - Enterprise Funds				Total
	Water	Electric	Gas	Sewer	
Operating revenues					
Charges for services	\$ 506,527	\$ 2,651,468	\$ 298,838	\$ 344,580	\$ 3,801,413
Operating expenses					
Purchases	22,032	1,744,009	118,617	-	1,884,658
Salaries	175,919	222,085	80,479	15,090	493,573
Employee benefits	56,224	56,764	16,052	-	129,040
Other contractual services	35,197	831	26,420	270,131	332,579
Auto and truck	6,082	24,225	2,177	-	32,484
Bad debts	(922)	-	-	-	(922)
Depreciation and amortization	90,798	23,857	9,125	181,578	305,358
Insurance	4,545	3,687	8,032	3,596	19,860
Miscellaneous	13,458	30,179	2,285	103,538	149,460
Professional fees	8,391	29,823	4,709	3,614	46,537
Repairs and maintenance	14,146	57,984	3,917	66,526	142,573
Supplies	15,361	45,258	7,301	2,922	70,842
Capital outlay	835	-	-	-	835
Total operating expenses	442,066	2,238,702	279,114	646,995	3,606,877
Operating income (loss)	64,461	412,766	19,724	(302,415)	194,536
Nonoperating revenues (expenses)					
Capital grant	-	-	-	171,657	171,657
Interest revenue	3,359	13,029	4,529	315	21,232
Miscellaneous	47,472	13,472	-	923	61,867
Interest and loan costs	(13,447)	-	-	(37,655)	(51,102)
Total nonoperating revenues (expenses)	37,384	26,501	4,529	135,240	203,654
Income (loss) before transfers	101,845	439,267	24,253	(167,175)	398,190
Transfers					
Transfers in	-	-	-	90,000	90,000
Transfers out	(42,000)	(850,000)	(40,000)	-	(932,000)
Total transfers	(42,000)	(850,000)	(40,000)	90,000	(842,000)
Change in net position	59,845	(410,733)	(15,747)	(77,175)	(443,810)
Net position, beginning of year	2,601,834	1,446,210	434,899	5,696,416	10,179,359
Net position, end of year	\$ 2,661,679	\$ 1,035,477	\$ 419,152	\$ 5,619,241	\$ 9,735,549

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, 2021**

	Water Fund	Electric Fund	Gas Fund	Sewer Fund	Total All Funds
Cash flows from operating activities					
Cash received from customers	\$ 523,408	\$ 2,660,700	\$ 291,511	\$ 347,574	\$ 3,823,193
Cash paid to suppliers	(131,639)	(1,953,483)	(184,349)	(1,154,340)	(3,423,811)
Cash paid to employees	(231,544)	(273,365)	(96,531)	(15,090)	(616,530)
Net cash provided by (used in) operating activities	<u>160,225</u>	<u>433,852</u>	<u>10,631</u>	<u>(821,856)</u>	<u>(217,148)</u>
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	-	90,000	90,000
Transfers to other funds	(42,000)	(850,000)	(40,000)	-	(932,000)
Miscellaneous	47,472	13,472	-	923	61,867
Interfund loans	(111,944)	389,647	24,840	(116,220)	186,323
Net cash used in noncapital financing activities	<u>(106,472)</u>	<u>(446,881)</u>	<u>(15,160)</u>	<u>(25,297)</u>	<u>(593,810)</u>
Cash flows from capital and related financing activities					
Proceeds from capital grants	-	-	-	844,062	844,062
Acquisition and construction of capital assets	-	-	-	(168,074)	(168,074)
Principal payments of long-term debt	(43,861)	-	-	(72,104)	(115,965)
Proceeds from issuance of long-term debt	-	-	-	278,345	278,345
Interest paid	(13,876)	-	-	(35,950)	(49,826)
Net cash provided by (used in) capital and related financing activities	<u>(57,737)</u>	<u>-</u>	<u>-</u>	<u>846,279</u>	<u>788,542</u>
Cash flows from investing activities					
Interest received	3,359	13,029	4,529	315	21,232
	<u>3,359</u>	<u>13,029</u>	<u>4,529</u>	<u>315</u>	<u>21,232</u>
Net decrease in cash and cash equivalents	<u>(625)</u>	<u>-</u>	<u>-</u>	<u>(559)</u>	<u>(1,184)</u>
Cash and cash equivalents and restricted cash and cash equivalents, beginning of year	337,369	1,000	1,190	209,490	549,049
Cash and cash equivalents and restricted cash and cash equivalents, end of year	<u>\$ 336,744</u>	<u>\$ 1,000</u>	<u>\$ 1,190</u>	<u>\$ 208,931</u>	<u>\$ 547,865</u>
Cash and cash equivalents classified as:					
Unrestricted	\$ 336,744	\$ 1,000	\$ 1,190	\$ -	\$ 338,934
Restricted	-	-	-	208,931	208,931
Total cash and cash equivalents	<u>\$ 336,744</u>	<u>\$ 1,000</u>	<u>\$ 1,190</u>	<u>\$ 208,931</u>	<u>\$ 547,865</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 64,461	\$ 412,766	\$ 19,724	\$ (302,415)	\$ 194,536
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	90,798	23,857	9,125	181,578	305,358
Changes in assets and liabilities:					
Accounts receivable	18,129	6,744	(7,277)	2,994	20,590
Inventories	-	(9,938)	-	-	(9,938)
Prepaid items	2,114	2,828	1,437	949	7,328
Accounts payable and accrued liabilities	(471)	18,275	5,375	(686,683)	(663,504)
Deposits	(1,248)	2,488	(50)	-	1,190
Compensated absences	599	5,484	-	-	6,083
Net pension liability	(14,157)	(28,652)	(17,703)	(18,279)	(78,791)
Net cash provided by (used in) operating activities	<u>\$ 160,225</u>	<u>\$ 433,852</u>	<u>\$ 10,631</u>	<u>\$ (821,856)</u>	<u>\$ (217,148)</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, 2021

