

Town of Hastings, Florida

Audit Report

September 30, 2017



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RIGGS &
INGRAM

CPAs and Advisors

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September 30, 2017

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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, 2017, 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.

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 9 to the financial statements, which discloses that as a result of voter approval to revoke the Town Charter, the Town of Hastings has dissolved as of February 28, 2018.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our October 1, 2018, 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.

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

Palatka, Florida

October 1, 2018

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, 2017. Please read it in conjunction with the Town's financial statements, which follow this section.

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, liabilities, and deferred outflows/inflows – 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.

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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 122,983	\$ 119,471	\$ 247,235	\$ 358,866	\$ 370,218	\$ 478,337
Capital assets	1,099,123	1,158,905	2,977,075	2,965,710	4,076,198	4,124,615
Total assets	1,222,106	1,278,376	3,224,310	3,324,576	4,446,416	4,602,952
Deferred outflows of resources	89,850	110,886	101,318	125,041	191,168	235,927
Long-term liabilities outstanding	277,716	313,635	1,095,546	1,163,449	1,373,262	1,477,084
Other liabilities	57,264	32,324	199,489	167,906	256,753	200,230
Total liabilities	334,980	345,959	1,295,035	1,331,355	1,630,015	1,677,314
Deferred inflows of resources	17,536	34,643	19,775	39,066	37,311	73,709
Net position:						
Net investment in capital assets	1,031,013	1,077,261	2,100,675	2,056,310	3,131,688	3,133,571
Restricted	-	-	20,999	84,956	20,999	84,956
Unrestricted	(71,573)	(68,601)	(115,793)	(62,070)	(187,366)	(130,671)
Total net position	\$ 959,440	\$ 1,008,660	\$ 2,005,881	\$ 2,079,196	\$ 2,965,321	\$ 3,087,856

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for service	\$ 71,795	\$ 77,995	\$ 653,021	\$ 617,374	\$ 724,816	\$ 695,369
Operating grants and contributions	25,000	-	2,211	-	27,211	-
General revenues:						
Property taxes	200,516	194,865	-	-	200,516	194,865
Other taxes	222,051	215,801	-	-	222,051	215,801
Other	14,121	21,022	51	78	14,172	21,100
Total revenues	533,483	509,683	655,283	617,452	1,188,766	1,127,135
Expenses:						
General government	416,729	417,432	-	-	416,729	417,432
Public safety	2,136	3,309	-	-	2,136	3,309
Transportation	147,115	162,189	-	-	147,115	162,189
Culture and recreation	6,120	6,120	-	-	6,120	6,120
Interest on long-term debt	2,666	3,106	-	-	2,666	3,106
Water and sewer	-	-	736,535	709,385	736,535	709,385
Total expenses	574,766	592,156	736,535	709,385	1,311,301	1,301,541
Change in net position before transfers	(41,283)	(82,473)	(81,252)	(91,933)	(122,535)	(174,406)
Transfers	(7,937)	(3,000)	7,937	3,000	-	-
Change in net position	(49,220)	(85,473)	(73,315)	(88,933)	(122,535)	(174,406)
Beginning net position	1,008,660	1,094,133	2,079,196	2,168,129	3,087,856	3,262,262
Net position - September 30, 2017	\$ 959,440	\$ 1,008,660	\$ 2,005,881	\$ 2,079,196	\$ 2,965,321	\$ 3,087,856

Management's Discussion and Analysis

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$96,795 in program revenues and \$436,688 of general revenues, incurred \$574,766 of program expenses, and transferred out \$7,937. This resulted in a \$49,220 decrease in net position.

Business-type Activities

Revenues of the Water Fund were \$655,283, before transfers in of \$7,937, compared to expenses of \$736,535. This resulted in a loss for the year of \$73,315.

THE TOWN'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance decreased by \$2,912, from \$110,818 to \$107,906.

Water Fund

The Water and Sewer Fund's net position decreased by \$73,315, from \$2,079,196 to \$2,005,881.

BUDGETARY HIGHLIGHTS

Amendments to the budget for the General Fund were made to decrease revenues and expenditures for major roof and window repairs grant that was completed in the prior year.

