

Town of Hastings, Florida

Audit Report

September 30, 2015



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September 30, 2015

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Town Council
Town of Hastings, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Hastings, Florida (the "Town"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, and Water Fund

As discussed in Note 8 to the financial statements, the Town has not implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, the business-type activities and the Water Fund are not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of not implementing the provisions of GASB Statement No. 45, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the Water Fund of the Town as of September 30, 2015, 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 Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Town as of September 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, the Town implemented the provisions of GASB Statements No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Management has omitted the OPEB schedule of funding progress 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 opinions on the basic financial statements are 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 June 06, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Palatka, Florida

June 06, 2016

Management's Discussion and Analysis

This discussion and analysis of the Town of Hastings' financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

The Town implemented GASB Statement No. 68, *Accounting & Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which requires employers providing a defined benefit pension plan to report the net pension liability. As a result of implementing the new standards, the Town's beginning net positions for governmental activities, business-type activities and the Enterprise Fund were restated. See Note 7 for more detailed information.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the Town's activities as a whole and fund financial statements that report on the Town's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the Town's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net position – the difference between assets and liabilities – can be used to measure the Town's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the Town's financial health is improving or deteriorating. However, other non-financial factors, such as road conditions or changes in the tax base, must also be considered when assessing the overall health of the Town.

In these statements, the Town's activities are divided as follows:

Governmental activities – Most of the Town's basic services are reported here, including administration, and road and street maintenance. Taxes and charges for services finance most of these activities.

Business-type activities – These activities are financed in whole or in part by fees charged to external parties for good or services. The activities of the water and sewer system are reported as a business-type activity.

Management's Discussion and Analysis

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the Town's funds.

Governmental funds – The General Fund is the Town's only governmental fund. This fund is accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the difference between the fund financial statements and the government-wide financial statements.

Proprietary funds – The Water Fund, which is an Enterprise Fund, is the Town's only proprietary fund. Proprietary funds are reported using the accrual basis of accounting and, accordingly, there is a correlation between the amounts reported in the fund financial statements and the amounts reported in the government-wide financial statements.

Management's Discussion and Analysis

CONDENSED FINANCIAL INFORMATION

The following tables present condensed, government-wide, comparative data about net position and changes in net position.

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 222,203	\$ 119,578	\$ 340,058	\$ 415,645	\$ 562,261	\$ 535,223
Capital assets	1,136,134	1,164,968	3,082,226	3,170,309	4,218,360	4,335,277
Total assets	1,358,337	1,284,546	3,422,284	3,585,954	4,780,621	4,870,500
Deferred outflows of resources	60,846	-	68,614	-	129,460	-
Long-term liabilities outstanding	245,810	27,100	1,105,409	975,904	1,351,219	1,003,004
Other liabilities	31,095	14,798	163,069	147,243	194,164	162,041
Total liabilities	276,905	41,898	1,268,478	1,123,147	1,545,383	1,165,045
Deferred inflows of resources	48,145	-	54,291	-	102,436	-
Net position:						
Net investment in capital assets	1,041,439	1,164,968	2,140,826	2,198,909	3,182,265	3,363,877
Restricted	-	-	81,782	85,006	81,782	85,006
Unrestricted	52,694	77,680	(54,479)	178,892	(1,785)	256,572
Total net position	\$ 1,094,133	\$ 1,242,648	\$ 2,168,129	\$ 2,462,807	\$ 3,262,262	\$ 3,705,455

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for service	\$ 113,951	\$ 63,689	\$ 598,088	\$ 593,462	\$ 712,039	\$ 657,151
Operating grants and contributions	-	-	-	30,000	-	30,000
General revenues:						
Property taxes	184,952	189,696	-	-	184,952	189,696
Other taxes	213,466	205,427	-	-	213,466	205,427
Other	2,435	7,756	80	93	2,515	7,849
Total revenues	514,804	466,568	598,168	623,555	1,112,972	1,090,123
Expenses:						
General government	359,990	359,455	-	-	359,990	359,455
Public safety	3,232	1,717	-	-	3,232	1,717
Transportation	159,720	171,004	-	-	159,720	171,004
Culture and recreation	6,120	6,120	-	-	6,120	6,120
Interest on long-term debt	1,427	-	-	-	1,427	-
Water and sewer	-	-	749,442	685,513	749,442	685,513
Total expenses	530,489	538,296	749,442	685,513	1,279,931	1,223,809
Change in net position before transfers	(15,685)	(71,728)	(151,274)	(61,958)	(166,959)	(133,686)
Transfers	(3,000)	16,361	3,000	(16,361)	-	-
Change in net position	(18,685)	(55,367)	(148,274)	(78,319)	(166,959)	(133,686)
Beginning net position	-	1,298,015	-	2,541,126	-	3,839,141
Beginning net position, as restated	1,112,818	-	2,316,403	-	3,429,221	-
Net position - September 30, 2015	\$ 1,094,133	\$ 1,242,648	\$ 2,168,129	\$ 2,462,807	\$ 3,262,262	\$ 3,705,455

Management's Discussion and Analysis

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$113,951 in program revenues and \$514,804 of general revenues, incurred \$530,489 of program expenses, and transferred out \$3,000. This resulted in a \$18,685 decrease in net position.