	Municipal Firemen's Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 148,085
Investments, at fair value	
Mutual and pooled funds	1,362,338
Total assets	\$ 1,510,423
LIABILITIES	
	\$ -
NET POSITION	
Restricted for pensions	\$ 1,510,423

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, 2021**

	<u>Municipal Firemen's Pension Trust Fund</u>
Additions	
Contributions:	
State of Florida	\$ -
Plan members	15,309
Total contributions	<u>15,309</u>
Investment earnings:	
Interest and dividends	20,779
Net decrease in the fair value of investments	228,363
Net investment earnings	<u>249,142</u>
Total additions	<u>264,451</u>
Deductions	
Administrative expenses	1,827
Total deductions	<u>1,827</u>
Change in net assets	<u>262,624</u>
Net position restricted for pensions, beginning of year	1,247,799
Net position restricted for pensions, end of year	<u><u>\$ 1,510,423</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, 2021

(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, 2021

(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—The 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, 2021

(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, 2021

(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.

(i) **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, 2021

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

(j) **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

(k) **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.

(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.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

(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.

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.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

(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.

(t) **Reclassification**— Certain prior year amounts have been reclassified to conform to the current year presentation and note disclosures.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(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 \$2,600,807 and the bank balance was \$2,655,808. 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, 2021:

Cash and cash equivalents – Government Wide	\$ 827,521
Cash and cash equivalents – fiduciary	148,085
Certificates of deposit	1,625,201
	<u>\$ 2,600,807</u>

(4) **Accounts Receivable:**

The Town’s receivables consisted of the following at September 30, 2021:

	<u>General</u>	<u>Special Revenue</u>	<u>Water</u>	<u>Electric</u>	<u>Gas</u>	<u>Sewer</u>	<u>Total</u>
Accounts	\$ 129,572	\$ -	\$ 88,824	\$ 589,823	\$ 46,484	\$ 68,323	\$ 923,026
Less: allowance for uncollectibles	(9,886)	-	(15,246)	(91,067)	(6,738)	(12,570)	(135,507)
Net total receivables	<u>\$ 119,686</u>	<u>\$ -</u>	<u>\$ 73,578</u>	<u>\$ 498,756</u>	<u>\$ 39,746</u>	<u>\$ 55,753</u>	<u>\$ 787,519</u>