Revenues of the General Fund were about \$43,000 more than budgeted amounts after amendments and General Fund expenditures were \$41,000 higher than budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Significant capital asset activity during the year consisted of purchases of plant assets and equipment. 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 incurred no new long term debt during the year. 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. The Town dissolved on February 28, 2018 and was absorbed into St. Johns County. If you have any questions about this report or need additional information, contact Allen McDonald, Comptrollers Office, CFO, located at 500 San Sebastian View, St. Augustine, FL 32084, Telephone number (904) 918-3669.

Town of Hastings, Florida

Statement of Net Position
September 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 47,055	\$ 93,937	\$ 140,992
Investments	75,000	12,500	87,500
Prepaid expenses	5,865	5,865	11,730
Accounts receivable	-	72,311	72,311
Internal balances	(4,937)	4,937	-
Restricted cash and equivalents	-	52,748	52,748
Capital assets:			
Non-depreciable	25,870	1,625	27,495
Depreciable, net	1,073,253	2,975,450	4,048,703
Total assets	1,222,106	3,219,373	4,441,479
Deferred outflows of resources			
Pension related	89,850	101,318	191,168
Liabilities			
Accounts payable and accrued liabilities	15,077	22,006	37,083
Deposits	-	86,976	86,976
Accrued interest	-	23,439	23,439
Noncurrent liabilities:			
Due within one year	42,187	67,068	109,255
Due in more than one year	277,716	1,095,546	1,373,262
Total liabilities	334,980	1,295,035	1,630,015
Deferred inflows of resources			
Pension related	17,536	19,775	37,311
Net position			
Net investment in capital assets	1,031,013	2,100,675	3,131,688
Restricted for:			
Debt service	-	20,999	20,999
Unrestricted	(71,573)	(115,793)	(187,366)
Total net position	\$ 959,440	\$ 2,005,881	\$ 2,965,321

See accompanying notes.

Town of Hastings, Florida

Statement of Activities
Year ended September 30, 2017

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	416,729	\$ 57,877	\$ 25,000	\$ -	\$ (333,852)	\$ -	\$ (333,852)
Public safety	2,136	-	-	-	(2,136)	-	(2,136)
Transportation	147,115	13,918	-	-	(133,197)	-	(133,197)
Culture and recreation	6,120	-	-	-	(6,120)	-	(6,120)
Interest on long-term debt	2,666	-	-	-	(2,666)	-	(2,666)
Total governmental activities	574,766	71,795	25,000	-	(477,971)	-	(477,971)
Business-type activities:							
Water & sewer	736,535	653,021	2,211	-	-	(81,303)	(81,303)
Total	\$ 1,311,301	\$ 724,816	\$ 27,211	\$ -	(477,971)	(81,303)	(559,274)
General revenues:							
Property taxes					200,516	-	200,516
Sales tax and other shared revenues					111,200	-	111,200
Franchise fees					41,164	-	41,164
Utility taxes					40,045	-	40,045
Communications service tax					26,653	-	26,653
Other taxes					2,989	-	2,989
Investment earnings					1,014	51	1,065
Miscellaneous					13,107	-	13,107
Transfers					(7,937)	7,937	-
Total general revenues and transfers					428,751	7,988	436,739
Change in net position					(49,220)	(73,315)	(122,535)
Net position – beginning of year					1,008,660	2,079,196	3,087,856
Net position – end of year					\$ 959,440	\$ 2,005,881	\$ 2,965,321

See accompanying notes.



Town of Hastings, Florida

Balance Sheet
Governmental Funds
September 30, 2017

	General Fund
<hr/>	
Assets	
Cash and equivalents	\$ 47,055
Investments	75,000
Prepays	5,865
<hr/>	
Total assets	\$ 127,920
<hr/> <hr/>	
Liabilities	
Accounts payable and accrued liabilities	\$ 15,077
Due to other funds	4,937
<hr/>	
Total liabilities	20,014
<hr/>	
Fund balances	
Nonspendable - Prepays	5,865
Unassigned	102,041
<hr/>	
Total fund balances	107,906
<hr/>	
Total liabilities and fund balances	\$ 127,920
<hr/> <hr/>	

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2017**

Fund balance - total governmental funds		\$ 107,906
<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		1,099,123
<p>Deferred outflows and inflows associated with pensions are not reported in the governmental funds.</p>		
Deferred outflows		89,850
Deferred inflows		(17,536)
<p>Long-term liabilities are not reported in the governmental funds.</p>		
Notes payable		(68,110)
Compensated absences		(26,500)
Net pension liability		(225,293)
<hr/>		
Net position of governmental activities		\$ 959,440

