

CITY OF PAHOKEE, FLORIDA



FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED SEPTEMBER 30, 2014

CITY OF PAHOKEE, FLORIDA
 FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Commission
City of Pahokee, Florida

Report on the Financial Statements

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 City of Pahokee, Florida as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Pahokee, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Henderson Endowment Fund	Unmodified
Marina and Campground Enterprise Fund	Unmodified
Cemetery Enterprise Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions on Cemetery Fund and Business-type Activities

The City has not performed a physical count of inventories and has not maintained perpetual inventory records for the Cemetery Fund. The City also has not established adequate controls over the completeness of revenues and receivables for the Cemetery Fund. The amount by which these items would affect the assets, net position, revenues, and expenses of the Cemetery Fund and the business-type activities could not be determined.

Qualified Opinions

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion on Cemetery Fund and Business-type Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Cemetery Fund and the business-type activities of the City of Pahokee, Florida as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund, the Marina and Campground Fund, and the aggregate remaining fund information of the City of Pahokee, Florida as of September 30, 2014, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the City adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year ended September 30, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, the budgetary comparison data on pages 59 through 63, and the Schedule of Funding Progress - Other Postemployment Benefits on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015, on our consideration of the City of Pahokee, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pahokee, Florida's internal control over financial reporting and compliance.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
October 12, 2015

Management's Discussion and Analysis

The City of Pahokee's (the "City") Management's Discussion and Analysis is designed to:

- A. Assist the reader in focusing on significant financial issues
- B. Provide an overview of the City's financial activity
- C. Identify changes in the City's financial position
- D. Identify any material deviations from the financial plan (the approved budget)
- E. Identify individual fund issues or concerns

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements, which follow this section.

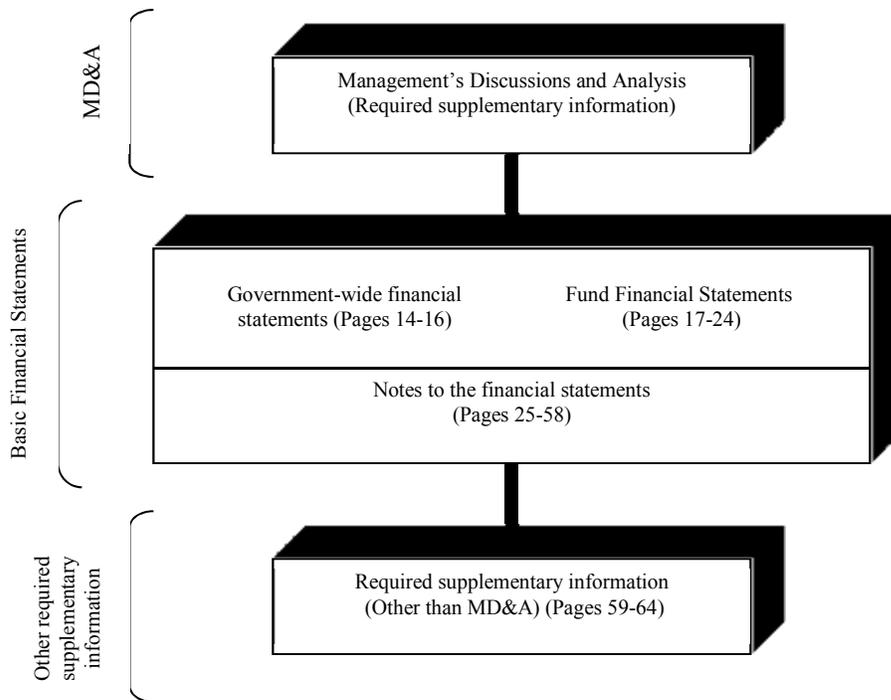
FINANCIAL HIGHLIGHTS

- The City of Pahokee's assets exceeded its liabilities and deferred inflows of resources by \$16,230,913 (net position) as of September 30, 2014. Unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors were \$720,803 as of September 30, 2014.
- The governmental net position increased by \$1,143,106 for the fiscal year ended September 30, 2014. The increase was the result of the business type activities Garbage and Solid Waste Fund being closed out to the governmental activities.
- The business-type net position decreased by \$1,838,844 for the fiscal year ended September 30, 2014. The decrease in net position was a result of the marina not operated at full capacity, depreciation of marina capital assets, and the transfer of all assets and liabilities of the business type activities Garbage and Solid Waste Fund to the governmental activities.
- The business-type activities revenues decreased by \$595,727 during the fiscal year ended September 30, 2014. The decrease was the result of the business type activities Garbage and Solid Waste Fund being closed out to the governmental activities.
- The total net cost of all City programs was \$3,021,275 during fiscal year ended September 30, 2014. This is a decrease of \$414,710 from the total net cost of all City programs during the fiscal year ended September 30, 2013. This decrease was throughout all City programs, except for physical environment that had an increase of \$204,592 in cost of services.
- The City's long-term debt decreased by \$225,702 during the current fiscal year. The decrease was partly due to a \$100,000 debt forgiveness the City received from the Palm Beach County Sheriff's Office.

USING THIS REPORT

Management's Discussion and Analysis introduces the City's financial statements. The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability. The financial statements are described in the following graphic.

Management's Discussion and Analysis



Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Pahokee's finances in a manner similar to a private-sector business. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position, is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the City's overall health.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Government activities – Most of the City's basic services are reported here, including the police, fire, public services, parks and recreation, and general administration. Property taxes, franchise fees, state shared revenues, and solid waste collection services finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. These activities include, cemetery services, and marina and campground services.

Management's Discussion and Analysis

Fund Financial Statements

Our fund basis financial statements begin on page 17. The fund financial statements provide detailed information about the most significant funds but do not provide information on the City as a whole. Funds are acting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can be readily converted to cash flow and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities. However, more detailed information is provided on the City's enterprise funds such as additional information provided in the statements of cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City has reported its financial statements in a government-wide format using the required GASB 34 reporting model. A comparative analysis of government-wide data is presented in the following sections.

Net position

The City's combined net position as of September 30, 2014, was \$16,230,913. The City's governmental activities net position was reported at \$5,186,097, of which \$1,145,113 was unrestricted and available to fund future operations. The City's business-type activities net position as of September 30, 2014 is reported at \$11,044,816. The total net position included an unrestricted net position deficit of \$424,310.

Management's Discussion and Analysis

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 2,698,440	\$ 1,636,082	\$ 184,759	\$ 776,802	\$ 2,883,199	\$ 2,412,884
Capital assets	3,182,066	3,160,448	11,314,488	12,202,174	14,496,554	15,362,622
Total assets	<u>5,880,506</u>	<u>4,796,530</u>	<u>11,499,247</u>	<u>12,978,976</u>	<u>17,379,753</u>	<u>17,775,506</u>
Liabilities:						
Current liabilities	287,492	117,524	39,722	80,964	327,214	198,488
Long-term liabilities	400,945	630,528	414,709	14,352	815,654	644,880
Total liabilities	<u>688,437</u>	<u>748,052</u>	<u>454,431</u>	<u>95,316</u>	<u>1,142,868</u>	<u>843,368</u>
Deferred inflows of resources:						
Unearned revenue	5,972	5,487	-	-	5,972	5,487
Total deferred inflows of resources	<u>5,972</u>	<u>5,487</u>	<u>-</u>	<u>-</u>	<u>5,972</u>	<u>5,487</u>
Net position:						
Net investment in capital assets	3,005,140	2,901,335	11,314,488	12,202,174	14,319,628	15,103,509
Restricted	1,035,844	980,689	154,638	154,385	1,190,482	1,135,074
Unrestricted	1,145,113	160,967	(424,310)	527,101	720,803	688,068
Total net position	<u>\$ 5,186,097</u>	<u>\$ 4,042,991</u>	<u>\$ 11,044,816</u>	<u>\$ 12,883,660</u>	<u>\$ 16,230,913</u>	<u>\$ 16,926,651</u>

Changes in Net Position

The Statement of Activities presents information showing how the government'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 that will only result in cash flows in the future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

- The governmental activities reported a total increase in net position of \$1,143,106 for the fiscal year ended September 30, 2014.
- The business-type activities reported a total decrease in net position of \$1,838,844 for the fiscal year ended September 30, 2014.

