

TOWN OF HAVANA, FLORIDA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

TOWN OF HAVANA, FLORIDA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – to the Statement of Activities – Governmental Funds	17
Statement of Net Position – Proprietary Funds.....	18
Statement of Revenues, Expenditures, and Changes in Net Position – Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds.....	20
Statement of Net Position – Fiduciary Fund.....	21
Statement of Changes in Net Position – Fiduciary Fund	22
Notes to Basic Financial Statements	23

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund.....		47
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – CRA/Special Revenue Fund		48
Note to the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General and CRA/Special Revenue Funds		49
Florida Retirement System and Health Insurance Subsidy		
Schedule of the Town's Proportionate Share of the Net Pension Liability		50
Schedule of the Town's Contributions.....		51
Municipal Firemen's Pension Plan		
Schedule of Changes in Net Pension Liability and Related Ratios.....		52
Schedule of Contributions.....		53

COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>		54
Schedule of Findings.....		56
Independent Accountant's Report on Compliance with the Requirements of Section 218.415, Florida Statutes		59
Independent Auditor's Management Letter in Accordance with Rules of the Auditor General of the State of Florida.....		60
Corrective Action Plan.....		62

INDEPENDENT AUDITOR'S REPORT

To the Honorable Town Council,
Town of Havana, Florida

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Havana, Florida (the "Town"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Qualified Opinion on the Governmental Activities, Business-Type Activities, Water Fund, Electric Fund, Gas Fund, and Sewer Fund

In our opinion, except for the effects of the matters described in the "Matters Giving Rise to the Qualified Opinion on the Governmental Activities, Business-Type Activities, Water Fund, Electric Fund, Gas Fund, and Sewer Fund" section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, water fund, electric fund, gas fund, and sewer fund of the Town, as of September 30, 2023, 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 on the General Fund, CRA/Special Revenue Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, CRA/special revenue fund, and aggregate remaining fund information of the Town as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

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

The Town has not received an actuarial valuation for its firemen's pension fund as of the year ended September 30, 2023, as discussed in Note 10 to the financial statements, and therefore has not adjusted the accounting records to reflect the current actuarial valuation for the respective pension funds as required in

Statement No. 67 *Financial Reporting for Pension Plans* and Statement No. 68 *Accounting and Financial Reporting for Pensions*. Accounting principles generally accepted in the United States of America require recording of a net pension (asset) liability, and any associated deferred inflows and outflows related to the pension fund. A valuation would likely produce changes in the recorded net pension asset, deferred outflows, net position, revenues and expenses in the governmental activities related to the firemen's pension.

As discussed in Note 13 to the financial statements, the Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in the governmental activities, business-type activities, water fund, electric fund, gas fund, and sewer fund. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities, water fund, electric fund, gas fund, and sewer fund, has not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Management has omitted the schedule of changes in the Town's total OPEB liability and related ratios that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2025, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Moran & Smith LLP

Moran & Smith LLP
Tallahassee, Florida
February 25, 2025

**TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

As management of the Town of Havana, Florida (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2023.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The *statement of net position* presents information on all the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

The government-wide financial statements can be found on pages 12 through 13 of this report.

Fund Financial Statements

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

Governmental Funds

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

**TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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

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

The Town maintains two governmental funds, the general fund and the CRA/special revenue fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of the funds, both of which are considered to be major funds.

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

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 18 through 20 of this report.

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on pages 21 through 22 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 46 of this report.

**TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town. Required supplementary information can be found on pages 47 through 53 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$10,769,619 at the close of the most recent fiscal year.

A large portion of the Town's net position (94 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets and right-of-use assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.

Town of Havana, Florida's Net Position

	Governmental Activities		
	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Assets			
Current and Other Assets	\$ 1,026,599	\$ 1,545,364	\$ (518,765)
Net Pension Asset	1,437,664	1,437,664	-
Capital and Right-of-Use Assets, Net	1,878,804	1,632,188	246,616
Total Assets	<u>4,343,067</u>	<u>4,615,216</u>	<u>(272,149)</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	<u>331,958</u>	<u>391,691</u>	<u>(59,733)</u>
Liabilities			
Other Liabilities	488,932	42,257	446,675
Net Pension Liability	1,598,537	1,483,113	115,424
Long-term Liabilities	225,974	1,033,419	(807,445)
Total Liabilities	<u>2,313,443</u>	<u>2,558,789</u>	<u>(245,346)</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	<u>103,517</u>	<u>149,562</u>	<u>(46,045)</u>
Net Position			
Net Investment in Capital and Right-of-Use Assets	1,734,650	1,543,928	190,722
Restricted	2,753,144	2,715,845	37,299
Unrestricted	<u>(2,229,729)</u>	<u>(1,961,217)</u>	<u>(268,512)</u>
Total Net Position	<u>\$ 2,258,065</u>	<u>\$ 2,298,556</u>	<u>\$ (40,491)</u>

**TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Business-Type Activities			
	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Assets			
Current and Other Assets	\$ 1,617,456	\$ 1,515,394	\$ 102,062
Capital and Right-of-Use Assets, Net	<u>11,517,226</u>	<u>11,742,349</u>	<u>(225,123)</u>
Total Assets	<u>13,134,682</u>	<u>13,257,743</u>	<u>(123,061)</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	<u>228,787</u>	<u>225,721</u>	<u>3,066</u>
Liabilities			
Other Liabilities	547,661	668,405	(120,744)
Net Pension Liability	1,101,717	870,472	231,245
Long-term Liabilities	<u>3,131,193</u>	<u>3,307,149</u>	<u>(175,956)</u>
Total Liabilities	<u>4,780,571</u>	<u>4,846,026</u>	<u>(65,455)</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	<u>71,344</u>	<u>87,782</u>	<u>(16,438)</u>
Net Position			
Net Investment in Capital and Right-of-Use Assets	8,407,455	8,458,724	(51,269)
Restricted	186,351	227,142	(40,791)
Unrestricted	<u>(82,252)</u>	<u>(136,210)</u>	<u>53,958</u>
Total Net Position	<u>\$ 8,511,554</u>	<u>\$ 8,549,656</u>	<u>\$ (38,102)</u>

Governmental Activities

Governmental activities decreased the Town's net position by \$(40,491) in the most recent fiscal year.

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

Business-Type Activities

In the most recent fiscal year, business-type activities decreased the Town's net position by \$(38,102).

**TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Town of Havana, Florida's Changes in Net Position

	Governmental Activities		
	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 372,795	\$ 37,758	\$ 335,037
Operating Grants and Contributions	480,429	152,062	328,367
Capital Grants and Contributions	113,489	-	113,489
General Revenues:			
Property Taxes	181,954	155,854	26,100
Intergovernmental and Other	676,424	495,601	180,823
Total Revenues	<u>1,825,091</u>	<u>841,275</u>	<u>983,816</u>
Expenses:			
General Government	443,265	188,018	255,247
Public Safety	1,126,962	1,042,192	84,770
Physical Environment	370,071	10,963	359,108
Transportation	337,054	400,735	(63,681)
Culture and Recreation	18,842	70,950	(52,108)
Interest on Long-Term Debt	4,427	-	4,427
Total Expenses	<u>2,300,621</u>	<u>1,712,858</u>	<u>587,763</u>
Increase (Decrease) in Net Position Before Transfers	<u>(475,530)</u>	<u>(871,583)</u>	<u>396,053</u>
Transfers	<u>435,039</u>	<u>732,997</u>	<u>(297,958)</u>
Increase (Decrease) in Net Position	<u>(40,491)</u>	<u>(138,586)</u>	<u>98,095</u>
Net Position, Beginning of Year, as Restated	<u>2,298,556</u>	<u>2,437,142</u>	<u>(138,586)</u>
Net Position, End of Year	<u>\$ 2,258,065</u>	<u>\$ 2,298,556</u>	<u>\$ (40,491)</u>

**TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Business-Type Activities			
	2023	2022	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for Services	\$ 4,988,216	\$ 4,253,452	\$ 734,764
Operating Grants and Contributions	64,699	-	64,699
Capital Grants and Contributions	-	220,919	(220,919)
General Revenues:			
Intergovernmental and Other	73,816	62,445	11,371
Total Revenues	<u>5,126,731</u>	<u>4,536,816</u>	<u>589,915</u>
Expenses:			
Business-Type Activities - Water	652,229	577,033	75,196
Business-Type Activities - Electric	2,683,339	3,139,808	(456,469)
Business-Type Activities - Gas	623,869	565,366	58,503
Business-Type Activities - Sewer	770,357	771,290	(933)
Total Expenses	<u>4,729,794</u>	<u>5,053,497</u>	<u>(323,703)</u>
Increase (Decrease) in Net Position Before Transfers	396,937	(516,681)	913,618
Transfers	<u>(435,039)</u>	<u>(732,997)</u>	<u>297,958</u>
Increase (Decrease) in Net Position	(38,102)	(1,249,678)	1,211,576
Net Position, Beginning of Year, as Restated	8,549,656	9,799,334	(1,249,678)
Net Position, End of Year	<u>\$ 8,511,554</u>	<u>\$ 8,549,656</u>	<u>\$ (38,102)</u>

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the Town's *governmental funds* reported combined ending fund balances of \$537,667, a decrease of \$109,982 in comparison with the prior year. However, the Town received ARPA funds in prior years, \$384,830 of which remain unspent and have been classified as unearned revenue (a liability) until the funds can be used.

The general fund is the chief operating fund of the Town of Havana, Florida. At the end of the current fiscal year, unassigned and total fund balances of the general fund were \$(781,270) and \$327,480, respectively.

The special revenue fund accounts for revenue sources that are legally restricted to expenditure for specific purposes for the Town of Havana, Florida. At the end of the current fiscal year, total fund balance of the special revenue fund was \$210,187.

**TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Proprietary Funds

The Town's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water fund at the end of the year amounted to \$858,567. The total net position for the water fund was \$2,682,291.