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended September 30, 2017**

	General Fund
Revenues	
Taxes	\$ 292,703
Permits, fees & special assessments	41,164
Intergovernmental	88,700
Charges for services	71,795
Miscellaneous	39,121
<hr/>	
Total revenues	533,483
<hr/>	
Expenditures	
Current:	
General government	361,511
Public safety	2,136
Transportation	148,611
Debt service:	
Principal	13,534
Interest	2,666
<hr/>	
Total expenditures	528,458
<hr/>	
Excess of revenues over (under) expenditures	5,025
Other financing sources (uses)	
Transfers out	(7,937)
<hr/>	
Net change in fund balance	(2,912)
Fund balance – beginning of year	110,818
<hr/>	
Fund balance – end of year	\$ 107,906

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, 2017**

Net change in fund balance – total governmental funds \$ (2,912)

Amounts reported for governmental activities in the statement of activities are different because:

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.

Acquisitions of capital assets	9,102
Current year depreciation expense	(68,884)

Repayment of debt principal is an expenditure in governmental funds, but the repayment does not effect net position of governmental activities.

Principal payments on long-term debt	13,534
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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.

Change in net pension liability	(11,431)
Change in deferred outflows related to pensions	(21,036)
Change in deferred inflows related to pensions	17,107

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.

Compensated absences	15,300
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Change in net position of governmental activities **\$ (49,220)**

See accompanying notes.

Town of Hastings, Florida

Statement of Net Position
 Proprietary Funds
 September 30, 2017

	Water Fund
Current assets	
Cash and equivalents	\$ 93,937
Investments	12,500
Accounts receivable, net	72,311
Prepaid expenses	5,865
Due from other funds	4,937
Total current assets	189,550
Noncurrent assets	
Restricted cash and equivalents	52,748
Capital assets, net	2,977,075
Total noncurrent assets	3,029,823
Total assets	3,219,373
Deferred outflows	
Deferred amounts related to pensions	101,318
Current liabilities	
Accounts payable and accrued liabilities	22,006
Deposits	86,976
Accrued interest	23,439
Current portion of long-term liabilities	67,068
Total current liabilities	199,489
Noncurrent liabilities	1,095,546
Total liabilities	1,295,035
Deferred inflows	
Deferred amounts related to pensions	19,775
Net position	
Net investment in capital assets	2,100,675
Restricted for debt service	20,999
Unrestricted	(115,793)
Total net position	\$ 2,005,881

See accompanying notes.

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended September 30, 2017**

	Water Fund
Operating revenues	
User fees	\$ 653,021
Operating expenses	
Personal services	354,584
Operating expenses	218,350
Depreciation	131,070
Total operating expenses	704,004
Operating loss	(50,983)
Nonoperating revenues (expenses)	
Investment earnings	51
Interest expense	(32,531)
Contribution	2,211
Total nonoperating revenues (expenses)	(30,269)
Loss before transfers	(81,252)
Transfers in	7,937
Change in net position	(73,315)
Net position – beginning of year	2,079,196
Net position – end of year	\$ 2,005,881

See accompanying notes.

Town of Hastings, Florida

Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2017

	Water Fund
Operating activities	
Receipts from customers	\$ 643,179
Payments to suppliers	(208,706)
Payments to employees	(362,896)
Net cash provided by operating activities	71,577
Noncapital financing activities	
Contribution	2,211
Transfers in	7,937
Net cash provided by noncapital financing activities	10,148
Capital and related financing activities	
Acquisition of capital assets	(142,435)
Principal paid on debt	(33,000)
Interest paid on debt	(33,566)
Net cash used by capital and related financing activities	(209,001)
Investing activities	
Sale of investments	10,000
Interest received	51
Net cash provided by investing activities	10,051
Change in cash and equivalents	(117,225)
Cash and equivalents – beginning of year	263,910
Cash and equivalents – end of year	\$ 146,685
Operating loss	\$ (50,983)
Depreciation	131,070
Change in:	
Accounts receivable	(5,651)
Due from other fund	(4,937)
Prepays	(69)
Deferred outflows	23,723
Accounts payable and accrued liabilities	9,713
Compensated absences	(25,634)
Customer deposits	746
Net pension liability	12,890
Deferred inflows	(19,291)
Net cash provided by operating activities	\$ 71,577

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 or entities that would be misleading to exclude.