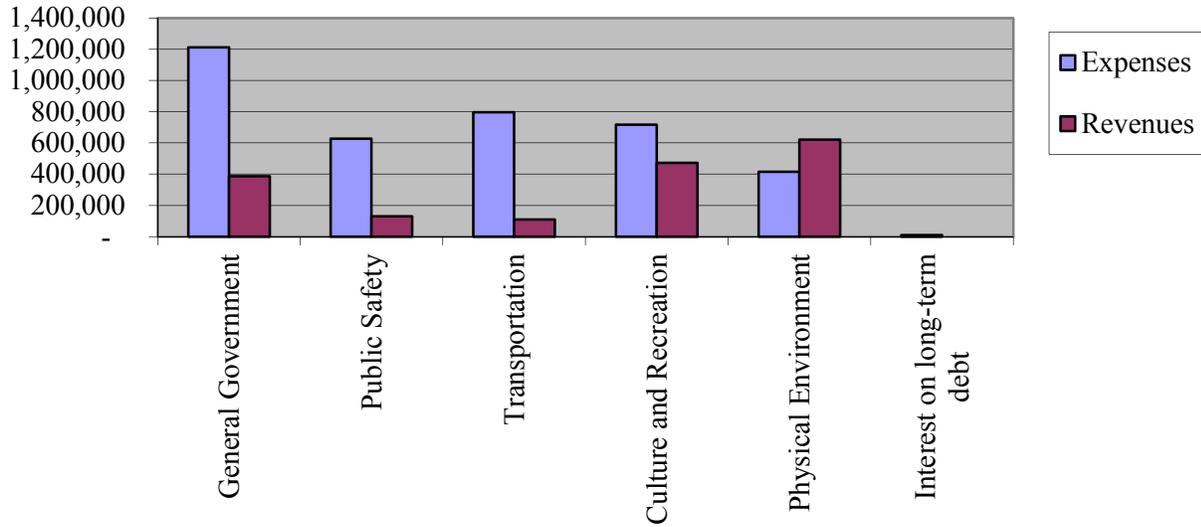
Management's Discussion and Analysis

Summary of Changes in Net Position

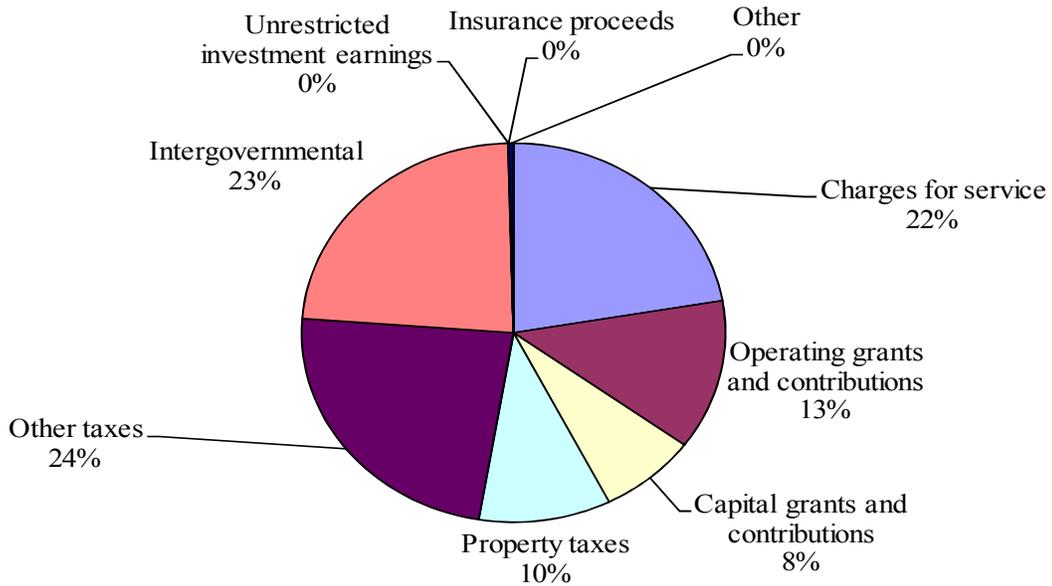
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program:						
Charges for services	\$ 900,519	\$ 261,809	\$ 287,744	\$ 850,311	\$ 1,188,263	\$ 1,112,120
Operating grants	516,482	506,123	-	-	516,482	506,123
Capital grants	301,998	123,116	-	22,775	301,998	145,891
General:						
Ad valorem taxes	407,027	417,526	-	-	407,027	417,526
Local option sales tax	170,626	167,112	-	-	170,626	167,112
Utility taxes	411,317	387,183	-	-	411,317	387,183
Franchise taxes	369,197	415,423	-	-	369,197	415,423
Intergovernmental shared revenues	944,908	922,670	-	-	944,908	922,670
Unrestricted investment earnings	2,123	2,768	285	331	2,408	3,099
Net increase (decrease) in fair value of investments	(301)	553	(32)	59	(333)	612
Insurance proceeds	660	725	-	-	660	725
Miscellaneous revenues	14,417	24,967	774	10,318	15,191	35,285
Rental income	-	-	4,536	5,240	4,536	5,240
Total revenues	<u>4,038,973</u>	<u>3,229,975</u>	<u>293,307</u>	<u>889,034</u>	<u>4,332,280</u>	<u>4,119,009</u>
Program expenses:						
General government	1,211,467	1,156,487	-	-	1,211,467	1,156,487
Public safety	626,359	610,727	-	-	626,359	610,727
Transportation	796,309	675,478	-	-	796,309	675,478
Culture and recreation	716,966	994,960	-	-	716,966	994,960
Physical environment	415,963	-	-	-	415,963	-
Interest on long-term debt	9,780	14,144	-	-	9,780	14,144
Garbage and solid waste	-	-	31	537,295	31	537,295
Marina	-	-	1,020,069	951,344	1,020,069	951,344
Cemetery	-	-	231,074	259,684	231,074	259,684
Total expenses	<u>3,776,844</u>	<u>3,451,796</u>	<u>1,251,174</u>	<u>1,748,323</u>	<u>5,028,018</u>	<u>5,200,119</u>
Excess (deficiency) before transfers	262,129	(221,821)	(957,867)	(859,289)	(695,738)	(1,081,110)
Transfers	880,977	(1,320)	(880,977)	1,320	-	-
Changes in net position	1,143,106	(223,141)	(1,838,844)	(857,969)	(695,738)	(1,081,110)
Net position - beginning	4,042,991	4,266,132	12,883,660	13,741,629	16,926,651	18,007,761
Net position - ending	<u>\$ 5,186,097</u>	<u>\$ 4,042,991</u>	<u>\$ 11,044,816</u>	<u>\$ 12,883,660</u>	<u>\$ 16,230,913</u>	<u>\$ 16,926,651</u>

Management's Discussion and Analysis

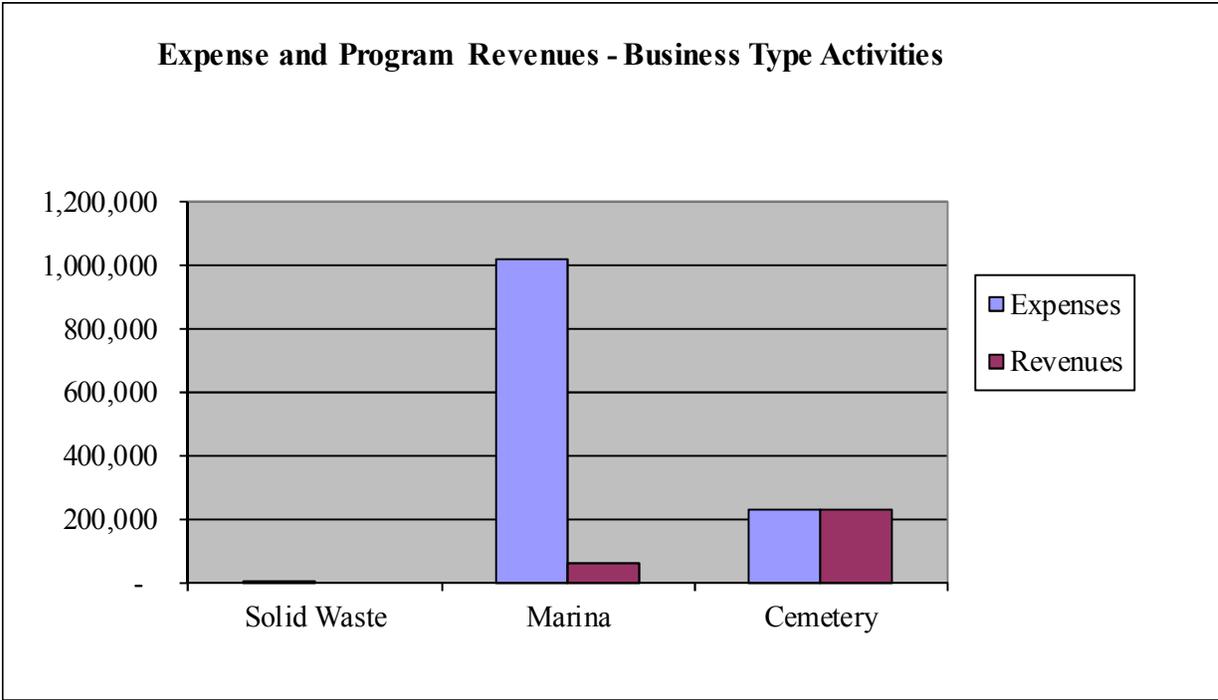
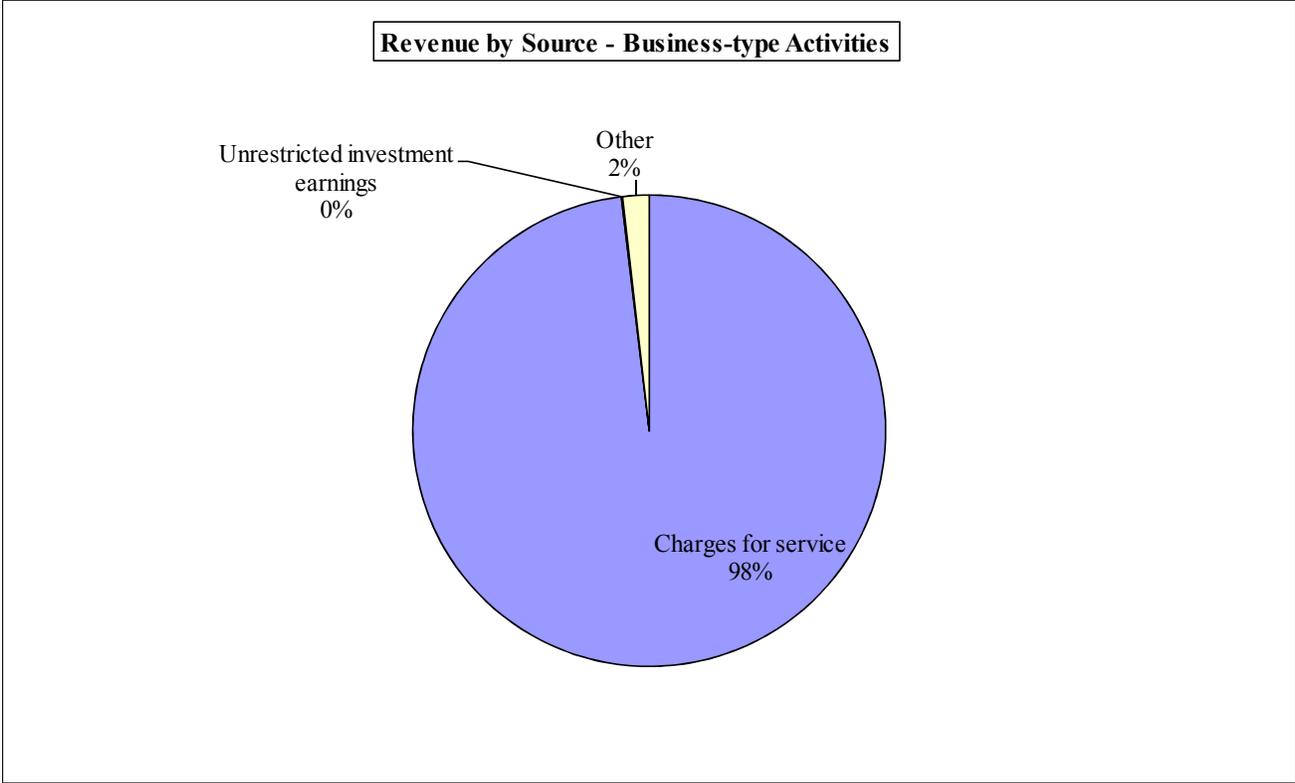
Expense and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Management's Discussion and Analysis



Management's Discussion and Analysis

For the fiscal year ended September 30, 2014 total taxes were \$1,358,167 and comprised 34% of the total revenues of \$4,038,973 for governmental activities during the year. For the fiscal year ended September 30, 2014 operating grants revenue were \$516,482 for governmental activities which represented 13% of total revenues. The majority of the operating grant awards were for parks and recreation grants. Governmental activities intergovernmental shared revenues were \$944,908 and represented 23% of total revenues.

Financial Analysis of the Major Governmental Funds

As of September 30, 2014, the City of Pahokee's governmental funds reported a combined ending fund balance of \$2,171,067. The City reported an increase in the governmental fund balance of \$719,087 for the fiscal year ended September 30, 2014.

The General Fund is the chief operating fund of the City of Pahokee. As of September 30, 2014, the General Fund unassigned fund balance was \$745,429, the total restricted fund balance was \$160,844, and the total non-spendable fund balance was \$389,794.

Financial Analysis of the Major Proprietary Funds

Marina and Campground Fund

As of September 30, 2014, the Marina and Campground Fund reported unrestricted net position deficit of \$101,928 and investment in capital assets of \$11,126,432. The Marina and Campground Fund total net position decreased by \$962,479 during the fiscal year ended September 30, 2014. The decrease was due to an operating loss resulting from minimal revenues and significant depreciation expense.

Cemetery Fund

As of September 30, 2014, the Cemetery Fund reported an unrestricted net position deficit of \$322,382, investment in capital assets of \$188,056 and \$154,638 in restricted net position. The Cemetery Fund total net position increased by \$27,184 during the fiscal year ended September 30, 2014. The increase was due to an increase in the sale of burial plots and reducing certain expenses.

