TOWN OF HAVANA, FLORIDA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

TOWN OF HAVANA, FLORIDA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Town Council,
Town of Havana, Florida

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-type Activities	Qualified
General Fund	Unmodified
CRA/Special Revenue Fund	Unmodified
Water Fund	Qualified
Electric Fund	Qualified
Gas Fund	Qualified
Sewer Fund	Qualified

Qualified Opinions on the Governmental Activities, Business-type Activities, Water Fund, Electric Fund, Gas Fund, and Sewer Fund

In our opinion, except for the possible effects of the matters discussed in the "Matters Giving Rise to the Qualified Opinions on the Governmental Activities, Business-type Activities, Water Fund, Electric Fund, Gas Fund, and Sewer Fund" section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-type Activities, Water Fund, Electric Fund, Gas Fund, and Sewer Fund of the Town, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the General Fund and CRA/Special Revenue Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and CRA/Special Revenue Fund of the Town as of September 30, 2025, 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.

Basis for Qualified and Unmodified Opinions

We conducted our audit of the financial statements of the governmental activities, the business-type activities, and each major fund 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matters Giving Rise to the Qualified Opinions on the Governmental Activities, Business-Type Activities, Water Fund, Electric Fund, Gas Fund, and Sewer Fund

The Town has not received an actuarial valuation for its firemen's pension fund as of the year ended September 30, 2025, as discussed in Note 10 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 firemen's pension.

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 postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in the governmental activities, business-type activities, water fund, electric fund, gas fund, and sewer fund. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities, water fund, electric fund, gas fund, and sewer fund, has not been determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Management has omitted the schedule of changes in the Town's total OPEB liability and related ratios that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2026, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Moran & Smith LLP

Moran & Smith LLP
Tallahassee, Florida
October 30, 2026

TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

As management of the Town of Havana, Florida (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2025.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The *statement of net position* presents information on all the Town'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 useful indicators of whether the financial position of the Town 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).

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities).* The governmental activities of the Town include general government, public safety, physical environment, transportation, and culture and recreation. The business-type activities of the Town include water, electric, gas, and sewer operations.

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

The government-wide financial statements can be found on pages 13 through 14 of this report.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near- term inflows and outflows of spendable*

resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The Town maintains two governmental funds, the general fund and the CRA/special revenue fund. 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 each of the funds, both of which are considered to be major funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

Proprietary Funds
Proprietary funds record the business-like transactions of a government. The Town maintains four proprietary funds, the water, electric, gas, and sewer funds. These funds are also classified as enterprise funds because they record outside goods and services provided to the public for a fee. *Proprietary funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, electric, gas, and sewer operations, which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

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

The basic fiduciary fund financial statements can be found on pages 22 through 23 of this report.

Notes to the Basic Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 48 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town. Required supplementary information can be found on pages 49 through 55 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by $12,618,860 at the close of the most recent fiscal year.

A large portion of the Town's net position (86 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets and right-of-use 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.

An additional portion of the Town'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.

Town of Havana, Florida's Net Position

Governmental Activities	2025	2024	Increase (Decrease)
Assets			
Current and Other Assets	$ 1,673,672	$ 923,232	$ 750,440
Net Pension Asset	1,744,308	1,744,308	-
Capital and Right-of-Use Assets, Net	2,377,376	1,857,360	520,016
Total Assets	5,795,356	4,524,900	1,270,456
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	249,823	329,377	(79,554)
Liabilities			
Other Liabilities	635,618	135,953	499,665
Net Pension Liability	1,085,930	1,359,346	(273,416)
Long-term Liabilities	145,777	138,795	6,982
Total Liabilities	1,867,325	1,634,094	233,231
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	460,573	385,529	75,044
Net Position			
Net Investment in Capital and Right-of-Use Assets	2,319,921	1,759,683	560,238
Restricted	2,354,250	2,187,520	166,730
Unrestricted	(956,890)	(1,112,549)	155,659
Total Net Position	$ 3,717,281	$ 2,834,654	$ 882,627

	Business-Type Activities		
	2025	2024	Increase (Decrease)
Assets			
Current and Other Assets	$ 1,769,698	$ 1,582,591	$ 187,107
Capital and Right-of-Use Assets, Net	11,313,017	11,349,357	(36,340)
Total Assets	13,082,715	12,931,948	150,767
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	185,558	250,734	(65,176)
Liabilities			
Other Liabilities	786,473	782,200	4,273
Net Pension Liability	806,579	1,034,784	(228,205)
Long-term Liabilities	2,543,971	2,774,046	(230,075)
Total Liabilities	4,137,023	4,591,030	(454,007)
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	229,671	178,261	51,410
Net Position			
Net Investment in Capital and Right-of-Use Assets	8,555,918	8,373,458	182,460
Restricted	201,653	195,394	6,259
Unrestricted	144,008	(155,461)	299,469
Total Net Position	$ 8,901,579	$ 8,413,391	$ 488,188

Governmental Activities

Governmental activities increased the Town's net position by $882,627 in the most recent fiscal year.

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

In the most recent fiscal year, business-type activities increased the Town's net position by $488,188.

Town of Havana, Florida's Changes in Net Position

	Governmental Activities		
	2025	2024	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for Services	$ 501,470	$ 457,630	$ 43,840
Operating Grants and Contributions	154,725	518,998	(364,273)
Capital Grants and Contributions	682,872	69,300	613,572
General Revenues:			
Property Taxes	364,158	279,517	84,641
Intergovernmental and Other	639,255	561,165	78,090
Total Revenues	2,342,480	1,886,610	455,870
Expenses:			
General Government	90,200	71,998	18,202
Public Safety	1,323,557	1,077,510	246,047
Physical Environment	362,220	352,523	9,697
Transportation	335,718	349,533	(13,815)
Culture and Recreation	38,108	51,753	(13,645)
Interest on Long-Term Debt	3,050	4,600	(1,550)
Total Expenses	2,152,853	1,907,917	244,936
Increase (Decrease) in Net Position Before Transfers	189,627	(21,307)	210,934
Transfers	693,000	485,199	207,801
Increase (Decrease) in Net Position	882,627	463,892	418,735
Net Position, Beginning of Year	2,834,654	2,370,762	463,892
Net Position, End of Year	$ 3,717,281	$ 2,834,654	$ 882,627

	Business-Type Activities		
	2025	2024	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for Services	$ 5,024,414	$ 4,810,366	$ 214,048
Capital Grants and Contributions	280,399	27,245	253,154
General Revenues:			
Intergovernmental and Other	143,221	22,968	120,253
Total Revenues	5,448,034	4,860,579	587,455
Expenses:			
Business-Type Activities - Water	677,330	709,463	(32,133)
Business-Type Activities - Electric	2,569,803	2,513,483	56,320
Business-Type Activities - Gas	333,935	374,008	(40,073)
Business-Type Activities - Sewer	685,778	675,656	10,122
Total Expenses	4,266,846	4,272,610	(5,764)
Increase (Decrease) in Net Position Before Transfers	1,181,188	587,969	593,219
Transfers	(693,000)	(485,199)	(207,801)
Increase (Decrease) in Net Position	488,188	102,770	385,418
Net Position, Beginning of Year	8,413,391	8,310,621	102,770
Net Position, End of Year	$ 8,901,579	$ 8,413,391	$ 488,188

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the Town's *governmental funds* reported combined ending fund balances of $1,107,127, an increase of $252,511 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 $335,834 and $511,875, 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 $595,252.

Proprietary Funds

The Town's proprietary fund financial statements 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 $867,082. The total net position for the water fund was $2,913,487.

Unrestricted net position of the electric fund at the end of the year amounted to $241,270. The total net position for the electric fund was $664,491.

Unrestricted net position of the gas fund at the end of the year amounted to $179,298. The total net position for the gas fund was $211,536.

Unrestricted net position of the sewer fund at the end of the year amounted to a deficit of $(1,143,642). The total net position for the sewer fund was $5,112,065.

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

General 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.

The Town amended its budget during the current year for unexpected revenues and related expenditures. The Town overspent the final amended budget.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital and right-of-use assets for its governmental and business-type activities as of September 30, 2025, amounts to $13,690,393 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and improvements, utility systems, machinery and equipment, park facilities and roads.

Additional information on the Town's capital and right-of-use assets can be found in Note 7 of this report.

Long-term Debt

At the end of the current fiscal year, the Town had notes and bonds payable amounting to $2,674,933. This debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). Additionally, the Town had lease liabilities totaling $139,621 at the end of the current fiscal year.

Additional information of the Town's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town approved utility rate increases for electric, water and sewer rates. The increases will be 1.25% (Base plus KWH) for electric, 2.5% for water, and 6.5% for sewer. There was no increase in the ad valorem tax rate (remaining at 3.0000 mills). These factors were considered in preparing the Town's budget for the 2025-2026 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town'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 the Town Manager, Post Office Box 1068, Havana, Florida 32333-1068.