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(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, 2021, are comprised of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General:		
Water	\$ 54,141	\$ 596,160
Electric	774,425	350,774
Gas	325,181	385,116
Sewer	124,947	692,539
Special revenue	1,948,317	763,899
Special revenue:		
General	841,641	1,948,317
Sewer	4,685,293	3,620,846
Total - Governmental Funds:	<u>8,753,945</u>	<u>8,357,651</u>
Proprietary Funds:		
Water:		
General	596,160	54,141
Electric:		
Sewer	671,522	-
General	155,000	774,425
Gas:		
General	385,116	325,181
Sewer:		
Special revenue	3,595,228	4,664,675
General	619,797	124,947
Electric	-	475,748
Total - Proprietary Funds:	<u>6,022,823</u>	<u>6,419,117</u>
Total - All funds	<u>\$ 14,776,768</u>	<u>\$ 14,776,768</u>

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

For the year ended September 30, 2021, individual fund transfers to and from other funds for the primary government were comprised of the following:

	Transfer From	Transfer To
Governmental Funds:		
General:		
Water	\$ -	\$ -
Electric	850,000	-
Gas	40,000	-
Special revenue:		
Sewer	-	48,000
Total - Governmental Funds:	890,000	48,000
Proprietary Funds:		
Water:		
Sewer	-	42,000
Electric:		
General	-	850,000
Gas:		
General	-	40,000
Sewer:		
Special revenue	48,000	-
Water	42,000	-
Total - Proprietary Funds:	90,000	932,000
Total - all funds	\$ 980,000	\$ 980,000

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, 2021

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2021 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	1,946,575	-	-	1,946,575
Infrastructure	930,485	-	-	930,485
Machinery and equipment	1,430,363	-	-	1,430,363
Total assets being depreciated	<u>4,307,423</u>	<u>-</u>	<u>-</u>	<u>4,307,423</u>
Less accumulated depreciation for:				
Buildings, Improvements	(1,318,768)	(28,237)	-	(1,347,005)
Infrastructure	(252,412)	(19,299)	-	(271,711)
Machinery and equipment	(1,346,100)	(37,264)	-	(1,383,364)
Total accumulated depreciation	<u>(2,917,280)</u>	<u>(84,800)</u>	<u>-</u>	<u>(3,002,080)</u>
Total capital assets being depreciated, net	<u>1,390,143</u>	<u>(84,800)</u>	<u>-</u>	<u>1,305,343</u>
Governmental activities capital assets, net	<u>\$ 1,702,931</u>	<u>(84,800)</u>	<u>-</u>	<u>\$ 1,618,131</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	6,147,799	682,765	6,780,564	50,000
Total assets not being depreciated	<u>6,201,889</u>	<u>682,765</u>	<u>6,780,564</u>	<u>104,090</u>
Capital assets being depreciated:				
Building & Improvements	44,420	-	-	44,420
Infrastructure	11,329,324	6,780,564	-	18,109,888
Machinery and equipment	1,018,578	-	-	1,018,578
Total assets being depreciated	<u>12,392,322</u>	<u>6,780,564</u>	<u>-</u>	<u>19,172,886</u>
Less accumulated depreciation for:				
Building & Improvements	(33,669)	(720)	-	(34,389)
Infrastructure	(6,401,076)	(292,641)	-	(6,693,717)
Machinery and equipment	(763,011)	(11,997)	-	(775,008)
Total accumulated depreciation	<u>(7,197,756)</u>	<u>(305,358)</u>	<u>-</u>	<u>(7,503,114)</u>
Total capital assets being depreciated, net	<u>5,194,566</u>	<u>6,475,206</u>	<u>-</u>	<u>11,669,772</u>
Business-type activities capital assets, net	<u>\$ 11,396,455</u>	<u>\$ 7,157,971</u>	<u>\$ 6,780,564</u>	<u>\$ 11,773,862</u>

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 21,151
Public safety	28,612
Transportation	27,369
Culture and recreation	7,668
Total depreciation expense - governmental activities	\$ 84,800
Business-type activities:	
Water	\$ 90,798
Sewer	181,578
Electric	23,857
Gas	9,125
Total depreciation expense - business-type activities	\$ 305,358

(7) **Commitments:**

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, 2021

(8) 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.

(9) 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.