Business-type Activities

Revenues of the Water Fund were \$598,168, before transfers in of \$3,000, compared to expenses of \$749,442. This resulted in a loss for the year of \$148,274.

THE TOWN'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance increased by \$105,334, from \$108,780 to \$214,114.

Water Fund

The Water and Sewer Fund's net position decreased by \$148,274, from \$2,316,403 to \$2,168,129.

BUDGETARY HIGHLIGHTS

There were no amendments to the original budget for the General Fund.

Revenues of the General Fund were more than budgeted amounts. The largest variance between final budget amounts and actual results occurred with charges for services.

General Fund expenditures were less than budgeted amounts, after adjustment for new loan. General government, Public safety and Debt service expenditure categories were all greater than budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Significant capital asset activity during the year consisted of improvements to the Town Hall building. Please refer to a note to the accompanying financial statements entitled *Capital Asset Activity* for more detailed information about the Town's capital asset activity.

Debt Administration

The Town received proceeds of \$100,000 from a note payable with a bank during the year for the Town Hall building improvements. Please refer to a note to the accompanying financial statements entitled *Long-term Obligations* for more detailed information about the Town's long-term debt activity.

ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the Town's financial position or results of operations.

Management's Discussion and Analysis

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Town of Hastings Town Office located in the HHS Community Building, 6195 South Main Street, Suite A, Hastings, Florida 32145, Telephone number (904) 692-1420 or fax (904) 692-2844.

Town of Hastings, Florida

Statement of Net Position
September 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 147,203	\$ 140,089	\$ 287,292
Investments	75,000	22,500	97,500
Accounts receivable	-	62,550	62,550
Restricted cash and equivalents	-	114,919	114,919
Capital assets:			
Non-depreciable	149,687	1,625	151,312
Depreciable, net	986,447	3,080,601	4,067,048
Total assets	1,358,337	3,422,284	4,780,621
Deferred outflows of resources			
Pension related	60,846	68,614	129,460
Liabilities			
Accounts payable and accrued liabilities	8,089	13,351	21,440
Deposits	-	79,302	79,302
Accrued interest	-	25,470	25,470
Noncurrent liabilities:			
Due within one year	23,006	44,946	67,952
Due in more than one year	245,810	1,105,409	1,351,219
Total liabilities	276,905	1,268,478	1,545,383
Deferred inflows of resources			
Pension related	48,145	54,291	102,436
Net position			
Net investment in capital assets	1,041,439	2,140,826	3,182,265
Restricted for:			
Renewal and replacement	-	61,532	61,532
Debt service	-	20,250	20,250
Unrestricted	52,694	(54,479)	(1,785)
Total net position	\$ 1,094,133	\$ 2,168,129	\$ 3,262,262

See accompanying notes.

Town of Hastings, Florida

Statement of Activities
Year ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 359,990	\$ 99,294	\$ -	\$ -	\$ (260,696)	\$ -	\$ (260,696)
Public safety	3,232	63	-	-	(3,169)	-	(3,169)
Transportation	159,720	14,594	-	-	(145,126)	-	(145,126)
Culture and recreation	6,120	-	-	-	(6,120)	-	(6,120)
Interest on long-term debt	1,427	-	-	-	(1,427)	-	(1,427)
Total governmental activities	530,489	113,951	-	-	(416,538)	-	(416,538)
Business-type activities:							
Water & sewer	749,442	598,088	-	-	-	(151,354)	(151,354)
Total	\$ 1,279,931	\$ 712,039	\$ -	\$ -	(416,538)	(151,354)	(567,892)
General revenues:							
Property taxes					184,952	-	184,952
Sales tax and other shared revenues					106,766	-	106,766
Franchise fees					41,415	-	41,415
Utility taxes					37,450	-	37,450
Communications service tax					25,071	-	25,071
Other taxes					2,764	-	2,764
Investment earnings					1,233	80	1,313
Miscellaneous					1,202	-	1,202
Transfers					(3,000)	3,000	-
Total general revenues and transfers					397,853	3,080	400,933
Change in net position					(18,685)	(148,274)	(166,959)
Net position – beginning of year, as restated					1,112,818	2,316,403	3,429,221
Net position – end of year					\$ 1,094,133	\$ 2,168,129	\$ 3,262,262

See accompanying notes.