Unrestricted net position of the electric fund at the end of the year amounted to \$211,872. The total net position for the electric fund was \$479,027.

Unrestricted net position of the gas fund at the end of the year amounted to \$3,612. The total net position for the gas fund was \$43,057.

Unrestricted net position of the sewer fund at the end of the year amounted to a deficit of \$(1,162,994). The total net position for the sewer fund was \$5,307,179.

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

General Budgetary Highlights

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

The Town did not amend its budget during the current year. The Town overspent the annual budget.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital and right-of-use assets for its governmental and business-type activities as of September 30, 2023, amounts to \$10,142,105 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and improvements, utility systems, machinery and equipment, park facilities and roads.

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

Long-term Debt

At the end of the current fiscal year, the Town had notes and bonds payable amounting to \$3,024,212. This debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

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

Economic Factors and Next Year's Budgets and Rates

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

**TOWN OF HAVANA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

There are no anticipated rate increases. This factor was considered in preparing the Town's budget for the 2024-2025 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Post Office Box 1068, Havana, Florida 32333-1068.

TOWN OF HAVANA, FLORIDA
BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

TOWN OF HAVANA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,099,419	\$ 342,631	\$ 1,442,050
Accounts Receivable, Net	32,788	642,769	675,557
Due from Other Governments	212,560	-	212,560
Internal Balances	(332,775)	332,775	-
Inventory	10,565	99,483	110,048
Prepaid Expenses	4,042	13,447	17,489
Restricted Assets:			
Cash and Cash Equivalents	-	158,333	158,333
Certificates of Deposit	-	28,018	28,018
Net Pension Asset	1,437,664	-	1,437,664
Capital Assets:			
Capital Assets, Not Being Depreciated	312,788	317,739	630,527
Capital Assets, Being Depreciated, Net	1,423,045	11,120,619	12,543,664
Right-of-Use Lease Asset, Being Amortized, Net	142,971	78,868	221,839
Total Assets	<u>4,343,067</u>	<u>13,134,682</u>	<u>17,477,749</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	<u>331,958</u>	<u>228,787</u>	<u>560,745</u>
Liabilities			
Accounts Payable and Accrued Expenses	104,102	210,890	314,992
Unearned Revenue	384,830	-	384,830
Customer Deposits	-	336,771	336,771
Accrued Compensated Absences, Current Portion	20,455	5,356	25,811
Bonds and Notes Payable, Current Portion	-	172,781	172,781
Lease Liability, Current Portion	46,477	27,195	73,672
Noncurrent Liabilities:			
Accrued Compensated Absences, Long Term	61,365	16,066	77,431
Bonds and Notes Payable, Long Term	-	2,851,431	2,851,431
Lease Liability, Long Term	97,677	58,364	156,041
Net Pension Liability	1,598,537	1,101,717	2,700,254
Total Liabilities	<u>2,313,443</u>	<u>4,780,571</u>	<u>7,094,014</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	<u>103,517</u>	<u>71,344</u>	<u>174,861</u>
Net Position			
Net Investment in Capital and Right-of-Use Assets	1,734,650	8,407,455	10,142,105
Restricted for:			
Debt Service	-	186,351	186,351
Pensions	1,444,772	-	1,444,772
Infrastructure	1,075,664	-	1,075,664
Community Development	8,587	-	8,587
Community Redevelopment	210,187	-	210,187
Law Enforcement Trust	13,934	-	13,934
Unrestricted	(2,229,729)	(82,252)	(2,311,981)
Total Net Position	<u>\$ 2,258,065</u>	<u>\$ 8,511,554</u>	<u>\$ 10,769,619</u>

See accompanying notes to basic financial statements.

**TOWN OF HAVANA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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
Primary Government:							
Governmental Activities:							
General Government	\$ 443,265	\$ -	\$ 480,429	\$ -	\$ 37,164	\$ -	\$ 37,164
Public Safety	1,126,962	-	-	113,489	(1,013,473)	-	(1,013,473)
Physical Environment	370,071	356,127	-	-	(13,944)	-	(13,944)
Transportation	337,054	16,668	-	-	(320,386)	-	(320,386)
Culture and Recreation	18,842	-	-	-	(18,842)	-	(18,842)
Interest on Long-Term Debt	4,427	-	-	-	(4,427)	-	(4,427)
Total Governmental Activities	2,296,194	372,795	480,429	113,489	(1,333,908)	-	(1,333,908)
Business-Type Activities:							
Water	652,229	667,759	61,345	-	-	76,875	76,875
Electric	2,683,339	3,521,641	-	-	-	838,302	838,302
Gas	623,869	374,933	-	-	-	(248,936)	(248,936)
Sewer	770,357	423,883	3,354	-	-	(343,120)	(343,120)
Total Business-Type Activities	4,729,794	4,988,216	64,699	-	-	323,121	323,121
Total Primary Government	\$ 7,025,988	\$ 5,361,011	\$ 545,128	\$ 113,489	(1,333,908)	323,121	(1,010,787)
General Revenues:							
Taxes:							
Property Taxes					181,954	-	181,954
Discretionary Surtax					186,054	-	186,054
Sales Tax					101,090	-	101,090
Local Option Gas Tax					87,252	-	87,252
Communications Service Tax					65,405	-	65,405
Other Intergovernmental Revenue					159,271	-	159,271
Miscellaneous Income					77,352	73,816	151,168
Transfers					435,039	(435,039)	-
Total General Revenues and Transfers					1,293,417	(361,223)	932,194
Change in Net Position					(40,491)	(38,102)	(78,593)
Net Position, Beginning of Year, Previously Reported					1,937,593	8,485,871	10,423,464
Restatement					360,963	63,785	424,748
Net Position, Beginning of Year, Restated					2,298,556	8,549,656	10,848,212
Net Position, End of Year					\$ 2,258,065	\$ 8,511,554	\$ 10,769,619

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund	CRA/Special Revenue Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 423,629	\$ 675,790	\$ 1,099,419
Accounts Receivable, Net	32,788	-	32,788
Due from Other Governments	36,571	175,989	212,560
Due from Other Funds	1,417,492	1,069,447	2,486,939
Prepaid Expenses	10,565	-	10,565
Inventory	4,042	-	4,042
Total Assets	<u>1,925,087</u>	<u>1,921,226</u>	<u>3,846,313</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	80,602	23,500	104,102
Unearned Revenue	-	384,830	384,830
Due to Other Funds	1,517,005	1,302,709	2,819,714
Total Liabilities	<u>1,597,607</u>	<u>1,711,039</u>	<u>3,308,646</u>
Fund Balances			
Nonspendable:			
Prepaid Expenses	10,565	-	10,565
Restricted for:			
Infrastructure	1,075,664	-	1,075,664
Community Development	8,587	-	8,587
Community Redevelopment and Other	-	210,187	210,187
Law Enforcement Trust	13,934	-	13,934
Unassigned	(781,270)	-	(781,270)
Total Fund Balances	<u>327,480</u>	<u>210,187</u>	<u>537,667</u>
Total Liabilities and Fund Balances	<u>\$ 1,925,087</u>	<u>\$ 1,921,226</u>	<u>\$ 3,846,313</u>

See accompanying notes to basic financial statements.

**TOWN OF HAVANA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Total Fund Balances of Governmental Funds	\$ 537,667
--	-------------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	1,735,833
--	-----------

On the governmental fund statements, a net pension asset or liability and related deferred inflows/outflows are not due and payable in the current period and, therefore, are not reported in governmental funds.

Deferred Outflows Related to Pensions	331,958	
Deferred Inflows Related to Pensions	(103,517)	
Net Pension Liability	(1,598,537)	
Net Pension Asset	<u>1,437,664</u>	67,568

Long term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds.

Accrued Compensated Absences	(81,820)
------------------------------	----------

Lease assets and liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:

Right-of-Use Lease Asset, Being Amortized, Net	142,971	
Lease Liability	<u>(144,154)</u>	(1,183)

Total Net Position of Governmental Activities	<u>\$ 2,258,065</u>
--	----------------------------

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	CRA/Special Revenue Fund	Total Governmental Funds
Revenues			
Taxes	\$ 629,423	\$ 25,907	\$ 655,330
Intergovernmental	345,823	381,459	727,282
Charges for Services	372,795	-	372,795
Licenses and Permits	20,042	-	20,042
Fines and Forfeitures	9,862	-	9,862
Miscellaneous Income	35,462	538	36,000
Total Revenues	<u>1,413,407</u>	<u>407,904</u>	<u>1,821,311</u>
Expenditures			
Current:			
General Government	221,989	78,922	300,911
Public Safety	1,059,696	12,419	1,072,115
Physical Environment	370,071	-	370,071
Transportation	315,198	-	315,198
Culture and Recreation	11,714	-	11,714
Capital Outlay	351,570	-	351,570
Debt Service:			
Principal	38,492	-	38,492
Interest	4,427	-	4,427
Total Expenditures	<u>2,373,157</u>	<u>91,341</u>	<u>2,464,498</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(959,750)</u>	<u>316,563</u>	<u>(643,187)</u>
Other Financing Sources (Uses)			
Right-of-Use Assets Acquired	94,386	-	94,386
Proceeds from Sale of Capital Assets	3,780	-	3,780
Transfers In	714,303	-	714,303
Transfers Out	-	(279,264)	(279,264)
Total Other Financing Sources (Uses)	<u>812,469</u>	<u>(279,264)</u>	<u>533,205</u>
Net Change in Fund Balances	(147,281)	37,299	(109,982)
Fund Balances, Beginning of Year, Previously Reported	505,969	172,888	678,857
Restatement	(31,208)	-	(31,208)
Fund Balances, Beginning of Year, Restated	<u>474,761</u>	<u>172,888</u>	<u>647,649</u>
Fund Balances, End of Year	<u>\$ 327,480</u>	<u>\$ 210,187</u>	<u>\$ 537,667</u>

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

Net Change in Fund Balances - Total Governmental Funds	\$ (109,982)
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	351,570	
Depreciation Expense	<u>(66,059)</u>	285,511