(10) Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2021, 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:					
Compensated absences	\$ 116,564	\$ 49,780	\$ (32,997)	\$ 133,347	\$ 30,783
Governmental activities – Total long-term liabilities	<u>\$ 116,564</u>	<u>\$ 49,780</u>	<u>\$ (32,997)</u>	<u>\$ 133,347</u>	<u>\$ 30,783</u>
Business-type activities:					
Bonds and notes payable	\$ 3,043,923	\$ 278,345	\$ (115,965)	\$ 3,206,303	\$ 168,148
Compensated absences	16,619	16,034	(9,951)	22,702	14,520
Business-type activities – Total long-term liabilities	<u>\$ 3,060,542</u>	<u>\$ 294,379</u>	<u>\$ (125,916)</u>	<u>\$ 3,229,005</u>	<u>\$ 182,668</u>

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Bonds and notes payable in the Town's business-type activities at September 30, 2021, 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.	\$ 643,000
As of September 30, 2021, 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.	94,453
As of September 30, 2021, 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.	704,546
As of September 30, 2021, 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.	2,578
As of September 30, 2021, the Town had borrowed \$1,412,286 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.	1,645,098
As of September 30, 2021, 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.	116,628
Total revenue bonds and notes payable	\$ 3,206,303
Less current portion	168,148
Total revenue bonds and notes payable, less current portion	\$3,038,155

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

Year Ending September 30,	Revenue Bonds & Notes		Total
	Principal	Interest	
2022	\$ 168,148	\$ 47,329	\$ 215,477
2023	166,093	46,796	212,889
2024	168,250	35,822	204,072
2025	171,425	41,990	213,415
2026	173,614	39,447	213,061
2027-2031	908,505	156,672	1,065,177
2032-2036	955,988	81,703	1,037,691
2037-2039	494,280	10,495	504,775
Total	<u>\$ 3,206,303</u>	<u>\$ 460,254</u>	<u>\$ 3,666,557</u>

(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

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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, 2021, 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.

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.

**TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

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

Contributions

The entity participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2021, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2021	After June 30, 2021
Regular Class	10.00%	10.82%
Senior Management	27.29%	29.01%
Special Risk	24.45%	25.89%
DROP – Applicable to members above	14.60%	14.60%

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

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

For the plan year ended June 30, 2021, actual contributions made for employees participating in FRS and HIS were as follows:

Entity Contributions – FRS	\$ 195,645
Entity Contributions – HIS	20,720
Employee Contributions – FRS	37,446

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

At September 30, 2021, the entity reported a liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	\$ 387,937
HIS	432,396
Total	\$ 820,333

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At September 30, 2021 and September 30, 2020, the Town’s proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2021	2020
FRS	0.005135612%	0.005641395%
HIS	0.003525018%	0.003716910%

For the year ended June 30, 2021, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ (48,208)
HIS	24,364
Total	\$ (23,844)

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Deferred outflows/inflows related to pensions:

At September 30, 2021, the entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 66,493	\$ -	\$ 14,469	\$ (181)
Changes of assumptions	265,446	-	33,977	(17,816)
Net different between projected and actual investment earnings	-	(1,353,415)	451	-
Change in proportionate share	2,716	(209,847)	203	(25,617)
Contributions subsequent to measurement date	57,496	-	5,290	-
	<u>\$ 392,151</u>	<u>\$ (1,563,262)</u>	<u>\$ 54,390</u>	<u>\$ (43,614)</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, 2021. 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:

<u>Year Ending</u>	<u>Amount</u>
2022	\$ (227,625)
2023	(262,740)
2024	(322,642)
2025	(393,766)
2026	(15,947)
Thereafter	(401)
Total	<u>\$ (1,223,121)</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, 2021

(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 2.40%. 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 6.80%. The rate did not change from the prior year rate. 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 2.16% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 2.21%. Mortality assumptions for both plans were based on the PUB-2010 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 2021, 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%	2.1%
Fixed income	20.0%	3.8%
Global equities	54.2%	8.2%
Real estate	10.3%	7.1%
Private equity	10.8%	11.7%
Strategic investments	3.7%	5.7%
Total	<u>100.0%</u>	

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

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

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.80%	\$ 1,734,881	\$ 387,937	\$ (737,957)
HIS	2.16%	499,892	432,396	377,099

**TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

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, 2021 was \$1,510,423.

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.