General Fund Budgetary Highlights

The budget was revised during the fiscal year to reflect operational changes. General Fund actual revenues were less than budgeted revenues by \$33,247 for the fiscal year ended September 30, 2014. This was primarily due to various grants not being received, since funds were not expended during the fiscal year. General Fund actual expenditures were above budgeted expenditures by \$121,584 during the fiscal year ended September 30, 2014.

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital Assets Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 356,162	\$ 356,162	\$ 98,000	\$ 98,000	\$ 454,162	\$ 454,162
Idle and impaired property	110,728	110,728	-	-	110,728	110,728
Construction in progress	138,138	39,888	-	-	138,138	39,888
Improvements other than buildings	875,512	929,691	4,246,279	4,859,902	5,121,791	5,789,593
Buildings	1,427,288	1,608,866	6,965,386	7,237,460	8,392,674	8,846,326
Equipment	274,238	115,113	4,823	6,812	279,061	121,925
Total	\$ 3,182,066	\$ 3,160,448	\$ 11,314,488	\$ 12,202,174	\$ 14,496,554	\$ 15,362,622

As of September 30, 2014, the City had invested \$14,496,554 (net of accumulated depreciation) in a broad range of capital assets including parks and recreation facilities, roads, marina and campground sites, and cemetery land. Additional information can be found in Note 5 of the notes to the financial statements.

Debt

As of September 30, 2014, the City had \$419,178 in total debt as shown in the following table. Additional information can be found in Note 7 of the notes to the financial statements.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Notes payable	\$ 268,867	\$ 511,054	\$ -	\$ -	\$ 268,867	\$ 511,054
Compensated absences	111,668	107,708	18,233	14,352	129,901	122,060
OPEB obligation	20,410	11,766	-	-	20,410	11,766
Total	\$ 400,945	\$ 630,528	\$ 18,233	\$ 14,352	\$ 419,178	\$ 644,880

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2015 fiscal year, General Fund revenue projections were conservative compared to higher revenue projections in the past years.

- The budget is balanced by using reserves and transfers.
- The millage rate remained the same 6.5419 mills.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City Manager at the following address:

City of Pahokee, Florida
City Manager
207 Bacom Point Road
Pahokee, FL 33476

CITY OF PAHOKEE, FLORIDA
Statement of Net Position
September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,722,416	\$ 100	\$ 1,722,516
Receivables (net)			
Accounts	76,417	7,925	84,342
Taxes	116,206		116,206
Grants	247,222		247,222
Due from other governments	71,705		71,705
Internal balances	396,476	(396,476)	
Inventory		22,096	22,096
Prepaid expenses	67,955		67,955
Restricted assets			
Cash and cash equivalents	43	154,638	154,681
Capital assets			
Non-depreciable	605,028	98,000	703,028
Depreciable (net of depreciation)	2,577,038	11,216,488	13,793,526
Total assets	<u>5,880,506</u>	<u>11,102,771</u>	<u>16,983,277</u>
Liabilities			
Accounts payable	171,889	28,506	200,395
Contracts payable	83,025		83,025
Accrued liabilities	28,189	7,791	35,980
Unearned revenue		3,425	3,425
Accrued interest payable	4,389		4,389
Non-current liabilities			
Due within one year	195,937	4,846	200,783
Due in more than one year	205,008	13,387	218,395
Total liabilities	<u>688,437</u>	<u>57,955</u>	<u>746,392</u>
Deferred inflows of resources			
Unearned revenue	<u>5,972</u>		<u>5,972</u>
Net Position			
Net investment in capital assets	3,005,140	11,314,488	14,319,628
Restricted for:			
Transportation	160,801		160,801
Humanitarian aid	43		43
Perpetual care		125,494	125,494
Pre-need		29,144	29,144
Endowment - nonexpendable	875,000		875,000
Unrestricted	1,145,113	(424,310)	720,803
Total net position	<u>\$ 5,186,097</u>	<u>\$ 11,044,816</u>	<u>\$ 16,230,913</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Activities
For the Fiscal Year Ended September 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,211,467	\$ 230,060	\$ 138,680	\$ 18,112
Public safety	626,359	36,712	93,626	
Transportation	796,309		109,545	
Culture and recreation	716,966	13,192	174,631	283,886
Physical environment	415,963	620,555		
Interest on long-term debt	9,780			
Total governmental activities	3,776,844	900,519	516,482	301,998
Business-type activities				
Garbage and solid waste	31			
Marina and campground	1,020,069	57,590		
Cemetery	231,074	230,154		
Total business-type activities	1,251,174	287,744		
Total primary government	\$ 5,028,018	\$ 1,188,263	\$ 516,482	\$ 301,998

General revenues
Ad valorem taxes
Local option gas taxes
Utility taxes
Franchise fees
Intergovernmental shared revenues
Unrestricted investment earnings
Net decrease in fair value of investments
Insurance proceeds
Miscellaneous revenues
Rental income
Transfers
 Total general revenues and transfers
 Change in net position
Net position - beginning
Net position - ending

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (824,615)	\$	\$ (824,615)
(496,021)		(496,021)
(686,764)		(686,764)
(245,257)		(245,257)
204,592		204,592
(9,780)		(9,780)
<u>(2,057,845)</u>		<u>(2,057,845)</u>
	(31)	(31)
	(962,479)	(962,479)
	(920)	(920)
	<u>(963,430)</u>	<u>(963,430)</u>
<u>(2,057,845)</u>	<u>(963,430)</u>	<u>(3,021,275)</u>
407,027		407,027
170,626		170,626
411,317		411,317
369,197		369,197
944,908		944,908
2,123	285	2,408
(301)	(32)	(333)
660		660
14,417	774	15,191
	4,536	4,536
880,977	(880,977)	
<u>3,200,951</u>	<u>(875,414)</u>	<u>2,325,537</u>
1,143,106	(1,838,844)	(695,738)
4,042,991	12,883,660	16,926,651
<u>\$ 5,186,097</u>	<u>\$ 11,044,816</u>	<u>\$ 16,230,913</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2014

	General	Henderson Endowment Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 844,680	\$ 877,736	\$ 1,722,416
Accounts receivable	76,417		76,417
Grants receivable	247,222		247,222
Taxes receivable	116,206		116,206
Due from other governments	71,705		71,705
Due from other funds	77,373		77,373
Prepaid items	67,955		67,955
Advances to other funds	321,839		321,839
Restricted cash and cash equivalents	43		43
Total assets	\$ 1,823,440	\$ 877,736	\$ 2,701,176
 Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ 171,889	\$	\$ 171,889
Contracts payable	83,025		83,025
Accrued liabilities	28,189		28,189
Due to other funds		2,736	2,736
Total liabilities	283,103	2,736	285,839
 Deferred inflows of resources			
Unearned revenue	5,972		5,972
Unavailable revenue	238,298		238,298
Total deferred inflows of resources	244,270		244,270
 Fund balances			
Non-spendable:			
Prepays	67,955		67,955
Advances to other funds	321,839		321,839
Endowment - nonexpendable		875,000	875,000
Restricted for:			
Transportation	160,801		160,801
Humanitarian relief	43		43
Unassigned	745,429		745,429
Total fund balances	1,296,067	875,000	2,171,067
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,823,440	\$ 877,736	\$ 2,701,176

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2014

Fund balances total governmental funds		\$ 2,171,067
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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 the governmental funds. However, they are reported in the government-wide statements.

Governmental capital assets	\$ 8,652,788	
Less accumulated depreciation	<u>(5,470,722)</u>	3,182,066

Governmental funds do not include revenues not collected within 60 days of year end and are therefore deferred. Government-wide reporting recognizes revenues when they are earned, regardless of when they are collected.

CDBG Grants		63,750
Urban Areas Security Initiative Grant		90,000
Highway Beautification Grant		68,231
Senior Citizens' Wellness Program		16,317

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

Notes payable	\$ (268,867)	
Accrued interest payable	(4,389)	
Compensated absences	(111,668)	
Other postemployment benefits	<u>(20,410)</u>	<u>(405,334)</u>

Net position of governmental activities		<u>\$ 5,186,097</u>
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See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2014

	General	Henderson Endowment Fund	Total Governmental Funds
Revenues			
Taxes	\$ 1,002,422	\$	\$ 1,002,422
Permits and fees	456,074		456,074
Intergovernmental revenues	1,421,101		1,421,101
Charges for services	661,950		661,950
Fines and forfeitures	33,437		33,437
Miscellaneous revenues	191,234	1,316	192,550
Total revenues	<u>3,766,218</u>	<u>1,316</u>	<u>3,767,534</u>
Expenditures			
Current			
General government	1,082,489		1,082,489
Public safety	620,525		620,525
Transportation	643,646		643,646
Culture and recreation	559,026		559,026
Physical environment	415,963		415,963
Capital outlay	454,429		454,429
Debt service			
Principal retirement	142,187		142,187
Interest	11,819		11,819
Total expenditures	<u>3,930,084</u>	<u>1,316</u>	<u>3,930,084</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>(163,866)</u>	<u>1,316</u>	<u>(162,550)</u>
Other financing sources (uses)			
Insurance proceeds	660		660
Transfers in	903,518		903,518
Transfers out	(21,225)	(1,316)	(22,541)
Total other financing sources (uses)	<u>882,953</u>	<u>(1,316)</u>	<u>881,637</u>
Net change in fund balances	719,087		719,087
Fund balances - beginning	<u>576,980</u>	<u>875,000</u>	<u>1,451,980</u>
Fund balances - ending	<u><u>\$ 1,296,067</u></u>	<u><u>\$ 875,000</u></u>	<u><u>\$ 2,171,067</u></u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended September 30, 2014

Net change in fund balances - total governmental funds \$ 719,087

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful life.

Expenditures for capital assets	\$ 386,229	
Less current year depreciation	<u>(364,611)</u>	21,618

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments	142,187
Forgiveness of debt	100,000
Change in accrued interest payable	2,039

Governmental funds report revenues when earned and available. However, in the statement of activities, revenues are recognized when earned, regardless of availability.

CDBG Grants	63,750
Urban Areas Security Initiative Grant	90,000
Highway Beautification Grant	68,231
Senior Citizens' Wellness Program	16,317
CDBG Grants	(23,016)
Pahokee Housing Authority Grant	(22,000)
Senior Citizens' Wellness Program	(16,483)
Everglades Preparatory Academy Rent	(5,000)
POPS Program Grant	(1,020)

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.

