

CITY OF PAHOKEE, FLORIDA



FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED SEPTEMBER 30, 2013

CITY OF PAHOKEE, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
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NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT AUDITOR'S REPORT

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

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Pahokee, Florida as of and for the year ended September 30, 2013, 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.

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, 2013, 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 Garbage and Solid Waste Fund and the Marina and Campground Fund of the City of Pahokee, Florida as of September 30, 2013, 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.

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 60 through 64, and the Schedule of Funding Progress - Other Postemployment Benefits on page 65 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 June 26, 2014, 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
June 26, 2014

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.

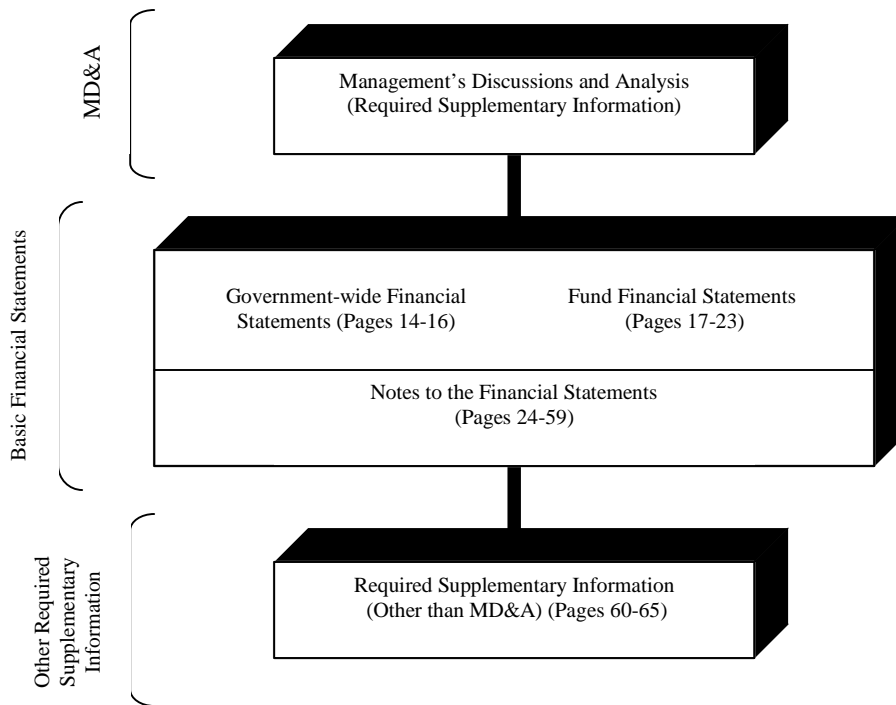
FINANCIAL HIGHLIGHTS

- The City of Pahokee's assets exceeded its liabilities by \$16,926,651 (net position) as of September 30, 2013. Unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors were \$688,068 as of September 30, 2013.
- The governmental net position decreased by \$223,141 for the fiscal year ended September 30, 2013. The decrease was the result of a reduction in the revenues and depreciation of capital assets.
- The business-type net position decreased by \$857,969 for the fiscal year ended September 30, 2013. The decrease in net position was a result of the marina not operated at full capacity and depreciation of capital assets.
- The business-type activities revenues increased by \$16,092 during the fiscal year ended September 30, 2013.
- The total net cost of all City programs was \$3,435,985 during fiscal year ended September 30, 2013. This is an increase of \$89,704 from the total net cost of all City programs during the fiscal year ended September 30, 2012. This increase was throughout all City programs.
- The City's long-term debt decreased by \$161,799 during the current fiscal year.

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, and state shared revenues 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 solid waste collection services, 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, 2013, were \$16,926,651. The City's governmental activities net position were reported at \$4,042,991, of which \$160,967 was unrestricted and available to fund future operations. The City's business-type activities net position as of September 30, 2013 are reported at \$12,883,660, of which \$527,101 was unrestricted and available to fund future operations.

Management's Discussion and Analysis

CITY OF PAHOKEE, FLORIDA

Statement of Net Position

September 30, 2012 and September 30, 2013

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 1,983,383	\$ 1,636,082	\$ 746,136	\$ 776,802	\$ 2,729,519	\$ 2,412,884
Capital assets	3,390,102	3,160,448	13,108,027	12,202,174	16,498,129	15,362,622
Total assets	5,373,485	4,796,530	13,854,163	12,978,976	19,227,648	17,775,506
Current and other liabilities	268,606	123,011	92,467	80,964	361,073	203,975
Long term liabilities outstanding	838,747	630,528	20,067	14,352	858,814	644,880
Total liabilities	1,107,353	753,539	112,534	95,316	1,219,887	848,855
Net Position						
Net investment in capital assets	3,029,190	2,901,335	13,108,027	12,202,174	16,137,217	15,103,509
Restricted	927,502	980,689	154,689	154,385	1,082,191	1,135,074
Unrestricted	309,440	160,967	478,913	527,101	788,353	688,068
Total net position	\$ 4,266,132	\$ 4,042,991	\$ 13,741,629	\$ 12,883,660	\$ 18,007,761	\$ 16,926,651

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 decrease in net position of \$223,141 for the fiscal year ended September 30, 2013.
- The business-type activities reported a total decrease in net position of \$857,969 for the fiscal year ended September 30, 2013.