Amortization expense related to right-of-use lease assets does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.	(38,895)
--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in:

Net Pension Liability	(115,424)	
Net Pension Asset	-	
Deferred Outflows Related to Pensions	(59,733)	
Deferred Inflows Related to Pensions	<u>46,045</u>	(129,112)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Right-of-Use Assets Acquired		(94,386)
Lease Repayment		38,492
Changes in Accrued Compensated Absences		7,881

Change in Net Position of Governmental Activities	<u>\$ (40,491)</u>
--	---------------------------

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Business-Type Activities - Enterprise Funds				
	Water	Electric	Gas	Sewer	Total
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 341,631	\$ 1,000	\$ -	\$ -	\$ 342,631
Accounts Receivable, Net	60,160	449,503	60,863	72,243	642,769
Due From Other Funds	841,483	760,748	193,162	408,494	2,203,887
Inventory	6,983	84,475	7,933	92	99,483
Prepaid Expenses	6,003	3,122	3,842	480	13,447
Total Current Assets	<u>1,256,260</u>	<u>1,298,848</u>	<u>265,800</u>	<u>481,309</u>	<u>3,302,217</u>
Noncurrent Assets					
Restricted Assets:					
Cash and Cash Equivalents	-	-	-	158,333	158,333
Certificates of Deposit	-	-	-	28,018	28,018
Capital Assets:					
Capital Assets, Not Being Depreciated	-	-	-	317,739	317,739
Capital Assets, Being Depreciated, Net	2,532,739	267,155	70,553	8,250,172	11,120,619
Right-of-Use Lease Assets, Being Amortized, Net	-	-	-	78,868	78,868
Total Noncurrent Assets	<u>2,532,739</u>	<u>267,155</u>	<u>70,553</u>	<u>8,833,130</u>	<u>11,703,577</u>
Total Assets	<u>3,788,999</u>	<u>1,566,003</u>	<u>336,353</u>	<u>9,314,439</u>	<u>15,005,794</u>
Deferred Outflows					
Deferred Outflows Related to Pensions	<u>77,817</u>	<u>82,021</u>	<u>58,351</u>	<u>10,598</u>	<u>228,787</u>
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Expenses	6,640	172,090	20,666	414	199,810
Due to Other Funds	-	285,783	-	1,585,329	1,871,112
Customer Deposits	55,514	279,792	690	775	336,771
Accrued Compensated Absences, Current Portion	2,660	2,696	-	-	5,356
Bonds and Notes Payable, Current Portion	46,099	-	4,857	121,825	172,781
Lease Liability, Current Portion	-	-	-	27,195	27,195
Accrued Interest Payable	3,726	-	-	7,354	11,080
Total Current Liabilities	<u>114,639</u>	<u>740,361</u>	<u>26,213</u>	<u>1,742,892</u>	<u>2,624,105</u>
Noncurrent Liabilities					
Accrued Compensated Absences, Long Term	7,979	8,087	-	-	16,066
Bonds and Notes Payable, Long Term	662,916	-	26,251	2,162,264	2,851,431
Lease Liability, Long Term	-	-	-	58,364	58,364
Net Pension Liability	374,725	394,972	280,987	51,033	1,101,717
Total Noncurrent Liabilities	<u>1,045,620</u>	<u>403,059</u>	<u>307,238</u>	<u>2,271,661</u>	<u>4,027,578</u>
Total Liabilities	<u>1,160,259</u>	<u>1,143,420</u>	<u>333,451</u>	<u>4,014,553</u>	<u>6,651,683</u>
Deferred Inflows					
Deferred Inflows Related to Pensions	<u>24,266</u>	<u>25,577</u>	<u>18,196</u>	<u>3,305</u>	<u>71,344</u>
Net Position					
Net Investment in Capital Assets	1,823,724	267,155	39,445	6,283,822	8,414,146
Restricted for Debt Service	-	-	-	186,351	186,351
Unrestricted	858,567	211,872	3,612	(1,162,994)	(88,943)
Total Net Position	<u>\$ 2,682,291</u>	<u>\$ 479,027</u>	<u>\$ 43,057</u>	<u>\$ 5,307,179</u>	<u>\$ 8,511,554</u>

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities - Enterprise Funds				
	Water	Electric	Gas	Sewer	Total
Operating Revenues					
Charges for Services	\$ 667,759	\$ 3,521,641	\$ 374,933	\$ 423,883	\$ 4,988,216
Total Operating Revenue	<u>667,759</u>	<u>3,521,641</u>	<u>374,933</u>	<u>423,883</u>	<u>4,988,216</u>
Operating Expenses					
Purchases	44,197	2,217,562	203,116	-	2,464,875
Salaries	184,260	194,216	138,167	25,094	541,737
Employee Benefits	162,088	106,282	165,763	19,762	453,895
Other Contractual Services	40,674	881	23,780	355,224	420,559
Auto and Truck	7,497	10,605	2,859	-	20,961
Depreciation and Amortization	92,697	20,305	13,469	265,347	391,818
Insurance	32,429	18,490	23,284	17,355	91,558
Miscellaneous	15,752	32,309	7,762	9,630	65,453
Professional Fees	21,461	29,889	7,889	2,656	61,895
Repairs and Maintenance	23,523	29,639	5,159	5,038	63,359
Supplies	12,921	23,161	31,949	3,896	71,927
Total Operating Expenses	<u>637,499</u>	<u>2,683,339</u>	<u>623,197</u>	<u>704,002</u>	<u>4,648,037</u>
Operating Income (Loss)	<u>30,260</u>	<u>838,302</u>	<u>(248,264)</u>	<u>(280,119)</u>	<u>340,179</u>
Nonoperating Revenues (Expenses)					
Operating Grants	61,345	-	-	3,354	64,699
Proceeds from Sale of Capital Assets	1,665	225	225	428	2,543
Interest Income	15	104	40	38	197
Interest Expense	(14,730)	-	(672)	(66,355)	(81,757)
Miscellaneous Income	3,379	34,481	32,338	878	71,076
Total Nonoperating Revenues (Expenses)	<u>51,674</u>	<u>34,810</u>	<u>31,931</u>	<u>(61,657)</u>	<u>56,758</u>
Income (Loss) Before Transfers	<u>81,934</u>	<u>873,112</u>	<u>(216,333)</u>	<u>(341,776)</u>	<u>396,937</u>
Transfers					
Transfers In	61,345	22,572	49,000	133,894	266,811
Transfers Out	(81,200)	(620,650)	-	-	(701,850)
Total Transfers	<u>(19,855)</u>	<u>(598,078)</u>	<u>49,000</u>	<u>133,894</u>	<u>(435,039)</u>
Change in Net Position	<u>62,079</u>	<u>275,034</u>	<u>(167,333)</u>	<u>(207,882)</u>	<u>(38,102)</u>
Net Position, Beginning of Year, Previously Reported	2,613,715	155,573	201,522	5,515,061	8,485,871
Restatement	6,497	48,420	8,868	-	63,785
Net Position, Beginning of Year, Restated	<u>2,620,212</u>	<u>203,993</u>	<u>210,390</u>	<u>5,515,061</u>	<u>8,549,656</u>
Net Position, End of Year	<u>\$2,682,291</u>	<u>\$ 479,027</u>	<u>\$ 43,057</u>	<u>\$5,307,179</u>	<u>\$8,511,554</u>

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Water Fund	Electric Fund	Gas Fund	Sewer Fund	Total
Cash Flows from Operating Activities					
Cash Receipts from Customers	\$ 668,120	\$ 3,533,258	\$ 592,070	\$ 407,792	\$ 5,201,240
Cash Payments to Suppliers	(304,951)	(3,059,470)	(638,394)	(299,039)	(4,301,854)
Cash Payments to Employees	(274,413)	(283,685)	(196,285)	(37,865)	(792,248)
Net Cash Provided by (Used in) Operating Activities	88,756	190,103	(242,609)	70,888	107,138
Cash Flows from Noncapital Financing Activities					
Transfers from Other Funds	61,345	22,572	49,000	133,894	266,811
Transfers to Other Funds	(81,200)	(620,650)	-	-	(701,850)
Miscellaneous	3,379	34,481	32,338	878	71,076
Net Cash Used in Noncapital Financing Activities	(16,476)	(563,597)	81,338	134,772	(363,963)
Cash Flows from Capital and Related Financing Activities					
Proceeds from Operating Grants	61,345	-	-	3,354	64,699
Proceeds from Sale of Capital Assets	1,665	225	225	428	2,543
Acquisition and Construction of Capital Assets	(61,345)	(38,882)	(41,670)	(24,798)	(166,695)
Proceeds from Issuance of Long-Term Debt	-	-	34,000	-	34,000
Principal Payments of Long-Term Debt	(45,373)	-	(2,892)	(159,589)	(207,854)
Interest Paid	(14,730)	-	(672)	(65,884)	(81,286)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(58,438)	(38,657)	(11,009)	(246,489)	(354,593)
Cash Flows from Investing Activities					
Interest Received	15	104	40	38	197
Net Cash Provided By (Used In) Investing Activities	15	104	40	38	197
Net Increase (Decrease) in Cash and Cash Equivalents	13,857	(412,047)	(172,240)	(40,791)	(611,221)
Cash and Cash Equivalents, Beginning of Year, Previously Reported	268,923	4,879	12,653	199,124	485,579
Certificates of Deposit Reclassified to Cash and Cash Equivalents	58,851	408,168	159,587	-	626,606
Cash and Cash Equivalents, Beginning of Year, Restated	327,774	413,047	172,240	199,124	1,112,185
Cash and Cash Equivalents, End of Year	\$ 341,631	\$ 1,000	\$ -	\$ 158,333	\$ 500,964
Cash and Cash Equivalents Classified As:					
Unrestricted	\$ 341,631	\$ 1,000	\$ -	\$ -	\$ 342,631
Restricted	-	-	-	158,333	158,333
Total Cash and Cash Equivalents	\$ 341,631	\$ 1,000	\$ -	\$ 158,333	\$ 500,964
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>					
Cash Flows from Operating Activities					
Operating Income (Loss)	\$ 30,260	\$ 838,302	\$ (248,264)	\$ (280,119)	\$ 340,179
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation and Amortization	92,697	20,305	13,469	265,347	391,818
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable, Net	361	11,617	25,183	(16,091)	21,070
(Increase) Decrease in Due from Other Funds	(40,350)	65,774	191,954	3,806,531	4,023,909
(Increase) Decrease in Prepaid Expenses	(3,751)	1,268	(2,128)	786	(3,825)
(Increase) Decrease in Inventory	(486)	(1,958)	935	(92)	(1,601)
(Increase) Decrease in Deferred Outflows	(1,498)	15,750	(17,708)	390	(3,066)
Increase (Decrease) in Accounts Payable & Accrued Expenses	1,312	(112,285)	(7,460)	(2,788)	(121,221)
Increase (Decrease) in Due to Other Funds	(53,909)	(659,642)	(325,181)	(3,711,541)	(4,750,273)
Increase (Decrease) in Accrued Compensated Absences	672	(2,774)	-	-	(2,102)
Increase (Decrease) in Customer Deposits	(11,545)	8,263	(50)	775	(2,557)
Increase (Decrease) in Deferred Inflows	(5,414)	(12,445)	2,390	(969)	(16,438)
Increase (Decrease) in Net Pension Liability	80,407	17,928	124,251	8,659	231,245
Total Adjustments	58,496	(648,199)	5,655	351,007	(233,041)
Net Cash Provided by (Used in) Operating Activities	\$ 88,756	\$ 190,103	\$ (242,609)	\$ 70,888	\$ 107,138