TOWN OF HAVANA, FLORIDA

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

TOWN OF HAVANA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 785,163	$ 692,672	$ 1,477,835
Accounts Receivable	16,289	444,662	460,951
Due from Other Governments	327,721	-	327,721
Internal Balances	(308,135)	308,135	-
Inventory	3,562	104,270	107,832
Prepaid Expenses	6,432	18,306	24,738
Restricted Assets:			
Cash and Cash Equivalents	842,640	173,775	1,016,415
Certificates of Deposit	-	27,878	27,878
Net Pension Asset	1,744,308	-	1,744,308
Capital Assets:			
Capital Assets, Not Being Depreciated	593,337	487,883	1,081,220
Capital Assets, Being Depreciated, Net	1,725,221	10,722,321	12,447,542
Right-of-Use Lease Asset, Being Amortized, Net	58,818	102,813	161,631
Total Assets	5,795,356	13,082,715	18,878,071
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	249,823	185,558	435,381
Liabilities			
Accounts Payable and Accrued Expenses	347,094	221,978	569,072
Customer Deposits	-	338,829	338,829
Unearned Revenue	219,451	-	219,451
Accrued Compensated Absences, Current Portion	39,349	3,134	42,483
Bonds and Notes Payable, Current Portion	-	178,142	178,142
Lease Liability, Current Portion	29,724	44,390	74,114
Noncurrent Liabilities:			
Accrued Compensated Absences, Long Term	118,046	9,404	127,450
Bonds and Notes Payable, Long Term	-	2,496,791	2,496,791
Lease Liability, Long Term	27,731	37,776	65,507
Net Pension Liability	1,085,930	806,579	1,892,509
Total Liabilities	1,867,325	4,137,023	6,004,348
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	460,573	229,671	690,244
Net Position			
Net Investment in Capital and Right-of-Use Assets	2,319,921	8,555,918	10,875,839
Restricted for:			
Debt Service	-	201,653	201,653
Pensions	1,592,951	-	1,592,951
Toys for Havana Kids	14,906	-	14,906
Volunteer Fire Department	72,281	-	72,281
Public Safety Complex	45,645	-	45,645
Medical Center	33,215	-	33,215
Community Redevelopment Agency	250,514	-	250,514
Grants	344,738	-	344,738
Unrestricted	(956,890)	144,008	(812,882)
Total Net Position	$ 3,717,281	$ 8,901,579	$ 12,618,860

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary Government:							
Governmental Activities:							
General Government	$ 90,200	$ 9,833	$ 4,564	$ 141,293	$ 65,490	$ -	$ 65,490
Public Safety	1,323,557	74,107	150,161	326,194	(773,095)	-	(773,095)
Physical Environment	362,220	375,600	-	-	13,380	-	13,380
Transportation	335,718	41,930	-	182,170	(111,618)	-	(111,618)
Culture and Recreation	38,108	-	-	-	(38,108)	-	(38,108)
Human Services	-	-	-	33,215	33,215	-	33,215
Interest on Long-Term Debt	3,050	-	-	-	(3,050)	-	(3,050)
Total Governmental Activities	2,152,853	501,470	154,725	682,872	(813,786)	-	(813,786)
Business-Type Activities:							
Water	677,330	786,012	-	128,500	-	237,182	237,182
Electric	2,569,803	3,264,260	-	151,899	-	846,356	846,356
Gas	333,935	396,050	-	-	-	62,115	62,115
Sewer	685,778	578,092	-	-	-	(107,686)	(107,686)
Total Business-Type Activities	4,266,846	5,024,414	-	280,399	-	1,037,967	1,037,967
Total Primary Government	$6,419,699	$ 5,525,884	$ 154,725	$ 963,271	(813,786)	1,037,967	224,181
	General Revenues:						
	Taxes:						
	Property Taxes				364,158	-	364,158
	Discretionary Surtax				198,939	-	198,939
	Sales Tax				95,987	-	95,987
	Local Option Gas Tax				76,104	-	76,104
	Communications Service Tax				84,265	-	84,265
	Other Intergovernmental Revenue				82,440	-	82,440
	Interest Income				4,517	-	4,517
	Miscellaneous Income				97,003	143,221	240,224
	Transfers				693,000	(693,000)	-
	Total General Revenues and Transfers				1,696,413	(549,779)	1,146,634
	Change in Net Position				882,627	488,188	1,370,815
	Net Position, Beginning of Year				2,834,654	8,413,391	11,248,045
	Net Position, End of Year				$ 3,717,281	$ 8,901,579	$ 12,618,860

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	CRA/Special Revenue Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	$ 785,163	$ -	$ 785,163
Accounts Receivable	16,289	-	16,289
Due from Other Governments	82,515	245,206	327,721
Due from Other Funds	945,410	1,158,296	2,103,706
Inventory	3,562	-	3,562
Prepaid Expenses	6,432	-	6,432
Restricted Assets:			
Cash and Cash Equivalents	166,047	676,593	842,640
Total Assets	2,005,418	2,080,095	4,085,513
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	27,112	319,982	347,094
Due to Other Funds	1,466,431	945,410	2,411,841
Unearned Revenue	-	219,451	219,451
Total Liabilities	1,493,543	1,484,843	2,978,386
Fund Balances			
Nonspendable:			
Prepaid Expenses	6,432	-	6,432
Inventory	3,562	-	3,562
Restricted for:			
Toys for Havana Kids	14,906	-	14,906
Volunteer Fire Department	72,281	-	72,281
Public Safety Complex	45,645	-	45,645
Medical Center	33,215	-	33,215
Community Redevelopment Agency	-	250,514	250,514
Grants	-	344,738	344,738
Unassigned	335,834	-	335,834
Total Fund Balances	511,875	595,252	1,107,127
Total Liabilities and Fund Balances	$ 2,005,418	$ 2,080,095	$ 4,085,513

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Total Fund Balances of Governmental Funds		$ 1,107,127
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		2,318,558
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 governmental funds.		
Deferred Outflows Related to Pensions	249,823	
Deferred Inflows Related to Pensions	(460,573)	
Net Pension Liability	(1,085,930)	
Net Pension Asset	1,744,308	447,628
Long term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds.		
Accrued Compensated Absences		(157,395)
Lease assets and liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Right-of-Use Lease Asset, Being Amortized, Net	58,818	
Lease Liability	(57,455)	1,363
Total Net Position of Governmental Activities		$ 3,717,281

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	CRA/Special Revenue Fund	Total Governmental Funds
Revenues			
Taxes	$ 749,092	$ 77,927	$ 827,019
Intergovernmental	700,802	105,200	806,002
Charges for Services	486,280	-	486,280
Licenses and Permits	9,833	-	9,833
Fines and Forfeitures	5,357	-	5,357
Contributions	114,035	-	114,035
Interest Income	3,429	1,088	4,517
Miscellaneous Income	89,437	-	89,437
Total Revenues	2,158,265	184,215	2,342,480
Expenditures			
Current:			
General Government	140,639	-	140,639
Public Safety	1,153,192	105,194	1,258,386
Physical Environment	360,437	1,783	362,220
Transportation	307,439	-	307,439
Culture and Recreation	10,070	-	10,070
Capital Outlay	660,943	-	660,943
Debt Service:			
Principal	40,222	-	40,222
Interest	3,050	-	3,050
Total Expenditures	2,675,992	106,977	2,782,969
Excess (Deficiency) of Revenues Over (Under) Expenditures	(517,727)	77,238	(440,489)
Other Financing Sources (Uses)			
Transfers In	693,000	-	693,000
Total Other Financing Sources (Uses)	693,000	-	693,000
Net Change in Fund Balances	175,273	77,238	252,511
Fund Balances, Beginning of Year	336,602	518,014	854,616
Fund Balances, End of Year	$ 511,875	$ 595,252	$ 1,107,127

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:		
Net Change in Fund Balances - Total Governmental Funds		$ 252,511
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlay	660,943	
Depreciation Expense	(102,183)	558,760
Amortization expense related to right-of-use lease assets does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.		(38,744)
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. This includes changes in:		
Net Pension Liability	273,416	
Deferred Outflows Related to Pensions	(79,554)	
Deferred Inflows Related to Pensions	(75,044)	118,818
The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Lease Repayment		40,222
Changes in Accrued Compensated Absences		(48,940)
Change in Net Position of Governmental Activities		$ 882,627