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

The Town did not participate in any joint ventures during the 2016-2017 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 acquisition 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 2017.

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, 2016, 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 \$87,500 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 is a \$4,937 interfund balance as of September 30, 2017 due from the General fund to the Water fund.

The \$7,937 interfund transfer was made in the normal course of operations and is consistent with the activities of the fund making the transfer.

NOTE 4 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2017, the following changes in capital assets occurred:

Notes to Financial Statements

NOTE 4 – CAPITAL ASSET ACTIVITY (CONTINUED)

Governmental Activities	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017
Capital assets not being depreciated:				
Land and improvements	\$ 25,870	\$ -	\$ -	\$ 25,870
Capital assets being depreciated:				
Buildings and improvements	1,666,893	-	-	1,666,893
Furniture and equipment	481,477	9,102	-	490,579
Total capital assets being depreciated	2,148,370	9,102	-	2,157,472
Less accumulated depreciation for:				
Buildings and improvements	580,634	53,614	-	634,248
Furniture and equipment	434,701	15,270	-	449,971
Total accumulated depreciation	1,015,335	68,884	-	1,084,219
Total capital assets being depreciated, net	1,133,035	(59,782)	-	1,073,253
Governmental activities capital assets, net	\$ 1,158,905	\$ (59,782)	\$ -	\$ 1,099,123
Business-type Activities	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017
Capital assets not being depreciated:				
Land and improvements	\$ 1,625	\$ -	\$ -	\$ 1,625
Capital assets being depreciated:				
Plant assets and equipment	5,743,035	142,435	-	5,885,470
Less accumulated depreciation for:				
Plant assets and equipment	2,778,950	131,070	-	2,910,020
Total capital assets being depreciated, net	2,964,085	11,365	-	2,975,450
Business-type activities capital assets, net	\$ 2,965,710	\$ 11,365	\$ -	\$ 2,977,075

Notes to Financial Statements

NOTE 4 – CAPITAL ASSET ACTIVITY (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 51,431
Transportation	11,333
Culture and recreation	6,120
<hr/>	
Total depreciation expense – governmental activities	<u>\$ 68,884</u>
Business-type activities:	
Water and sewer	<u>\$ 131,070</u>

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.	<u>\$ 68,110</u>
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Business-type Activities

\$123,000 Water and Sewer System Improvement Revenue Bonds, Series 1988, payable in annual installments ranging from \$6,800 to \$7,700 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 \$86,850. During the current year, the Town recognized pledged revenues of \$647,864 and made \$7,400 principal and interest payments.	\$ 64,000
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\$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 \$33,400. During the current year, the Town recognized pledged revenues of \$647,864 and made \$2,350 principal and interest payments.	25,000
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\$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 \$38,185 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 \$588,875. During the current year, the Town recognized pledged revenues of \$647,864 and made \$39,235 principal and interest payments.	406,700
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Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

<p>\$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 \$76,138. During the current year, the Town recognized pledged revenues of \$647,864 and made \$4,372 principal and interest payments.</p>	50,700
<p>\$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 \$151,995. During the current year, the Town recognized pledged revenues of \$647,864 and made \$6,275 principal and interest payments.</p>	93,000
<p>\$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.</p>	237,000
<p>Total business-type activities</p>	<p>\$ 876,400</p>

Revenue Bonds and Notes

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 13,995	\$ 2,161	\$ 33,000	\$ 31,251
2019	14,497	1,664	35,000	29,872
2020	15,009	1,148	36,000	28,391
2021	15,542	614	38,000	26,862
2022	9,067	105	38,000	25,231
2023-2027	-	-	223,000	99,668
2028-2032	-	-	252,700	46,332
2033-2037	-	-	68,700	9,216
2038-2042	-	-	40,000	1,035
2043-2047	-	-	25,000	-
2048-2052	-	-	25,000	-
2053-2057	-	-	25,000	-
2058-2062	-	-	25,000	-
2063-2065	-	-	12,000	-
Totals	\$ 68,110	\$ 5,692	\$ 876,400	\$ 297,858

Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Governmental Activities

	Balance October 1, 2016,	Additions	Deductions	Balance September 30, 2017	Due Within One Year
Note payable	\$ 81,644	\$ -	\$ 13,534	\$ 68,110	\$ 13,995
Compensated absences	41,800	13,800	29,100	26,500	26,500
Net pension liability	213,862	11,431	-	225,293	1,692
Total	\$ 337,306	\$ 25,231	\$ 42,634	\$ 319,903	\$ 42,187