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
STATEMENT OF NET POSITION – FIDUCIARY FUND
SEPTEMBER 30, 2023

	Municipal Firemen's Pension Trust Fund
Assets	
Cash and Cash Equivalents	\$ 133,436
Investments, At Fair Value	
Mutual and Pooled Funds	1,328,371
Total Assets	<u>1,461,807</u>
Total Liabilities	<u>-</u>
Net Position	
Restricted for Pensions	<u>\$ 1,461,807</u>

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Municipal Firemen's Pension Trust Fund
Additions	
Contributions:	
State of Florida	\$ -
Plan Members	41
Total Contributions	<u>41</u>
Investment Earnings:	
Interest and Dividends	48,311
Net Increase in the Fair Value of Investments	<u>118,598</u>
Net Investment Earnings	<u>166,909</u>
Total Additions	<u>166,950</u>
Deductions	
Administrative Expenses	3,165
Pension Benefits and Refunds	<u>8,254</u>
Total Deductions	<u>11,419</u>
Change in Net Position	155,531
Net Position Restricted for Pensions, Beginning of Year	1,306,276
Net Position Restricted for Pensions, End of Year	<u><u>\$ 1,461,807</u></u>

See accompanying notes to basic financial statements.

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

Reporting Entity

The Town of Havana, Florida (the “Town”) was originally incorporated under Chapter 5809 of the State of Florida Special Acts of 1907. The Town subsequently repealed its original charter and reincorporated under the State of Florida Special Acts of 1923, Chapter 9966, Laws of Florida, which as amended is the present charter of the Town. The Town operates under an elected Council form of government. The Town's major operations include electric, water, sewer and gas utility services as well as public safety, road and street maintenance, recreation and general administrative services. The government is a municipal corporation governed by an elected seven-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended Component Unit

The Town’s Community Redevelopment Agency (the “Agency”) serves all the citizens of the Town and is governed by a Board of Directors made up of all members of the Town Council. The Agency was established to prevent the development or spread of slums and blight, reduce and prevent crime, and for the provision of affordable housing. The Agency is reported as part of the special revenue fund.

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

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government’s funds, including its fiduciary fund and blended component unit. Separate statements for each fund category - governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

The Town reports the following major governmental funds:

General Fund - The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The Town reports the following major proprietary funds:

Water Fund - The Water Fund accounts for the activities of the Town's water distribution operations.

Sewer Fund - The Sewer Fund accounts for the activities of the Town's sewer operations.

Electric Fund - The Electric Fund accounts for the activities of the Town's electric distribution operations.

Gas Fund - The Gas Fund accounts for the activities of the Town's gas distribution operations.

Additionally, the Town reports the following fiduciary fund:

Municipal Firemen's Pension Trust Fund - The pension trust fund accounts for the activities of the Town of Havana, Florida Municipal Firemen's Pension Trust Fund, which accumulates resources for pension benefit payments to qualified firemen of the Town of Havana, Florida Voluntary Fire Department.

During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Budgetary Information – Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund.

The appropriated budget is prepared by fund, function, and department. The Town's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in direct obligations of the U.S. Treasury, Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, SEC registered money market funds with the highest credit quality rating, and savings and CD accounts in state-certified public depositories.

Investments for the Town are reported at fair value.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For financial reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. For financial reporting purposes, infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$15,000 (amount not rounded) acquired after September 30, 2003 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Land and construction in progress are not depreciated. Other property, plant, and equipment of the Town is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10 - 40
Public Domain Infrastructure	30 - 50
System Infrastructure	10 - 50
Equipment, Vehicles, Furniture and Fixtures	3 - 10

Long-term Obligations

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Town council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Town council (the “Council”) has by resolution authorized the Town Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will, if required, report a separate section for deferred outflows of resources and deferred inflows of resources, respectfully. These separate financial statement elements, deferred outflows/inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue) until then. Currently, the only item in this category consists of deferred amounts related to pension.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the two items in this category are unavailable revenues, which will be recognized as inflows of resources in the period that the amounts become available, and deferred inflows of resources related to pensions.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and the Firemen’s Municipal Pension Fund and additions to/deductions from FRS and Firemen’s Municipal Pension Fund’s fiduciary net position have been determined on the same basis as they are reported by FRS and actuary, respectfully. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Property Taxes

Property taxes are billed and collected for the Town by the County Tax Collector according to Florida Statute under the following calendar:

Lien Date:	January 1
Levy Date:	October 1
Due Date:	November 1
Delinquency Date:	April 1, of the following year

Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, electric fund, sewer fund and gas fund are charges to customers for sales and services. The water fund, electric fund, sewer fund and gas fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Reclassification

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

New Accounting Pronouncements

During the year ended September 30, 2023, the Town adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which changes the accounting and financial reporting related to Subscription-Based Information Technology Arrangements (SBITAs) for government end users. Upon adoption, a SBITA will result in a right to-use subscription asset, which will be an intangible asset, and a corresponding subscription liability. The new guidance also provides capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding SBITA. As of September 30, 2023, the Town did not have any SBITAs.

Leases

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

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

Note 2 – Cash Deposits and Investments in Certificates of Deposit

At September 30, 2023, the Town held various demand deposits with a financial institution. All of the bank balances are covered by Federal depository insurance or by collateral held by the Town's custodial banks, which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 3 – Accounts Receivable

The Town's accounts receivable consisted of the following at September 30, 2023:

	<u>General</u>	<u>Water</u>	<u>Electric</u>	<u>Gas</u>	<u>Sewer</u>	<u>Total</u>
Accounts Receivable	\$ 42,674	\$ 78,302	\$ 559,694	\$ 69,555	\$ 86,698	\$ 836,923
Less: Allowance for						
Uncollectibles	<u>(9,886)</u>	<u>(18,142)</u>	<u>(110,191)</u>	<u>(8,692)</u>	<u>(14,455)</u>	<u>(161,366)</u>
Accounts Receivable, Net	<u>\$ 32,788</u>	<u>\$ 60,160</u>	<u>\$ 449,503</u>	<u>\$ 60,863</u>	<u>\$ 72,243</u>	<u>\$ 675,557</u>

Note 4 – Commitments

The Town has also entered into a long-term contract ("All Requirements Contract") with the Florida Municipal Power Agency ("FMPA") to purchase and receive all electric capacity and energy that the Town will require for the operation of its municipal electric system over and above any contractually excluded power sources and over and above back-up and support services. The Town is required to reimburse FMPA each month for the monthly cost of all direct assignment facilities and additional facilities acquired or utilized heretofore by FMPA to provide All Requirement services. The Town must pay FMPA for all electric capacity and energy furnished as All Requirement services at rates established per the All Requirements Contract. In the event that during any portion of any month electric capacity and energy are made available to the Town by FMPA in accordance with the All Requirements Contract which the Town is required to take and receive as All Requirements services, but which the Town fails to take and receive from FMPA, the Town must pay FMPA for such availability an amount equal to the product of the demand related charges and the appropriate billing demand charges as calculated in accordance with the contractually established rate schedule. The All Requirements Contract remains in effect until October 1, 2030. Each October 1st, the All Requirements Contract automatically extends for an additional one year period unless either party, at least one year prior to such automatic extension date, notifies the other party in writing of its decision not to extend the All Requirements Contract.

Note 5 – Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by a grantor cannot be determined at this time although the Town expects amounts, if any, to be immaterial.