Management's Discussion and Analysis

CITY OF PAHOKEE, FLORIDA

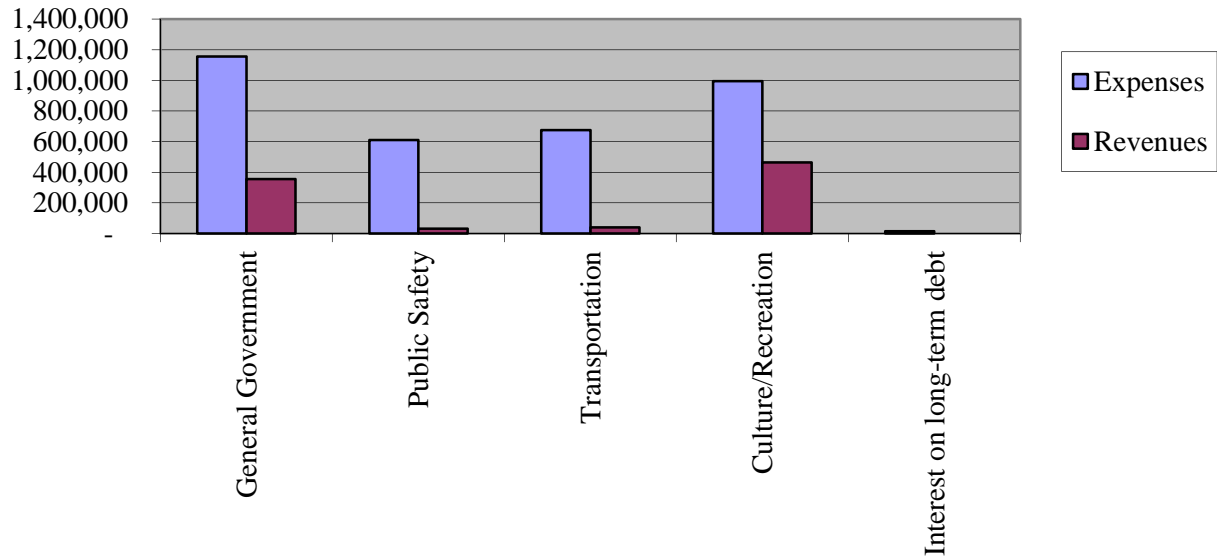
Changes in Net Position

For the Fiscal Years Ended September 30, 2012 and September 30, 2013

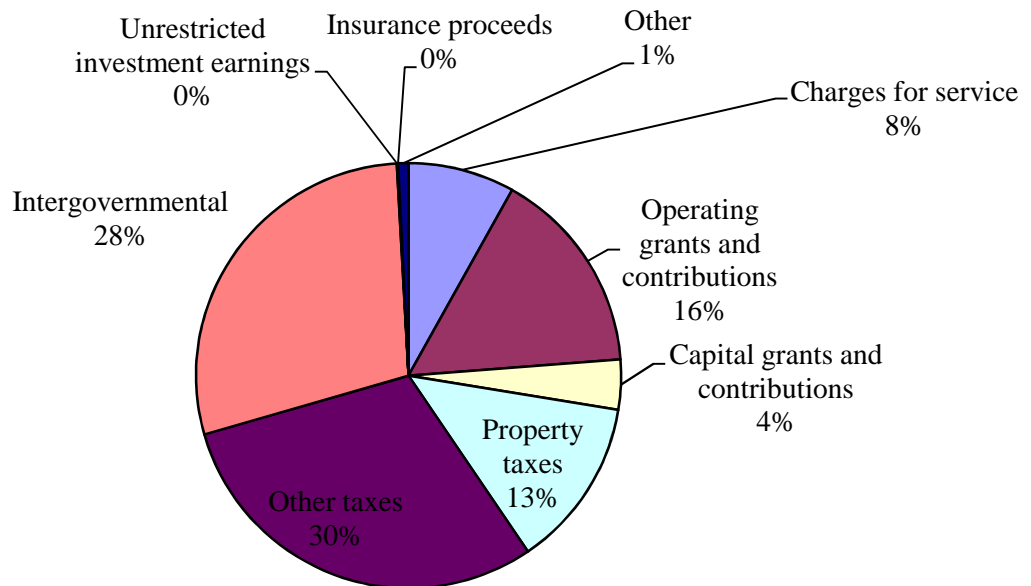
	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
<u>Revenues:</u>						
Program revenues:						
Charges for services	\$ 264,747	\$ 261,809	\$ 860,849	\$ 850,311	\$ 1,125,596	\$ 1,112,120
Operating grants and contributions	615,007	506,123			615,007	506,123
Capital grants and contributions	263,927	123,116		22,775	263,927	145,891
General revenues:						
Property taxes	493,102	417,526			493,102	417,526
Other taxes	1,010,535	969,718			1,010,535	969,718
Intergovernmental	908,622	922,670			908,622	922,670
Unrestricted investment earnings	4,566	2,768	455	390	5,021	3,158
Other	21,765	25,520	11,638	15,558	33,403	41,078
Disaster loss/insurance proceeds	5,453	725			5,453	725
Total revenues	3,587,724	3,229,975	872,942	889,034	4,460,666	4,119,009
<u>Expenses:</u>						
Governmental activities:						
General government	1,174,242	1,156,487			1,174,242	1,156,487
Public safety	632,560	610,727			632,560	610,727
Transportation	686,533	675,478			686,533	675,478
Recreation and culture	1,131,442	994,960			1,131,442	994,960
Interest on long-term debt	19,632	14,144			19,632	14,144
Business-type activities:						
Garbage and solid waste			425,365	537,295	425,365	537,295
Marina			1,034,019	951,344	1,034,019	951,344
Cemetery			247,018	259,684	247,018	259,684
Total expenses	3,644,409	3,451,796	1,706,402	1,748,323	5,350,811	5,200,119
Excess (deficiency) before transfers	(56,685)	(221,821)	(833,460)	(859,289)	(890,145)	(1,081,110)
Transfers	(1,309)	(1,320)	1,309	1,320		
Increase (decrease) in net position	(57,994)	(223,141)	(832,151)	(857,969)	(890,145)	(1,081,110)
Net position - beginning	4,324,126	4,266,132	14,573,780	13,741,629	18,897,906	18,007,761
Net position - ending	<u>\$4,266,132</u>	<u>\$4,042,991</u>	<u>\$13,741,629</u>	<u>\$12,883,660</u>	<u>\$18,007,761</u>	<u>\$16,926,651</u>