Plan Description and Administration

The Municipal Firefighters’ Retirement Trust Fund is a single-employer defined benefit pension plan that provides pensions for qualified firefighters pursuant to Florida Statute, Chapter 175. The Town adopted a “chapter plan” that provides benefits based on years of service. The benefits are provided through a State contribution from collections of a Fire Insurance Premium Tax. The Town is required to participate only when the State contributions are insufficient to fund the plan. Firefighters who meet minimum Town established standards are eligible to participate in the plan. Minimum standards are 19 years of age and approved by Town management firefighters. The plan is administered by a Board of Trustees. The Board has administrative authority over the plan, and acts as supervisor and plan administrator. The Board consists of five members, two Council appointed legal residents of the Town of Havana, Florida, two full-time firefighters elected by the plan and a fifth member chosen by a majority of the other four members. The authority to establish and amend benefits as well as funding policy rests with the Town Council.

Plan Membership.

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

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.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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, 2021 was \$-. There were no required Town contributions.

Investment Policy

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

1. Time, savings, and money market deposit accounts of a national bank, a state bank or a savings and loan institution, insured by the Federal Deposit Corporation provided the amount deposited does not exceed the insured amount.
2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government.
3. Stocks, commingled funds administered by national or state banks, mutual funds and bonds or other evidences of indebtedness, issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States or the District of Columbia, provided: The securities meet the following ranking criteria:
 - i. Fixed Income Standard & Poor's, AAA, AA, A or Moody's Aaa, Aa, A.
 - ii Equities Value line ranking for safety 1, 2 or 3, except that 20% of the funds assets may be invested in securities not meeting this requirement.
 - iii Money Market Standard & Poor's A1 or Moody's P1.
 - a. Not more than 5% of the Fund's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
 - b. The value of bonds issued by any single corporation shall not exceed 10% of the total fund.
4. Commingled stock, bond or money 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, 2021

(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, 2021

(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, 2021, the Town recognized no additional pension expense.

At September 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between 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:

Year Ending	Amount
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, 2021

(12) 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.

(13) 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.

TOWN OF HAVANA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(13) **Other Postemployment Benefits:**

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.

(14) **Subsequent Events:**

The Town has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 3, 2023, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Taxes, licenses and permits	\$ 418,836	\$ 418,836	\$ 530,088	\$ 111,252
Intergovernmental	171,810	171,810	186,455	14,645
Other	172,204	172,204	43,840	(128,364)
Total revenues	<u>762,850</u>	<u>762,850</u>	<u>760,383</u>	<u>(2,467)</u>
Expenditures				
Current:				
General government	92,293	92,293	172,590	(80,297)
Public safety	1,148,331	1,148,331	1,025,887	122,444
Physical environment	-	-	38,666	(38,666)
Transportation	355,671	355,671	386,148	(30,477)
Culture and recreation	56,555	56,555	13,367	43,188
Total expenditures	<u>1,652,850</u>	<u>1,652,850</u>	<u>1,636,658</u>	<u>16,192</u>
Excess (deficiency) of revenues over expenditures	<u>(890,000)</u>	<u>(890,000)</u>	<u>(876,275)</u>	<u>13,725</u>
Other financing sources (uses)				
Transfers in	890,000	890,000	890,000	-
Total other financing sources (uses)	<u>890,000</u>	<u>890,000</u>	<u>890,000</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>13,725</u>	<u>13,725</u>
Fund balance, beginning of year	<u>726,775</u>	<u>726,775</u>	<u>726,775</u>	<u>-</u>
Fund balance, end of year	<u>\$ 726,775</u>	<u>\$ 726,775</u>	<u>\$ 740,500</u>	<u>\$ 13,725</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Taxes, licenses and permits	\$ 22,000	\$ 22,000	\$ 32,317	\$ 10,317
Other	-	-	215	215
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>32,532</u>	<u>10,532</u>
Expenditures				
General government	-	-	5,624	(5,624)
Physical environment	22,000	22,000	3,500	18,500
Culture and recreation	-	-	10,437	(10,437)
Total expenditures	<u>22,000</u>	<u>22,000</u>	<u>19,561</u>	<u>2,439</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>12,971</u>	<u>12,971</u>
Other financing sources (uses)				
Transfers out	-	-	(48,000)	(48,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(48,000)</u>	<u>(48,000)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(35,029)</u>	<u>(35,029)</u>
Fund balance, beginning of year	270,060	270,060	270,060	-
Fund balance, end of year	<u>\$ 270,060</u>	<u>\$ 270,060</u>	<u>\$ 235,031</u>	<u>\$ (35,029)</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, 2021