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 6 – Interfund Transfers, Loans, and Advances

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. Individual fund interfund receivables and payables for the primary government at September 30, 2023, are comprised of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
<u>General Fund:</u>		
Water	\$ -	\$ 630,349
Electric	114,783	285,000
Gas	-	193,162
Sewer	-	408,494
Special Revenue	1,302,709	-
<u>Special Revenue Fund:</u>		
General	-	1,302,709
Sewer	1,069,447	-
Total Governmental Funds	<u>2,486,939</u>	<u>2,819,714</u>
Proprietary Funds:		
<u>Water:</u>		
General	630,349	-
Electric	171,000	-
Sewer	40,134	-
<u>Electric:</u>		
Sewer	475,748	-
General	285,000	114,783
Water	-	171,000
<u>Gas:</u>		
General	193,162	-
<u>Sewer:</u>		
General	408,494	-
Water	-	40,134
Electric	-	475,748
Special Revenue	-	1,069,447
Total Proprietary Funds	<u>2,203,887</u>	<u>1,871,112</u>
Total All Funds	<u><u>\$ 4,690,826</u></u>	<u><u>\$ 4,690,826</u></u>

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 6 – Interfund Transfers, Loans, and Advances (Continued)

For the year ended September 30, 2023, individual fund transfers to and from other funds for the primary government were comprised of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Funds:		
<u>General:</u>		
Water	\$ 59,400	\$ -
Electric	530,000	-
Special Revenue	124,903	-
<u>Special Revenue:</u>		
General	-	124,903
Water	-	61,345
Electric	-	22,572
Gas	-	49,000
Sewer	-	21,444
Total Governmental Funds	<u>714,303</u>	<u>279,264</u>
Proprietary Funds:		
<u>Water:</u>		
General	-	59,400
Sewer	-	21,800
Special Revenue	61,345	
<u>Electric:</u>		
General	-	530,000
Sewer	-	90,650
Special Revenue	22,572	-
<u>Gas:</u>		
Special Revenue	49,000	-
<u>Sewer:</u>		
Special Revenue	21,444	-
Water	21,800	-
Electric	90,650	
Total Proprietary Funds	<u>266,811</u>	<u>701,850</u>
Total All Funds	<u>\$ 981,114</u>	<u>\$ 981,114</u>

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

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 7 – Capital Assets

Capital asset activity for the year ended September 30, 2023 was as follows:

	Balance 9/30/2022	Additions	Reductions	Transfers	Balance 9/30/2023
<u>Governmental Activities</u>					
Capital Assets, Not Being Depreciated:					
Land	\$ 312,788	\$ -	\$ -	\$ -	\$ 312,788
Total Capital Assets, Not Being Depreciated	312,788	-	-	-	312,788
Capital Assets, Being Depreciated:					
Buildings and Improvements	1,946,575	35,128	-	-	1,981,703
Infrastructure	930,485	32,000	-	-	962,485
Machinery and Equipment	1,430,363	190,056	(55,512)	-	1,564,907
Total Capital Assets, Being Depreciated	4,307,423	257,184	(55,512)	-	4,509,095
Less Accumulated Depreciation for:					
Buildings and Improvements	(1,374,754)	(27,737)	-	(301,162)	(1,703,653)
Infrastructure	(291,010)	(19,619)	-	-	(310,629)
Machinery and Equipment	(1,409,739)	(18,703)	55,512	301,162	(1,071,768)
Total Accumulated Depreciation	(3,075,503)	(66,059)	55,512	-	(3,086,050)
Total Capital Assets, Being Depreciated, Net	1,231,920	191,125	-	-	1,423,045
Right-of-Use Lease Assets, Being Amortized:					
Office Equipment	3,668	3,544	(3,668)	-	3,544
Vehicles	109,197	90,842	-	-	200,039
Less Accumulated Amortization	(25,385)	(38,895)	3,668	-	(60,612)
Total Right-of-Use Lease Assets, Being Amortized, Net	87,480	55,491	-	-	142,971
Total Governmental Capital Assets, Net	\$ 1,632,188	\$ 246,616	\$ -	\$ -	\$ 1,878,804
<u>Business-Type Activities</u>					
Capital Assets, Not Being Depreciated:					
Land	\$ 54,090	\$ -	\$ -	\$ -	\$ 54,090
Construction in Progress	263,649	-	-	-	263,649
Total Capital Assets, Not Being Depreciated	317,739	-	-	-	317,739
Capital Assets, Being Depreciated:					
Buildings and Improvements	44,420	-	-	(7,054)	37,366
Infrastructure	18,109,888	166,695	-	236,709	18,513,292
Machinery and Equipment	1,018,578	-	(16,988)	(229,655)	771,935
Total Assets Being Depreciated	19,172,886	166,695	(16,988)	-	19,322,593
Less Accumulated Depreciation for:					
Buildings and Improvements	(41,483)	(720)	-	5,640	(36,563)
Infrastructure	(7,040,050)	(350,607)	-	(5,640)	(7,396,297)
Machinery and Equipment	(780,663)	(5,439)	16,988	-	(769,114)
Total Accumulated Depreciation	(7,862,196)	(356,766)	16,988	-	(8,201,974)
Total Capital Assets, Being Depreciated, Net	11,310,690	(190,071)	-	-	11,120,619
Right-of-Use Lease Assets, Being Amortized:					
Land	140,209	-	-	-	140,209
Less Accumulated Amortization	(26,289)	(35,052)	-	-	(61,341)
Total Right-of-Use Lease Assets, Being Amortized, Net	113,920	(35,052)	-	-	78,868
Total Business-Type Capital Assets, Net	\$ 11,742,349	\$ (225,123)	\$ -	\$ -	\$ 11,517,226

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 7 – Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 21,123
Public Safety	15,952
Transporation	21,856
Culture and Recreation	7,128
Total Depreciation Expense - Governmental Activities	<u>\$ 66,059</u>
 Business-Type Activities:	
Water	\$ 92,697
Sewer	230,295
Electric	20,305
Gas	13,469
Total Depreciation Expense - Business-Type Activities	<u>\$ 356,766</u>

Amortization expense was charged to functions/programs as follows:

Governmental Activities:	
Public Safety	\$ 38,895
Total Amortization Expense - Governmental Activities	<u>\$ 38,895</u>
 Business-Type Activities:	
Sewer	\$ 35,052
Total Amortization Expense - Business-Type Activities	<u>\$ 35,052</u>

Note 8 – Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2023, was as follows:

	Balance 9/30/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
Governmental Activities:					
Accrued Compensated Absences	\$ 89,701	\$ -	\$ (7,881)	\$ 81,820	\$ 20,455
Lease Liability	88,260	94,386	(38,492)	144,154	46,477
Net Pension Liability	1,483,113	115,424	-	1,598,537	-
Total Long-Term Liabilities	<u>\$1,661,074</u>	<u>\$ 209,810</u>	<u>\$ (46,373)</u>	<u>\$1,824,511</u>	<u>\$ 66,932</u>
 Business-Type Activities:					
Bonds and Notes Payable	\$3,172,144	\$ 34,000	\$ (181,932)	\$3,024,212	\$ 172,781
Accrued Compensated Absences	23,524	-	(2,102)	21,422	5,356
Lease Liability	111,481	-	(25,922)	85,559	27,195
Net Pension Liability	870,472	231,245	-	1,101,717	-
Total Long-Term Liabilities	<u>\$4,177,621</u>	<u>\$ 265,245</u>	<u>\$ (209,956)</u>	<u>\$4,232,910</u>	<u>\$ 205,332</u>

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 8 – Long-Term Liabilities (Continued)

Bonds and notes payable in the Town’s business-type activities at September 30, 2023 were comprised of the following obligations:

\$991,000 - Sewer Revenue Bonds for constructing improvements to the sewer system. Payable in annual installments ranging from \$15,000 to \$54,000 through September 2038, plus interest at 4.5%, collateralized by net revenues of the sewer system.	\$ 589,000
\$141,000 - Revolving Loan Fund Agreement with the State of Florida Department of Environmental Protection for preconstruction activities associated with the construction of drinking water facilities. Payable in semi-annual installments of \$4,609, plus interest at 2.61%, beginning January 2014, collateralized by gross revenues of the water and sewer systems.	80,680
\$849,463 - Revolving Loan Fund Agreement with the State of Florida Department of Environmental Protection for preconstruction activities associated with the construction of drinking water facilities. Payable in semi-annual installments of \$24,259, plus interest of 1.54%, beginning June 2018, collateralized by gross revenues of the water and sewer systems.	628,336
\$3,604 - Revolving Loan Fund Agreement with the State of Florida Department of Environmental Protection for clean water study of drinking water facilities. Payable in semi-annual installments of \$89, plus interest of 0.51%, beginning March 2017, collateralized by gross revenues of the water and sewer systems.	2,245
\$1,690,631 - Revolving Loan Fund Agreement with the State of Florida Department of Environmental Protection for upgrades to the wastewater facilities. Payable in semi-annual installments of \$46,878, plus interest of 0.37%, beginning June 2021, collateralized by gross revenues of the water and sewer systems.	1,587,309
\$118,200 - Revolving Loan Fund Agreement with the State of Florida Department of Environmental Protection for construction of sewer facilities. Payable in semi-annual installments of \$3,559, plus interest of 0.94%, beginning December 2019, collateralized by gross revenues of the water and sewer systems.	105,534
\$34,000 - Note Payable with the Municipal Gas Authority of Georgia for construction costs related to improvements to the gas system. Payable in monthly installments of \$457, plus interest of 3.5%, beginning February 2023.	<u>31,108</u>
Total Bonds and Notes Payable	3,024,212
Less: Current Portion	<u>(172,781)</u>
Bonds and Notes Payable, Long Term	<u>\$ 2,851,431</u>

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 8 – Long-Term Liabilities (Continued)

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

Year Ending September 30,	Bonds and Notes Payable		
	Principal	Interest	Total
2024	\$ 172,781	\$ 45,376	\$ 218,157
2025	175,954	42,943	218,897
2026	178,142	40,402	218,544
2027	180,348	37,804	218,152
2028	183,570	35,141	218,711
2029-2033	942,732	130,232	1,072,964
2034-2038	943,431	51,470	994,901
2039-2040	247,254	1,008	248,262
Total	<u>\$ 3,024,212</u>	<u>\$ 384,376</u>	<u>\$ 3,408,588</u>

Note 9 – Leases

The Town has leases in effect for vehicles, land, and office equipment through 2028. These leases are considered right-of-use assets of the Town. The Town assumed a 4.24% interest rate for leases entered into during the year ended September 30, 2023, and a 2.93% interest rate for the leases entered into during the year ended September 30, 2022, based on the Town's expected borrowing rate at that time.