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds				
	Water	**Electric**	**Gas**	**Sewer**	**Total**
Assets					
Current Assets					
Cash and Cash Equivalents	$ 477,503	$ 169,013	$ 46,156	$ -	$ 692,672
Accounts Receivable	50,863	301,521	41,042	51,236	444,662
Due From Other Funds	854,653	720,238	218,355	395,272	2,188,518
Inventory	5,811	90,865	7,328	266	104,270
Prepaid Expenses	9,153	6,432	2,474	247	18,306
Total Current Assets	1,397,983	1,288,069	315,355	447,021	3,448,428
Noncurrent Assets					
Restricted Assets:					
Cash and Cash Equivalents	-	-	-	173,775	173,775
Certificates of Deposit	-	-	-	27,878	27,878
Capital Assets:					
Capital Assets, Not Being Depreciated	-	170,144	-	317,739	487,883
Capital Assets, Being Depreciated, Net	2,644,873	228,793	54,091	7,794,564	10,722,321
Right-of-Use Lease Assets, Being Amortized, Net	47,028	47,021	-	8,764	102,813
Total Noncurrent Assets	2,691,901	445,958	54,091	8,322,720	11,514,670
Total Assets	4,089,884	1,734,027	369,446	8,769,741	14,963,098
Deferred Outflows					
Deferred Outflows Related to Pensions	68,984	84,919	27,414	4,241	185,558
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Expenses	5,487	179,657	6,813	22,386	214,343
Due to Other Funds	155,179	177,309	2,700	1,545,195	1,880,383
Customer Deposits	47,526	289,663	865	775	338,829
Accrued Compensated Absences, Current Portion	631	2,503	-	-	3,134
Bonds and Notes Payable, Current Portion	47,697	-	4,857	125,588	178,142
Lease Liability, Current Portion	8,216	6,317	-	29,857	44,390
Accrued Interest Payable	3,926	844	-	2,865	7,635
Total Current Liabilities	268,662	656,293	15,235	1,726,666	2,666,856
Noncurrent Liabilities					
Accrued Compensated Absences, Long Term	1,894	7,510	-	-	9,404
Bonds and Notes Payable, Long Term	568,227	-	16,996	1,911,568	2,496,791
Lease Liability, Long Term	21,356	16,420	-	-	37,776
Net Pension Liability	299,858	369,125	119,162	18,434	806,579
Total Noncurrent Liabilities	891,335	393,055	136,158	1,930,002	3,350,550
Total Liabilities	1,159,997	1,049,348	151,393	3,656,668	6,017,406
Deferred Inflows					
Deferred Inflows Related to Pensions	85,384	105,107	33,931	5,249	229,671
Net Position					
Net Investment in Capital and Right-of-Use Assets	2,046,405	423,221	32,238	6,054,054	8,555,918
Restricted for Debt Service	-	-	-	201,653	201,653
Unrestricted	867,082	241,270	179,298	(1,143,642)	144,008
Total Net Position	$ 2,913,487	$ 664,491	$211,536	$ 5,112,065	$ 8,901,579

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds				
	Water	**Electric**	**Gas**	**Sewer**	**Total**
Operating Revenues					
Charges for Services	$ 786,012	$ 3,264,260	$ 396,050	$ 578,092	$ 5,024,414
Total Operating Revenue	786,012	3,264,260	396,050	578,092	5,024,414
Operating Expenses					
Purchases	-	1,941,843	149,240	-	2,091,083
Salaries	216,251	275,487	89,285	13,812	594,835
Employee Benefits	103,977	89,268	(28,422)	(1,905)	162,918
Other Contractual Services	39,542	3,767	29,604	271,422	344,335
Auto and Truck	9,960	9,792	3,740	-	23,492
Depreciation and Amortization	111,152	35,093	5,552	272,907	424,704
Insurance	33,186	40,782	37,302	26,100	137,370
Miscellaneous	21,265	34,297	6,943	11,676	74,181
Professional Fees	22,622	35,384	7,020	5,676	70,702
Repairs and Maintenance	34,842	30,981	11,301	6,052	83,176
Supplies	25,116	64,120	18,834	2,984	111,054
Utilities	47,383	7,924	2,732	42,334	100,373
Total Operating Expenses	665,296	2,568,738	333,131	651,058	4,218,223
Operating Income (Loss)	120,716	695,522	62,919	(72,966)	806,191
Nonoperating Revenues (Expenses)					
Capital Grants	128,500	151,899	-	-	280,399
Interest Expense	(12,034)	(1,065)	(804)	(34,720)	(48,623)
Miscellaneous Income	4,681	101,895	36,280	365	143,221
Total Nonoperating Revenues (Expenses)	121,147	252,729	35,476	(34,355)	374,997
Income (Loss) Before Transfers	241,863	948,251	98,395	(107,321)	1,181,188
Transfers					
Transfers In	-	-	-	37,750	37,750
Transfers Out	(75,000)	(655,750)	-	-	(730,750)
Total Transfers	(75,000)	(655,750)	-	37,750	(693,000)
Change in Net Position	166,863	292,501	98,395	(69,571)	488,188
Net Position, Beginning of Year	2,746,624	371,990	113,141	5,181,636	8,413,391
Net Position, End of Year	$ 2,913,487	$ 664,491	$ 211,536	$ 5,112,065	$ 8,901,579

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Water Fund	Electric Fund	Gas Fund	Sewer Fund	Total
Cash Flows from Operating Activities					
Cash Receipts from Customers	$ 781,885	$ 3,284,847	$ 396,521	$ 593,429	$ 5,056,682
Cash Payments to Suppliers	(90,729)	(2,145,455)	(251,055)	(395,455)	(2,882,694)
Cash Payments to Employees	(335,867)	(404,863)	(130,106)	(20,400)	(891,236)
Net Cash Provided by (Used in) Operating Activities	355,289	734,529	15,360	177,574	1,282,752
Cash Flows from Noncapital Financing Activities					
Transfers from Other Funds	-	-	-	37,750	37,750
Transfers to Other Funds	(75,000)	(655,750)	-	-	(730,750)
Miscellaneous	3,030	101,895	36,280	505	141,710
Net Cash Used in Noncapital Financing Activities	(71,970)	(553,855)	36,280	38,255	(551,290)
Cash Flows from Capital and Related Financing Activities					
Proceeds from Capital Grants	129,751	22,712	-	-	152,463
Acquisition and Construction of Capital Assets	(211,760)	(28,212)	-	(19,205)	(259,177)
Principal Payments of Long-Term Debt	(46,941)	-	(4,680)	(124,743)	(176,364)
Principal Payments of Lease Liability	(7,875)	(6,054)	-	(28,507)	(42,436)
Interest Paid	(11,834)	(1,107)	(804)	(36,975)	(50,720)
Net Cash Provided By (Used In) Capital and Related Financing Activites	(148,659)	(12,661)	(5,484)	(209,430)	(376,234)
Net Increase (Decrease) in Cash and Cash Equivalents	134,660	168,013	46,156	6,399	355,228
Cash and Cash Equivalents, Beginning of Year	342,843	1,000	-	167,376	511,219
Cash and Cash Equivalents, End of Year	$ 477,503	$ 169,013	$ 46,156	$ 173,775	$ 866,447
Cash and Cash Equivalents Classified As:					
Unrestricted	$ 477,503	$ 169,013	$ 46,156	$ -	$ 692,672
Restricted	-	-	-	173,775	173,775
Total Cash and Cash Equivalents	$ 477,503	$ 169,013	$ 46,156	$ 173,775	$ 866,447
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Cash Flows from Operating Activities					
Operating Income (Loss)	$ 120,716	$ 695,522	$ 62,919	$ (72,966)	$ 806,191
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activites:					
Depreciation and Amortization	111,152	35,093	5,552	272,907	424,704
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(964)	13,727	471	(8,039)	5,195
(Increase) Decrease in Due from Other Funds	-	-	-	(11,991)	(11,991)
(Increase) Decrease in Prepaid Expenses	7,591	9,735	7,919	6,420	31,665
(Increase) Decrease in Inventory	934	(4,861)	627	(174)	(3,474)
(Increase) Decrease in Deferred Outflows	14,466	24,982	22,818	2,910	65,176
Increase (Decrease) in Accounts Payable & Accrued Expenses	(2,915)	5,717	2,282	(579)	4,505
Increase (Decrease) in Due to Other Funds	137,577	6,309	2,700	-	146,586
Increase (Decrease) in Accrued Compensated Absences	(8,424)	(1,088)	-	-	(9,512)
Increase (Decrease) in Customer Deposits	(6,358)	6,860	-	-	502
Increase (Decrease) in Deferred Inflows	26,055	26,972	(1,782)	165	51,410
Increase (Decrease) in Net Pension Liability	(44,541)	(84,439)	(88,146)	(11,079)	(228,205)
Total Adjustments	234,573	39,007	(47,559)	250,540	476,561
Net Cash Provided by (Used in) Operating Activities	$ 355,289	$ 734,529	$ 15,360	$ 177,574	$ 1,282,752

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
STATEMENT OF NET POSITION – FIDUCIARY FUND
SEPTEMBER 30, 2025

	Municipal Firemen's Pension Trust Fund
Assets	
Cash and Cash Equivalents	$ 166,322
Investments, At Fair Value	
Mutual and Pooled Funds	1,806,196
Total Assets	1,972,518
Total Liabilities	-
Net Position	
Restricted for Pensions	$ 1,972,518

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Municipal Firemen's Pension Trust Fund
Additions	
Contributions:	
State of Florida	$ 27,841
Employer	-
Plan Members	54
Total Contributions	27,895
Investment Earnings:	
Interest and Dividends	46,247
Net Increase in the Fair Value of Investments	119,769
Net Investment Earnings	166,016
Total Additions	193,911
Deductions	
Administrative Expenses	9,238
Pension Benefits and Refunds	15,791
Total Deductions	25,029
Change in Net Position	168,882
Net Position Restricted for Pensions, Beginning of Year	1,803,636
Net Position Restricted for Pensions, End of Year	$ 1,972,518

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

Note 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.

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 financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended Component Unit

The Town's Community Redevelopment Agency (the "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.

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.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

CRA/Special Revenue Fund - The CRA/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.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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 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 property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants, other intergovernmental revenues, charges for services, licenses and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to future period, 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.

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

Budgetary Information – Budgetary Basis of Accounting
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 ensure 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

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.