Business-type Activities

	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017	Due Within One Year
Note Payable FDOT	\$ 242,000	\$ -	\$ 5,000	\$ 237,000	\$ 5,000
Revenue bonds:					
Series 1988	68,000	-	4,000	64,000	4,000
Series 1989	27,000	-	2,000	25,000	2,000
Series 1990	424,700	-	18,000	406,700	18,000
Series 1995	52,700	-	2,000	50,700	2,000
Series 1999	95,000	-	2,000	93,000	2,000
Total revenue bonds and notes	909,400	-	33,000	876,400	33,000
Compensated absences	57,794	10,029	35,663	32,160	32,160
Net pension liability	241,164	12,890	-	254,054	1,908
Total	\$ 1,208,358	\$ 22,919	\$ 68,663	\$ 1,162,614	\$ 67,068

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 is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

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, 2017, were as follows:

	FRS	HIS
Regular class	6.26%	1.66%
Special risk class	21.61%	1.66%
Senior management service class	21.05%	1.66%
Elected officials	43.84%	1.66%
DROP from FRS	11.60%	1.66%

The Town’s contributions for the year ended September 30, 2017, were \$30,398 to the FRS and \$6,826 to the HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2017, the Town reported a liability for its proportionate share of the net pension liability of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Program. The net pension liabilities were measured as of June 30, 2017. The Town’s proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	\$ 345,287	\$ 134,060
Proportion at:		
Current measurement date	0.0012%	0.0013%
Prior measurement date	0.0012%	0.0013%
Pension expense (benefit)	\$ 60,730	\$ 9,176

Notes to Financial Statements

NOTE 6 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Deferred Outflows/Inflows of Resources Related to Pensions

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

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,689	\$ (1,913)	\$ -	\$ (279)
Changes of assumptions	116,041	-	18,844	(11,592)
Net difference between projected and actual earnings on pension plan investments	-	(8,557)	74	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,560	(10,251)	-	(4,718)
Employer contributions subsequent to the measurement date	8,156	-	1,803	-
Total	\$ 170,446	\$ (20,721)	\$ 20,721	\$ (16,589)

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, 2017. 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
2018	\$ 21,064	\$ 1,165
2019	51,261	1,165
2020	34,116	1,165
2021	5,497	925
2022	21,838	85
Thereafter	7,793	(2,176)
Total	\$ 141,569	\$ 2,329

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2017. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2017. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2016, rolled-forward using standard actuarial procedures. The individual entry age normal actuarial cost method was used for each plan, along with 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	7.10%	N/A
Discount rate	7.10%	3.58%

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

For both plans, the actuarial assumptions 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 2017:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.60% to 7.10%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 2.85% to 3.58%.

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 consulting actuary’s assumptions based on the long-term target asset allocation.

Notes to Financial Statements

NOTE 6 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.0%	3.0%
Fixed income	18%	4.5%	4.4%
Global equity	53%	7.8%	6.6%
Real estate	10%	6.6%	5.9%
Private equity	6%	11.5%	7.8%
Strategic investments	12%	6.1%	5.6%
	<u>100%</u>		

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.10%. 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 3.58% 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.

Notes to Financial Statements

NOTE 6 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

	FRS			HIS		
	Current			Current		
	1% Decrease	Discount Rate	1% Increase	1% Decrease	Discount Rate	1% Increase
	(6.10%)	(7.10%)	(8.10%)	(2.58%)	(3.58%)	(4.58%)
Employer's proportionate share of the net pension liability	\$ 624,949	\$ 345,287	\$ 113,104	\$ 152,980	\$ 134,060	\$ 118,301

Pension Plans' Fiduciary Net Position

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

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. Required employer contributions made to the plan during the year ended September 30, 2017, totaled \$7,148.

NOTE 7 – RISK MANAGEMENT

The Town carries commercial insurance for certain risks, including health insurance. There were no significant reductions in insurance coverage during 2017. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in 2018. The statements address:

- OPEB—accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

Notes to Financial Statements

NOTE 8 – FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The Town is currently evaluating the effects that these statements will have on its 2018 financial statements.