The principal and interest requirements to maturity for the lease liabilities as of September 30, 2023 are as follows:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 73,672	\$ 7,141	\$ 80,813
2025	68,729	4,783	73,512
2026	59,581	2,601	62,182
2027	19,401	802	20,203
2028	8,330	88	8,418
Total Future Minimum Lease Payments	<u>\$ 229,713</u>	<u>\$ 15,415</u>	<u>\$ 245,128</u>

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 10 – Employee Retirement Systems and Pension Funds

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

The Town has not received an actuarial valuation for the year ended September 30, 2023 and therefore has not implemented the provisions of GASB Statement No. 67 *Financial Reporting for Pension Plans* and Statement No. 68 *Accounting and Financial Reporting for Pensions*. Statements No. 67 and 68 establish standards for the measurement, recognition, and display of pension expense/expenditures and related liabilities, note disclosures, and required supplementary information. The most recent actuarial valuation was measured as of September 30, 2021.

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

Note 11 – Florida Retirement System

Plan Description – Defined Benefit Plans

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

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

The Retirees’ Health Insurance Subsidy (HIS) Program is a cost-sharing, multi-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 11 – Florida Retirement System (Continued)

Benefits Provided

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

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

Defined Contribution Plan

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

Contributions

The contribution requirements of plan members and the Town are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The Town's contribution rates for the year ended September 30, 2023 were as follows:

	Year Ended June 30, 2023		Year Ended June 30, 2024	
	FRS (2)	HIS	FRS (2)	HIS
Regular Class	10.1%	1.66%	11.51%	1.66%
Elected City Officers	55.2%	1.66%	56.62%	1.66%
Senior Management	29.8%	1.66%	32.46%	1.66%
DROP Plan Participants	16.9%	1.66%	19.13%	1.66%
Reemployment Retiree	(1)	(0)	(1)	(0)

(1) Contribution rates are dependent upon retirement class in which reemployed.

(2) The rates include the normal cost and unfunded actuarial liability contributions, but do not include the fee of 0.06% for administration of the FRS Investment Plan and provision of education tools.

The Town's contributions for the year ended September 30, 2023, were \$259,504 to FRS and \$22,813 to HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2023, the Town reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2023, and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuation date June 30, 2023. The Town's proportions of the net pension liabilities were based on the

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 11 – Florida Retirement System (Continued)

Town's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	<u>FRS</u>	<u>HIS</u>
Net Pension Liability	\$ 2,149,484	\$ 550,770
Proportion at:		
Current Measurement Date	0.005394365%	0.003468034%
Prior Measurement Date	0.005327389%	0.003506254%
Pension Expense (Benefit)	\$ 445,188	\$ 206,751

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 201,818	\$ -
Changes of assumptions	140,121	-
Net difference between projected and actual earnings on Pension Plan Investments	89,768	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	48,926	(105,524)
Employer contributions subsequent to the measurement date	52,205	-
Total	<u>\$ 532,838</u>	<u>\$ (105,524)</u>

	<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 8,063	\$ (1,293)
Changes of assumptions	14,480	(47,725)
Net difference between projected and actual earnings on Pension Plan Investments	284	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	76	(20,319)
Employer contributions subsequent to the measurement date	5,004	-
Total	<u>\$ 27,907</u>	<u>\$ (69,337)</u>

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, 2024. Other pension related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 11 – Florida Retirement System (Continued)

Measurement period ending June 30,	FRS	HIS
2024	\$ 26,304	\$ (10,254)
2025	(50,575)	(8,471)
2026	346,788	(9,932)
2027	41,910	(11,582)
2028	10,678	(5,619)
Thereafter	-	(579)
Total	<u>\$ 375,105</u>	<u>\$ (46,437)</u>

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2023, was determined by an actuarial valuation dated July 1, 2023, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.40%	2.40%
Salary Increase	3.25% Average, Including Inflation	3.25%
Discount Rate	6.70%	3.65%
Long-term Expected Rate of Return, Net of Investment Income	6.70%	N/A
Municipal Bond	N/A	3.65%

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

For both plans, the actuarial assumptions used in the valuation date June 30, 2023 were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The following changes in actuarial assumptions occurred in 2023:

- FRS: The long-term expected rate of return remained at 6.70%.
- HIS: The municipal rate used to determine total pension liability was increased from 3.54% to 3.65%.
- The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. For FRS, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 11 – Florida Retirement System (Continued)

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.9%	2.9%	1.1%
Fixed Income	19.8%	4.5%	4.4%	3.4%
Global Equity	54.0%	8.7%	7.1%	18.1%
Real Estate (Property)	10.3%	7.6%	6.6%	14.8%
Private Equity	11.1%	11.9%	8.8%	26.3%
Strategic Investments	3.8%	6.3%	6.1%	7.7%
Total	<u>100.00%</u>			
Assumed Inflation - Mean			2.4%	1.4%

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

Discount Rate

The discount rate used to measure the total pension liability for FRS was 6.70%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because HIS is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.65% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

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

	<u>FRS</u>		
	<u>Current</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Employer's proportionate share of the net pension liability	\$ 3,671,756	\$ 2,149,484	\$ 875,921
	<u>HIS</u>		
	<u>Current</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Employer's proportionate share of the net pension liability	\$ 628,343	\$ 550,770	\$ 486,468

Pension Plans' Fiduciary Net Position

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

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 12 – Municipal Firemen’s Pension Trust Fund

Plan Description and Administration

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

Note: The Plan received its October 1, 2021 Actuarial Valuation Report for the Town of Havana Firemen’s Municipal Pension Fund on October 17, 2024. This is the first updated report the Town has received since October 1, 2017. The report includes GASB 67 information as of the measurement date September 30, 2021.

Plan Membership:

Inactive plan members and beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not receiving benefits	5
Active plan members	15
	<u>21</u>

Plan Benefits

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

Financial Statements

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

Contributions

Members contribute 0.5% of their salaries to the plan. The benefits are provided through member contributions, a State contribution and, if State contributions are insufficient to pay current costs, then a Town contribution, as provided in Chapter 112, Florida Statutes. The amount recorded for the period ended September 30, 2021 was \$15,295, State net contribution and \$39 employee contribution. There were no required Town contributions.

Investment Policy

This plan’s policy in regard to allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. All investments made or held in the fund shall be limited to:

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

Methods Used to Value Investments

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

The total invested as of September 30, 2023 was \$1,344,736.

Custodial Credit Risk – Investments are subject to custodial credit risk if the securities are uninsured, not registered in the Town’s name, and are held by a party that either sells to or buys from the Town. All Town securities were held in the Town’s name, therefore, no investments at year end were subject to custodial credit risk.

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

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

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Changes in Net Pension Liability (Asset) of the Town

The components of the net pension liability (asset) of the Town as of September 30, 2021, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at September 30, 2020	\$ 74,490	\$ 1,247,799	\$ (1,173,309)
Changes for Year:			
Service Cost	1,693	-	1,693
Interest	4,441	-	4,441
Difference Between Actual and Expected Experience	(7,865)	-	(7,865)
Contributions - State	-	15,295	(15,295)
Contributions - Employee	-	39	(39)
Net Investment Income	-	247,290	(247,290)
Administrative Expense	-	-	-
Net Changes	(1,731)	262,624	(264,355)
Balances at September 30, 2021	\$ 72,759	\$ 1,510,423	\$ (1,437,664)

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

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	5.50%	6.50%	7.50%
Net Pension Liability (Asset)	\$ (1,428,841)	\$ (1,437,664)	\$ (1,445,091)

Methods and Assumptions Used to Determine Contribution Rates for fiscal year ending September 30, 2021:

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

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Mortality

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

Discount Rate

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

Note 13 – Other Postemployment Benefits

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

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

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

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

TOWN OF HAVANA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 13 – Other Postemployment Benefits (Continued)

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

Note 14 – Deferred Revenue – American Rescue Plan Act (ARPA)

The Town has been allocated \$855,458 through the ARPA federal stimulus bill to aid in public health and economic recovery from COVID-19. At the end of the fiscal year, the Town has unearned revenue of \$384,830 related to ARPA funds received and not yet expended.

Note 15 – Risk Management

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

The Town is a member of the Florida Municipal Self-Insurance fund (the “Fund”). The Fund was created to allow members to pool their liabilities pursuant to provisions in Florida Workers’ Compensation Law. The Town pays an annual premium to the Fund for workers’ compensation coverage. The Fund’s underwriting and rate setting policies were established after consulting with an independent actuary. The Fund is not assessable, and the Town has no liability for future deficits of the Fund, if any.

Note 16 – Restatement

The Town determined that beginning fund balance for the general fund was overstated by \$31,208 as a result of accounts receivable being overstated at September 30, 2023. Additionally, the Town received the September 30, 2021 actuarial report for the Municipal Firemen’s Pension Trust Fund and determined that beginning net position for the governmental activities was understated by \$392,171 as a result of the net pension asset being understated. The Town will continue to restate net position for the governmental activities as more recent actuarial reports become available.

The Town determined that beginning fund balance for the water, electric, and gas funds were collectively understated by \$63,785 as a result of understating inventory at September 30, 2023.

Note 17 – Subsequent Events

Subsequent events were reviewed through February 25, 2025, which is the date the financial statements were available to be issued. As of this date there were no subsequent events that required disclosure.