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 $5,000 (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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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
Equipment, Vehicles, Furniture and Fixtures	3 - 10

Leases
The Town has leases for vehicles, land, and office equipment. The Town determines the arrangement of lease at inception. The Town recognizes intangible right-of-use ("ROU") assets and corresponding lease liabilities for all leases that are not considered short-term. ROU assets represent the Town's right to use an underlying asset for the lease term and lease liabilities represent the Town's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

Discount Rate – Unless explicitly stated in the lease agreement, known by the Town, or the Town is able to determine the rate implicit within the lease, the discount rate used to calculate lease right-of-use assets and liabilities will be the Town's estimated borrowing rate at the time of lease inception.

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.

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.

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.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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 (the "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.

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, represent 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 consists of deferred amounts related to pensions.

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.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation and note disclosures.

Implementation of New Accounting Standards

During the year ended September 30, 2025, the Town adopted GASB Statement No. 101, *Compensated Absences*. The standard aligns the recognition and measurement guidance for compensated absences under a unified model and amends certain previously required disclosures. Adoption did not have a material effect on the Town's financial statements.

During the year ended September 30, 2025, the Town adopted GASB Statement No. 102, *Certain Risk Disclosures*. The standard addresses disclosures regarding risks related to a government's vulnerabilities due to certain concentrations or constraints. Adoption did not have a material effect on the Town's financial statements.

Note 2 – Cash Deposits and Investments in Certificates of Deposit

At September 30, 2025, the Town held various demand deposits with a financial institution. All of the bank balances are covered by Federal depository insurance or by collateral held by the Town's custodial banks, 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.

Note 3 – Accounts Receivable

The Town's accounts receivable consisted of the following at September 30, 2025:

Fund:	Accounts Receivable	Due from Other Governments	Total Receivables
General	$ 16,289	$ 82,515	$ 98,804
CRA/Special Revenue	-	245,206	245,206
Water	50,863	-	50,863
Electric	301,521	-	301,521
Gas	41,042	-	41,042
Sewer	51,236	-	51,236
Total	$ 460,951	$ 327,721	$ 788,672

In the General Fund, due from other governments consists of state shared revenues and grant revenue for expenses incurred and not yet reimbursed. Due from other governments in the CRA/Special Revenue fund consist of grant revenue for expenses incurred and not yet reimbursed. Accounts receivable consists of monthly utility billings. All utility billings are expected to be collected within one year (short-term). The Town considers all short-term receivables to be fully collectible based on historical collections; therefore, no allowance for doubtful accounts has been recorded.

Note 4 – 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.

Additionally, the Town had an uncompleted construction contract at September 30, 2025 related to a fire station construction project. The remaining commitment on this contract was approximately $828,000. A capital grant will be used to fund this commitment as work is performed/completed.

Note 5 – Interfund Transfers, Loans, and Advances

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, 2025, are comprised of the following:

	Due From Other Funds	Due To Other Funds
Governmental Funds:		
General Fund:		
Water	$ -	$ 683,653
Electric	-	244,490
Gas	-	218,355
Sewer	-	319,933
Special Revenue	945,410	-
Special Revenue Fund:		
General	-	945,410
Water	79,840	-
Electric	6,309	-
Gas	2,700	-
Sewer	1,069,447	-
Total Governmental Funds	2,103,706	2,411,841
Proprietary Funds:		
Water:		
General	683,653	-
Electric	171,000	-
Sewer	-	75,339
Special Revenue	-	79,840
Electric:		
Sewer	475,748	-
General	244,490	-
Water	-	171,000
Special Revenue	-	6,309
Gas:		
General	218,355	-
Special Revenue	-	2,700
Sewer:		
General	319,933	-
Water	75,339	-
Electric	-	475,748
Special Revenue	-	1,069,447
Total Proprietary Funds	2,188,518	1,880,383
Total All Funds	$ 4,292,224	$ 4,292,224

Note 5 – Interfund Transfers, Loans, and Advances (Continued)

For the year ended September 30, 2025, individual fund transfers to and from other funds for the primary government were comprised of the following:

	Transfer From	Transfer To
Governmental Funds:		
General:		
Electric	$ 618,000	$ -
Water	75,000	-
Total Governmental Funds	693,000	-
Proprietary Funds:		
Water:		
General	-	75,000
Electric:		
General	-	618,000
Sewer	-	37,750
Sewer:		
Electric	37,750	-
Total Proprietary Funds	37,750	730,750
Total All Funds	$ 730,750	$ 730,750

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.

Note 6 – Contingencies

Amounts received or receivable from grantor 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.

Note 7 – Capital Assets

Capital asset activity for the year ended September 30, 2025 was as follows:

	Balance 9/30/2024	Additions	Reductions	Balance 9/30/2025
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 312,788	$ -	$ -	$ 312,788
Construction in Progress	19,300	280,549	(19,300)	280,549
Total Capital Assets, Not Being Depreciated	332,088	280,549	(19,300)	593,337
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,001,303	29,468	-	2,030,771
Infrastructure	1,021,302	182,170	19,300	1,222,772
Machinery and Equipment	1,209,349	168,756	-	1,378,105
Total Capital Assets, Being Depreciated	4,231,954	380,394	19,300	4,631,648
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,732,689)	(32,623)	-	(1,765,312)
Infrastructure	(332,678)	(24,640)	-	(357,318)
Machinery and Equipment	(738,877)	(44,920)	-	(783,797)
Total Accumulated Depreciation	(2,804,244)	(102,183)	-	(2,906,427)
Total Capital Assets, Being Depreciated, Net	1,427,710	278,211	19,300	1,725,221
Right-of-Use Lease Assets, Being Amortized:				
Office Equipment	3,544	-	-	3,544
Vehicles	200,039	-	(32,300)	167,739
Less Accumulated Amortization	(106,021)	(38,744)	32,300	(112,465)
Total Right-of-Use Lease Assets, Being Amortized, Net	97,562	(38,744)	-	58,818
Total Governmental Capital Assets, Net	$ 1,857,360	$ 520,016	$ -	$ 2,377,376
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 54,090	$ -	$ -	$ 54,090
Construction in Progress	290,894	151,899	(9,000)	433,793
Total Capital Assets, Not Being Depreciated	344,984	151,899	(9,000)	487,883
Capital Assets, Being Depreciated:				
Buildings and Improvements	36,130	-	-	36,130
Infrastructure	18,570,224	229,465	9,000	18,808,689
Machinery and Equipment	697,350	7,000	-	704,350
Total Capital Assets, Being Depreciated	19,303,704	236,465	9,000	19,549,169
Less Accumulated Depreciation for:				
Buildings and Improvements	(36,047)	(11)	-	(36,058)
Infrastructure	(7,746,917)	(360,215)	-	(8,107,132)
Machinery and Equipment	(679,694)	(3,964)	-	(683,658)
Total Accumulated Depreciation	(8,462,658)	(364,190)	-	(8,826,848)
Total Capital Assets, Being Depreciated, Net	10,841,046	(127,725)	9,000	10,722,321
Right-of-Use Lease Assets, Being Amortized:				
Land	140,209	-	-	140,209
Vehicles	133,883	-	-	133,883
Less Accumulated Amortization	(110,765)	(60,514)	-	(171,279)
Total Right-of-Use Lease Assets, Being Amortized, Net	163,327	(60,514)	-	102,813
Total Business-Type Capital Assets, Net	$ 11,349,357	$ (36,340)	$ -	$ 11,313,017

Note 7 – Capital Assets (Continued)

Depreciation and amortization expense was charged to functions/programs as follows:

	Depreciation Expense	Amortization Expense	Total
Governmental Activities:			
General Government	$ 19,439	$ -	$ 19,439
Public Safety	26,427	38,744	65,171
Transportation	28,279	-	28,279
Culture and Recreation	28,038	-	28,038
Total Governmental Activities	$ 102,183	$ 38,744	$ 140,927
Business-Type Activities:			
Water	$ 98,512	$ 12,640	$ 111,152
Sewer	237,855	35,052	272,907
Electric	22,271	12,822	35,093
Gas	5,552	-	5,552
Total Business-Type Activities	$ 364,190	$ 60,514	$ 424,704

Note 8 – Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2025, was as follows:

	Balance 9/30/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
Governmental Activities:					
Accrued Compensated Absences	$ 108,455	$ 48,940	$ -	$ 157,395	$ 39,349
Lease Liability	97,677	-	(40,222)	57,455	29,724
Net Pension Liability	1,359,346	-	(273,416)	1,085,930	-
Total Long-Term Liabilities	$ 1,565,478	$ 48,940	$ (313,638)	$ 1,300,780	$ 69,073
Business-Type Activities:					
Bonds and Notes Payable	$ 2,851,297	$ -	$ (176,364)	$ 2,674,933	$ 178,142
Accrued Compensated Absences	22,050	-	(9,512)	12,538	3,134
Lease Liability	124,602	-	(42,436)	82,166	44,390
Net Pension Liability	1,034,784	-	(228,205)	806,579	-
Total Long-Term Liabilities	$ 4,032,733	$ -	$ (456,517)	$ 3,576,216	$ 225,666

The Town has a long-term liability of $169,933 for accrued compensated absences. Management estimates that 25% of this balance ($42,483) will be due and payable within one year. Changes in the accrued compensated absences liability are presented as a net increase or a net decrease in the total liability.