Management's Discussion and Analysis

Expense and Program Revenues - Governmental Activities

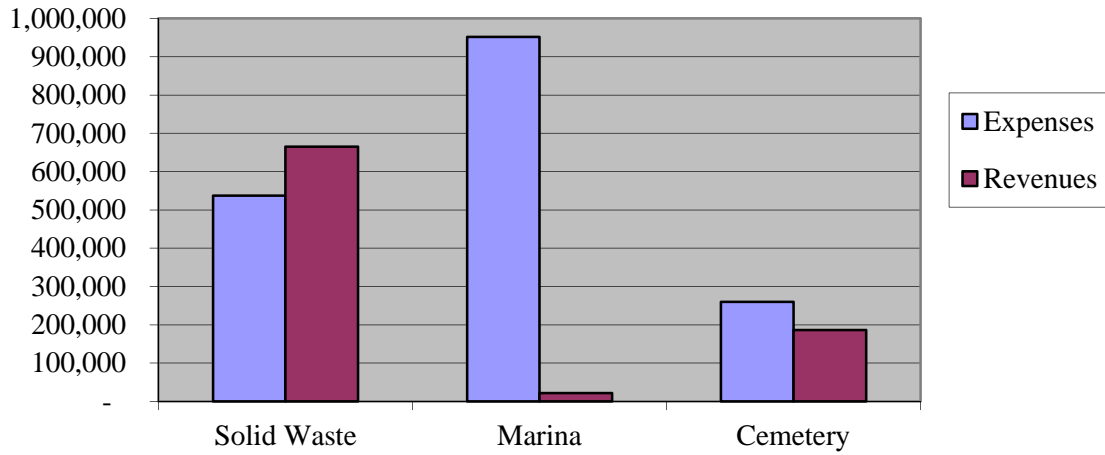


Revenues by Source - Governmental Activities

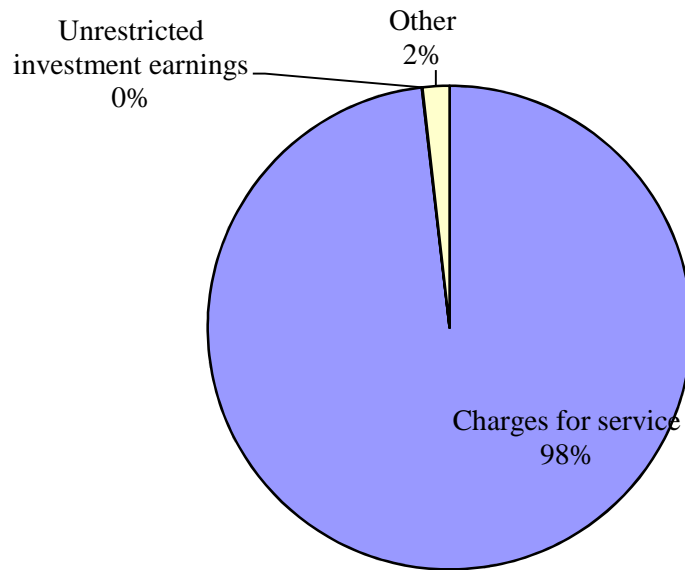


Management's Discussion and Analysis

Expense and Program Revenues - Business Type Activities



Revenue by Source - Business-type Activities



Management's Discussion and Analysis

For the fiscal year ended September 30, 2013, total taxes were \$1,387,244 and comprised 43% of the total revenues of \$3,229,975 for governmental activities during the year. For the fiscal year ended September 30, 2013 operating grants revenue were \$506,123 for governmental activities which represented 16% of total revenues. The majority of the operating grant awards were for parks and recreation grants. Governmental activities intergovernmental shared revenues were \$922,670 and represented 28% of total revenues.

Financial Analysis of the Major Governmental Funds

As of September 30, 2013, the City of Pahokee's governmental funds reported a combined ending fund balance of \$1,451,980. The City reported a decrease in the governmental fund balance of \$198,851 for the fiscal year ended September 30, 2013. This represents a small change of \$18,831 over the prior year.

The General Fund is the chief operating fund of the City of Pahokee. As of September 30, 2013, the General Fund unassigned fund balance was \$39,890, the total restricted fund balance was \$105,689, and the total non-spendable fund balance was \$431,401.

Financial Analysis of the Major Proprietary Funds

As of September 30, 2013, the Garbage and Solid Waste Fund reported \$903,518 in unrestricted net position and \$31 in net position invested in capital assets. The Garbage and Solid Waste Fund total net position increased by \$137,177 during the fiscal year ended September 30, 2013.

Marina and Campground Fund

As of September 30, 2013, the Marina and Campground Fund reported unrestricted net position deficit of \$17,595 and net position invested in capital assets of \$12,004,578. The Marina and Campground Fund total net position decreased by \$929,623 during the fiscal year ended September 30, 2013. The decrease was due to an operating loss resulting from minimal revenues and significant depreciation expense.

Cemetery Fund

As of September 30, 2013, the Cemetery Fund reported an unrestricted net position deficit of \$358,822, net position invested in capital assets of \$197,565, and \$154,385 in restricted net position. The Cemetery Fund total net position decreased by \$65,523 during the fiscal year ended September 30, 2013. The decrease was due to an operating loss and investment interest rates being lower, due to the economy.

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 \$386,057 for the fiscal year ended September 30, 2013. This was primarily due to various grants not being received, since funds were not expended during the fiscal year. General Fund actual expenditures were below budgeted expenditures by \$359,842 during the fiscal year ended September 30, 2013.

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2013, the City had invested \$15,362,622 (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.

CITY OF PAHOKEE, FLORIDA
Capital Assets (net of depreciation)
September 30, 2012 and September 30, 2013

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	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
Buildings	1,637,966	1,608,866	7,509,534	7,237,460	9,147,500	8,846,326
Improvements other than buildings	1,047,905	929,691	5,496,656	4,859,902	6,544,561	5,789,593
Equipment	176,557	115,113	3,837	6,812	180,394	121,925
Construction in progress	60,784	39,888			60,784	39,888
Total	\$3,390,102	\$3,160,448	\$13,108,027	\$12,202,174	\$16,498,129	\$15,362,622

Debt

As of September 30, 2013, the City had \$511,054 in notes payable as shown in the following table. Additional information can be found in Note 7 of the notes to the financial statements.