TOWN OF HAVANA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

TOWN OF HAVANA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 574,451	\$ 574,451	\$ 629,423	\$ 54,972
Intergovernmental	127,397	127,397	345,823	218,426
Charges for Services	63,976	63,976	372,795	308,819
Licenses and Permits	16,500	16,500	20,042	3,542
Fines and Forfeitures	12,500	12,500	9,862	(2,638)
Miscellaneous Income	92,500	92,500	35,462	(57,038)
Total Revenues	887,324	887,324	1,413,407	526,083
Expenditures				
Current:				
General Government	98,354	98,354	221,989	(123,635)
Public Safety	1,093,800	1,093,800	1,059,696	34,104
Physical Environment	-	-	370,071	(370,071)
Transportation	375,244	375,244	315,198	60,046
Culture and Recreation	16,331	16,331	11,714	4,617
Capital Outlay	121,395	121,395	351,570	(230,175)
Debt Service:				
Principal	-	-	38,492	(38,492)
Interest	-	-	4,427	(4,427)
Total Expenditures	1,705,124	1,705,124	2,373,157	(668,033)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(817,800)	(817,800)	(959,750)	(141,950)
Other Financing Sources (Uses)				
Right-of-Use Assets Acquired	-	-	94,386	94,386
Proceeds from Sale of Capital Assets	-	-	3,780	3,780
Transfers In	817,800	817,800	714,303	(103,497)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	817,800	817,800	812,469	(5,331)
Net Change in Fund Balance	-	-	(147,281)	(147,281)
Fund Balances, Beginning of Year,				
Previously Reported	-	-	505,969	505,969
Restatement	-	-	(31,208)	(31,208)
Fund Balances, Beginning of Year, Restated	-	-	474,761	474,761
Fund Balances, End of Year	\$ -	\$ -	\$ 327,480	\$ 327,480

TOWN OF HAVANA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 22,000	\$ 22,000	\$ 25,907	\$ 3,907
Intergovernmental	3,037,603	3,037,603	381,459	(2,656,144)
Miscellaneous Income	-	-	538	538
Total Revenues	<u>3,059,603</u>	<u>3,059,603</u>	<u>407,904</u>	<u>(2,651,699)</u>
Expenditures				
Current:				
General Government	2,618,203	2,618,203	78,922	2,539,281
Public Safety	-	-	12,419	(12,419)
Total Expenditures	<u>2,618,203</u>	<u>2,618,203</u>	<u>91,341</u>	<u>2,526,862</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>441,400</u>	<u>441,400</u>	<u>316,563</u>	<u>(124,837)</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(441,400)</u>	<u>(441,400)</u>	<u>(279,264)</u>	<u>162,136</u>
Total Other Financing Sources (Uses)	<u>(441,400)</u>	<u>(441,400)</u>	<u>(279,264)</u>	<u>162,136</u>
Net Change in Fund Balance	-	-	37,299	37,299
Fund Balance, Beginning of Year,	<u>-</u>	<u>-</u>	<u>172,888</u>	<u>172,888</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$210,187</u>	<u>\$ 210,187</u>

TOWN OF HAVANA, FLORIDA
NOTE TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Note 1 – Budgetary Information

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the funds. All annual appropriations lapse at fiscal year-end.

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

1. Prior to October 1, the Town Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Revisions that alter the total expenditures of any fund must be approved by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the funds. The legal level of budgetary control is the fund level.
6. The budget for the funds is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Note 2 – Excess of Expenditures Over Appropriations

For the year ended September 30, 2023, expenditures exceeded appropriations in the General Fund by \$668,033. These overexpenditures were partly funded by greater than anticipated revenues in that fund.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)									
Proportion of the net pension liability (asset)	0.005394365%	0.005327389%	0.005135612%	0.005641395%	0.005937076%	0.006032059%	0.006229155%	0.006416641%	0.006108149%
Proportionate share of the net pension liability (asset)	\$ 2,149,484	\$ 1,982,217	\$ 387,937	\$ 2,445,064	\$ 2,044,646	\$ 1,816,887	\$ 1,842,542	\$ 1,620,207	\$ 788,949
Covered-employee payroll	\$ 1,327,771	\$ 1,278,060	\$ 1,248,198	\$ 1,290,290	\$ 1,262,843	\$ 1,244,485	\$ 1,226,229	\$ 1,208,727	\$ 1,226,229
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	161.89%	155.10%	31.08%	189.50%	161.91%	146.00%	150.26%	134.04%	64.34%
Plan fiduciary net position as a percentage of the total pension liability	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)									
Proportion of the net pension liability (asset)	0.000519684%	0.003506254%	0.003525018%	0.003716910%	0.003775179%	0.003809395%	0.003804891%	0.003816724%	0.003846425%
Proportionate share of the net pension liability (asset)	\$ 550,770	\$ 371,368	\$ 432,396	\$ 453,829	\$ 422,405	\$ 403,191	\$ 406,836	\$ 444,823	\$ 392,275
Covered-employee payroll	\$ 1,327,771	\$ 1,278,060	\$ 1,248,198	\$ 1,290,290	\$ 1,262,843	\$ 1,244,485	\$ 1,226,229	\$ 1,208,727	\$ 1,226,229
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.48%	29.06%	34.64%	35.17%	33.45%	32.40%	33.18%	36.80%	31.99%
Plan fiduciary net position as a percentage of the total pension liability	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)									
Contractually required contribution	\$ 259,504	\$ 227,329	\$ 195,645	\$ 187,439	\$ 184,092	\$ 171,909	\$ 172,482	\$ 144,165	\$ 134,015
Contributions in relation to the contractually required contribution	(259,504)	(227,329)	(195,645)	(187,439)	(184,092)	(171,909)	(172,482)	(144,165)	(134,015)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 Covered-employee payroll	\$ 1,327,771	\$ 1,278,060	\$ 1,248,198	\$ 1,290,290	\$ 1,262,843	\$ 1,244,485	\$ 1,226,229	\$ 1,208,727	\$ 1,226,229
Contributions as a percentage of covered-employee payroll	19.54%	17.79%	15.67%	14.53%	14.58%	13.81%	14.07%	11.93%	10.93%
 Health Insurance Subsidy Program (HIS)									
Contractually required contribution	\$ 22,813	\$ 21,216	\$ 20,720	\$ 21,419	\$ 20,963	\$ 20,658	\$ 20,355	\$ 20,065	\$ 15,783
Contributions in relation to the contractually required contribution	(22,813)	(21,216)	(20,720)	(21,419)	(20,963)	(20,658)	(20,355)	(20,065)	(15,783)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 Covered-employee payroll	\$ 1,327,771	\$ 1,278,060	\$ 1,248,198	\$ 1,290,290	\$ 1,262,843	\$ 1,244,485	\$ 1,226,229	\$ 1,208,727	\$ 1,226,229
Contributions as a percentage of covered-employee payroll	1.72%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.29%

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

TOWN OF HAVANA, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – FIREMEN’S PENSION PLAN
LAST 10 FISCAL YEARS AS OF SEPTEMBER 30

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service Cost	\$ 1,693	\$ 2,114	\$ 1,985	\$ 1,706	\$ 2,541	\$ 2,375	\$ 2,220
Interest	4,441	4,546	4,140	3,975	4,217	3,778	3,378
Difference Between Actual and Expected Experience	(7,865)	-	(3,428)	(8,306)	-	-	-
Assumption Changes	-	-	-	3,305	-	-	-
Benefit Payments, Including Refunds of Member Contributions	-	-	-	-	-	(102)	-
Net Change in Total Pension Liability	(1,731)	6,660	2,697	680	6,758	6,051	5,598
Total Pension Liability - Beginning	74,490	67,830	65,133	64,453	57,695	51,644	46,046
Total Pension Liability - Ending (a)	<u>72,759</u>	<u>74,490</u>	<u>67,830</u>	<u>65,133</u>	<u>64,453</u>	<u>57,695</u>	<u>51,644</u>
Plan Fiduciary Net Position							
Contributions - State	15,295	6,557	7,731	7,626	7,587	46,805	12,795
Contributions - Employee	39	45	47	42	51	54	53
Net Investment Income	247,290	39,336	22,215	60,855	83,305	80,808	(8,679)
Benefit Payments, Including Refunds of Employee Contributions	-	-	-	-	-	(102)	-
Administrative Expense	-	-	(600)	(6,500)	(2,000)	(3,607)	(7,467)
Net Change in Plan Fiduciary Net Position	262,624	45,938	29,393	62,023	88,943	123,958	(3,298)
Plan Fiduciary Net Position - Beginning	1,247,799	1,201,861	1,172,468	1,110,445	1,021,502	897,544	900,842
Plan Fiduciary Net Position - Ending (b)	<u>1,510,423</u>	<u>1,247,799</u>	<u>1,201,861</u>	<u>1,172,468</u>	<u>1,110,445</u>	<u>1,021,502</u>	<u>897,544</u>
Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ (1,437,664)</u>	<u>\$ (1,173,309)</u>	<u>\$ (1,134,031)</u>	<u>\$ (1,107,335)</u>	<u>\$ (1,045,992)</u>	<u>\$ (963,807)</u>	<u>\$ (845,900)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	2075.93%	1675.12%	1771.87%	1800.11%	1722.88%	1770.52%	1737.94%
Covered Payroll	\$ 7,800	\$ 9,050	\$ 9,400	\$ 8,400	\$ 10,200	\$ 10,800	\$ 7,200
Net Pension Liability as a Percentage of Covered Payroll	-18431.59%	-12964.74%	-12064.16%	-13182.56%	-10254.82%	-8924.14%	-11748.61%

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

TOWN OF HAVANA, FLORIDA
SCHEDULE OF CONTRIBUTIONS – FIREMEN’S PENSION PLAN
LAST 10 FISCAL YEARS AS OF SEPTEMBER 30

	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 5,015	\$ 5,819	\$ 6,129	\$ 5,477	\$ 8,197	\$ 7,441	\$ 7,303
Contribution in Relation to the Actuarially Determined Contribution	15,295	6,557	7,731	7,626	7,587	46,805	12,795
Contribution Deficiency (Excess)	<u>\$ (10,280)</u>	<u>\$ (738)</u>	<u>\$ (1,602)</u>	<u>\$ (2,149)</u>	<u>\$ 610</u>	<u>\$ (39,364)</u>	<u>\$ (5,492)</u>
Covered Payroll	\$ 7,800	\$ 9,050	\$ 9,400	\$ 8,400	\$ 10,200	\$ 10,800	\$ 7,200
Contributions as a Percentage of Covered Payroll	196.09%	72.45%	82.24%	90.79%	74.38%	433.38%	177.71%

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

TOWN OF HAVANA, FLORIDA

COMPLIANCE SECTION

SEPTEMBER 30, 2023

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

To the Honorable Town Council,
Town of Havana, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Havana, Florida (the "Town"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 25, 2025.