Note 8 – Long-Term Liabilities (Continued)

Bonds and notes payable in the Town's business-type activities at September 30, 2025 were comprised of the following obligations:

$991,000 - Sewer Revenue Bonds for constructing improvements to the sewer system. Payable in annual installments ranging from $15,000 to $54,000 through September 2038, plus interest at 4.5%, collateralized by net revenues of the sewer system.	$ 531,000
$141,000 - Revolving Loan Fund Agreement with the State of Florida Department of Environmental Protection for preconstruction activities associated with the construction of drinking water facilities. Payable in semi-annual installments of $4,609, plus interest at 2.61%, beginning January 2014, collateralized by gross revenues of the water and sewer systems.	66,172
$849,463 - Revolving Loan Fund Agreement with the State of Florida Department of Environmental Protection for preconstruction activities associated with the construction of drinking water facilities. Payable in semi-annual installments of $24,259, plus interest of 1.54%, beginning June 2018, collateralized by gross revenues of the water and sewer systems.	549,752
$3,604 - Revolving Loan Fund Agreement with the State of Florida Department of Environmental Protection for clean water study of drinking water facilities. Payable in semi-annual installments of $89, plus interest of 0.51%, beginning March 2017, collateralized by gross revenues of the water and sewer systems.	1,909
$1,690,631 - Revolving Loan Fund Agreement with the State of Florida Department of Environmental Protection for upgrades to the wastewater facilities. Payable in semi-annual installments of $46,878, plus interest of 0.37%, beginning June 2021, collateralized by gross revenues of the water and sewer systems.	1,411,058
$118,200 - Revolving Loan Fund Agreement with the State of Florida Department of Environmental Protection for construction of sewer facilities. Payable in semi-annual installments of $3,559, plus interest of 0.94%, beginning December 2019, collateralized by gross revenues of the water and sewer systems.	93,189
$34,000 - Note Payable with the Municipal Gas Authority of Georgia for construction costs related to improvements to the gas system. Payable in monthly installments of $457, plus interest of 3.5%, beginning February 2023.	21,853
Total Bonds and Notes Payable	2,674,933
Less: Current Portion	(178,142)
Bonds and Notes Payable, Long Term	$ 2,496,791

Note 8 – Long-Term Liabilities (Continued)

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

Year Ending	Bonds and Notes Payable		
September 30,	Principal	Interest	Total
2026	178,142	40,402	218,544
2027	180,348	37,804	218,152
2028	183,570	35,141	218,711
2029	185,809	32,374	218,183
2030	186,630	29,126	215,756
2031-2035	948,111	98,978	1,047,089
2036-2040	812,323	22,231	834,554
Total	$ 2,674,933	$ 296,056	$ 2,970,989

Note 9 – Leases

The Town has leases in effect for vehicles, land, and office equipment through 2029. These leases are considered right-of-use assets of the Town. The Town assumed interest rates for the leases between 2.93% and 4.25%, based on the Town's expected borrowing rate at that time.

The principal and interest requirements to maturity for the lease liabilities as of September 30, 2025 are as follows:

Year Ending September 30,	Principal	Interest	Total
2026	$ 74,114	$ 4,543	$ 78,657
2027	34,564	2,114	36,678
2028	24,151	743	24,894
2029	6,792	72	6,864
2030	-	-	-
Total Future Minimum Lease Payments	$ 139,621	$ 7,472	$ 147,093

Note 10 – Employee Retirement Systems and Pension Funds

The Town maintains a single-employer pension plan, Municipal Firemen'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 for the year ended September 30, 2025, 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 establish 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, 2024.

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.

Note 11 – Florida Retirement System

Plan Description – Defined Benefit Plans

The Town participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability and death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida, 32315-9000 or by calling (844) 377-1888.

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multi-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retirees' Health Insurance Subsidy (HIS) Program is a cost-sharing, multi-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. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Note 11 – Florida Retirement System (Continued)

Benefits Provided

Benefits under FRS 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.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $7.50. The minimum payment is $45, and the maximum payment is $225 per month, pursuant to Section 112.363, Florida Statutes.

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (FRS Investment Plan), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class.

Contributions

The contribution requirements of plan members and the Town are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The Town's contribution rates for the year ended September 30, 2025 were as follows:

	Year Ended June 30, 2025		Year Ended June 30, 2026	
	FRS (2)	HIS	FRS (2)	HIS
Regular Class	13.63%	2.00%	11.57%	2.00%
Elected City Officers	58.68%	2.00%	56.62%	2.00%
Senior Management	34.52%	2.00%	32.46%	2.00%
DROP Plan Participants	21.13%	2.00%	19.13%	2.00%
Reemployment Retiree	(1)	(0)	(1)	(0)

(1) Contribution rates are dependent upon retirement class in which reemployed.
(2) The rates include the normal cost and unfunded actuarial liability contributions, but do not include the fee of 0.06% for administration of the FRS Investment Plan and provision of education tools.

The Town's contributions for the year ended September 30, 2025, were $285,958 to FRS and $28,319 to HIS.

Note 11 – Florida Retirement System (Continued)

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2025, the Town reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2025, and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuation date June 30, 2025. The Town's proportions of the net pension liabilities were based on the Town's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net Pension Liability	$ 1,486,385	$ 406,124
Proportion at:		
Current Measurement Date	0.004789367%	0.003168529%
Prior Measurement Date	0.004948254%	0.003199212%
Pension Expense (Benefit)	$ 89,461	$ (5,689)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 158,762	$ -
Changes of assumptions	172,608	-
Net difference between projected and actual earnings on Pension Plan Investments	-	(248,167)
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,609	(147,949)
Employer contributions subsequent to the measurement date	68,860	-
Total	$ 422,839	$ (396,116)

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,424	$ (644)
Changes of assumptions	3,595	(98,231)
Net difference between projected and actual earnings on Pension Plan Investments	-	(338)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(43,558)
Employer contributions subsequent to the measurement date	6,523	-
Total	$ 12,542	$ (142,771)

Note 11 – Florida Retirement System (Continued)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2026. Other pension related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Measurement period ending June 30,	FRS	HIS
2026	196,984	(33,841)
2027	(72,060)	(35,108)
2028	(100,608)	(29,512)
2029	(66,453)	(24,780)
2030	-	(13,515)
Thereafter	-	-
Total	$ (42,137)	$ (136,756)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2025, was determined by an actuarial valuation dated July 1, 2025, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.40%	2.40%
Salary Increase	3.50% Average, Including Inflation	3.50%
Discount Rate	6.70%	5.20%
Long-term Expected Rate of Return, Net of Investment Income	6.70%	N/A
Municipal Bond	N/A	5.20%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation date July 1, 2025 were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

The following changes in actuarial assumptions occurred in 2025:

- FRS: The long-term expected rate of return remained at 6.70%.
- HIS: The municipal rate used to determine total pension liability was increased from 3.93% to 5.20%.
- The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. For FRS, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

Note 11 – Florida Retirement System (Continued)

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.2%	1.1%
Fixed Income	29.0%	5.5%	5.4%	4.0%
Global Equity	45.0%	8.5%	6.9%	18.3%
Real Estate (Property)	12.0%	8.4%	7.1%	16.8%
Private Equity	11.0%	12.4%	8.8%	28.4%
Strategic Investments	2.0%	6.5%	6.1%	8.7%
Total	100.00%			
Assumed Inflation - Mean			2.4%	1.5%

(1) As outlined in the Pension Plan's investment policy

Discount Rate
The discount rate used to measure the total pension liability for FRS was 6.70%. FRS' 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 is essentially funded on a pay-as-you-go basis, a municipal bond rate of 5.20% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis
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:

	FRS		
	1% Decrease	Current Discount Rate	1% Increase
Employer's proportionate share of the net pension liability	$ 2,917,010	$ 1,486,385	$ 286,972

	HIS		
	1% Decrease	Current Discount Rate	1% Increase
Employer's proportionate share of the net pension liability	$ 457,971	$ 406,124	$ 362,642

Note 11 – Florida Retirement System (Continued)

Pension Plans' Fiduciary Net Position
Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

Note 12 – Municipal Firemen's Pension Trust Fund

Plan Description and Administration
The Municipal Firemen's 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 the 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.

Note: The Plan received its September 30, 2024 GASB Statement No. 68 Actuarial Valuation Report for the Town of Havana Firemen's Municipal Pension Fund on May 23, 2025. This is the most recently updated report the Town has received as of September 30, 2025. The 2021 report includes GASB 67 information as of the measurement date September 30, 2021. The 2024 GASB 68 report includes GASB 68 information as of the measurement date September 30, 2024. The 2021 GASB 67 report includes GASB 67 information as of the measurement date September 30, 2021. The Town has not received an updated GASB 68 or 67 report as of September 30, 2025.

Plan Membership:	
Inactive plan members and beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not receiving benefits	5
Active plan members	11
	18

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

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

Note 12 – Municipal Firemen's Pension Trust Fund (Continued)

Contributions

Members contribute 0.5% 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, 2025, was State contributions of $27,841 and employee contributions of $54. There were no required Town contributions.

Investment Policy

This plan's policy in regard to allocation of invested assets is established 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 evidence 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.

Methods Used to Value Investments

Investments are reported at fair value (generally based on quoted market prices). Plan assets are invested with Charles Schwab in mutual funds and cash equivalents.