Change in compensated absences	(3,960)
Change in other postemployment benefits	<u>(8,644)</u>

Change in net position of governmental activities \$ 1,143,106

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2014

	Marina and Campground	Cemetery	Nonmajor Fund	Totals
Assets				
Current assets				
Cash and cash equivalents	\$ 100	\$	\$	\$ 100
Accounts receivable (net)		7,925		7,925
Due from other funds		2,736		2,736
Inventory		22,096		22,096
Restricted assets				
Cash and cash equivalents		154,638		154,638
Total current assets	<u>100</u>	<u>187,395</u>		<u>187,495</u>
Non-current assets				
Capital assets				
Property, plant, and equipment	15,077,725	584,124		15,661,849
Less accumulated depreciation	(3,951,293)	(396,068)		(4,347,361)
Total non-current assets	<u>11,126,432</u>	<u>188,056</u>		<u>11,314,488</u>
Total assets	<u>11,126,532</u>	<u>375,451</u>		<u>11,501,983</u>
Liabilities				
Current liabilities				
Accounts payable	19,924	8,582		28,506
Accrued liabilities	4,731	3,060		7,791
Due to other funds	77,373			77,373
Unearned revenue		3,425		3,425
Compensated absences-current		4,846		4,846
Total current liabilities	<u>102,028</u>	<u>19,913</u>		<u>121,941</u>
Non-current liabilities				
Compensated absences		13,387		13,387
Advances from other funds		321,839		321,839
Total non-current liabilities		<u>335,226</u>		<u>335,226</u>
Total liabilities	<u>102,028</u>	<u>355,139</u>		<u>457,167</u>
Net Position				
Investment in capital assets	11,126,432	188,056		11,314,488
Restricted for:				
Perpetual care		125,494		125,494
Pre-need		29,144		29,144
Unrestricted	(101,928)	(322,382)		(424,310)
Total net position	<u>\$ 11,024,504</u>	<u>\$ 20,312</u>	<u>\$</u>	<u>\$ 11,044,816</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Revenues, Expenses, and Changes
in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2014

	Marina and Campground	Cemetery	Nonmajor Fund	Total
Operating revenue				
Sales	\$	\$ 230,154	\$	230,154
Rental income	57,590			57,590
Other income				
Total operating revenues	<u>57,590</u>	<u>230,154</u>	<u></u>	<u>287,744</u>
Operating expenses				
Cost of sales		45,108		45,108
Personal services		131,408		131,408
Contractual services	1,512	4,242		5,754
Utilities	65,957	8,250		74,207
Supplies	33,385	9,113		42,498
Insurance	16,411	13,456		29,867
Depreciation	878,146	9,509		887,655
Repairs and maintenance	12,072	8,005		20,077
Other	12,586	1,983		14,569
Total operating expenses	<u>1,020,069</u>	<u>231,074</u>	<u></u>	<u>1,251,143</u>
Operating income(loss)	<u>(962,479)</u>	<u>(920)</u>	<u></u>	<u>(963,399)</u>
Nonoperating revenues (expenses)				
Rental income		4,536		4,536
Interest revenue		285		285
Net increase in fair value of investments		(32)		(32)
Loss on disposal of capital assets			(31)	(31)
Miscellaneous revenue		774		774
Total nonoperating revenues		<u>5,563</u>	<u>(31)</u>	<u>5,532</u>
Income (loss) before transfers	<u>(962,479)</u>	<u>4,643</u>	<u>(31)</u>	<u>(957,867)</u>
Transfers in		22,541		22,541
Transfers out			(903,518)	(903,518)
Total transfers		<u>22,541</u>	<u>(903,518)</u>	<u>(880,977)</u>
Change in net position	(962,479)	27,184	(903,549)	(1,838,844)
Net position - beginning	<u>11,986,983</u>	<u>(6,872)</u>	<u>903,549</u>	<u>12,883,660</u>
Net position - ending	<u>\$ 11,024,504</u>	<u>\$ 20,312</u>	<u>\$</u>	<u>\$ 11,044,816</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2014

	Marina and Campground	Cemetery	Nonmajor Fund	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 60,540	\$ 234,518		\$ 295,058
Payments to suppliers	(120,218)	(92,234)		(212,452)
Payments to employees		(127,212)		(127,212)
Payments for interfund services used		(1,316)		(1,316)
Net cash provided (used) by operating activities	(59,678)	13,756		(45,922)
Cash flows from non-capital financing activities:				
Payments (to) from other funds	59,778	(41,607)	(2,528)	15,643
Operating transfers in		22,541		22,541
Net cash provided (used) by non-capital financing activities	59,778	(19,066)	(2,528)	38,184
Cash flows from investing activities:				
Interest and dividends on investments		285		285
Other revenue		774		774
Sale of investments		240		240
Proceeds from land lease		4,536		4,536
Net cash provided by investing activities		5,835		5,835
Net increase (decrease) in cash and cash equivalents	100	525	(2,528)	(1,903)
Cash and cash equivalents - beginning		154,113	2,528	156,641
Cash and cash equivalents - ending	<u>\$ 100</u>	<u>\$ 154,638</u>	<u>\$</u>	<u>\$ 154,738</u>

(Continued)

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2014
(Continued)

	Marin and Campground	Cemetery	Nonmajor Fund	Totals
Cash flows from operating activities:				
Operating income (loss)	\$ (962,479)	\$ (920)	\$	\$ (963,399)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	878,146	9,509		887,655
Change in assets and liabilities:				
(Increase) decrease in accounts receivable		939		939
(Increase) decrease in due from other funds		(1,316)		(1,316)
Increase (decrease) in accounts payable	19,924	(2,077)		17,847
Increase (decrease) in accrued liabilities	4,731	4,196		8,927
Increase (decrease) in unearned revenue		3,425		3,425
Total adjustments	902,801	14,676		917,477
Net cash provided (used) by operating activities	<u>\$ (59,678)</u>	<u>\$ 13,756</u>	<u>\$</u>	<u>\$ (45,922)</u>
Cash and cash equivalents				
Unrestricted	\$ 100	\$	\$	100
Restricted		154,638		154,638
Total cash and cash equivalents	<u>\$ 100</u>	<u>\$ 154,638</u>	<u>\$</u>	<u>\$ 154,738</u>
Non-Cash Activities				
Transfer to General Fund	\$	\$	\$ 900,990	\$ 900,990
Decrease in fair value of investments		32		32
Loss on disposition of capital assets			31	31
	<u>\$</u>	<u>\$ 32</u>	<u>\$ 901,021</u>	<u>\$ 901,053</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Pahokee, Florida (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

The City of Pahokee is a municipal corporation organized pursuant to Chapter 9872, Laws of Florida, in 1923. The City provides the full range of municipal services contemplated by statute or charter. The services provided include: law enforcement, fire control, roads and streets, culture and recreation, public improvements, planning and zoning, marina and campground, garbage and solid waste, cemetery, and general administrative services.

As required by generally accepted accounting principles, these financial statements include the City (the primary government) and its component units. Component units are legally separate entities for which the City is financially accountable. The City is financially accountable if:

- a) the City appoints a voting majority of the organization's governing board and (1) the City is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City, or
- b) the organization is fiscally dependent on the City and (1) there is a potential for the organization to provide specific financial benefits to the City or (2) impose specific financial burdens on the City.

Organizations for which the City is not financially accountable are also included when doing so is necessary in order to prevent the City's financial statements from being misleading.

Based upon application of the above criteria, management of the City has determined that there are no component units to be included into the reporting entity. The City is not aware of any entity that would consider the City to be a component unit.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

The basic financial statements include fund financial statements for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds

The City reports the following as major governmental funds.

The *General Fund* is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Henderson Endowment Fund* is used to account for the permanently restricted principal received from the Estate of Henderson and the related investment income restricted for cemetery operation

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City reports the following major proprietary funds:

The *Marina and Campground Fund* accounts for leasing activities of the marina and campsite area.

The *Cemetery Fund* accounts for the operation of the Port Mayaca Cemetery.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. The City does not accrue property tax revenues since the collection of these taxes coincides with the fiscal year in which levied, and since the City consistently has no material uncollected property taxes at year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 60 day availability period is used for revenue recognition for governmental fund revenues. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences claims and judgments, are recorded only when payment is due.

Fines and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash. Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenues, and charges for services 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.

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. Operating expenses report on the costs to maintain the proprietary systems, the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturities of three months or less when purchased.

Investments

Investments consisting of restricted and unrestricted funds invested in certificates of deposits, U.S. Treasury obligations, money market funds, guaranteed investment contracts, and annuity policies, are stated at cost or amortized cost, which approximates fair value, except for assets in the Fiduciary Funds which are reported at fair value based on published market prices.

Accounts Receivable

Accounts receivable of the governmental and enterprise funds consist of billed and unbilled receivables.

Inventory

Inventory is valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventory are recorded as expenditures when consumed rather than when purchased.

Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions (Continued)

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks) are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000. Capital assets are recorded at cost or the fair market value of the assets at the time of contribution. Depreciation has been provided over the useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	20-40 years
Improvements	20-30 years
Equipment	3-10 years

Interest Cost

Interest costs in governmental funds in the fund basis statements are charged to expenditures as incurred. Construction period interest incurred in proprietary funds is capitalized and included in the cost of the assets in accordance with generally accepted accounting principles.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place. All vacation, sick leave, and sabbatical leave 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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unavailable Revenue

The government reports unavailable revenue on its governmental funds balance sheet. Unavailable revenues in governmental funds arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Unearned Revenue

The government reports unearned revenue on its government wide statement of net position and proprietary statement of net position. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures.

Deferred Outflows of Resources

In addition to assets, the statement of financial position might sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that is applicable to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) in the current period. At the current time, the City has no items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position might sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) in the current period. At the current time, the City has two items that qualify for reporting in this category. Local business tax receipts that are received by the City prior to the period for which the taxes are levied are reported as deferred inflows of resources on both the entity-wide statement of net position and on the governmental funds balance sheet. Governmental fund revenues that are not received within 60 days of the fiscal year end don't meet the availability criterion for revenue recognition of the modified accrual basis of accounting, and are therefore reported as deferred inflows of resources on the governmental funds balance sheet.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. Net position is displayed in the following three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by: 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions of enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balances

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported under the following categories:

1. *Nonspendable Fund Balance* – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

2. *Restricted Fund Balance* – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. *Committed Fund Balance* – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the City’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (an ordinance) it employed to previously commit those amounts.
4. *Assigned Fund Balance* – Includes amounts intended to be used by the City for specific purposes, but are neither restricted nor committed. Intent should be expressed by the City Commission or the City Manager to which the City Commission has delegated authority to assign amounts to be used for specific purposes. The authority for making an assignment is not required to be the City’s highest level of decision making authority. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts classified as committed.
5. *Unassigned Fund Balance* – Includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the City’s policy to reduce restricted amounts first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City’s policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements

The City implemented the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2014.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Implementation of this standard had no significant impact on the Town's financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans primarily through enhanced note disclosures and schedules of required supplementary information. This Statement is effective for the fiscal year ending September 30, 2014.

Recently Issued Accounting Pronouncements

A brief description of new accounting pronouncements that might have a significant impact on the City's financial statements is presented below. Management is currently evaluating the impact of the adoption of these pronouncements on the City's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for the fiscal year ending September 30, 2015.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In November 2013, the GASB issued Statement No. 71, *Pension Transition Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This Statement amends paragraph 137 of GASB 68 to require that, at transition, a government recognize the beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB 68.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

Formal budgetary integration is employed as a management control device during the year for the General Fund and the Enterprise Funds. All budgets are legally enacted. Annual appropriated budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Except for not budgeting for depreciation, the annual appropriated budgets for the Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles. For budgeting purposes, current year encumbrances are not treated as expenditures.

The following procedures are utilized to establish the annual budget:

1. Prior to August 1st, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1st. 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 1st, the budget is legally enacted through passage of a resolution.
4. The City Manager is authorized to transfer budgeted amounts within functional areas (general government, public safety, transportation, and culture and recreation); however, any revisions that alter the total expenditures of functional area must be approved by the City Commission through a legally enacted resolution.
5. Appropriations along with encumbrances lapse on September 30th.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data (Continued)

For the year ended September 30, 2014, expenditures for the culture and recreation function exceeded appropriations by \$169,664 and total General Fund expenditures exceeded appropriations by \$121,584. The excesses occurred because various grants were not received as anticipated resulting in a reduction in the appropriations after the expenditures were incurred.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide.