Because the Town's management has not acquired an actuarial valuation to determine the amount of its firemen's pension fund or OPEB (Other Postemployment Benefits) and has not presented such liability as of September 30, 2023 in its financial statements as required by accounting principles generally accepted in the United States of America, we have issued a qualified opinion on the Governmental Activities, Business-Type Activities, Water Fund, Electric Fund, Gas Fund and Sewer Fund. The impact of such departure from generally accepted accounting principles for provisions of GASB Statement No. 67, 68, and 75 would affect the deferred inflows, liabilities, deferred outflows, net position, and expenses in the Governmental Activities, Business-Type Activities, Water Fund, Electric Fund, Gas Fund and Sewer Fund.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the following deficiencies described in the Schedule of Findings as listed in the table of contents to be material weaknesses: **Finding 2023-001, Finding 2023-002, Finding 2023-003, and Finding 2023-004.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. See **Finding 2023-005** described in the Schedule of Findings as listed in the table of contents.

Town of Havana, Florida's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moran & Smith LLP
Moran & Smith LLP
Tallahassee, Florida
February 25, 2025

**TOWN OF HAVANA, FLORIDA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Finding 2023-001: Accounting Records Not Maintained in Accordance with U.S. GAAP

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

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

Cause: Failure to apply appropriate accounting principles.

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

Recommendation: We recommend that management implement policies and procedures to ensure that all accrual entries are made and accounts are reconciled prior to the start of the audit.

View of Responsible Officials: See Management's Corrective Action Plan at pg. 62.

Finding 2023-002: Segregation of Duties

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

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

Cause: The size of the Town's accounting and administrative staff precludes certain internal controls that would be preferred – including the posting of journal entries to the accounting system without any evidence of review or approval by an individual not responsible for the creation and posting of the entry. Due to turnover of employees at the Town, we noted segregation of duties issues were pervasive throughout Town processes during the fiscal year.

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

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

View of Responsible Officials: See Management's Corrective Action Plan at pg. 62.

Finding 2023-003: Bank Reconciliations

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

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

**TOWN OF HAVANA, FLORIDA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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

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

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

View of Responsible Officials: See Management's Corrective Action Plan at pg. 62.

Finding 2023-004: Capitalization of Expenditures

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

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

Cause: Accounting staff did not properly apply capitalization criteria.

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

Recommendation: We recommend the City review their capitalization policy and implement procedures to ensure that all capitalizable assets are identified and recorded as capital outlay.

View of Responsible Officials: See Management's Corrective Action Plan at pg. 62.

Finding 2023-005: Debt Compliance

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

Condition: During our audit we became aware of covenants that were not met in accordance with the underlying debt agreements. The Town currently has outstanding revenue bonds through USDA related to the Town sewer system; the bonds require the Town charge and collect an amount that will produce revenue which will be sufficient to pay operating expenses of the system and be sufficient to provide future payments of principal and interest related to the bonds. The Town's sewer system did not produce enough revenue in the current year to sufficiently pay operating expenses and provide future payment of principle and interest debt service. Transfers from other funds as well as prior year reserves were utilized in order to cover current year required payments. In addition, the bonds require the Town establish a renewal and replacement fund and make regular scheduled transfers to the fund in accordance with the bond agreements. As of September 30, 2023, there has not been a renewal and replacement fund established.

Cause: Unfavorable financial performance related to the sewer fund.

**TOWN OF HAVANA, FLORIDA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Effect: Noncompliance with certain debt covenants.

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

View of Responsible Officials: See Management's Corrective Action Plan at pg. 62.

Finding 2023-006: Financial Condition

Criteria: Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town of Havana, Florida.

Condition: The results of our financial condition procedures indicated a deteriorating financial condition in the enterprise funds. As of September 30, 2023, the sewer fund had an unrestricted net position of \$(1,162,994). Total unrestricted net position for all enterprise funds was \$(88,943). Unrestricted net position is considered a key financial indicator in the determination of overall financial condition. In addition, the gas fund and sewer fund reported losses in the current fiscal year. The enterprise funds in total reported a loss of \$(38,102) in the current fiscal year.

Cause: Unfavorable financial performance related to enterprise funds.

Effect: A deteriorating financial condition in the enterprise funds.

Recommendation: We recommend management take action to improve financial condition.

View of Responsible Officials: See Management's Corrective Action Plan at pg. 62.

Finding 2023-007: Budgetary Compliance

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

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

Cause: The Town did not monitor or amend their budget during the year.

Effect: The Town was not in budgetary compliance for the fiscal year ended September 30, 2023.

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

View of Responsible Officials: See Management's Corrective Action Plan at pg. 62.

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

To the Honorable Town Council
Town of Havana, Florida

We have examined the Town of Havana, Florida's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the fiscal year ended September 30, 2023. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements based on our examination.

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

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

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

In our opinion, the Town complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the fiscal year ended September 30, 2023.

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

Moran & Smith LLP

Moran & Smith LLP
Tallahassee, Florida
February 25, 2025

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

To the Honorable Town Council,
Town of Havana, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Havana, Florida, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated February 25, 2025.

Because the Town's management has not acquired an actuarial valuation to determine the amount of its firemen's pension fund or OPEB (Other Postemployment Benefits) liability and has not presented such liability as of September 30, 2023 in its financial statements as required by accounting principles generally accepted in the United States of America, we have issued a qualified opinion on the Governmental Activities, Business-Type Activities, Water Fund, Electric Fund, Gas Fund and Sewer Fund. The impact of such departure from generally accepted accounting principles would affect the deferred inflows, liabilities, deferred outflows, net position, and expenses in the Governmental Activities, Business-Type Activities, Water Fund, Electric Fund, Gas Fund and Sewer Fund.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 25, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. However, additional actions are still needed in order to clear these findings.

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2021-22 FY Finding No.	2020-21 FY Finding No.
2023-001	2022-001	2021-001
2023-002	2022-002	2021-002
2023-003	2022-003	2021-003
2023-004	N/A	N/A
2023-005	2022-004	2021-004
2023-006	2022-006	2021-006
2023-007	2022-008	N/A

Official Title and Legal Authority

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

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town of Havana, Florida. It is management's responsibility to monitor the Town of Havana, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same. As noted in **Finding 2023-006** in the Schedule of Findings as listed in the table of contents, the results of our procedures indicated a deteriorating financial condition.

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

Moran & Smith LLP
Moran & Smith LLP
Tallahassee, Florida
February 25, 2025



February 25, 2025

Corrective Action Plan

Finding 2023-001: Accounting Records Not Maintained in Accordance with U.S. GAAP

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

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

Cause: Failure to apply appropriate accounting principles.

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

Recommendation: We recommend that management implement policies and procedures to ensure that all accrual entries are made and accounts are reconciled prior to the start of the audit.

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

Finding 2023-002: Segregation of Duties

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

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

Cause: The size of the Town's accounting and administrative staff precludes certain internal controls that would be preferred – including the posting of journal entries to the accounting system without any evidence of review or approval by an individual not responsible for the creation and posting of the entry. Due to turnover of employees at the Town, we noted segregation of duties issues were pervasive throughout Town processes during the fiscal year.

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

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

Management's Response: We will implement this recommendation.

Finding 2023-003: Bank Reconciliations

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

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

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

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

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

Management's Response: We will implement this recommendation.

Finding 2023-004: Capitalization of Expenditures

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

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

Cause: Accounting staff did not properly apply capitalization criteria.

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

Recommendation: We recommend the City review their capitalization policy and implement procedures to ensure that all capitalizable assets are identified and recorded as capital outlay.

Management's Response: We will implement this recommendation.

Finding 2023-005: Debt Compliance

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

Condition: During our audit we became aware of covenants that were not met in accordance with the underlying debt agreements. The Town currently has outstanding revenue bonds through USDA related to the Town sewer system; the bonds require the Town charge and collect an amount that will produce revenue which will be sufficient to pay operating expenses of the system and be sufficient to provide future payments of principal and interest related to the bonds. The Town's sewer system did not produce enough revenue in the current year to sufficiently pay operating expenses and provide future payment of principle and interest debt service. Transfers from other funds as well as prior year reserves were utilized in order to cover current year required payments. In addition, the bonds require the Town establish a renewal and replacement fund and make regular scheduled transfers to the fund in accordance with the bond agreements. As of September 30, 2023, there has not been a renewal and replacement fund established.

Cause: Unfavorable financial performance related to the sewer fund.

Effect: Noncompliance with certain debt covenants.

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

Management's Response: We have instituted a plan to systematically increase sewer rates.

Finding 2023-006: Financial Condition

Criteria: Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town of Havana, Florida.

Condition: The results of our financial condition procedures indicated a deteriorating financial condition in the enterprise funds. As of September 30, 2023, the sewer fund had an unrestricted net position of \$(1,162,994). Total unrestricted net position for all enterprise funds was \$(88,943). Unrestricted net position is considered a key financial indicator in the determination of overall financial condition. In addition, the gas fund and sewer fund reported losses in the current fiscal year. The enterprise funds in total reported a loss of \$(38,102) in the current fiscal year.

Cause: Unfavorable financial performance related to enterprise funds.

Effect: A deteriorating financial condition in the enterprise funds.

Recommendation: We recommend management take action to improve financial condition.

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

Finding 2023-007: Budgetary Compliance

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

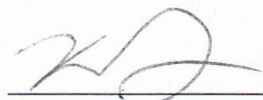
Condition: It was noted during the audit that the general fund and special revenue fund expenditures exceeded the budgeted expenditures.

Cause: The Town did not monitor or amend their budget during the year.

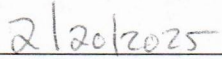
Effect: The Town was not in budgetary compliance for the fiscal year ended September 30, 2023.

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

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



Kendrah G. Wilkerson
Town Manager, Town of Havana



Date