The total invested as of September 30, 2025 was $1,873,131.

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.

Note 12 – Municipal Firemen's Pension Trust Fund (Continued)

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

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

Changes in Net Pension Liability (Asset) of the Town
The components of the net pension liability (asset) of the Town as of September 30, 2024, are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2023	$ 74,661	$ 1,461,808	$ (1,387,147)
Changes for Year:			
Service Cost	1,374	-	1,374
Interest	3,910	-	3,910
Difference Between Actual and Expected Experience	(11,152)	-	(11,152)
Benefit Payments, including Refunds of Member Contributions	(9,465)	(9,465)	-
Contributions - Town and State	-	36,322	(36,322)
Contributions - Employee	-	40	(40)
Net Investment Income	-	318,585	(318,585)
Administrative Expense	-	(3,654)	3,654
Net Changes	(15,333)	341,828	(357,161)
Balances at September 30, 2024	$ 59,328	$ 1,803,636	$ (1,744,308)

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

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	5.50%	6.50%	7.50%
Net Pension Liability (Asset)	$ (1,736,369)	$ (1,744,308)	$ (1,750,987)

Note 12 – Municipal Firemen's Pension Trust Fund (Continued)

Methods and Assumptions Used to Determine Contribution Rates for fiscal year ending September 30, 2025:

Actuarial Cost Method:	Aggregate
Amortization Method:	N/A
Amortization Period:	N/A
Asset Valuation Method:	Market Value
Inflation:	2.50%
Salary Increases:	5.00%
Investment Rate of Return:	6.50% (net of investment related expenses)
Retirement Age:	Varies by Age and Service

Mortality

For healthy participants during employment, PUB-2010 Headcount Weighted Safety Employee Female Mortality Table and Safety Below Median Employee Male Mortality Table, both set forward 1 year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For healthy participants post employment, PUB-2010 Headcount Weighted Safety Healthy Retiree Female Mortality Table and Safety Below Median Healthy Retiree Male Mortality Table, both set forward 1 year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For disabled participants, 80% PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table / 20% UB-2010 Headcount Weighted Safety Disabled Retiree Mortality Table, separate rates for males and females, without projected mortality improvements.

Discount Rate

A discount rate of 6.5% was used to measure the TPL. This discount rate was based on the expected rate of return on Fund investments of 6.5%. The projection of cash flows used to determine this discount rate assumed member contributions will be made at the current member contribution rate and employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member contribution rate. Based on these assumptions, the Fund's fiduciary net position was projected to be available to make all projected future expected benefit payments of current Fund members. Therefore, the long-term expected rate of return on Fund investments was applied to all periods of projected benefit payments to determine the TPL.

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

For the year ended September 30, 2024, the Town recognized ($119,529) of pension expense.

At September 30, 2024, 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	$ -	$ 9,817
Changes of assumptions	-	-
Net difference between projected and actual investment earnings	-	141,540
Total	$ -	$ 151,357

Note 12 – Municipal Firemen's Pension Trust Fund (Continued)

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
2025	$ (39,456)
2026	(4,987)
2027	(62,350)
2028	(44,564)
2029	-
Thereafter	-
Total	$ (151,357)

Note 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.

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.

Note 14 – Fund Balances – Governmental Funds

As of September 30, 2025, fund balances of the governmental funds are classified as follows:

- *Nonspendable* — amounts that cannot be spent either because they are in nonspendable form (i.e. prepaid expenses and inventory) or because they are legally or contractually required to be maintained intact.
- *Restricted* — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* — amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Town Council.
- *Assigned* — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.
- *Unassigned* — all other spendable amounts.

Note 15 – 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.

Note 16 – Subsequent Events

Subsequent events were reviewed through October 30, 2026, which is the date the financial statements were available to be issued. As of this date there were no subsequent events that required disclosure.

TOWN OF HAVANA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2025

TOWN OF HAVANA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 739,493	$ 739,493	$ 749,092	$ 9,599
Intergovernmental	77,500	77,500	700,802	623,302
Charges for Services	77,929	77,929	486,280	408,351
Licenses and Permits	30,000	30,000	9,833	(20,167)
Fines and Forfeitures	5,000	5,000	5,357	357
Contributions	55,000	135,000	114,035	(20,965)
Interest Income	20,000	20,000	3,429	(16,571)
Miscellaneous Income	-	-	89,437	89,437
Total Revenues	1,004,922	1,084,922	2,158,265	1,073,343
Expenditures				
Current:				
General Government	132,381	132,381	140,639	(8,258)
Public Safety	1,139,235	1,184,235	1,153,192	31,043
Physical Environment	-	-	360,437	(360,437)
Transportation	352,816	352,816	307,439	45,377
Culture and Recreation	17,225	17,225	10,070	7,155
Human Services	8,500	8,500	-	8,500
Capital Outlay	32,200	67,200	660,943	(593,743)
Debt Service:				
Principal	50,565	50,565	40,222	10,343
Interest	-	-	3,050	(3,050)
Total Expenditures	1,732,922	1,812,922	2,675,992	(863,070)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(728,000)	(728,000)	(517,727)	210,273
Other Financing Sources (Uses)				
Transfers In	728,000	728,000	693,000	(35,000)
Total Other Financing Sources (Uses)	728,000	728,000	693,000	(35,000)
Net Change in Fund Balance	-	-	175,273	175,273
Fund Balances, Beginning of Year	-	-	336,602	336,602
Fund Balances, End of Year	$ -	$ -	$ 511,875	$ 511,875

TOWN OF HAVANA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
CRA/SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 22,000	$ 22,000	$ 77,927	$ 55,927
Intergovernmental	8,642,037	8,642,037	105,200	(8,536,837)
Interest Income	-	-	1,088	1,088
Total Revenues	8,664,037	8,664,037	184,215	(8,479,822)
Expenditures				
Current:				
Public Safety	-	-	105,194	(105,194)
Physical Environment	8,531,037	8,531,037	1,783	8,529,254
Total Expenditures	8,531,037	8,531,037	106,977	8,424,060
Excess (Deficiency) of Revenues Over (Under) Expenditures	133,000	133,000	77,238	(55,762)
Other Financing Sources (Uses)				
Transfers Out	(133,000)	(133,000)	-	133,000
Total Other Financing Sources (Uses)	(133,000)	(133,000)	-	133,000
Net Change in Fund Balance	-	-	77,238	77,238
Fund Balances, Beginning of Year	-	-	518,014	518,014
Fund Balance, End of Year	$ -	$ -	$ 595,252	$ 595,252

TOWN OF HAVANA, FLORIDA
NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Note 1 – Budgetary Information

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the funds. 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 prepares a proposed operating budget for the fiscal year commencing the following October 1. 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. Revisions that alter the total expenditures of any fund must be approved by the Town Council.

5. Formal budgetary integration is employed as a management control device during the year for the funds. The legal level of budgetary control is the fund level.

6. The budget for the funds is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Note 2 – Excess of Expenditures Over Appropriations

For the year ended September 30, 2025, expenditures exceeded appropriations in the General Fund by $863,070. These over-expenditures were partly due to the Town budgeting for the net income from garbage operations instead of the gross amount of revenue and expense. In addition, grant revenues and related capital outlay expenditures were greater than anticipated. All over-expenditures were funded by greater than anticipated revenues in that fund.

TOWN OF HAVANA, FLORIDA
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS AS OF SEPTEMBER 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Florida Retirement System (FRS)										
Proportion of the net pension liability (asset)	0.004789367%	0.004948254%	0.005394365%	0.005327389%	0.005135612%	0.005641395%	0.005937076%	0.006032059%	0.006229155%	0.006416641%
Proportionate share of the net pension liability (asset)	$ 1,486,386	$ 1,914,217	$ 2,149,484	$ 1,982,217	$ 387,937	$ 2,445,064	$ 2,044,646	$ 1,816,887	$ 1,842,542	$ 1,620,207
Covered-employee payroll	$ 1,419,291	$ 1,442,566	$ 1,327,771	$ 1,278,060	$ 1,248,198	$ 1,290,290	$ 1,262,843	$ 1,244,485	$ 1,226,229	$ 1,208,727
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	104.73%	132.70%	161.89%	155.10%	31.08%	189.50%	161.91%	146.00%	150.26%	134.04%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%
Health Insurance Subsidy Program (HIS)										
Proportion of the net pension liability (asset)	0.003168529%	0.003199212%	0.000519684%	0.003506254%	0.003525018%	0.003716910%	0.003775179%	0.003809395%	0.003804891%	0.003816724%
Proportionate share of the net pension liability (asset)	$ 406,124	$ 479,913	$ 550,770	$ 371,368	$ 432,396	$ 453,829	$ 422,405	$ 403,191	$ 406,836	$ 444,823
Covered-employee payroll	$ 1,419,291	$ 1,442,566	$ 1,327,771	$ 1,278,060	$ 1,248,198	$ 1,290,290	$ 1,262,843	$ 1,244,485	$ 1,226,229	$ 1,208,727
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.61%	33.27%	41.48%	29.06%	34.64%	35.17%	33.45%	32.40%	33.18%	36.80%
Plan fiduciary net position as a percentage of the total pension liability	6.36%	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%