The tax levy of the City is established by the City Commission prior to October 1st of each year and the Palm Beach County Property Appraiser incorporates the City's millage into the total tax levy, which includes Palm Beach County, the Palm Beach County School Board, and special district tax requirements. All property is reassessed according to its fair market value on January 1st of each year, which is also the lien date. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all the appropriate requirements of State statutes. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The tax rate for the Palm Beach County Fire/Rescue Municipal Service Taxing Unit (MSTU) is included in the 10 mills. See Note XX. The millage rate assessed by the City for the year ended September 30, 2014, was 6.5419 (\$6.5419 for each \$1,000 of assessed valuation).

All taxes are due and payable on November 1st of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1st following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount. Delinquent taxes on real property bear interest of 18% per year. On or prior to June 1st following the tax year, certificates are sold for all delinquent taxes on real property. After the sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations. At September 30, 2014, unpaid delinquent taxes were not material.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The City's deposits at year end are considered insured for custodial credit risk purposes. At year end, the carrying amounts of the City's deposits were \$1,486,815 and the bank balances were \$1,526,057. The City also had \$550 in petty cash.

Investments

Florida Statutes and the City's investment policy authorize the City to invest in the following types of securities:

- The Local Government Surplus Funds Trust Fund.
- Direct obligations of the United States Treasury.
- Interest bearing time deposits (Certificates of Deposit) or savings accounts in Qualified Public Depositories as defined in Florida Statutes.
- Obligations of federal agencies and instrumentalities.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

The investment policy applies to all funds held by the City in excess of those required to meet current expenses, with the exception of pension fund assets and funds whose uses are restricted by debt covenants or legal, regulatory or other constraints.

The State Board of Administration is part of the Local Governments Surplus Funds Trust Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Governments Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A, (Local Government Surplus Funds Trust Fund Investment Pool) consisted of all money market appropriate assets. Pool B, (Surplus Funds Trust Fund) consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B. On August 3, 2009, the SBA announced “Florida PRIME” as the highly enhanced version of the SBA’s prior Local Government

Investment Pool. Pool A is now referred to as Florida PRIME, and Pool B is referred to as Fund B. During the fiscal year ended September 30, 2014, the remaining principal balances in Fund B were distributed to each Fund B participant, and the Fund was closed.

At September 30, 2014, Florida PRIME was rated AAAM by Standard and Poor’s Ratings. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balances should be considered its fair value. Fund B is not rated by any national rating agency.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2014, was 39 days. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

As of September 30, 2014, the City of Pahokee had \$389,832 invested in Florida PRIME.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

A reconciliation of cash and cash equivalents and investments as shown on the statement of net position to deposits and investments is as follows:

By category:	
Deposits	\$ 1,486,815
Petty cash	550
Investments	<u>389,832</u>
Total deposits and investments	<u>\$ 1,877,197</u>
Presented in the statement of net position:	
Cash and cash equivalents	\$ 1,722,516
Restricted cash and cash equivalents	<u>154,681</u>
Total cash and cash equivalents	<u>\$ 1,877,197</u>

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The City's investment policies limit its investments to high quality investments to control credit risk. As of September 30, 2014, the SBA Florida PRIME Pool was rated AAAm by Standard and Poor's and Fund B was unrated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the time to maturity, the greater the interest rate risk. The City's investment policy attempts to match investment maturities with known cash needs and anticipated cash flow requirements to limit interest rate risk. Investments of current operating funds are limited to maturities of no longer than five years. Investments of bond reserves, construction funds, and other non-operating funds shall have a term appropriate to the need for funds, but no longer than ten years.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. To limit concentration of credit risk, the City’s investment policy has established the following maximum limits by instrument:

Investment Instrument	Maximum
Local Government Surplus Funds Trust Fund	75%
Direct Obligations of the U.S. Treasury	75%
Money Market , CD’s and Savings Accounts	75%
Other U.S. Government Obligations / Agencies	50%

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2014, are comprised of the following:

	General Fund	Cemetery Fund
Billed	\$ 63,686	\$ 7,925
Unbilled	56,788	
Grants receivable	247,222	
Taxes receivable	116,206	
Due from other governments	71,705	
Subtotal	555,607	7,925
Less allowance for uncollectibles	(44,057)	
	\$ 511,550	\$ 7,925

The Palm Beach County Water Utility Department (PBCWUD) provides billing and collection services for the City’s solid waste collection activities. Amounts collected by the PBCWUD but not yet paid to the City are reported as due from other governments. The amounts are reported net of a one percent administrative fee.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 356,162	\$	\$	\$ 356,162
Idle and impaired property	110,728			110,728
Construction in progress	39,888	158,270	(60,020)	138,138
Capital assets being depreciated:				
Improvements other than buildings	1,725,142	60,020		1,785,162
Buildings	4,947,539			4,947,539
Equipment	930,123	384,936		1,315,059
Total at historical cost:	<u>8,109,582</u>	<u>603,226</u>	<u>(60,020)</u>	<u>8,652,788</u>
Less accumulated depreciation for:				
Improvements other than buildings	(795,451)	(114,199)		(909,650)
Buildings	(3,338,673)	(181,578)		(3,520,251)
Equipment	(815,010)	(225,811)		(1,040,821)
Total accumulated depreciation:	<u>(4,949,134)</u>	<u>(521,588)</u>		<u>(5,470,722)</u>
Governmental activities capital assets, net	<u>\$ 3,160,448</u>	<u>\$ 81,638</u>	<u>\$ (60,020)</u>	<u>\$ 3,182,066</u>

On October 1, 2013, the City closed the Garbage and Solid Waste Enterprise Fund and transferred all capital assets of the fund to the Governmental Activities. The capital assets consisted of equipment with a historical cost of \$157,008; accumulated depreciation of \$156,977; and a net book value of \$31. These assets and related accumulated depreciation are reported as additions in the above summary and as deletions in the summary of capital assets for the Business-type Activities on the following page.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 5 – CAPITAL ASSETS (Continued)

Business-type activities:	Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets not being depreciated:				
Land	\$ 98,000	\$	\$	\$ 98,000
Capital assets being depreciated:				
Improvements other than buildings	7,236,272			7,236,272
Buildings	8,170,492			8,170,492
Equipment	314,093		(157,008)	157,085
Total at historical cost:	<u>15,818,857</u>		<u>(157,008)</u>	<u>15,661,849</u>
Less accumulated depreciation for:				
Improvements other than buildings	(2,376,370)	(613,623)		(2,989,993)
Buildings	(933,032)	(272,074)		(1,205,106)
Equipment	(307,281)	(1,958)	156,977	(152,262)
Total accumulated depreciation:	<u>(3,616,683)</u>	<u>(887,655)</u>	<u>156,977</u>	<u>(4,347,361)</u>
Business-type activities capital assets, net	<u>\$ 12,202,174</u>	<u>\$ (887,655)</u>	<u>\$ (31)</u>	<u>\$ 11,314,488</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 125,832
Public safety	5,100
Transportation	79,135
Culture and recreation	154,544
Total depreciation expense governmental activities	<u>\$ 364,611</u>

See the discussion regarding capital asset transfers to the Governmental Activities on the previous page.

Business-type activities	
Marina	\$ 878,146
Cemetery	9,509
Total depreciation expense business-type activities	<u>\$ 887,655</u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 6 – INTERFUND TRANSACTIONS

The composition of interfund balances at September 30, 2014, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Marina and Campground Fund	\$ 77,373
Cemetery Fund	Henderson Endowment Fund	<u>2,736</u>
		<u>\$ 80,109</u>

The outstanding balances between funds result primarily from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur; transactions are recorded in the accounting system; and payments between funds are made.

Advances to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Cemetery Fund	<u>\$ 321,839</u>

The outstanding balances between funds represent interfund loans to cover operating deficits.

Transfers

Interest earned in the Henderson Endowment Fund is restricted for Cemetery Fund operations. For the fiscal year ended September 30, 2014, the Henderson Endowment Fund transferred interest earnings of \$1,316 to the Cemetery Fund.

Interfund transfers for the year ended September 30, 2014, are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Garbage and Solid Waste Fund	General Fund	\$ 903,518
General Fund	Cemetery Fund	21,225
Henderson Endowment Fund	Cemetery Fund	<u>1,316</u>
		<u>\$ 926,059</u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 7 – LONG-TERM LIABILITIES

Governmental Activities

Long-term liabilities of the governmental activities at September 30, 2014, consisted of the following:

Note Payable – Bank of America – On June 11, 2009, the City issued a \$555,656 Note Payable to refund the City’s Gulf Breeze Local Government Loan. Beginning October 1, 2009 principal and interest payments are due on October 1 and April 1 with a loan maturity date of April 1, 2016. The note bears an annual interest rate of 4.88%.

The debt service requirements of the Bank of America Note Payable are as follows:

Year	Principal	Interest	Total
2015	\$ 86,304	\$ 7,702	\$ 94,006
2016	90,622	3,385	94,007
	\$ 176,926	\$ 11,087	\$ 188,013

Note Payable – Palm Beach County Sheriff’s Office – The City is obligated under an agreement financing the payoff of its delinquent accounts payable with the Palm Beach County Sheriff’s Office. The original amount of the loan was \$491,941. Beginning October 1, 2009, the City makes 99 monthly payments in the amount of \$5,000 with an original maturity date of December 1, 2017. During the fiscal year ended September 30, 2014, the Sheriff’s Office forgave \$100,000 of the loan principal balance. The maturity date is now April 1, 2016. The loan is an interest free obligation.

The forgiveness of debt is reported in the Statement of Activities as an operating contribution in the Public Safety Function in the Governmental Activities

The debt service requirements of the Palm Beach County Sheriff’s Office Note Payable are as follows:

Year	Principal	Interest	Total
2015	\$ 60,000	\$	\$ 60,000
2016	31,941		31,941
	\$ 91,941	\$	\$ 91,941

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

The annual debt service requirements for governmental activities notes payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 146,304	\$ 7,702	\$ 154,006
2016	122,563	3,385	125,948
	<u>\$ 268,867</u>	<u>\$ 11,087</u>	<u>\$ 279,954</u>

Changes in long-term liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Note payable – BOA	\$ 259,113	\$	\$ (82,187)	\$176,926	\$ 86,304
Note payable - PBSO	251,941		(160,000)	91,941	60,000
Total notes payable	511,054		(242,187)	268,867	146,304
Compensated absences	107,708	72,592	(68,632)	111,668	44,676
OPEB	11,766	16,522	(7,878)	20,410	4,957
Total governmental	<u>\$ 630,528</u>	<u>\$ 89,114</u>	<u>\$(318,697)</u>	<u>\$ 400,945</u>	<u>\$ 195,937</u>

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Compensated absences	\$ 14,352	\$ 9,680	\$ (5,799)	\$ 18,233	\$ 4,846
Total business-type	<u>\$ 14,352</u>	<u>\$ 9,680</u>	<u>\$ (5,799)</u>	<u>\$ 18,233</u>	<u>\$ 4,846</u>

The liability for compensated absences is paid out of the fund where the related employee works.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Interest Expense

Total interest costs incurred and paid on all City debt for the year ended September 30, 2014, were \$9,780 and \$11,819, respectively. No interest was capitalized in the enterprise funds.