Town of Hastings, Florida

Balance Sheet
Governmental Funds
September 30, 2015

	General Fund
<hr/>	
Assets	
Cash and equivalents	\$ 147,203
Investments	75,000
<hr/>	
Total assets	\$ 222,203
<hr/> <hr/>	
Liabilities	
Accounts payable and accrued liabilities	\$ 8,089
<hr/>	
Fund balances	
Unassigned	214,114
<hr/>	
Total liabilities and fund balances	\$ 222,203
<hr/> <hr/>	

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2015**

Fund balance - total governmental funds	\$ 214,114
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not reported in the governmental funds.</p>	
Capital assets – net	1,136,134
<p>Deferred outflows and inflows associated with pensions are not reported in the governmental funds.</p>	
Deferred outflow	60,846
Deferred inflow	(48,145)
<p>Long-term liabilities are not reported in the governmental funds.</p>	
Notes payable	(94,695)
Compensated absences	(35,800)
Net pension liability	(138,321)
<hr/>	
Net position of governmental activities	\$ 1,094,133

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended September 30, 2015**

	General Fund
<hr/>	
Revenues	
Taxes	\$ 271,450
Permits, fees & special assessments	41,415
Intergovernmental	85,553
Charges for services	113,888
Fines and forfeitures	63
Miscellaneous	2,435
<hr/>	
Total revenues	514,804
<hr/>	
Expenditures	
Current:	
General government	361,561
Public safety	3,232
Transportation	134,945
Debt service:	
Principal	5,305
Interest	1,427
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Total expenditures	506,470
<hr/>	
Excess of revenues over expenditures	8,334
<hr/>	
Other financing sources (uses)	
Transfers out	(3,000)
Note payable issued	100,000
<hr/>	
Total other financing sources (uses)	97,000
<hr/>	
Net change in fund balance	105,334
<hr/>	
Fund balance – beginning of year	108,780
<hr/>	
Fund balance – end of year	\$ 214,114
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See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities
Governmental Funds
Year ended September 30, 2015**

Net change in fund balance – total governmental funds	\$	105,334
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.</p>		
Acquisitions of capital assets		46,222
Current year depreciation expense		(75,056)
<p>The issuance of long-term debt provides current financial resources in governmental funds but does not effect net position of governmental activities.</p>		
Note payable issued		(100,000)
<p>Repayment of debt principal is an expenditure in governmental funds, but the repayment does not effect net position of governmental activities.</p>		
Principal payments on long-term debt		5,305
<p>The net change in net pension liability and deferred outflows and inflows are reported in the statement of activities, but not in the governmental funds.</p>		
Change in net pension liability		(47,883)
Change in deferred outflows related to pensions		41,445
Change in deferred inflows related to pensions		10,648
<p>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.</p>		
Compensated absences		(4,700)
Change in net position of governmental activities	\$	(18,685)

See accompanying notes.

Town of Hastings, Florida

Statement of Net Position
 Proprietary Funds
 September 30, 2015

	Water Fund
Current assets	
Cash and equivalents	\$ 140,089
Investments	22,500
Accounts receivable, net	62,550
Total current assets	225,139
Noncurrent assets	
Restricted cash and equivalents	114,919
Capital assets, net	3,082,226
Total noncurrent assets	3,197,145
Total assets	3,422,284
Deferred outflows	
Deferred amounts related to pensions	68,614
Current liabilities	
Accounts payable and accrued liabilities	13,351
Deposits	79,302
Accrued interest	25,470
Current portion of long-term liabilities	44,946
Total current liabilities	163,069
Noncurrent liabilities	1,105,409
Total liabilities	1,268,478
Deferred inflows	
Deferred amounts related to pensions	54,291
Net position	
Net investment in capital assets	2,140,826
Restricted for renewal and replacement	61,532
Restricted for debt service	20,250
Unrestricted	(54,479)
Total net position	\$ 2,168,129

See accompanying notes.

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended September 30, 2015**

	Water Fund
Operating revenues	
User fees	\$ 598,088
Operating expenses	
Personal services	341,911
Operating expenses	243,511
Depreciation	128,823
Total operating expenses	714,245
Operating loss	(116,157)
Nonoperating revenues (expenses)	
Investment earnings	80
Interest expense	(35,197)
Total nonoperating revenues (expenses)	(35,117)
Loss before transfers	(151,274)
Transfers in	3,000
Change in net position	(148,274)
Net position – beginning of year, as previously reported	2,462,807
Restatement	(146,404)
Net position – beginning of year, as restated	2,316,403
Net position – end of year	\$ 2,168,129

See accompanying notes.