CITY OF PAHOKEE, FLORIDA
Long-term Debt
September 30, 2012 and September 30, 2013

	Governmental Activities		Business-type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Notes payable	\$672,853	\$511,054	\$	\$	\$672,853	\$511,054
Total	\$672,853	\$511,054	\$	\$	\$672,853	\$511,054

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2014 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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,757,086	\$ 2,528	\$ 1,759,614
Investments	2,569		2,569
Receivables (net)			
Accounts	29,714	59,474	89,188
Taxes	111,449		111,449
Grants	135,430		135,430
Due from other governments	20,378	49,777	70,155
Internal balances	(488,542)	488,542	
Inventory		22,096	22,096
Prepaid expenses	67,955		67,955
Restricted assets			
Cash and cash equivalents	43	154,113	154,156
Investments		272	272
Capital assets			
Non-depreciable	506,778	98,000	604,778
Depreciable (net of depreciation)	2,653,670	12,104,174	14,757,844
Total assets	<u>4,796,530</u>	<u>12,978,976</u>	<u>17,775,506</u>
Liabilities			
Accounts payable	68,591	78,219	146,810
Accrued liabilities	30,274	2,745	33,019
Unearned revenue	5,487		5,487
Due to other governments	12,231		12,231
Accrued interest payable	6,428		6,428
Non-current liabilities			
Due within one year	235,695	11,532	247,227
Due in more than one year	394,833	2,820	397,653
Total liabilities	<u>753,539</u>	<u>95,316</u>	<u>848,855</u>
Net Position			
Net investment in capital assets	2,901,335	12,202,174	15,103,509
Restricted for:			
Transportation	105,646		105,646
Humanitarian aid	43		43
Perpetual care		125,256	125,256
Pre-need		29,129	29,129
Endowment - nonexpendable	875,000		875,000
Unrestricted	160,967	527,101	688,068
Total net position	<u>\$ 4,042,991</u>	<u>\$ 12,883,660</u>	<u>\$ 16,926,651</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Activities
For the Fiscal Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental activities			
General government	\$ 1,156,487	\$ 221,769	\$ 90,417
Public safety	610,727	24,260	6,374
Transportation	675,478		40,112
Culture and recreation	994,960	15,780	369,220
Interest on long-term debt	14,144		
Total governmental activities	<u>3,451,796</u>	<u>261,809</u>	<u>506,123</u>
Business-type activities			
Garbage and solid waste	537,295	665,271	
Marina and campground	951,344	21,721	
Cemetery	259,684	163,319	
Total business-type activities	<u>1,748,323</u>	<u>850,311</u>	
Total primary government	<u>\$ 5,200,119</u>	<u>\$ 1,112,120</u>	<u>\$ 506,123</u>

General revenues
 Ad valorem taxes
 Local option gas taxes
 Utility taxes
 Franchise fees
 Intergovernmental shared revenues
 Unrestricted investment earnings
 Net increase 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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ 42,334	\$ (801,967)	\$	\$ (801,967)
614	(579,479)		(579,479)
	(635,366)		(635,366)
80,168	(529,792)		(529,792)
	(14,144)		(14,144)
<u>123,116</u>	<u>(2,560,748)</u>		<u>(2,560,748)</u>
		127,976	127,976
		(929,623)	(929,623)
22,775		(73,590)	(73,590)
<u>22,775</u>		<u>(875,237)</u>	<u>(875,237)</u>
<u>\$ 145,891</u>	<u>(2,560,748)</u>	<u>(875,237)</u>	<u>(3,435,985)</u>
	417,526		417,526
	167,112		167,112
	387,183		387,183
	415,423		415,423
	922,670		922,670
	2,768	331	3,099
	553	59	612
	725		725
	24,967	10,318	35,285
		5,240	5,240
	(1,320)	1,320	
	<u>2,337,607</u>	<u>17,268</u>	<u>2,354,875</u>
	(223,141)	(857,969)	(1,081,110)
	4,266,132	13,741,629	18,007,761
<u>\$ 4,042,991</u>	<u>\$ 12,883,660</u>	<u>\$</u>	<u>\$ 16,926,651</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2013

	General	Henderson Endowment Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 880,666	\$ 876,420	\$ 1,757,086
Investments	2,569		2,569
Accounts receivable	29,714		29,714
Grants receivable	135,430		135,430
Taxes receivable	111,449		111,449
Due from other governments	20,378		20,378
Due from other funds	17,595		17,595
Prepaid items	67,955		67,955
Advances to other funds	363,446		363,446
Restricted cash and cash equivalents	43		43
Total assets	<u><u>\$ 1,629,245</u></u>	<u><u>\$ 876,420</u></u>	<u><u>\$ 2,505,665</u></u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 68,591	\$	\$ 68,591
Accrued liabilities	30,274		30,274
Due to other governments	12,231		12,231
Due to other funds		1,420	1,420
Deferred revenue	73,006		73,006
Advances from other funds	868,163		868,163
Total liabilities	<u><u>1,052,265</u></u>	<u><u>1,420</u></u>	<u><u>1,053,685</u></u>
Fund balances			
Non-spendable:			
Prepays	67,955		67,955
Advances to other funds	363,446		363,446
Endowment - nonexpendable		875,000	875,000
Restricted for:			
Transportation	105,646		105,646
Humanitarian relief	43		43
Unassigned	39,890		39,890
Total fund balances	<u><u>576,980</u></u>	<u><u>875,000</u></u>	<u><u>1,451,980</u></u>
Total liabilities and fund balances	<u><u>\$ 1,629,245</u></u>	<u><u>\$ 876,420</u></u>	<u><u>\$ 2,505,665</u></u>