NOTE 8 – FLORIDA RETIREMENT SYSTEM

Florida Retirement System Pension Plan – Defined Benefit

Plan Description

Substantially all full-time employees hired before January 1, 1996, are eligible to participate in the Florida Retirement System (FRS), a cost sharing, multiple-employer, public retirement system controlled by the State Legislature and administered by the State of Florida Department of Administration, Division of Retirement. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 22B, Florida Administrative Code. Amendments to the law can only be made by an act of the Florida Legislature. A post-employment health insurance subsidy is also provided to eligible employees. Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members.

The 2011 Florida Legislature made significant changes to the Florida Retirement System. Effective July 1, 2011, members of the Florida Retirement System are required to make 3 percent pre-tax employee contributions. Florida Retirement System Pension Plan members with an effective retirement date on or after August 1, 2011, and service credit earned on or after July 1, 2011, will have an individual post-retirement cost-of-living adjustment calculated as a reduction from 3 percent using only the proportion of their years of service before July 1, 2011, to their total years of service. Members initially enrolled on or after July 1, 2011, have:

- Vesting for benefits after eight years of service instead of six years.
- Retirement benefits calculated using the average of their highest eight years of salary instead of their highest five years.
- Normal retirement based on 35 years of service regardless of age or at age 65 and vested for all classes except Special Risk Class members who must have 30 years of service regardless of age or at age 60 and vested.
- No post-retirement cost-of-living adjustment.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Funding Policy

Participating employers are required to make monthly contributions based upon statewide contribution rates. The City's contributions were based on the regular employee class rate for the year ended September 30, 2014. The rate was 9.95% from October 1, 2013 through June 30, 2014 and 10.37% for July 1, 2014 through September 30, 2014. These rates include a 3.00% employee contribution, 1.20% and 1.26% for the Retiree Health Insurance Subsidy Program, and a 0.03% administrative fee.

The City's contributions to the Florida Retirement System Pension Plan for the fiscal years ending September 30, 2012 through 2014 were equal to 100% of the required contributions for each fiscal year. The contributions are summarized below.

	2012	2013	2014
Employer	\$ 6,007	\$ 5,295	\$ 7,565
Employee	4,661	3,493	3,881
Total	\$ 10,668	\$ 8,788	\$ 11,446

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the Florida Retirement System Pension Plan. The report may be obtained by writing to the State of Florida Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000; or e-mailing Research & Education at rep@dms.MyFlorida.com, or calling toll free at 877-377-1737.

Retiree Health Insurance Subsidy Program

Plan Description

The Retiree Health Insurance Subsidy Program (HIS) is a cost-sharing multiple-employer defined benefit plan. Benefit provisions are established under Chapter 112.363, Florida Statutes, which may be amended by the Florida Legislature. The HIS benefit is a monthly supplemental payment that Florida Retirement System retirees, eligible terminated Investment Plan members, and other state-administered retirement system retirees may be eligible to receive if they have health insurance coverage – which includes Medicare, TriCare, and insurance coverage provided through the Cover Florida Health Care Access Program. Payment of this benefit is not automatic, it must be applied for and the application approved before payment begins.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

The amount of the monthly payment is calculated by multiplying the member's total years of creditable service at retirement (up to a maximum of 30 years) by \$5. The minimum monthly HIS payment is \$30 and the maximum monthly payment is \$150. The HIS payment is included in the same payment as the retiree's monthly retirement benefit if a defined benefit plan retiree.

Funding Policy

The State's current funding policy for the HIS is pay-as-you-go and provides for monthly employer contributions currently set as the legislatively determined rate of 1.20% of annual covered payroll. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. The GASB annual required contribution (ARC) calculated by the consulting actuary in the July 1, 2014 actuarial valuation for the fiscal year ending June 30, 2014 is 1.26% of active payroll (including DROP payroll).

The State's funding policy requires a contribution rate that is different than the GASB required ARC, which is an accounting disclosure. To the extent the contributions rate required to fund the HIS Program is different than the computed ARC, adjustments in the Net Pension Obligation (NPO) will occur from year to year.

The City's contributions to the Retiree Health Insurance Subsidy Program for the fiscal years ending September 30, 2012 through 2014 were \$2,412, \$1,587 and \$1,573 respectively, which were equal to 100% of the required contributions for each fiscal year.

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the Retiree Health Insurance Subsidy Program. The report may be obtained by writing to the State of Florida Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000; or e-mailing Research & Education at rep@dms.MyFlorida.com, or calling toll free at 877-377-1737.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Investment Plan – Defined Contribution

Plan Description

The Florida Retirement System Investment Plan is a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code. The Florida Legislature enacted the Plan during the 2000 legislative session, and amendments to the Plan can only be made by an act of the Florida Legislature. The Plan is administered by the State Board of Administration of Florida.

Funding Policy

Participating employers are required to make contributions based upon statewide contribution rates. The City's contributions were based on the regular employee class rate for the year ended September 30, 2013. The rate was 8.18% from October 1, 2012 through June 30, 2013 and 9.95% for July 1, 2013 through September 30, 2013. These rates include a 3.00% employee contribution, 1.20% for the Retiree Health Insurance Subsidy Program, and a 0.03% administrative fee.

The City's contributions to the Florida Retirement System Investment Plan for the fiscal years ending September 30, 2012 through 2014 were equal to 100% of the required contributions for each fiscal year. The contributions are summarized below. There were no employees enrolled in the defined contribution plan during the 2014 fiscal year.

	2012	2013	2014
Employer	\$ 2,398	\$ 971	\$
Employee	1,857	715	
Total	\$ 4,255	\$ 1,686	\$

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the Florida Retirement Investment Pension Plan. The report may be obtained by writing to the State of Florida Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000; or e-mailing Research & Education at rep@dms.MyFlorida.com, or calling toll free at 877-377-1737.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 9 – GENERAL EMPLOYEES’ RETIREMENT PLAN

The General Employees Retirement Plan (the "Plan") is a single employer defined contribution pension plan established by the City to provide retirement and death benefits to general employees hired on or after January 1, 1996. A defined contribution pension plan has terms that specify how contributions to an individual's account are to be determined rather than the amount of pension benefits the individual is to receive. In a defined contribution plan, the pension benefits a participant will receive depend only on the amount contributed to the participant's account, earnings on investments of these contributions, and forfeitures of other participant's benefits that may be allocated to the participant's account. Under the terms of the Plan agreement, all forfeitures shall be used to reduce the employer's contributions.

The City is required to contribute 3% of covered compensation. At their option, plan members can contribute 3% of covered compensation. The City will match employee contributions up to 2% of covered compensation. Employer contributions for the year ended September 30, 2014, were \$33,962 which was equal to the required contribution amount. There were no optional employee contributions for the year ended September 30, 2014.

Vesting commences at a rate of 20% each year until the employee is fully vested after five years. Credited service begins with the first day of the month coinciding with or the next day following six months of service. Plan provisions and contribution requirements are established and may be amended by the City Commission.

The Plan is administered by the Florida League of Cities, which provides various investment alternatives. Participants direct the allocation of contributions to investment alternatives offered under the Plan. Because the City does not hold or administer funds for the Plan, the Plan does not meet the criteria for inclusion in the City's financial statements as a fiduciary fund.

NOTE 10 – DEFERRED COMPENSATION PLAN

Employees of the City of Pahokee may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. Valic, Inc. administers the deferred compensation plan.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 10 – DEFERRED COMPENSATION PLAN (Continued)

On December 15, 1998 the Deferred Compensation Plan was amended to conform with the changes in the Internal Revenue Code brought about by the Small Business Job Protection Act of 1996 (the “Act”). The Act requires that eligible deferred compensation plans established and maintained by governmental employers be amended to provide that all assets of the plan be held in trust, or under one or more appropriate annuity contracts or custodial accounts, for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, plan assets will no longer be subject to the claims of the City’s general creditors.

Because the City has little administrative involvement and does not perform the investing function for funds in the Pinnacle Associates Plan, the City’s activities do not meet the criteria for inclusion in the fiduciary funds of a government.

NOTE 11 – DEFICIT NET POSITION OF INDIVIDUAL FUNDS

As of September 30, 2014, the Marina and Campground Enterprise Fund reported positive net position but reported a deficit of \$101,928 in unrestricted net position, and the Cemetery Enterprise Fund reported positive net position but reported a deficit of \$322,382 in unrestricted net position.

NOTE 12 – INDUSTRIAL DEVELOPMENT BONDS

In May 2009, the City issued \$2,480,000 of Series 2009 bonds pursuant to an Indenture of Trust dated as of May 1, 2009 between the City and U.S. Bank National Association of Fort Lauderdale, Florida. The City issued \$2,480,000 of its Healthcare Facility Refunding Revenue Bonds, Series 2009 in two series. The City issued \$2,130,000 of its 6.5%-9.0% Series 2009A bonds and \$350,000 of its 9.0%-11.5% Taxable Series 2009B bonds. The Series 2009A bonds were issued to repay the remaining principal on the Series 1990 bonds and enable the Council to improve the Glades Health Care Center. The proceeds from the sale of the Series 2009B bonds were used to pay certain costs of issuance relating to the issuance of the Series 2009A bonds and the Series 2009B bonds. The bonds are secured by a first mortgage lien on, and security interest in, the real property, personal property and fixtures, and a pledge and assignment of, and security interest in, the gross revenues of the Council. The Gainesville Council on Aging, Inc is a guarantor on the bonds.

The Series 2009 bonds do not constitute a debt, liability or obligation of the City, and neither the faith and credit nor the taxing power of the City is pledged to the payment of the principal of or the interest on the Series 2009 bonds. The City is not obligated to pay the Series 2009 bonds or the interest thereon except from the revenues and proceeds pledged from the borrower.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 12 – INDUSTRIAL DEVELOPMENT BONDS (Continued)

As of September 30, 2014, there was \$1,630,000 of the Series 2009A and \$50,000 of the Series 2009B conduit debt outstanding.

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City has not significantly reduced insurance coverage from the prior year, and there were no settled claims which exceeded insurance coverage during the past three fiscal years.

Florida Statutes limit the City's maximum loss for most liability claims to \$200,000 per person and \$300,000 per occurrence under the Doctrine of Sovereign Immunity. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in Federal courts.

NOTE 14 – LITIGATION CONTINGENCIES

The City is involved in various litigations and claims arising in the course of operations. It is the opinion of legal counsel that the likelihood of unfavorable outcome and the amounts of potential losses cannot be reasonably determined at this time. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements.

NOTE 15 – DEVELOPER CONTRIBUTIONS

On April 25, 1996, the City entered into a contract with a developer to provide water and sewer service to their facility. In consideration for the City to provide water and sewer, the developer agreed to pay, in addition to the normal water and sewer rates, a monthly capital recovery charge of \$15,119 for any month the developer receives service. The facility was subsequently subleased to the Florida Department of Corrections (DOC). On February 10, 2010, the City entered into an agreement with the DOC for the payment of an Off-Site Capital Recovery Fee to the City in the amount of \$362,860. The fee was to be paid in forty-eight monthly installments beginning February 2010 and ending January 2014. For the year ended September 30, 2014, the City received \$18,112 in capital recovery charges pursuant to the agreements.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 16 – COMMITMENTS

Palm Beach County Fire Rescue Services Inter-local Agreement

On September 12, 2006, the City entered into a 10-year inter-local agreement with Palm Beach County to provide fire suppression, emergency medical services, special operations, hazardous materials response and mitigation, emergency communications, confined space rescue, dive rescue, fire code inspections, arson investigation, new construction inspection, community education programs, and all other emergency and non-emergency services to the City of Pahokee commencing October 1, 2006. Under the terms of the Agreement, the City transferred all the City's fire rescue apparatus and related equipment, to Palm Beach County Fire Rescue on October 1, 2006.