Town of Hastings, Florida

Statement of Cash Flows
 Proprietary Funds
 Year ended September 30, 2015

	Water Fund
Operating activities	
Receipts from customers	\$ 591,547
Payments to suppliers	(226,842)
Payments to employees	(334,820)
Net cash provided by operating activities	29,885
Noncapital financing activities	
Transfers in	3,000
Capital and related financing activities	
Acquisition of capital assets	(40,740)
Principal paid on debt	(30,000)
Interest paid on debt	(36,125)
Net cash used by capital and related financing activities	(106,865)
Investing activities	
Interest received	80
Change in cash and equivalents	(73,900)
Cash and equivalents – beginning of year	328,908
Cash and equivalents – end of year	\$ 255,008
Operating loss	
Operating loss	\$ (116,157)
Depreciation	128,823
Change in:	
Accounts receivable	(7,171)
Prepays	8,858
Deferred outflows	(46,735)
Accounts payable and accrued liabilities	7,878
Compensated absences	11,772
Customer deposits	630
Net pension liability	53,995
Deferred inflows	(12,008)
Net cash provided by operating activities	\$ 29,885

See accompanying notes.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Hastings (the “Town”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The Town was established by Chapter 6695, Laws of Florida, 1913. The Town operates under a Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highway and streets, sanitation, health and social services, public improvements and general administrative services.

As required by generally accepted accounting principles, the accompanying financial statements present the Town as a primary government. Component units, if any, would also be presented. Component units are entities for which a primary government is considered to be financially accountable.

There are no component units included in the Town’s financial reporting entity.

The Town did not participate in any joint ventures during the 2014-2015 fiscal year.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: charges for services that are directly related to a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town reports the following major governmental fund:

General Fund – The primary operating fund, used to account for and report all financial resources not accounted for and reported in another fund.

The Town reports the following major enterprise fund:

Water Fund – Used to account for the assets, operation and maintenance of the Town-owned water and sewer system.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are 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.

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Taxes and certain intergovernmental revenues constitute the most significant sources of revenue considered susceptible to accrual. In governmental funds, expenditures are generally recognized when the related liability is incurred. However, debt service expenditures, and expenditures for compensated absences and claims and judgments, are recorded only when payment is due.

Cash and Cash Equivalents

For purpose of the Statement of Cash Flows, the Town considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Receivables are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate. Accounts receivable of the Water Fund are net of a \$133 allowance.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets which are recorded at fair value at the date of contribution. The Town uses a capitalization threshold of \$1,000 for all classes of capital assets.

In accordance with GASB Statement No. 34, the Town has elected not to record and depreciate general infrastructure assets acquired prior to October 1, 2003.

Depreciation of capital assets is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Buildings and improvements	30
Furniture and equipment	3 – 10
Plant assets and equipment	20 – 50

For its business-type activities, the Town’s policy is to capitalize construction period interest costs on projects funded specifically through debt financing. Interest earnings are offset against construction costs for qualified projects financed with tax-exempt debt. No interest costs were capitalized during 2015.

Claims and Judgments

For governmental funds, a fund liability is reported to account for the portion of the liability that will be liquidated with expendable available financial resources. The liability is accrued when incurred in the government-wide and proprietary fund financial statements.

Compensated Absences

The Town’s policy is to allow limited vesting of employee vacation pay and accumulated sick leave. A liability for accrued compensated absences of employees of the governmental funds has been accrued. Since this liability will not be liquidated with expendable available financial resources, the liability has not been reported in the governmental funds. A liability for compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

The St. Johns County Tax Collector bills and collects property taxes for the Town. Details of the Town’s tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount period	November - February
No discount period	March
Delinquent date	April 1

Operating Revenues and Expenses

The enterprise fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund’s principal ongoing operations. Operating expenses for the enterprise fund 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.

Restricted Net Position

In the accompanying government-wide and proprietary fund’s statement of net position, *restricted net position* is subject to restrictions beyond the Town’s control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation. At September 30, 2015, no net position was restricted by enabling legislation.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

The Town follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

The fund balance classifications specified in GASB Statement No. 54 are as follows:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the Town's highest level of decision-making authority, which is by ordinance approved by the Town Council. Committed amounts cannot be used for any other purpose unless the Town removes those constraints by taking the same type of action.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Town Council or (b) a body or official to which the Council has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

The Town's policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

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 Pension Plan and Health Insurance Subsidy Program and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

A *deferred outflow of resources* is a consumption of net assets that is applicable to a future reporting period.

A *deferred inflow of resources* is an acquisition of net assets that is applicable to a future reporting period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

All of the Town's demand deposits and certificates of deposit are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, and are entirely insured by Federal depository insurance or collateralized pursuant to the Florida Security for Public Deposits Act.

Investments

Section 218.415, Florida Statutes, authorizes the Town to invest excess public funds in the following:

- ◆ The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969;
- ◆ Securities and Exchange Commission registered money market funds with the highest credit quality rating;
- ◆ Interest bearing time deposits or savings accounts in qualified public depositories;
- ◆ Direct obligations of the U.S. Treasury.

In the accompanying financial statements, nonnegotiable certificates of deposit of \$97,500 comprise *Investments*. The certificates of deposit are reported at cost and are entirely insured or collateralized. For purposes of risk disclosures, the Town holds no investments.