See notes the financial statements

CITY OF PAHOKEE, FLORIDA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2013

Fund balances total governmental funds	\$ 1,451,980
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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	\$ 8,109,582	
Less accumulated depreciation	<u>(4,949,134)</u>	3,160,448

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	23,016
Pahokee Housing Authority Grant	22,000
Senior Citizens' Wellness Program	16,483
POPS Program	1,020
Everglades Preparatory Academy Rent	5,000

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	\$ (511,054)	
Accrued interest payable	(6,428)	
Compensated absences	(107,708)	
Other postemployment benefits	<u>(11,766)</u>	<u>(636,956)</u>

Net position of governmental activities	<u><u>\$ 4,042,991</u></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, 2013

	General	Henderson Endowment Fund	Total Governmental Funds
Revenues			
Taxes	\$ 984,189	\$	\$ 984,189
Permits and fees	512,177		512,177
Intergovernmental revenues	1,493,882		1,493,882
Charges for services	33,613		33,613
Fines and forfeitures	19,839		19,839
Miscellaneous revenues	189,124	1,320	190,444
	<hr/>	<hr/>	<hr/>
Total revenues	3,232,824	1,320	3,234,144
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
General government	1,013,350		1,013,350
Public safety	605,475		605,475
Transportation	610,675		610,675
Culture and recreation	882,454		882,454
Capital outlay	142,464		142,464
Debt service			
Principal retirement	161,799		161,799
Interest	16,183		16,183
	<hr/>	<hr/>	<hr/>
Total expenditures	3,432,400		3,432,400
	<hr/>	<hr/>	<hr/>
Excess of revenues over (under) expenditures before other financing sources (uses)	(199,576)	1,320	(198,256)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Insurance proceeds	725		725
Transfers out		(1,320)	(1,320)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	725	(1,320)	(595)
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(198,851)		(198,851)
	<hr/>	<hr/>	<hr/>
Fund balances - beginning	775,831	875,000	1,650,831
	<hr/>	<hr/>	<hr/>
Fund balances - ending	<u>\$ 576,980</u>	<u>\$ 875,000</u>	<u>\$ 1,451,980</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, 2013

Net change in fund balances - total governmental funds \$ (198,851)

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	\$ 129,726	
Less current year depreciation	<u>(359,380)</u>	(229,654)

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	161,799
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	3,720
Pahokee Housing Authority Grant	22,000
PBC Football Field Grant	(53,117)
Senior Citizens' Wellness Program	16,483
POPS Program	1,020
Everglades Preparatory Academy Rent	5,000

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	58,186
Change in other postemployment benefits	<u>(11,766)</u>

Change in net position of governmental activities	<u><u>\$ (223,141)</u></u>
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See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2013

	<u>Garbage and Solid Waste</u>	<u>Marina and Campground</u>	<u>Cemetery</u>	<u>Totals</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 2,528	\$	\$	\$ 2,528
Accounts receivable (net)	50,610		8,864	59,474
Due from other governments	49,777			49,777
Due from other funds			1,420	1,420
Inventory			22,096	22,096
Restricted assets				
Cash and cash equivalents			154,113	154,113
Investments			272	272
Total current assets	<u>102,915</u>	<u></u>	<u>186,765</u>	<u>289,680</u>
Non-current assets				
Advances to other funds	868,163			868,163
Capital assets				
Property, plant, and equipment	157,008	15,077,725	584,124	15,818,857
Less accumulated depreciation	(156,977)	(3,073,147)	(386,559)	(3,616,683)
Total non-current assets	<u>868,194</u>	<u>12,004,578</u>	<u>197,565</u>	<u>13,070,337</u>
Total assets	<u>971,109</u>	<u>12,004,578</u>	<u>384,330</u>	<u>13,360,017</u>
Liabilities				
Current liabilities				
Accounts payable	67,560		10,659	78,219
Accrued liabilities			2,745	2,745
Due to other funds		17,595		17,595
Compensated absences-current			11,532	11,532
Total current liabilities	<u>67,560</u>	<u>17,595</u>	<u>24,936</u>	<u>110,091</u>
Non-current liabilities				
Compensated absences			2,820	2,820
Advances from other funds			363,446	363,446
Total non-current liabilities	<u></u>	<u></u>	<u>366,266</u>	<u>366,266</u>
Total liabilities	<u>67,560</u>	<u>17,595</u>	<u>391,202</u>	<u>476,357</u>
Net Position				
Net investment in capital assets	31	12,004,578	197,565	12,202,174
Restricted for:				
Perpetual care			125,256	125,256
Pre-need			29,129	29,129
Unrestricted	<u>903,518</u>	<u>(17,595)</u>	<u>(358,822)</u>	<u>527,101</u>
Total net position	<u>\$ 903,549</u>	<u>\$ 11,986,983</u>	<u>\$ (6,872)</u>	<u>\$ 12,883,660</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, 2013

	Garbage and Solid Waste	Marina and Campground	Cemetery	Total
Operating revenue				
Charges for services	\$ 665,271	\$	\$	\$ 665,271
Sales			163,319	163,319
Rental income		18,672		18,672
Other income		3,049		3,049
Total operating revenues	<u>665,271</u>	<u>21,721</u>	<u>163,319</u>	<u>850,311</u>
Operating expenses				
Cost of sales			40,155	40,155
Personal services			114,705	114,705
Contractual services	422,853	300	56,069	479,222
Management fees				
Purchased services	9,653			9,653
Utilities		21,476	8,350	29,826
Supplies		1,036	10,352	11,388
Insurance		15,288	13,783	29,071
Bad debt	104,302			104,302
Depreciation	367	901,277	10,959	912,603
Repairs and maintenance		1,172	4,966	6,138
Other	120	10,795	345	11,260
Total operating expenses	<u>537,295</u>	<u>951,344</u>	<u>259,684</u>	<u>1,748,323</u>
Operating income(loss)	<u>127,976</u>	<u>(929,623)</u>	<u>(96,365)</u>	<u>(898,012)</u>
Nonoperating revenues (expenses)				
Rental income			5,240	5,240
Interest revenue	1		330	331
Net increase in fair value of investments			59	59
Miscellaneous revenue	9,200		1,118	10,318
Total nonoperating revenues	<u>9,201</u>		<u>6,747</u>	<u>15,948</u>
Income (loss) before transfers	137,177	(929,623)	(89,618)	(882,064)
Capital grants and contributions			22,775	22,775
Transfers in			1,320	1,320
Change in net position	137,177	(929,623)	(65,523)	(857,969)
Net position - beginning	<u>766,372</u>	<u>12,916,606</u>	<u>58,651</u>	<u>13,741,629</u>
Net position - ending	<u>\$ 903,549</u>	<u>\$ 11,986,983</u>	<u>\$ (6,872)</u>	<u>\$ 12,883,660</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2013