(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.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Florida Retirement System (FRS)								
Proportion of the net pension liability (asset)	0.005135612%	0.005641395%	0.005937076%	0.006032059%	0.006229155%	0.006416641%	0.006108149%	0.006289704%
Proportionate share of the net pension liability (asset)	\$ 387,937	\$ 2,445,064	\$ 2,044,646	\$ 1,816,887	\$ 1,842,542	\$ 1,620,207	\$ 788,949	\$ 383,764
Covered payroll	1,248,198	1,290,290	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	31.08%	189.50%	161.91%	146.00%	150.26%	134.04%	64.34%	31.73%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)								
Proportion of the net pension liability (asset)	0.003525018%	0.003716910%	0.003775179%	0.003809395%	0.003804891%	0.003816724%	0.003846425%	0.003945497%
Proportionate share of the net pension liability (asset)	\$ 432,396	\$ 453,829	\$ 422,405	\$ 403,191	\$ 406,836	\$ 444,823	\$ 392,275	\$ 368,914
Covered payroll	1,248,198	1,290,290	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	34.64%	35.17%	33.45%	32.40%	33.18%	36.80%	31.99%	30.51%
Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	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**

	2021	2020	2019	2018	2017	2016	2015	2014
<u>Florida Retirement System (FRS)</u>								
Contractually required contribution	\$ 195,645	\$ 187,439	\$ 184,092	\$ 171,909	\$ 172,482	\$ 144,165	\$ 134,015	\$ 132,350
Contributions in relation to the contractually required contribution	(195,645)	(187,439)	(184,092)	(171,909)	(172,482)	(144,165)	(134,015)	(132,350)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,248,198	\$ 1,290,290	\$ 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	15.67%	14.53%	14.58%	13.81%	14.07%	11.93%	10.70%	10.94%
<u>Health Insurance Subsidy Program (HIS)</u>								
Contractually required contribution	\$ 20,720	\$ 21,419	\$ 20,963	\$ 20,658	\$ 20,355	\$ 20,065	\$ 15,783	\$ 14,512
Contributions in relation to the contractually required contribution	(20,720)	(21,419)	(20,963)	(20,658)	(20,355)	(20,065)	(15,783)	(14,512)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,248,198	\$ 1,290,290	\$ 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%	1.66%	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
FIREFIIGHTERS' PENSION PLAN

	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2016</u>	<u>September 30,</u> <u>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	6,758	6,051	5,998
Total Pension Liability - Beginning	57,695	51,644	46,046
Total Pension Liability - Ending (a)	<u>64,453</u>	<u>57,695</u>	<u>51,644</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	88,444	123,958	(3,298)
Plan Fiduciary Net Position - Beginning	1,021,502	897,544	900,842
Plan Fiduciary Net Position - Ending (b)	<u>1,109,946</u>	<u>1,021,502</u>	<u>897,544</u>
 Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ (1,045,493)</u>	<u>\$ (963,807)</u>	<u>\$ (845,900)</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.

**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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 3, 2023.

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, 2021 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 below, 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 below to be material weaknesses:

Finding 2021-001: 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 2021-002: 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.

Finding 2021-003: Bank and Investment Reconciliations

Criteria: Reconciling all cash and Investment accounts accurately and 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 accurately and 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 accurately or timely.

Effect: Failure to reconcile cash and investment accounts to the accounting system accurately 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 and agree to the Town's underlying records.

Finding 2021-005: Utility Rates

Criteria: The Town approved changes in the Utility rates for the 2021 fiscal year. These rates were not properly implemented and billed during the year.

Condition: We noted the billing rates were incorrect during a portion the year.

Cause: The Utility software was not updated to account for the changes in the rates, resulting in incorrect billings.

Effect: The Town billed at an incorrect Utility rate during the year.

Recommendation: We recommend management determine a process for ensuring timely updates to the Utility software to reflect the proper billing rates.

Finding 2021-009: 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.

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*:

Finding 2021-004: 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:

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, 2021, 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.

Finding 2021-08: FRS Contributions

Criteria: The Town is required to make employer contributions for the Florida Retirement System (FRS), during our audit we became aware of employer contributions that did not agree to the FRS employer contribution rates in effect.

Condition: We noted that Town FRS employer contributions did not match the FRS contribution rates in effect.

Cause: We noted that Town FRS employer contributions did not match the FRS contribution rates in effect.

Effect: The Town's employer contributions submitted to the State did not match the required FRS contribution rate.