Notes to Financial Statements

NOTE 3 – INTERFUND BALANCES AND TRANSFERS

There are no interfund balances as of September 30, 2015.

The interfund transfers were made in the normal course of operations and are consistent with the activities of the fund making the transfer.

NOTE 4 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2015, the following changes in capital assets occurred:

Governmental Activities	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015
Capital assets not being depreciated:				
Land and improvements	\$ 25,870	\$ -	\$ -	\$ 25,870
Construction in progress	81,517	42,300	-	123,817
Total capital assets not being depreciated	107,387	42,300	-	149,687
Capital assets being depreciated:				
Buildings and improvements	1,451,052	1,200	-	1,452,252
Furniture and equipment	312,545	2,722	-	315,267
Assets under capital lease	164,035	-	-	164,035
Total capital assets being depreciated	1,927,632	3,922	-	1,931,554
Less accumulated depreciation for:				
Buildings and improvements	477,875	49,145	-	527,020
Furniture and equipment	267,209	9,508	-	276,717
Assets under capital lease	124,967	16,403	-	141,370
Total accumulated depreciation	870,051	75,056	-	945,107
Total capital assets being depreciated, net	1,057,581	(71,134)	-	986,447
Governmental activities capital assets, net	\$ 1,164,968	\$ (28,834)	\$ -	\$ 1,136,134

Business-type Activities	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015
Capital assets not being depreciated:				
Land and improvements	\$ 1,625	\$ -	\$ -	\$ 1,625
Capital assets being depreciated:				
Plant assets and equipment	5,692,515	40,740	-	5,733,255
Less accumulated depreciation for:				
Plant assets and equipment	2,523,831	128,823	-	2,652,654
Total capital assets being depreciated, net	3,168,684	(88,083)	-	3,080,601
Business-type activities capital assets, net	\$ 3,170,309	\$ (88,083)	\$ -	\$ 3,082,226

Notes to Financial Statements

NOTE 4 – CAPITAL ASSET ACTIVITY (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	\$	46,511
Transportation		22,425
Culture and recreation		6,120
<hr/>		
Total depreciation expense – governmental activities	\$	75,056
<hr/>		
Business-type activities:		
Water and sewer	\$	128,823
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NOTE 5 – LONG-TERM OBLIGATIONS

Governmental Activities

\$100,000 bank loan for the building improvements, payable in monthly installments of \$1,346 through April 2022, plus interest at 3.5%, revenue source - non-ad valorem revenues. \$ 94,695

Business-type Activities

\$123,000 Water and Sewer System Improvement Revenue Bonds, Series 1988, payable in annual installments ranging from \$6,800 to \$7,800 through January 2029, interest at 5%, secured by a pledge of the gross revenues of the water and sewer system and certain municipal excise taxes. The approximate amount of the pledge is equal to the remaining principal and interest of \$101,850. During the current year, the Town recognized pledged revenues of \$593,409 and made \$7,800 principal and interest payments. \$ 72,000

\$51,500 Water and Sewer System Improvement Revenue Bonds, Series 1989, payable in annual installments ranging from \$2,250 to \$3,350 through January 2029, interest at 5%, secured by a pledge of the gross revenues of the water and sewer system and certain municipal excise taxes. The approximate amount of the pledge is equal to the remaining principal and interest of \$39,150. During the current year, the Town recognized pledged revenues of \$593,409 and made \$2,450 principal and interest payments. 28,000

\$677,700 Water and Sewer Revenue Bonds, Series 1990, issued initially in the form of two single bonds in the principal amounts of \$576,700 and \$101,000, payable in annual installments ranging from \$38,335 to \$40,435 through January 2032, interest at 5%, secured by a pledge of the gross revenues of the water and sewer system and certain municipal excise taxes. The approximate amount of the pledge is equal to the remaining principal and interest of \$668,245. During the current year, the Town recognized pledged revenues of \$593,409 and made \$39,985 principal and interest payments. 442,700

Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

\$73,700 Water and Sewer Revenue Bonds, Series 1995, payable in annual installments ranging from \$3,482 to \$4,562 through January 2036, interest at 4.5%, secured by a pledge of the gross revenues of the water and sewer system and certain municipal excise taxes. The approximate amount of the pledge is equal to the remaining principal and interest of \$84,971. During the current year, the Town recognized pledged revenues of \$593,409 and made \$3,507 principal and interest payments. 54,700

\$115,000 Water and Sewer Revenue Bonds, Series 1999, payable in annual installments ranging from \$5,825 to \$8,360 through January 2039, interest at 4.5%, secured by a pledge of the gross revenues of the water and sewer system and certain municipal excise taxes. The approximate amount of the pledge is equal to the remaining principal and interest of \$164,635. During the current year, the Town recognized pledged revenues of \$593,409 and made \$6,455 principal and interest payments. 97,000