	Garbage and Solid Waste	Marina and Campground	Cemetery	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 672,314	\$ 21,721	\$ 161,218	\$ 855,253
Payments to suppliers	(434,739)	(52,385)	(125,484)	(612,608)
Payments to employees			(126,828)	(126,828)
Payments for interfund services used			(1,319)	(1,319)
Net cash provided (used) by operating activities	237,575	(30,664)	(92,413)	114,498
Cash flows from non-capital financing activities:				
Payments (to) from other funds	(244,941)	30,664	68,710	(145,567)
Operating transfers in			1,320	1,320
Net cash provided (used) by non-capital financing activities	(244,941)	30,664	70,030	(144,247)
Cash flows from capital and related financing activities:				
Grant proceeds			22,775	22,775
Acquisition and construction of capital assets			(6,750)	(6,750)
Net cash provided (used) by capital and related financing activities			16,025	16,025
Cash flows from investing activities:				
Interest and dividends on investments	1		330	331
Other revenue			5,240	5,240
Sale of investments			1,118	1,118
Proceeds from land lease			286	286
Net cash provided by investing activities	1		6,974	6,975
Net increase (decrease) in cash and cash equivalents	(7,365)		616	(6,749)
Cash and cash equivalents - beginning	9,893		153,497	163,390
Cash and cash equivalents - ending	<u>\$ 2,528</u>	<u>\$</u>	<u>\$ 154,113</u>	<u>\$ 156,641</u>
Cash flows from operating activities:				
Operating income (loss)	\$ 127,976	\$ (929,623)	\$ (96,365)	\$ (898,012)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	367	901,277	10,959	912,603
Bad Debt	104,302			104,302
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	56,820		(2,101)	54,719
(Increase) decrease in due from other governments	(49,777)			(49,777)
(Increase) decrease in due from other funds			(1,319)	(1,319)
Increase (decrease) in accounts payable	(2,113)	(2,318)	8,536	4,105
Increase (decrease) in accrued liabilities			(12,123)	(12,123)
Total adjustments	109,599	898,959	3,952	1,012,510
Net cash provided (used) by operating activities	<u>\$ 237,575</u>	<u>\$ (30,664)</u>	<u>\$ (92,413)</u>	<u>\$ 114,498</u>
Cash and cash equivalents				
Unrestricted	\$ 2,528	\$	\$	2,528
Restricted			154,113	154,113
Total cash and cash equivalents	<u>\$ 2,528</u>	<u>\$</u>	<u>\$ 154,113</u>	<u>\$ 156,641</u>
Non-Cash Activities				
Relief of landfill closure liability	<u>\$ 9,200</u>	<u>\$</u>	<u>\$</u>	<u>\$ 9,200</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

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, 2013

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 Permanent Fund* is used to account for the permanently restricted principal received from the Estate of Henderson and the related investment income restricted for cemetery operations.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

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 *Garbage and Solid Waste Fund* accounts for refuse and recycling services to the residents of the City.

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, 2013

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, 2013

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, 2013

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, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

The government reports deferred revenue on its governmental funds balance sheet. Deferred 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.

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.”

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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.

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, 2013.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 directly incorporates the applicable guidance from FASB and AICPA pronouncements into the state and local government accounting and financial reporting standards, with provisions modified, as appropriate, to recognize the effects of the governmental environment and the needs of governmental financial statement users without affecting the substance of the applicable guidance.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

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 March 2012, the GASB issued 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. This statement is effective for the fiscal year ending September 30, 2014.

In March 2012, the GASB issued 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*. This statement is effective for the fiscal year ending September 30, 2014.

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.

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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

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.

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 City follows these procedures in establishing the budgetary data reflected in the financial statements.

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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Data (Continued)

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.

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 and Palm Beach County School Board 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. 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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

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 \$1,526,621 and the bank balances were \$1,695,719. The City also had \$450 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, 2013

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.

At September 30, 2013, 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, 2013, was 44 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.

Fund B is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2013, was 1.13262284. The factor should be multiplied by the account balance in order to calculate the fair value of the investment in Fund B.

The weighted average life (WAL) of Fund B at September 30, 2013, was 4.04 years. A portfolio’s WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on final legal maturity dates for Fund B as of September 30, 2013. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration. As of September 30, 2013, the City of Pahokee had \$386,699 invested in Florida PRIME. The cost basis of Fund B as of September 30, 2013, was \$2,508 and the fair value was \$2,841.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

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	\$ 1,526,621
Petty cash	450
Investments	<u>389,540</u>
Total deposits and investments	<u>\$ 1,916,611</u>
Presented in the statement of net position:	
Cash and cash equivalents	\$ 1,913,770
Investments	<u>2,841</u>
Total cash and cash equivalents and investments	<u>\$ 1,916,611</u>

As of September 30, 2013, the City had the following investments.

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Investment in:		
SBA – Florida PRIME	44 days	\$ 386,699
SBA – Pool B	4.04 years	<u>2,841</u>
		<u>\$ 389,540</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, 2013, the SBA Florida PRIME Pool was rated AAAm by Standard and Poor's and Fund B was unrated.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

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.