The costs of the services under the Agreement are to be funded through the Fire/Rescue MSTU pursuant to ordinances adopted by the County and the City providing for the inclusion of the City into the Fire/Rescue MSTU. It is anticipated that the County Fire/Rescue dispatch and related communication services to the City will be funded from countywide ad valorem tax revenues through the Countywide Common Dispatch program offered by the County to any fire-rescue providers that desire these services. If the County's ability to fund the dispatch and related communication services from non-MSTU revenues is eliminated for any reason, then the County may fund these dispatch and related services to the City through the Fire/Rescue MSTU. The tax rate for the MSTU is included in the 10 mills the City is legally allowed to assess. For the fiscal year ended September 30, 2014, the MSTU portion of the City's millage rate was 3.4581 mills.

Should the City for any reason no longer be included in the Fire/Rescue MSTU during the term of the Agreement, the City shall pay the County an annual, or prorated, contract amount equal to the value of taxable property within the incorporated boundaries of the City multiplied by the Fire/Rescue MSTU millage rate.

As part of the Agreement, the City agreed to lease the building and surrounding property known as the Pahokee Fire Station to the County for its use as a fire station for the sum of one dollar per year for a period of ten years commencing on October 1, 2006.

Palm Beach County Law Enforcement Services Inter-local Agreement

The City entered into an inter-local agreement with the Palm Beach County Sheriff's Office to provide law enforcement services commencing February 12, 2006, and ending September 30, 2008. The agreement was later amended to extend the contract through September 30, 2009. The contractual cost for the year ending September 30, 2009 was \$737,912. The City was unable to pay the total contractual cost for the year ending September 30, 2009. The amount due to the

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 16 – COMMITMENTS (Continued)

Palm Beach County Law Enforcement Services Inter-local Agreement (Continued)

Palm Beach County Sheriff’s Office for the period from February 1, 2009 to September 30, 2009 was \$491,941. The City entered into a note payable for this amount and will make monthly payments of \$5,000 until the balance is paid in full. See Note 7.

On September 10, 2013, the City approved the eighth addendum to the agreement extending it through September 30, 2014. The contractual cost for the year ended September 30, 2014 was \$517,213. On September 9, 2014, the City approved the ninth addendum to the agreement extending the agreement through September 30, 2015. The contractual cost for the year ending September 30, 2015 will be \$522,385.

Construction Projects

As of September 30, 2014, the City had entered into the following construction commitments.

<u>Project</u>	<u>Authorized Amount</u>	<u>Completed at 09/30/14</u>	<u>Balance to Complete</u>
Park Improvements	<u>\$ 115,778</u>	<u>\$ 98,250</u>	<u>\$ 17,528</u>

NOTE 17 – SPECIAL ENDOWMENT

On October 12, 1999, the Port Mayaca Cemetery received \$875,000 from an estate. The bequest was intended as a permanent endowment for the cemetery. All earnings on the principal amount can be used by the cemetery for the upkeep, maintenance, and beautification of the cemetery. In addition, the cemetery is allowed to borrow up to \$100,000 to purchase equipment or to make improvements to the cemetery. Any amount borrowed must be paid back into the endowment over a period not to exceed seven years.

The City has established a permanent fund to account for the endowment principal, investment earnings, and transfers to the Cemetery Fund for upkeep, maintenance, and beautification of the cemetery. During the fiscal year ended September 30, 2014, the permanent fund transferred \$1,316 to the Cemetery Fund.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS

The City implemented Governmental Accounting Standards Board Statement 45 (GASB 45), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, effective October 1, 2012. The City elected to implement prospectively, and the change in accounting principle had no effect on changes in net position/fund equity for prior periods. Retirees of the City pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. This implied subsidy constitutes other postemployment benefits (OPEB) under GASB 45.

Plan Description

The City provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries to continue to obtain health benefits upon retirement. The normal retirement age for City employees is age 62 for employees enrolled in the retirement plan before July 1, 2011 and age 65 for employees enrolled in the retirement plan after July 1, 2011 . The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

Funding Policy

The City does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the City for active employees by its healthcare provider. However, the City's actuaries in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the City or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The City has elected to calculate the ARC and related information using the Alternative Measurement Method permitted under GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The annual OPEB cost and the net OPEB obligation for the City for the current year and the related information are as follows:

Required contribution rate - employer	Pay-as-you-go
Required contribution rate - plan members	N/A
Annual required contribution	\$ 16,706
Interest on net OPEB obligation	471
Adjustment to annual required contribution	<u>(655)</u>
Annual OPEB cost	16,522
Estimated net contributions made	<u>(7,878)</u>
Increase in net OPEB obligation	8,644
Net OPEB obligation October 1, 2013	<u>11,766</u>
Net OPEB obligation September 30, 2014	<u><u>\$ 20,410</u></u>

Trend Information

<u>Three-Year Trend Information</u>			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/13	\$16,706	30.0%	\$11,766

Funded Status

The funded status of the plan as of most recent actuarial valuation date was as follows:

Actuarial valuation date	October 1, 2012
Actuarial accrued liability	\$ 89,191
Actuarial value of plan assets	\$
Unfunded actuarial accrued liability (UAAL)	\$ 89,191
Funded ratio	0.0%
Covered payroll	Not Available
UAAL as a percentage of covered payroll	Not Available

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the fiscal year ended September 30, 2013 was the year of implementation of GASB 45 and the City elected to apply the statement prospectively, only one year is presented in the schedule at this time. The City is required to have an actuarial valuation every three years. The next valuation is scheduled for October 1, 2015. In future years, required trend data will be presented.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	October 1, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar - Open
Amortization period	30 year closed period
Asset valuation method	Not Applicable
Actuarial assumptions:	
Discount rate	4.0%
Healthcare cost trend	7% for 2013 decreasing to 5.0% in 2023

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2014

NOTE 19 – DETERIORATING FINANCIAL CONDITION

The Marina and Campground Enterprise Fund and the Cemetery Enterprise Fund have experienced operating losses for several years, and both fund reported a deficit in unrestricted net position as of September 30, 2014. The General Fund experienced significant decreases in fund balance in the prior four fiscal years and expenditures exceeded revenues in the current fiscal year. The City has reduced capital expenditures, reduced staff and implemented new purchasing procedures to help improve its financial condition.

NOTE 20 – CLOSURE OF GARBAGE AND SOLID WASTE FUND

On October 1, 2013, the City closed the Garbage and Solid Waste Enterprise Fund and transferred all assets and liabilities to the General Fund and/or the Governmental Activities.

CITY OF PAHOKEE, FLORIDA
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Ad valorem taxes	\$ 424,739	\$ 424,739	\$ 407,027	\$ (17,712)
Utility service taxes	419,192	419,192	411,317	(7,875)
Local option gas tax	168,452	168,452	170,626	2,174
Local business tax	11,150	11,150	13,452	2,302
Total taxes	1,023,533	1,023,533	1,002,422	(21,111)
Licenses and permits				
Building permits	20,000	20,000	62,726	42,726
Franchise fees	365,894	365,894	369,197	3,303
Other	4,500	4,500	24,151	19,651
Total licenses and permits	390,394	390,394	456,074	65,680
Intergovernmental revenues				
State revenue sharing	269,045	269,045	271,353	2,308
Mobile home license	5,000	5,000	5,364	364
Alcoholic beverage license	1,200	1,200	2,309	1,109
Motor fuel tax	96,402	96,402	95,299	(1,103)
Half-cent sales tax	388,159	388,159	401,821	13,662
County occupational license	10,000	10,000	12,531	2,531
Payments in lieu of taxes	156,900	156,900	156,231	(669)
Grants	1,131,375	564,359	476,193	(88,166)
Total intergovernmental	2,058,081	1,491,065	1,421,101	(69,964)

(Continued)

CITY OF PAHOKEE, FLORIDA
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2014
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges for services				
Management fees	\$ 4,410	\$ 4,410	\$	\$ (4,410)
Solid waste collection fees	664,590	664,590	620,555	(44,035)
Other	46,850	46,850	41,395	(5,455)
	<u>715,850</u>	<u>715,850</u>	<u>661,950</u>	<u>(53,900)</u>
Total charges for services				
Fines and forfeitures				
Court fines	10,800	10,800	5,466	(5,334)
Other	4,050	4,050	27,971	23,921
	<u>14,850</u>	<u>14,850</u>	<u>33,437</u>	<u>18,587</u>
Total fines and forfeitures				
Miscellaneous				
Interest	1,090	1,090	807	(283)
Rents	90,787	90,787	107,312	16,525
Contributions	13,595	59,276	65,724	6,448
Other	12,620	12,620	17,391	4,771
	<u>118,092</u>	<u>163,773</u>	<u>191,234</u>	<u>27,461</u>
Total miscellaneous				
Total revenues	<u>4,320,800</u>	<u>3,799,465</u>	<u>3,766,218</u>	<u>(33,247)</u>

(Continued)

CITY OF PAHOKEE, FLORIDA
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2014
(Continued)

	<u>Budgeted</u>	<u>Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
General government				
Legislative	\$ 95,789	\$ 95,789	\$ 104,715	\$ (8,926)
City manager	139,195	139,195	148,177	(8,982)
City clerk	71,893	71,893	73,088	(1,195)
Finance	168,656	168,656	184,897	(16,241)
Personnel	74,506	74,506	34,163	40,343
IT/GATV access	28,779	28,779	42,971	(14,192)
Legal counsel	80,000	80,000	74,903	5,097
Planning, zoning, and building	27,950	27,950	16,265	11,685
Community development	92,908	93,556	110,247	(16,691)
Non departmental	247,820	379,653	353,083	26,570
Total general government	<u>1,027,496</u>	<u>1,159,977</u>	<u>1,142,509</u>	<u>17,468</u>
Public safety				
Law enforcement	577,934	577,934	578,939	(1,005)
Protective inspections	106,664	106,664	101,586	5,078
Total public safety	<u>684,598</u>	<u>684,598</u>	<u>680,525</u>	<u>4,073</u>
Transportation				
Roads and streets	816,588	816,588	805,883	10,705
Total transportation	<u>816,588</u>	<u>816,588</u>	<u>805,883</u>	<u>10,705</u>

(Continued)

CITY OF PAHOKEE, FLORIDA
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2014
(Continued)

	<u>Budgeted</u>	<u>Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Culture and recreation				
Recreation - City	\$ 1,165,505	\$ 511,689	\$ 598,791	\$ (87,102)
Recreation - Family Central	-	-	5,474	(5,474)
Recreation - Palm Beach County	131,364	131,364	112,994	18,370
Recreation - Pahokee Connection	1,800	1,800	1,900	(100)
Recreation - POPS			1,370	(1,370)
Parks	70,687	70,687	164,675	(93,988)
Total culture and recreation	<u>1,369,356</u>	<u>715,540</u>	<u>885,204</u>	<u>(169,664)</u>
Physical environment				
Solid waste collection	431,797	431,797	415,963	15,834
Total physical environment	<u>431,797</u>	<u>431,797</u>	<u>415,963</u>	<u>15,834</u>
Total expenditures	<u>4,329,835</u>	<u>3,808,500</u>	<u>3,930,084</u>	<u>(121,584)</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(9,035)</u>	<u>(9,035)</u>	<u>(163,866)</u>	<u>(154,831)</u>
Other financing sources (uses)				
Disposal of capital assets	50,000	50,000		(50,000)
Insurance proceeds			660	660
Transfers in			903,518	903,518
Transfers out	(40,965)	(40,965)	(21,225)	19,740
Total other financing sources (uses)	<u>9,035</u>	<u>9,035</u>	<u>882,953</u>	<u>873,918</u>
Net change in fund balances	<u>\$</u>	<u>\$</u>	719,087	<u>\$ 719,087</u>
Beginning fund balance			<u>576,980</u>	
Ending fund balance			<u>\$ 1,296,067</u>	

CITY OF PAHOKEE, FLORIDA
Notes to the Budgetary Required Supplemental Information
For the Fiscal Year Ended September 30, 2014

Note 1 - Basis of Accounting

A budgetary comparison schedule is presented for the General Fund as required by generally accepted accounting principles. The procedures for establishing budgetary data reflected in the budgetary comparison schedule are described in Note 2 to the financial statements. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Note 2 - Stewardship, Compliance, and Accountability

Formal budgetary integration is employed within the accounting system as a management control device. Appropriations are legally controlled at the functional area level and expenditures may not legally exceed budgeted appropriations at that level. For the year ended September 30, 2014, the following areas had expenditures in excess of appropriations.