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

TOWN OF HAVANA, FLORIDA
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
LAST 10 FISCAL YEARS AS OF SEPTEMBER 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Florida Retirement System (FRS)										
Contractually required contribution	$ 285,958	$ 280,201	$ 259,504	$ 227,329	$ 195,645	$ 187,439	$ 184,092	$ 171,909	$ 172,482	$ 144,165
Contributions in relation to the contractually required contribution	(285,958)	(280,201)	(259,504)	(227,329)	(195,645)	(187,439)	(184,092)	(171,909)	(172,482)	(144,165)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,419,291	$ 1,442,566	$ 1,327,771	$1,278,060	$1,248,198	$1,290,290	$1,262,843	$1,244,485	$1,226,229	$1,208,727
Contributions as a percentage of covered-employee payroll	20.15%	19.42%	19.54%	17.79%	15.67%	14.53%	14.58%	13.81%	14.07%	11.93%
Health Insurance Subsidy Program (HIS)										
Contractually required contribution	$ 28,319	$ 27,085	$ 22,813	$ 21,216	$ 20,720	$ 21,419	$ 20,963	$ 20,658	$ 20,355	$ 20,065
Contributions in relation to the contractually required contribution	(28,319)	(27,085)	(22,813)	(21,216)	(20,720)	(21,419)	(20,963)	(20,658)	(20,355)	(20,065)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,419,291	$ 1,442,566	$ 1,327,771	$1,278,060	$1,248,198	$1,290,290	$1,262,843	$1,244,485	$1,226,229	$1,208,727
Contributions as a percentage of covered-employee payroll	2.00%	1.88%	1.72%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the City 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 – FIREMEN'S PENSION PLAN
LAST 10 FISCAL YEARS AS OF SEPTEMBER 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	$ 1,374	$ 2,446	$ 2,297	$ 1,693	$ 2,114	$ 1,985	$ 1,706	$ 2,541	$ 2,375	$ 2,220
Interest	3,910	4,809	4,657	4,441	4,546	4,140	3,975	4,217	3,778	3,378
Difference Between Actual and Expected Experience	(11,152)	-	(2,759)	(7,865)	-	(3,428)	(8,306)	-	-	-
Assumption Changes	-	-	-	-	-	-	3,305	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(9,465)	(8,254)	(1,294)	-	-	-	-	-	(102)	-
Net Change in Total Pension Liability	(15,333)	(999)	2,901	(1,731)	6,660	2,697	680	6,758	6,051	5,598
Total Pension Liability - Beginning	74,661	75,660	72,759	74,490	67,830	65,133	64,453	57,695	51,644	46,046
Total Pension Liability - Ending (a)	59,328	74,661	75,660	72,759	74,490	67,830	65,133	64,453	57,695	51,644
Plan Fiduciary Net Position										
Contributions - State	36,322	-	-	15,295	6,557	7,731	7,626	7,587	46,805	12,795
Contributions - Employee	40	41	43	39	45	47	42	51	54	53
Net Investment Income	318,585	166,910	(200,129)	247,290	39,336	22,215	60,855	83,305	80,808	(8,679)
Benefit Payments, Including Refunds of Employee Contributions	(9,465)	(8,254)	(1,294)	-	-	-	-	-	(102)	-
Administrative Expense	(3,654)	(3,165)	(2,767)	-	-	(600)	(6,500)	(2,000)	(3,607)	(7,467)
Net Change in Plan Fiduciary Net Position	341,828	155,532	(204,147)	262,624	45,938	29,393	62,023	88,943	123,958	(3,298)
Plan Fiduciary Net Position - Beginning	1,461,808	1,306,276	1,510,423	1,247,799	1,201,861	1,172,468	1,110,445	1,021,502	897,544	900,842
Plan Fiduciary Net Position - Ending (b)	1,803,636	1,461,808	1,306,276	1,510,423	1,247,799	1,201,861	1,172,468	1,110,445	1,021,502	897,544
Net Pension Liability (Asset) - Ending (a) - (l	$ (1,744,308)	$ (1,387,147)	$ (1,230,616)	$ (1,437,664)	$ (1,173,309)	$ (1,134,031)	$ (1,107,335)	$ (1,045,992)	$ (963,807)	$ (845,900)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	3040.11%	1957.93%	1726.51%	2075.93%	1675.12%	1771.87%	1800.11%	1722.88%	1770.52%	1737.94%
Covered Payroll	$ 8,000	$ 8,250	$ 8,500	$ 7,800	$ 9,050	$ 9,400	$ 8,400	$ 10,200	$ 10,800	$ 7,200
Net Pension Liability as a Percentage of Covered Payroll	-21803.85%	-16813.90%	-14477.84%	-18431.59%	-12964.74%	-12064.16%	-13182.56%	-10254.82%	-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 – FIREMEN'S PENSION PLAN
LAST 10 FISCAL YEARS AS OF SEPTEMBER 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	$ 1,352	$ 2,069	$ 5,449	$ 5,015	$ 5,819	$ 6,129	$ 5,477	$ 8,197	$ 7,441	$ 7,303
Contribution in Relation to the Actuarially Determined Contribution	36,322	-	-	15,295	6,557	7,731	7,626	7,587	46,805	12,795
Contribution Deficiency (Excess)	$ (34,970)	$ 2,069	$ 5,449	$ (10,280)	$ (738)	$ (1,602)	$ (2,149)	$ 610	$ (39,364)	$ (5,492)
Covered Payroll	$ 8,000	$ 8,250	$ 8,500	$ 7,800	$ 9,050	$ 9,400	$ 8,400	$ 10,200	$ 10,800	$ 7,200
Contributions as a Percentage of Covered Payroll	454.03%	0.00%	0.00%	196.09%	72.45%	82.24%	90.79%	74.38%	433.38%	177.71%

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

TOWN OF HAVANA, FLORIDA

COMPLIANCE SECTION

SEPTEMBER 30, 2025

MORAN & SMITH LLP
Certified Public Accountants
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TALLAHASSEE, FLORIDA 32308
850.879.0636

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

To the Honorable Town Council,
Town of Havana, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Havana, Florida (the "Town"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 30, 2026.

Because the Town's management has not acquired an actuarial valuation to determine the amount of its firemen's pension fund or OPEB (Other Postemployment Benefits) liability and has not presented such liability as of September 30, 2025 in its financial statements as required by accounting principles generally accepted in the United States of America, we have issued a qualified opinion on the Governmental Activities, Business-type Activities, Water Fund, Electric Fund, Gas Fund and Sewer Fund. The impact of such departure from generally accepted accounting principles for provisions of GASB Statement No. 67, 68, and 75 would affect the deferred inflows, liabilities, deferred outflows, net position, and expenses in the Governmental Activities, Business-type Activities, Water Fund, Electric Fund, Gas Fund and Sewer Fund.

Report on 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 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies

in internal control, described in the accompanying Schedule of Findings as items **2025-001**, **2025-002**, **2025-003**, and **2025-004** that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items **2025-005**, **2025-006**, and **2025-007**.

Town of Havana, Florida's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Havana, Florida's response to the findings identified in our audit and described in the accompanying Schedule of Findings. The Town of Havana, Florida's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Moran & Smith LLP

Moran & Smith LLP
Tallahassee, Florida
October 30, 2026

TOWN OF HAVANA, FLORIDA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Finding 2025-001: Accounting Records Not Maintained in Accordance with U.S. GAAP

Criteria: A key element of financial reporting is the ability of management to select and apply the appropriate accounting principles to prepare the accounting records in accordance with generally accepted accounting principles.

Condition: It was noted during the audit that material adjusting entries to various accounts were needed to be in accordance with generally accepted accounting principles.

Cause: Failure to apply appropriate accounting principles.

Effect: Failure to apply appropriate accounting principles caused various accounts to be materially misstated.

Recommendation: We recommend that management implement policies and procedures to ensure that all accrual entries are made and accounts are reconciled prior to the start of the audit. Additionally, we recommend that management hires an internal CPA to assist with this process.

View of Responsible Officials: See Management's Corrective Action Plan at pg. 65.

Finding 2025-002: 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. Due to turnover of employees at the Town, we noted segregation of duties issues were pervasive throughout Town processes during the fiscal year.

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.

View of Responsible Officials: See Management's Corrective Action Plan at pg. 65.

Finding 2025-003: Bank Reconciliations

Criteria: Accurate and timely reconciliation of all cash accounts is a key element of financial reporting and an essential internal control for preventing and detecting fraud.

Condition: It was noted during the audit that cash balances were not reconciled accurately.

Cause: Certain cash accounts were not reconciled to the accounting system at the start of the audit.

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

Recommendation: We recommend management implement a process that will ensure all cash accounts are reconciled to the accounting system on a timely basis and agree to the Town's underlying records.

View of Responsible Officials: See Management's Corrective Action Plan at pg. 65.

Finding 2025-004: Capitalization of Expenditures

Criteria: Governmental accounting standards require local governments to set a capitalization policy and record expenses meeting the capitalization threshold as capital outlay in the fund financial statements, separate from other expenditures. Capital outlay expenditures are capitalized for presentation on the Statement of Net Position and shown as capital assets.

Condition: It was noted during the audit that capital outlay expenditures were recorded in repairs and maintenance and other expense accounts instead of being appropriately recorded as capital outlay. Additionally, expenses not meeting the definition of capital outlay were recorded in capital outlay accounts.