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:

<u>Investment Instrument</u>	<u>Maximum</u>
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%

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2013, are comprised of the following:

	General Fund	Solid Waste Fund	Cemetery Fund
Billed	\$ 24,636	\$ 51,370	\$ 9,960
Unbilled	5,078	49,192	
Grants receivable	135,430		
Taxes receivable	111,449		
Due from other governments	20,378	49,777	
Subtotal	296,971	150,339	9,960
Less allowance for uncollectibles		(49,952)	(1,096)
	<u>\$ 296,971</u>	<u>\$ 100,387</u>	<u>\$ 8,864</u>

The Palm Beach County Water Utility Department (PBCWUD) provides billing and collection services for the Solid Waste Fund. 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, 2013

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, 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	60,784	129,726	(150,622)	39,888
Capital assets being depreciated:				
Improvements other than buildings	1,725,142			1,725,142
Buildings	4,796,917	150,622		4,947,539
Equipment	930,123			930,123
Total at historical cost:	<u>7,979,856</u>	<u>280,348</u>	<u>(150,622)</u>	<u>8,109,582</u>
Less accumulated depreciation for:				
Improvements other than buildings	(677,237)	(118,214)		(795,451)
Buildings	(3,158,951)	(179,722)		(3,338,673)
Equipment	(753,566)	(61,444)		(815,010)
Total accumulated depreciation:	<u>(4,589,754)</u>	<u>(359,380)</u>	<u></u>	<u>(4,949,134)</u>
Governmental activities capital assets, net	<u><u>\$ 3,390,102</u></u>	<u><u>\$ (79,032)</u></u>	<u><u>\$ (150,622)</u></u>	<u><u>\$ 3,160,448</u></u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 5 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
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	307,343	6,750		314,093
Total at historical cost:	<u>15,812,107</u>	<u>6,750</u>		<u>15,818,857</u>
Less accumulated depreciation for:				
Improvements other than buildings	(1,739,616)	(636,754)		(2,376,370)
Buildings	(660,958)	(272,074)		(933,032)
Equipment	(303,506)	(3,775)		(307,281)
Total accumulated depreciation:	<u>(2,704,080)</u>	<u>(912,603)</u>		<u>(3,616,683)</u>
Business-type activities capital assets, net	<u><u>\$ 13,108,027</u></u>	<u><u>\$ (905,853)</u></u>	<u><u>\$</u></u>	<u><u>\$ 12,202,174</u></u>

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

Governmental activities:

General government	\$ 140,657
Public safety	6,229
Transportation	75,325
Culture and recreation	137,169

Total depreciation expense governmental activities \$ 359,380

Business-type activities

Marina	\$ 901,277
Cemetery	10,959
Garbage and Solid Waste	367

Total depreciation expense business-type activities \$ 912,603

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 6 – INTERFUND TRANSACTIONS

The composition of interfund balances at September 30, 2013, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Marina and Campground	\$ 17,595
Cemetery	Henderson Endowment	<u>1,420</u>
		<u>\$ 19,015</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	Cemetery	\$ 363,446
Garbage and Solid Waste	General	<u>868,163</u>
		<u>\$ 1,231,609</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, 2013, the Henderson Endowment Fund transferred interest earnings of \$1,320 to the Cemetery Fund.

Interfund transfers for the year ended September 30, 2013, are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Henderson Endowment Fund	Cemetery Fund	\$ 1,320
		<u>\$ 1,320</u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 7 – LONG-TERM LIABILITIES

Governmental Activities

Long-term liabilities of the governmental activities at September 30, 2013, 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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 82,187	\$ 11,819	\$ 94,006
2015	86,304	7,702	94,006
2016	90,622	3,385	94,007
	<u>\$ 259,113</u>	<u>\$ 22,906</u>	<u>\$ 282,019</u>

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 a loan maturity date of December 1, 2017. The loan is an interest free obligation.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 60,000	\$	\$ 60,000
2015	60,000		60,000
2016	60,000		60,000
2017	60,000		60,000
2018	11,941		11,941
	<u>\$ 251,941</u>	<u>\$</u>	<u>\$ 251,941</u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

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

Year	Principal	Interest	Total
2014	\$ 142,187	\$ 11,819	\$ 154,006
2015	146,304	7,702	154,006
2016	150,622	3,385	154,007
2017	60,000		60,000
2018	11,941		11,941
	<u>\$ 511,054</u>	<u>\$ 22,906</u>	<u>\$ 533,960</u>

Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Note payable – BOA	\$ 337,378	\$	\$ (78,265)	\$ 259,113	\$ 82,187
Note payable - PBSO	311,941		(60,000)	251,941	60,000
Note payable – City Hall	23,534		(23,534)		
Total notes payable	672,853		(161,799)	511,054	142,187
Compensated absences	165,894	80,259	(138,445)	107,708	89,978
OPEB		16,706	(4,940)	11,766	3,530
Total governmental	<u>\$ 838,747</u>	<u>\$ 96,965</u>	<u>\$(305,184)</u>	<u>\$ 630,528</u>	<u>\$ 235,695</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Compensated absences	\$ 20,067	\$ 9,340	\$ (15,055)	\$ 14,352	\$ 11,532
Total business-type	<u>\$ 20,067</u>	<u>\$ 9,340</u>	<u>\$ (15,055)</u>	<u>\$ 14,352</u>	<u>\$ 11,532</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, 2013

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Interest Expense

Total interest costs incurred and paid on all City debt for the year ended September 30, 2013, were \$14,144 and \$16,183, 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, 2013

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

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 Pension Plan for the fiscal years ending September 30, 2011 through 2013 were equal to 100% of the required contributions for each fiscal year. The contributions are summarized below.