\$302,000 note payable to the Florida Department of Transportation at 0% interest. The note is payable in annual installments of \$5,000 through 2065. 247,000

Total business-type activities \$ 941,400

Revenue Bonds and Notes

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 13,050	\$ 2,865	\$ 32,000	\$ 33,961
2017	13,475	2,681	33,000	32,632
2018	13,955	2,202	33,000	31,251
2019	14,451	1,706	35,000	29,872
2020	14,965	1,192	36,000	28,391
2021-2025	24,799	795	202,000	117,623
2026-2030	-	-	251,000	68,582
2031-2035	-	-	139,700	18,733
2036-2040	-	-	57,700	3,406
2041-2045	-	-	25,000	-
2046-2050	-	-	25,000	-
2051-2055	-	-	25,000	-
2056-2060	-	-	25,000	-
2061-2065	-	-	22,000	-
Totals	\$ 94,695	\$ 11,441	\$ 941,400	\$ 364,451

Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Governmental Activities

	Balance October 1, 2014, as restated	Additions	Deductions	Balance September 30, 2015	Due Within One Year
Note payable	\$ -	\$ 100,000	\$ 5,305	\$ 94,695	\$ 13,050
Compensated absences	31,100	23,200	18,500	35,800	7,700
Net pension liability	90,438	47,883	-	138,321	2,256
Total	\$ 121,538	\$ 171,083	\$ 23,805	\$ 268,816	\$ 23,006

Business-type Activities

	Balance October 1, 2014, as restated	Additions	Deductions	Balance September 30, 2015	Due Within One Year
Note Payable FDOT	\$ 252,000	\$ -	\$ 5,000	\$ 247,000	\$ 5,000
Revenue bonds:					
Series 1988	76,000	-	4,000	72,000	4,000
Series 1989	29,000	-	1,000	28,000	1,000
Series 1990	459,700	-	17,000	442,700	18,000
Series 1995	55,700	-	1,000	54,700	2,000
Series 1999	99,000	-	2,000	97,000	2,000
Total revenue bonds and	971,400	-	30,000	941,400	32,000
Compensated absences	41,204	30,944	19,172	52,976	10,402
Net pension liability	101,984	53,995	-	155,979	2,544
Total	\$ 1,114,588	\$ 84,939	\$ 49,172	\$ 1,150,355	\$ 44,946

During 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result, a net pension liability is disclosed in the tabulations of changes in long-term obligations presented above.

Notes to Financial Statements

NOTE 6 – STATE OF FLORIDA PENSION PLANS

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 or 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 the 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, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The 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 Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. 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.

Benefits Provided

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Notes to Financial Statements

NOTE 6 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

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 3.00% of their salary to the FRS. The Town’s contribution rates as of September 30, 2015, were as follows:

	FRS	HIS
Regular class	5.60%	1.66%
Special risk class	20.38%	1.66%
Senior management service class	19.77%	1.66%
Elected officials	40.61%	1.66%
DROP from FRS	11.22%	1.66%

The Town’s contributions for the year ended September 30, 2015, were \$29,952 to the FRS and \$5,253 to the HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2015, the Town reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2015. 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	\$ 162,377	\$ 131,923
Proportion at:		
Current measurement date	0.0013%	0.0013%
Prior measurement date	0.0012%	0.0013%
Pension expense (benefit)	\$ 16,907	\$ 9,341

Notes to Financial Statements

NOTE 6 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,142	\$ 3,851	\$ -	\$ -
Changes of assumptions	10,778	-	10,379	-
Net difference between projected and actual earnings on pension plan investments	57,194	95,967	71	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,157	-	-	2,618
Employer contributions subsequent to the measurement date	7,154	-	1,585	-
Total	\$ 117,425	\$ 99,818	\$ 12,035	\$ 2,618

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, 2016. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	FRS	HIS
2016	\$ (408)	\$ 1,270
2017	(408)	1,270
2018	(408)	1,270
2019	(407)	1,269
2020	9,288	1,252
Thereafter	2,796	1,501
Total	\$ 10,453	\$ 7,832

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2015, was determined by an actuarial valuation dated July 1, 2015, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

Notes to Financial Statements

NOTE 6 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.65%	N/A
Discount rate	7.65%	3.80%

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 dated July 1, 2015 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2015:

FRS: No changes in key actuarial assumptions.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 4.29% to 3.80%.

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 the FRS Pension Plan, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.2%	3.1%
Fixed income	18%	4.8%	4.7%
Global equity	53%	8.5%	7.2%
Real estate (property)	10%	6.8%	6.2%
Private equity	6%	11.9%	8.2%
Strategic investments	12%	6.7%	6.1%
	<u>100%</u>		

Notes to Financial Statements

NOTE 6 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.65%. 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 the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.80% 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 tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the Town’s proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

	FRS			HIS		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
	(6.65%)	(7.65%)	(8.65%)	(2.80%)	(3.80%)	(4.80%)
Employer’s proportionate share of the net pension liability	\$ 420,757	\$ 162,377	\$ (52,637)	\$ 150,320	\$ 131,923	\$ 116,582

Pension Plans’ Fiduciary Net Position

Detailed information about the pension plans’ fiduciary net position is available in the State’s separately issued financial reports.