Cause: Accounting staff did not properly apply capitalization criteria.

Effect: Capital outlay expenditures were materially understated at year end.

Recommendation: We recommend that the Town implement procedures to ensure that all capitalizable assets are identified and recorded as capital outlay separately from non-capital expenditures.

View of Responsible Officials: See Management's Corrective Action Plan at pg. 65.

Finding 2025-005: Debt Compliance

Criteria: The Town has various notes and bonds payables outstanding at year end with varying debt covenants and is responsible for ensuring they are in compliance with these covenants.

Condition: During our audit we became aware of covenants that were not met in accordance with the underlying debt agreements. 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, 2025, there has not been a renewal and replacement fund established.

Cause: Unfavorable financial performance related to the sewer fund.

Effect: Noncompliance with certain debt covenants.

Recommendation: We recommend that management take action to become compliant with all debt covenants.

View of Responsible Officials: See Management's Corrective Action Plan at pg. 65.

Finding 2025-006: Budgetary Compliance

Criteria: Monitoring budget versus actual expenditures is a key internal control to avoid expenditures exceeding the legally authorized level of spending.

Condition: It was noted during the audit that the general fund expenditures exceeded the budgeted expenditures.

Cause: The Town did not monitor their budget versus actual expenditures during the year.

Effect: The Town was not in budgetary compliance for the fiscal year ended September 30, 2025.

Recommendation: We recommend that the Town review their process for monitoring budget versus actual performance to ensure that expenditures do not exceed the budget.

View of Responsible Officials: See Management's Corrective Action Plan at pg. 65.

Finding 2025-007: CRA Compliance

Criteria: Community Redevelopment Agencies ("CRAs") must adhere to specific compliance requirements outlined in the Florida Statutes.

Condition: It was noted during the audit that the Town's CRA was not in compliance with Florida Statutes Chapter 163, Part III.

Cause: The Town cannot locate their adopted CRA plan and has not been maintaining CRA funds in a separate account or preparing an annual budget.

Effect: The Town was not in compliance with Florida Statutes Chapter 163, Part III for the fiscal year ended September 30, 2025.

Recommendation: We recommend that the Town review all compliance requirements outlined for CRAs and either bring their CRA in compliance with Florida Statutes or close the CRA and return the CRA funds to the County.

View of Responsible Officials: See Management's Corrective Action Plan at pg. 65.

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES – INVESTMENT OF PUBLIC FUNDS

To the Honorable Town Council
Town of Havana, Florida

We have examined the Town of Havana, Florida's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the fiscal year ended September 30, 2025. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, 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.

We are required to be independent of the Town, and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

In our opinion, the Town complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the fiscal year ended September 30, 2025.

This report is intended solely for the information and use of the Town Council, management, and the State of Florida Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.

Moran & Smith LLP
Moran & Smith LLP
Tallahassee, Florida
October 30, 2026

MORAN & SMITH LLP
Certified Public Accountants
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INDEPENDENT AUDITOR'S MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL

To the Honorable Town Council,
Town of Havana, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Havana**,** Florida, as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated October 30, 2026.

Because the Town's management has not acquired an actuarial valuation to determine the amount of its firemen's pension fund or OPEB (Other Postemployment Benefits) liability and has not presented such liability as of September 30, 2025 in its financial statements as required by accounting principles generally accepted in the United States of America, we have issued a qualified opinion on the Governmental Activities, Business-type Activities, Water Fund, Electric Fund, Gas Fund and Sewer Fund. 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, Water Fund, Electric Fund, Gas Fund and Sewer Fund.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated October 30, 2026, 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 financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. However, additional actions are still needed in order to clear these findings.

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	**2023-24 FY Finding No.**	**2022-23 FY Finding No.**
2025-001	2024-001	2023-001
2025-002	2024-002	2023-002
2025-003	2024-003	2023-003
2025-004	2024-004	2023-004
2025-005	2024-005	2023-005
N/A	N/A	2023-006
2025-006	2024-006	2023-007
2025-007	2024-007	N/A

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. Our recommendations are included in the accompanying Schedule of Findings as listed in the table of contents.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the Town of Havana, Florida is required to provide a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did/did not operate within the Town's geographical boundaries during the fiscal year under audit. A PACE program was not operating within the Town's geographical boundaries during the fiscal year ended September 30, 2025.

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 fraud, waste, or abuse, that has occurred, or is likely to have occurred, that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Town Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Moran & Smith LLP

Moran & Smith LLP
Tallahassee, Florida
October 30, 2026

Leigh A. Davis, Town Manager
Jasmine Cotto, Town Clerk

TOWN OF HAVANA
1906

P.O. Box 1068
Havana, Florida 32333-1068

Phone: (850) 539-2820

October 30, 2026

Corrective Action Plan

Finding 2025-001: Accounting Records Not Maintained in Accordance with U.S. GAAP

Criteria: A key element of financial reporting is the ability of management to select and apply the appropriate accounting principles to prepare the accounting records in accordance with generally accepted accounting principles.

Condition: It was noted during the audit that material adjusting entries to various accounts were needed to be in accordance with generally accepted accounting principles.

Cause: Failure to apply appropriate accounting principles.

Effect: Failure to apply appropriate accounting principles caused various accounts to be materially misstated.

Recommendation: We recommend that management implement policies and procedures to ensure that all accrual entries are made and accounts are reconciled prior to the start of the audit. Additionally, we recommend that management hires an internal CPA to assist with this process.

Management's Response: The Town is in the process of obtaining fractional controller services of an experienced CPA who will assist in maintaining our accounting records.

Finding 2025-002: 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. Due to turnover of employees at the Town, we noted segregation of duties issues were pervasive throughout Town processes during the fiscal year.

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: The Town is actively working to implement this recommendation.

Finding 2025-003: Bank Reconciliations

Criteria: Accurate and timely reconciliation of all cash accounts is a key element of financial reporting and an essential internal control for preventing and detecting fraud.

Condition: It was noted during the audit that cash balances were not reconciled accurately.

Cause: Certain cash accounts were not reconciled to the accounting system at the start of the audit.

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

Recommendation: We recommend management implement a process that will ensure all cash accounts are reconciled to the accounting system on a timely basis and agree to the Town's underlying records.

Management's Response: The Town is actively working to implement this recommendation.

Finding 2025-004: Capitalization of Expenditures

Criteria: Governmental accounting standards require local governments to set a capitalization policy and record expenses meeting the capitalization threshold as capital outlay in the fund financial statements, separate from other expenditures. Capital outlay expenditures are capitalized for presentation on the Statement of Net Position and shown as capital assets.

Condition: It was noted during the audit that capital outlay expenditures were recorded in repairs and maintenance and other expense accounts instead of being appropriately recorded in capital outlay. Additionally, expenses not meeting the definition of capital outlay were recorded in capital outlay accounts.

Cause: Accounting staff did not properly apply capitalization criteria.

Effect: Capital outlay expenditures were materially understated at year end.

Recommendation: We recommend that the Town implement procedures to ensure that all capitalizable assets are identified and recorded as capital outlay separately from non-capital expenditures.

Management's Response: The Town is actively working to implement this recommendation.

Finding 2025-005: Debt Compliance

Criteria: The Town has various notes and bonds payables outstanding at year end with varying debt covenants and is responsible for ensuring they are in compliance with these covenants.

Condition: During our audit we became aware of covenants that were not met in accordance with the underlying debt agreements. 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, 2025, there has not been a renewal and replacement fund established.

Cause: Unfavorable financial performance related to the sewer fund.

Effect: Noncompliance with certain debt covenants.

Recommendation: We recommend that management take action to become compliant with all debt covenants.

Management's Response: Increases in sewer rates are systematically being brought to Council, annually, during the budget process.

Finding 2025-006: Budgetary Compliance

Criteria: Monitoring budget versus actual expenditures is a key internal control to avoid expenditures exceeding the legally authorized level of spending.

Condition: It was noted during the audit that the general fund and special revenue fund expenditures exceeded the budgeted expenditures.

Cause: The Town did not monitor their budget versus actual expenditures during the year.

Effect: The Town was not in budgetary compliance for the fiscal year ended September 30, 2025.

Recommendation: We recommend that the Town review their process for monitoring budget versus actual performance to ensure that expenditures do not exceed the budget.

Management's Response: The Town will implement this recommendation.

Finding 2025-007: CRA Compliance

Criteria: Community Redevelopment Agencies ("CRAs") must adhere to specific compliance requirements outlined in the Florida Statutes.

Condition: It was noted during the audit that the Town's CRA was not in compliance with Florida Statutes Chapter 163, Part III.

Cause: The Town cannot locate their adopted CRA plan and has not been maintaining CRA funds in a separate account or preparing an annual budget.

Effect: The Town was not in compliance with Florida Statutes Chapter 163, Part III for the fiscal year ended September 30, 2025.

Recommendation: We recommend that the Town review all compliance requirements outlined for CRAs and either bring their CRA in compliance with Florida Statutes or close the CRA and return

the CRA funds to the County.

Management's Response: The Town will establish a separate bank account for CRA funds and review all compliance requirements outlined for CRAs and either bring their CRA in compliance with Florida Statutes or close the CRA and return the CRA funds to the County.

Leigh Davis 11/6/2026

Leigh Davis Date
Town Manager, Town of Havana