Culture and recreation	\$ 169,664
Total expenditures	\$ 121,584

CITY OF PAHOKEE, FLORIDA
Required Supplemental Information
Schedule of Funding Progress
Other Postemployment Benefits
For the Fiscal Year Ended September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age(1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2012	\$	\$ 89,191	\$ 89,191	0.0%	NA	NA

The schedule of funding progress presented above will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The City implemented GASB 45 during the fiscal year ended September 30, 2013, and elected to apply the statement prospectively. Consequently there are no disclosures for prior years. The City is required to have an actuarial valuation every three years. The next valuation is scheduled for October 1, 2015. In future years, required trend data will be presented.



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

The Honorable Mayor and Members of the City Commission
City of Pahokee, 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, each major fund, and the aggregate remaining fund information of the City of Pahokee, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Pahokee, Florida's basic financial statements and have issued our report thereon dated October 12, 2015. The reports on the Statement of Net Position, the Statement of Activities, and the Cemetery Fund financial statements were qualified because of inadequacies in the internal controls and accounting records relating to inventories, cost of goods sold, revenues, and receivables.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pahokee, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pahokee, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pahokee, Florida'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 *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. 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.

Our consideration of internal control 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. However, as described below, we identified deficiencies in internal control that we consider to be material weaknesses.

Finding 2010-1

Condition: The City did not perform a physical count of inventories and has not maintained perpetual inventory records for the Cemetery Fund. Also, the City has not established adequate controls over the completeness of revenues and receivables for the Cemetery Fund.

Criteria: Adequate accounting records and internal controls are required for the preparation of financial statements.

Effect: Because of inadequacies in internal controls and accounting records relating to the Cemetery Fund, we were unable to form opinions regarding the amounts of inventories, accounts receivable, service revenue, and cost of goods sold for the fund.

Recommendation: We recommend that the City implement the following for the Cemetery Fund:

- 1) Perform an annual physical count of inventories at year end.
- 2) Develop and maintain perpetual inventory records.
- 3) Develop and implement procedures to monitor the completeness of revenues and receivables.

Management Response: The City is implementing the inventory software that has been purchased to help develop and maintain the perpetual inventory records at the cemetery. The software is expected to address the control gaps that the audit has identified. GIS mapping is a part of the software and the Finance and Cemetery departments- will use this as an aid to the physical count of inventories that will be conducted at year end. Finance employees will also do weekly checks to ensure that the revenues and receivables are accurate by going to the cemetery to do periodic visual inspections on the burials. The City has also engaged an outside CPA to assist with rectifying this finding.

The new administration has made several policy changes including relocating all accounting and cash receipt functions at the cemetery to the Finance Department at the City Hall to have better accountability of cemetery operations.

Finding 2014-1

Condition: We noted there was a lack of oversight of the financial reporting process.

Criteria: Timely and accurate accounting records are required for internal and external financial reporting.

Effect: Bills were not paid in a timely manner, transactions were not recorded in the general ledger in a timely manner, transactions were not properly recorded in the general ledger, source documents were not properly filed, and bank reconciliations were not prepared in a timely manner.

Recommendation: We recommend that the City increase oversight of the financial reporting process to facilitate the preparation of timely and accurate financial reports:

Management Response: The Administration has consistently relied upon very reliable career-accounting personnel to conduct day-to-day activities of maintaining the City's accounting system. There are no material weaknesses in the City's accounting and internal control systems that would require any major change in accounting or management policy.

The Administration is in the process of re-organizing the structure of the current day-to-day duties and expects that a more comprehensive management reporting system will enable management to better utilize its existing personnel and provide for more efficient utilization of staff responsibilities. This will improve the reliability, integrity, and timeliness of all financial and reporting systems.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pahokee, Florida'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described below.

Finding 2014-2

Condition: We noted that the audit report and the Annual Financial Report filed with the Florida Department of Financial Services for the fiscal year ended September 30, 2014 were not filed timely.

Criteria: Florida Statutes require audit reports for local governmental entities and the Annual Financial Report to be filed within nine months of the fiscal year end. The City's reports were due June 30, 2015.

Effect: Failure to file audit reports timely subjects the City to the risk of losing state shared revenues.

Recommendation: We recommend that the City review the financial reporting process and make any changes required to facilitate the timely preparation of financial reports.

Management Response: As noted in the management response for Finding 2014-1, the Administration is in the process of re-organizing the structure of the current day-to-day duties and expects that a more comprehensive management reporting system will enable management to better utilize its existing personnel and provide for more efficient utilization of staff responsibilities. This will improve the reliability, integrity, and timeliness of all financial and reporting systems.

These changes have already resulted in the starting of the closeout process of the fiscal year ended September 30, 2015 to ensure that the audit is started timely and the audit report is issued well within the nine month deadline.

The Annual Financial Report for the fiscal year ended September 30, 2015, will be submitted to the Florida Department of Financial Services within the deadline.

City of Pahokee, Florida's Response to Findings

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

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.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
October 12, 2015



NOWLEN, HOLT & MINER, P.A.

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MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

The Honorable Mayor and Members of the City Commission
City of Pahokee, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Pahokee, Florida, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated October 12, 2015. The reports on the Statement of Net Position, the Statement of Activities, and the Cemetery Enterprise Fund financial statements were qualified because of inadequacies in the internal controls and accounting records relating to inventories, cost of goods sold, revenues, and receivables.

Auditor's Responsibility

Except as discussed in the preceding paragraph, 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 Reports

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 Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated October 12, 2015, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The following findings were included in the audit reports for the prior two years and continue to apply.

- Finding 2010-1 Cemetery Fund
- Finding 2011-8 Deteriorating Financial Condition

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 to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Pahokee, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Pahokee, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Pahokee, 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 same. Our assessment was done as of the fiscal year end. Based on our procedures, we believe the City is in a deteriorating financial condition.

Finding 2011-8

Condition: The Marina and Campground Enterprise Fund and the Cemetery Enterprise Fund have experienced operating losses for several years, and both funds reported a deficit in unrestricted net position as of September 30, 2014. The General Fund experienced significant decreases in fund balance in the prior four fiscal years. The fund balance of the General Fund increased by \$719,087 in the current fiscal year, but the increase was due to a transfer in the amount of \$903,518 from the Garbage and Solid Waste Enterprise Fund when it was closed. The General Fund's expenditures exceeded its revenues by \$163,866 in the current fiscal year.

Management Response: The City continues to work hard to improve its overall financial condition in a less than favorable economic environment. Several cost cutting measures have been implemented:

- 1) The City has implemented a new purchasing process that tightly monitors and manages daily expenditures.
- 2) The City has reduced capital expenditures to a minimum amount.
- 3) The City has reduced staff to facilitate more effective and efficient use of financial and human resources.
- 4) The City is currently reviewing all contracts to negotiate better terms and to lower the costs of these contracts

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Pahokee, Florida for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that the two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

Based on the application of criteria in publications cited in Section 10.553, Rules of the Auditor General, there are no special district component units of the City of Pahokee, Florida.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we noted the following item.

Finding 2014-3

Condition: As indicated in Note 2 to the Budgetary Required Supplementary Information, the General Fund's culture and recreation function had expenditures in excess of appropriations, and total expenditures of the General Fund exceeded total appropriations.

Criteria: Florida Statutes prohibit expenditures in excess of appropriations.

Effect: Noncompliance with budgetary requirements.

Recommendation: We recommend that the City adopt budget amendments as necessary to eliminate expenditures in excess of appropriations.

Management Response: We will continue to monitor the budget on a monthly basis to control expenditures and make necessary budget amendments between budget line items as necessary. The new administration has made several purchasing policy changes and is continuing to renegotiate contracts to control expenditures of the City. We have also contracted with an outside financial consultant to assist in monitoring the budget to help the City in rectifying this finding.

Finding 2014-4

Condition: During our testing of credit card activity we noted the following issues:

- Some payments were not made timely resulting in the payment of late fees and finance charges.
- Sales tax was paid on certain purchases.
- Accounting records did not identify the public purpose for certain transactions.

Criteria: Adequate internal controls and accounting records are required for the preparation of financial reports.

Effect: Inadequate controls for credit card activity expose the City to the risk of fraud, misuse, and financial reporting errors.

Recommendation: We recommend that the City review its policies and procedures for credit card purchases and implement steps to provide adequate control over credit card use.

Management Response: The new administration is in the process of reviewing the policies and procedures for credit card use and will implement procedures to provide adequate control and accounting records for these activities..

Finding 2014-5

Condition: We noted that the City utilizes a spreadsheet to maintain detailed records for Marina and Campground Fund revenues.

Criteria: Accurate and timely accounting records are required for the preparation of financial reports.

Effect: Maintaining detailed revenue records in a spreadsheet is inefficient and increases the risk of fraud, misuse, and financial reporting errors.

Recommendation: We recommend that the City acquire special purpose software to maintain detailed revenue records for the Marina and Campground Fund.

Management Response: The City is in the process of reviewing software designed to account for recreational activities.

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

Single Audits

The Town expended less than \$500,000 of federal awards and less than \$500,000 of state financial assistance for the year ended September 30, 2014, and was not required to have a federal single audit or a state single audit.

Response to Management Letter

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

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 Representative, the Florida Auditor General, Federal and state awarding agencies, pass-through entities, management of the City of Pahokee, and members of the City Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida
October 12, 2015



NOWLEN, HOLT & MINER, P.A.

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

The Honorable Mayor and Members of the City Commission
City of Pahokee, Florida

We have examined the City of Pahokee, Florida's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2014. Management is responsible for the City of Pahokee, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of Pahokee, Florida's compliance based on our examination.

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

In our opinion, the City of Pahokee, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representative, the Florida Auditor General, applicable management, and the Town Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
October 12, 2015