Notes to Financial Statements

NOTE 7 – CHANGE IN ACCOUNTING PRINCIPLE

The Town restated the beginning net position of the governmental activities, business activities and proprietary fund to implement the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	Governmental Activities	Business-type Activities and Proprietary Fund
Net position - beginning of year, as previously reported	\$ 1,242,648	\$ 2,462,807
Net pension liability	(90,438)	(101,983)
Deferred outflow for contributions made subsequent to the measurement date	4,290	4,838
Deferred outflow for other than employer contributions subsequent to the measurement date	15,111	17,040
Deferred inflows related to pensions	(58,793)	(66,299)
Net position - beginning of year, as restated	\$ 1,112,818	\$ 2,316,403

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

The Town provides other postemployment benefits (OPEB) to its employees by providing retirement healthcare benefits.

The Town has not implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

NOTE 9 – RISK MANAGEMENT

The Town carries commercial insurance for certain risks, including health insurance. There were no significant reductions in insurance coverage during 2015. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in 2016. The statements address:

- Fair value measurement and application; and
- GAAP hierarchy.

The Town is currently evaluating the effects that these statements will have on its 2016 financial statements.

Required Supplementary Information

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
Year ended September 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 271,562	\$ 271,562	\$ 271,450	\$ (112)
Permits, fees & special assessments	39,426	39,426	41,415	1,989
Intergovernmental	82,807	82,807	85,553	2,746
Charges for services	61,520	61,520	113,888	52,368
Fines and forfeitures	100	100	63	(37)
Miscellaneous	3,050	3,050	2,435	(615)
Total revenues	458,465	458,465	514,804	56,339
Expenditures				
Current:				
General government	315,684	415,684	361,561	54,123
Public safety	2,090	2,090	3,232	(1,142)
Transportation	137,691	137,691	134,945	2,746
Debt service:				
Principal	-	-	5,305	(5,305)
Interest	-	-	1,427	(1,427)
Total expenditures	455,465	555,465	506,470	48,995
Excess (deficiency) of revenues over expenditures	3,000	(97,000)	8,334	105,334
Other financing sources (uses)				
Transfers out	(3,000)	(3,000)	(3,000)	-
Note payable issued	-	100,000	100,000	-
Total other financing sources (uses)	(3,000)	97,000	97,000	-
Net change in fund balances	-	-	105,334	105,334
Fund balances – beginning of year	-	-	108,780	108,780
Fund balances – end of year	\$ -	\$ -	\$ 214,114	\$ 214,114

Note: Final budget includes adjustment to reflect approval of new debt of \$100,000 and associated expenditures at public meeting.

Notes to Budgetary Comparison Exhibit

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

- ❖ Informal budget workshops are held to determine proposed expenditures and the means of financing them.
- ❖ The Council adopts the proposed property tax millage rate and sets the first public hearing. The Town advertises its intention to finalize its budgets and millage rate and sets a second public hearing, at which time the final budget and millage are adopted by the Council.
- ❖ Florida Statutes stipulate that expenditures may not legally exceed budgeted appropriations at the fund level. The fund is the legal level of control.
- ❖ Appropriations lapse at year end.

There were no supplemental budget appropriations during the year ended September 30, 2015.

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles.

Schedules of Proportionate Share of Net Pension Liability
Last 10 Fiscal Years (1)

	Florida Retirement System	2015
Employer's proportion of the net pension liability (asset)		0.0013%
Employer's proportionate share of the net pension liability (asset)	\$	162,377
Employer's covered-employee payroll (2)	\$	392,444
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		41.38%
Plan fiduciary net position as a percentage of the total pension liability		92.00%
	Health Insurance Subsidy Program	2015
Employer's proportion of the net pension liability (asset)		0.0013%
Employer's proportionate share of the net pension liability (asset)	\$	131,923
Employer's covered-employee payroll (2)	\$	392,444
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		33.62%
Plan fiduciary net position as a percentage of the total pension liability		0.50%

Notes to schedules:

(1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

Town of Hastings, Florida

**Schedules of Employer Contributions
Last 10 Fiscal Years**

Florida Retirement System	2015
Contractually required contribution	\$ 29,952
Contributions in relation to the contractually required contribution	29,952
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll (1)	\$ 386,608
Contributions as a percentage of covered-employee payroll	7.75%
<hr/>	
Health Insurance Subsidy Program	2015
Contractually required contribution	\$ 5,253
Contributions in relation to the contractually required contribution	5,253
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll (1)	\$ 386,608
Contributions as a percentage of covered-employee payroll	1.36%

Notes to schedules:

(1) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

**Additional Elements Required
By the Rules of the Auditor General**

MANAGEMENT LETTER

To the Honorable Mayor and
Members of the Town Council
Town of Hastings, Florida

We have audited the financial statements of the Town of Hastings (the "Town") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 06, 2016. Our report on the financial statements of the governmental activities, business-type activities, and the Water Fund was qualified because the Town did not implement the accounting and financial reporting requirements of GASB Statement No. 45. That report should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding audit. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. These requirements of the Rules of the Auditor General are addressed in the accompanying Schedule of Findings.