NOTE 9 – SUBSEQUENT EVENTS

As a result of voter approval on November 7, 2017 to revoke the Town Charter, The Town dissolved on February 28, 2018 and was absorbed into St. Johns County.

Subsequent to year-end, the Florida Department of Transportation forgave the remaining note payable balance shown in Note 5.

Required Supplementary Information

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
Year ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 288,631	\$ 288,631	\$ 292,703	\$ 4,072
Permits, fees & special assessments	39,400	39,400	41,164	1,764
Intergovernmental	85,650	85,650	88,700	3,050
Charges for services	72,293	72,293	71,795	(498)
Fines and forfeitures	15	15	-	(15)
Miscellaneous	17,498	3,998	39,121	35,123
Total revenues	503,487	489,987	533,483	43,496
Expenditures				
Current:				
General government	332,056	332,056	361,511	(29,455)
Public safety	3,640	3,640	2,136	1,504
Transportation	148,541	135,041	148,611	(13,570)
Debt service:				
Principal	16,250	16,250	13,534	2,716
Interest	-	-	2,666	(2,666)
Total expenditures	500,487	486,987	528,458	(41,471)
Excess (deficiency) of revenues over expenditures	3,000	3,000	5,025	2,025
Other financing sources (uses)				
Transfers out	(3,000)	(3,000)	(7,937)	(4,937)
Net change in fund balances	-	-	(2,912)	(2,912)
Fund balances – beginning of year	-	-	110,818	110,818
Fund balances – end of year	\$ -	\$ -	\$ 107,906	\$ 107,906

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, 2017.

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 (3)**

	Florida Retirement System		
	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.0012%	0.0012%	0.0013%
Employer's proportionate share of the net pension liability (asset)	\$ 345,287	\$ 306,307	\$ 162,377
Employer's covered payroll (2)	\$ 399,994	\$ 393,925	\$ 392,444
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	86.32%	77.76%	41.38%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%
	Health Insurance Subsidy Program		
	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.0013%	0.0013%	0.0013%
Employer's proportionate share of the net pension liability (asset)	\$ 134,060	\$ 148,719	\$ 131,923
Employer's covered payroll (2)	\$ 399,994	\$ 393,925	\$ 392,444
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.52%	37.75%	33.62%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	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 payroll includes defined benefit plan actives 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	2017	2016	2015
Contractually required contribution	\$ 30,398	\$ 30,575	\$ 29,952
Contributions in relation to the contractually required contribution	30,398	30,575	29,952
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll (1)	\$ 411,484	\$ 395,552	\$ 386,608
Contributions as a percentage of covered payroll	7.39%	7.73%	7.75%

Health Insurance Subsidy Program	2017	2016	2015
Contractually required contribution	\$ 6,826	\$ 6,568	\$ 5,253
Contributions in relation to the contractually required contribution	6,826	6,568	5,253
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll (1)	\$ 411,484	\$ 395,552	\$ 386,608
Contributions as a percentage of covered payroll	1.66%	1.66%	1.36%

Notes to schedules:

(1) Covered payroll includes defined benefit plan actives 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, 2017, and have issued our report thereon dated October 1, 2018. 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. However, with regard to Section 218.39(5)(b), Florida Statutes, we did note that the unrestricted net position deficit of the proprietary fund is not fully covered by sufficient available resources in the fund balance of the General Fund.

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, 2017, 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, 2017.

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
October 1, 2018

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, 2017, 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 1, 2018.

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.

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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control described as items 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2017-003.

Response to Findings

The response from Responsible Officials for the Town to the findings identified in our audit is described in its accompanying letter of response. The 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.

Carly Riggs & Ingram, L.L.C.

Palatka, Florida
October 1, 2018



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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' (the "Town") compliance with requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management is responsible for the Town's compliance with the specified 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.

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 during the year ended September 30, 2017.

This report is intended solely for the information and use of the Town's 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
October 1, 2018

Schedule of Findings

2017-001 (Reported in previous audit reports as items 2016-001 and 2015-001.

Criteria – Adequate controls should be in place to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in a timely basis. Although the small size of the business office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible 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 bookkeeper inputs invoices, prints checks, is a signor, mails checks, and enters all general ledger transactions.

Cause – 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.

Effect -- Incompatible duties are not adequately separated. The result is that intentional or unintentional errors could be made and not 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.

2017-002 (Reported in previous audit reports as items 2016-002 and 2015-002.