Recommendation: We recommend management determine a process for ensuring the proper employer contributions are made to FRS.

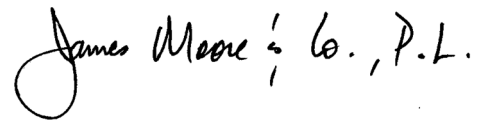
Town of Havana, Florida's Response to Findings

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 August 3, 2023.

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.

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

Tallahassee, Florida
August 3, 2023

**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, 2021, and have issued our report thereon dated August 3, 2023.

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, 2021 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 August 3, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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 #	2019-20 FY Finding #	2018-19 FY Finding #
Prepare Financial Statements in Accordance with GAAP and Significant Adjustments	2021-001	2020-001	2019-001
Segregation of Duties	2021-002	2020-002	2019-002
Bank and Investment Reconciliations	2021-003	2020-003	2019-003
Debt Compliance	2021-004	2020-004	2019-004
Utility Rates	2021-005	NA	NA
Financial Condition	2021-006	2020-006	2019-005
Custodial Accounts	2021-007	2020-007	2019-007
FRS Contributions	2021-008	NA	NA
Accounts Payable	2021-009	2020-009	2019-009
Audit Deadline	2021-010	2020-010	2019-006
Customer Deposits	2021-012	2020-012	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:

Finding 2021-006: Financial Condition

The results of our financial condition procedures indicated a deteriorating financial condition in the sewer fund. As of September 30, 2021, the sewer fund had a balance in unrestricted net position of (\$1,011,015). 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.

Finding 2021-007: 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.

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:

Finding 2021-010: Audit Deadline

Under Section 218.39, Florida Statutes, the required completion date for the September 30, 2021 audit was June 30, 2022. 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.

Finding 2021-012: Customer Deposits

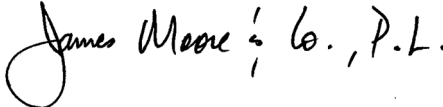
The Town's cash held for customer deposits is in a pooled cash account. We recommend management create separate bank accounts specifically for customer deposits.

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
August 3, 2023

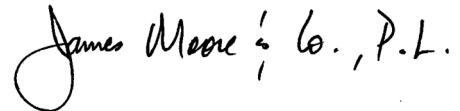
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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, 2021. 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, 2021, 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, 2021.



Tallahassee, Florida
August 3, 2023



August 3, 2023

Corrective Action Plan

2021-001: 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.

2021-002: 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.

2021-003: 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.

2021-004: 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, 2020. 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, 2020, 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, 2020, 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.

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.

2021-005: Utility Rates

Criteria: The Town approved changes in the Utility rates for the 2021 fiscal year. These rates were not properly implemented and billed during the year.

Condition: We noted the billing rates were incorrect during a portion the year.

Cause: The Utility software was not updated to account for the changes in the rates, resulting in incorrect billings.

Effect: The Town billed at an incorrect Utility rate during the year.

Recommendation: We recommend management determine a process for ensuring timely updates to the Utility software to reflect the proper billing rates.

Management's Response: We will implement this recommendation.

2021-006: Financial Condition

The results of our financial condition procedures indicated a deteriorating financial condition in the sewer fund. As of September 30, 2020, 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.

2021-007: 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.

2021-08: FRS Contributions

Criteria: The Town is required to make employer contributions for the Florida Retirement System (FRS), during our audit we became aware of employer contributions that did not agree to the FRS employer contribution rates in effect.

Condition: We noted that Town FRS employer contributions did not match the FRS contribution rates in effect.

Cause: We noted that Town FRS employer contributions did not match the FRS contribution rates in effect.

Effect: The Town's employer contributions submitted to the State did not match the required FRS contribution rate.

Recommendation: We recommend management determine a process for ensuring the proper employer contributions are made to FRS.

Management's Response: We will implement this recommendation and establish a process to ensure proper contributions are made to FRS.

Finding 2021-009: 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 properly 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.

2021-010: Audit Deadline


Under Section 218.39, Florida Statutes, the required completion date for the September 30, 2020 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.

2021-012: Customer Deposits

The Town's cash held for customer deposits is in a pooled cash account. We recommend management create separate bank accounts specifically for customer deposits.

Management's Response: We will implement this recommendation.



Kendrah G. Wilkerson
Town Manager, Town of Havana

8/3/2023
Date