Financial Condition

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the Town has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(8). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.

Annual Financial Report

As required by the Rules of the Auditor General, we determined that the Town's annual financial report for the fiscal year ended September 30, 2015, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in substantial agreement with the audit report for the fiscal year ended September 30, 2015.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

The purpose of this management letter is solely to comply with the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this communication is not suitable for any other purpose.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Carri Riggs & Ingram, L.L.C.

Palatka, Florida
June 06, 2016

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*

The Honorable Mayor and
Members of the Town Council
Town of Hastings, 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 Hastings, Florida (the “Town”) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated June 06, 2016. Our report on the financial statements of the governmental activities, the business-type activities and the Water Fund was qualified because the Town did not implement the accounting and financial reporting requirements of GASB Statement No. 45.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2015-001 and 2015-002 to be material weaknesses.

Internal Control Over Financial Reporting (continued)

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2015-003 to be a significant deficiency.

Compliance and Other Matters

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

The Town's Response to Finding

The Town's response to the findings identified in our audit is described in its accompanying letter of response. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this 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.

Caru, Riggs & Ingram, L.L.C.

Palatka, Florida
June 06, 2016

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

The Honorable Mayor and
Members of the Town Council
Town of Hastings, Florida

We have examined the Town of Hastings, Florida's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2015. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

This report is intended solely for the information and use of 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.

Carr, Riggs & Ingram, L.L.C.

Palatka, Florida
June 06, 2016



Town of Hastings, Florida

Schedule of Findings

2015-001 (Reported in previous audit reports as items 2014-001 and 2013-001.)

Condition – Because of a limited number of available personnel, it is not always possible to adequately segregate incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional errors or irregularities could exist and not be promptly detected.

Recommendation – To the extent possible, given available personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.

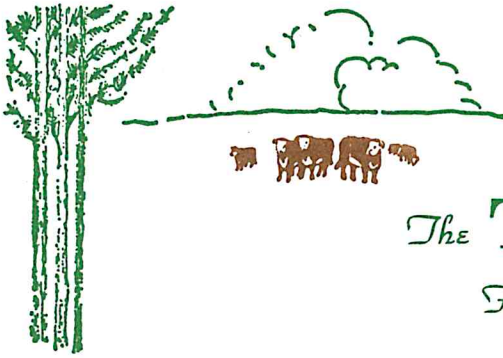
2015-002 (Reported in previous audit reports as items 2014-002 and 2013-002.)

Condition – As part of the audit process it was necessary for us to propose a material adjustment and assist with the preparation of your financial statements, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles.

Recommendation – We recommend that you consider and evaluate the cost and benefits of improving internal controls relative to the financial reporting process.

2015-003 **Condition** – During the audit, we discovered that the water fund accounts receivable balance in the general ledger does not agree to the accounts receivable aging report in the water system software. These amounts are not being reconciled on a regular basis. The difference was not significant as of September 30, 2015, but if not investigated, the difference has the potential to increase.

Recommendation – We recommend that the difference be investigated and adjusted to ensure that the subsidiary reports can be reconciled with the general ledger on a regular basis.



The TOWN OF HASTINGS

Florida's POTATO Capital

6195 S. MAIN STREET, SUITE A
HASTINGS, FLORIDA 32145

PHONE: 904-692-1420
FAX: 904-692-2844

June 6, 2016



Honorable William O. Monroe, CPA
Auditor General
111 West Madison Street
Tallahassee, Florida 32399

Dear Mr. Monroe:

Please find the following as a response to the audit findings of Carr, Riggs and Ingram, LLC., for the audit period October 01, 2014 to September 30, 2015.

15-01 *This condition as you are aware has always been noted in our audits. We acknowledge that if the town's financial situation allowed more office staff, these conditions would not exist. However, we strive to segregate job duties to the best of our ability thereby minimizing the impact of this internal control weakness.*

15-02 *We have evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in our best interests to outsource this task to our independent auditors.*

15-03 *This condition is a new condition that been noted in our audit. We acknowledge this finding, and we will investigate and make the necessary adjustments to ensure the subsidiary reports are reconciled with the general ledger on a regular basis.*

Should you require further information, please give me a call at the above telephone number.

Sincerely,

Shelby E. Jack
Town Manager, CMC