Criteria – Financial statements must be presented in accordance with generally accepted accounting principles.

Condition – As part of the audit process it was necessary for us to propose material adjustments to the financial statements including adjustments related to long-term debt, equity, pension and expenses. It was also necessary for us to assist with the preparation of the Town's financial statements.

Cause – Prior year audit adjustments were not posted and certain year-end entries were not made prior to the current year audit. Also, personnel are unable to prepare financial statements, including related notes, in accordance with generally accepted accounting principles.

Schedule of Findings

Effect – Our proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting practices.

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

2017-003

Criteria – The adopted budget must regulate expenditures of the Town, pursuant to Section 166.241(2), Florida Statutes.

Condition – The Town overexpended its adopted final amended budget for the General Fund by approximately \$41,000.

Cause – The Town did not adequately monitor the budget compared to actual and make additional amendments when necessary.

Effect – Expenditures of the General Fund were not regulated by the adopted budget, as amended.

Recommendation -- We recommend that the Town monitor the expenditures occurred and prepare and approve budget amendments to cover the unexpected expenditures.



St. Johns County Board of County Commissioners

Office of the County Administrator

October 1, 2018

Sherrill Norman, CPA
Florida Auditor General
Claude Pepper Building
111 West Madison Street
Tallahassee FL 32399-1450

Re: Town of Hastings September 30, 2017 Audit Report

Ms Norman:

The St. Johns County Board of County Commissioners has drafted an action plan to address the Schedule of Findings within the Town of Hastings September 30, 2017 Audit Report.

2017-001 Condition: The bookkeeper inputs invoices, prints checks, is a signor, mails checks, and enters all general ledger transactions.

2017-001 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.

2017-001 St. Johns County Action: On August 14, 2017, pursuant to the Formation of Municipalities Act, Chapter 165, Florida Statutes, the Town of Hastings (Town) passed and adopted Ordinance No. 2017-03 (Dissolution Ordinance), providing for the dissolution of the Town upon approval of a majority of the qualified electors. On November 7, 2017, the Dissolution Ordinance was approved by the electors, providing for the final dissolution of the Town on February 28, 2018. Effective March 1, 2018, the St. Johns County Board of County Commissioners absorbed all operating activities, assets and indebtedness of the Town. Activities of the now former Town will be handled under the established internal control procedures of St Johns County.

2017-002 Condition: As part of the audit process it was necessary for us to propose material adjustments to the financial statements including adjustments related to long-term debt, equity, pension and expenses. It was also necessary for us to assist with preparation of the Town's financial statements.

2017-002 Recommendation: We recommend that you consider and evaluate the cost and benefits of improving internal controls relative to the financial reporting process.

2017-002 St. Johns County Action: On August 14, 2017, pursuant to the Formation of Municipalities Act, Chapter 165, Florida Statutes, the Town of Hastings (Town) passed and adopted Ordinance No. 2017-03 (Dissolution Ordinance), providing for the dissolution of the Town upon approval of a majority of the qualified electors. On November 7, 2017, the Dissolution Ordinance was approved by the electors, providing for the final dissolution of the Town on February 28, 2018. Effective March 1, 2018, the St. Johns County Board of County Commissioners absorbed all operating activities, assets and indebtedness of the Town. Activities of the now former Town will be handled under the established internal control procedures of St Johns County.

2017-003 Condition: The Town did not adequately monitor the budget compared to actual and make additional amendments when necessary.

2017-003 Recommendation: We recommend that the Town monitor the expenditures occurred and prepare and approve budget amendments to cover the unexpected expenditures.

2017-003 St. Johns County Action: On August 14, 2017, pursuant to the Formation of Municipalities Act, Chapter 165, Florida Statutes, the Town of Hastings (Town) passed and adopted Ordinance No. 2017-03 (Dissolution Ordinance), providing for the dissolution of the Town upon approval of a majority of the qualified electors. On November 7, 2017, the Dissolution Ordinance was approved by the electors, providing for the final dissolution of the Town on February 28, 2018. Effective March 1, 2018, the St. Johns County Board of County Commissioners absorbed all operating activities, assets and indebtedness of the Town. Activities of the now former Town will be handled under the established internal control procedures of St Johns County.

If any other information or response is necessary, please contact Jesse Dunn, Director for the Office of Management & Budget, at (904) 209-0568.

Sincerely,



Michael D. Wanchick
County Administrator