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Employer	\$ 24,457	\$ 6,007	\$ 5,295
Employee	<u>1,975</u>	<u>4,661</u>	<u>3,493</u>
Total	<u>\$ 26,432</u>	<u>\$ 10,668</u>	<u>\$ 8,788</u>

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, 2013

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, 2012 actuarial valuation for the fiscal year ending June 30, 2012 is 1.71% 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, 2011 through 2013 were \$3,206, \$2,412 and \$1,587 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, 2013

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, 2011 through 2013 were equal to 100% of the required contributions for each fiscal year. The contributions are summarized below. Prior to 2012, there were no employees enrolled in the defined contribution plan.

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Employer	\$	\$ 2,398	\$ 971
Employee	<u> </u>	<u>1,857</u>	<u>715</u>
Total	<u>\$</u>	<u>\$ 4,255</u>	<u>\$ 1,686</u>

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, 2013

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, 2013, were \$33,566 which was equal to the required contribution amount. There were no optional employee contributions for the year ended September 30, 2013.

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, 2013

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, 2013, the Marina and Campground Enterprise Fund had positive net position, but had a deficit of \$17,595 in unrestricted net position. As of September 30, 2013, the Cemetery Enterprise Fund had negative net position of \$6,872.

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, 2013

NOTE 12 – INDUSTRIAL DEVELOPMENT BONDS (Continued)

As of September 30, 2013, there was \$1,630,000 of the Series 2009A and \$160,000 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, 2013, the City received \$42,334 in capital recovery charges pursuant to the agreements.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

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.

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 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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 16 – COMMITMENTS (Continued)

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

payments of \$5,000 until the balance is paid in full. See Note 7.

September 11, 2012, the City approved the seventh addendum to the agreement extending the agreement through September 30, 2013. The contractual cost for the year ending September 30, 2013, was \$507,072. On September 10, 2013, the City approved the eighth addendum to the agreement extending the agreement through September 30, 2014. The contractual cost for the year ending September 30, 2014 will be \$517,213.

Construction Projects

As of September 30, 2013, the City had entered into the following construction commitments.

<u>Project</u>	<u>Authorized Amount</u>	<u>Completed at 09/30/13</u>	<u>Balance to Complete</u>
Renovation of Gymnasium	\$ 165,000	\$ 39,888	\$ 125,112

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, 2013, the permanent fund transferred \$1,320 to the Cemetery Fund.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 18 – MARINA AND CAMPGROUND LEASE

Effective January 15, 2013 the City entered into a 20-year lease whereby the City leases the marina and campground to Wayne Gray Property Management, Inc. (“Wayne Gray”). Wayne Gray took over marina and campground operations at the inception of the lease. Under the terms of the agreement, the City is to receive \$2,500 (base rent) each month or 10% of the gross profits (percentage rent) of the marina and campground, whichever is greater. The City further agreed that the base rent and percentage rent shall not be due and owing to the City until Tenant revenues reach a Break Even Point (BEA) or six months from the Commencement Date, whichever occurs first.

In July 2013, the Wayne Gray Property Management, Inc. failed to make any payments pursuant to the agreement effective January 15, 2013, after receiving 6 months of free rent. In response, the City proceeded with eviction procedures and the Wayne Gray Property Management, Inc. was evicted subsequent to the fiscal year ended September 30, 2013. Wayne Gray has not made any payments required under the agreement and the City does not expect to collect the related receivables.

NOTE 19 – JOINTLY GOVERNED ORGANIZATION

On June 16, 2009, the Glades Utility Authority (GUA) was established when Palm Beach County and the Cities of Pahokee, Belle Glade, and South Bay approved an Interlocal Agreement for establishment of the GUA pursuant to Chapter 163, Florida Statutes; and also approved a Transition Agreement.

The GUA, which began operations on October 1, 2009, is a regional partnership established for the purpose of providing water, wastewater, and reclaimed water services to the residents of Pahokee, Pahokee, and South Bay and surrounding areas in an efficient and fiscally responsible manner. Under the Agreement, the GUA:

- Assumed the existing utility debt of the cities;
- Established sustainable financial policies;
- Assumed ownership of utility assets, including the Lake Region Water Treatment Plant and the Belle Glade and Pahokee wastewater plants;
- Began to rehabilitate the systems;
- Began to correct regulatory violations;
- Improved revenue collections; and
- Decreased costs through economies of scale.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 19 – JOINTLY GOVERNED ORGANIZATION (Continued)

On March 5, 2013, the acting City Council of the City of South Bay passed a vote ratifying the absorption of the GUA by the County. This represented the final vote needed to move forward with the absorption of the GUA since the absorption was already ratified by Belle Glade and Pahokee.

Under the absorption, the GUA customer rates will be frozen for the greater of 10 years or until the rates equal the County's; the Cities of Belle Glade, Pahokee, and South Bay will continue to receive host fees; and Palm Beach County will commit \$25 million over the next five years to repair the system. The 10,000 GUA customers will become on-line customers of the Palm Beach County Water Utilities Department (Department). The Department will assume all the GUA's outstanding debt at the time of the absorption.

For the fiscal year ended September 30, 2013, the City received an annual host franchise fee of 7% of the GUA's collections from within the City's service area. The City has recorded \$223,884 as revenue for the fiscal year ending September 30, 2013.

NOTE 20 – 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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 20 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

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	
Adjustment to annual required contribution	
Annual OPEB cost	<u>16,706</u>
Estimated net contributions made	<u>(4,940)</u>
Increase in net OPEB obligation	11,766
Net OPEB obligation October 1, 2012	
Net OPEB obligation September 30, 2013	<u><u>\$ 11,766</u></u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 20 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Trend Information

Three-Year Trend Information			
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

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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2013

NOTE 20 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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
Actual assumptions:	
Discount rate	4.0%
Healthcare cost trend	7% for 2013 decreasing to 5.0% in 2023

NOTE 21 – DETERIORATING FINANCIAL CONDITION

The Marina and Campground Enterprise Fund and the Cemetery Enterprise Fund have experienced operating losses for several years and the General Fund experienced significant decreases in fund balance in the prior year and the current year. The City has reduced capital expenditures, reduced staff and implemented new purchasing procedures to help improve its financial condition.

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Taxes				
Ad valorem taxes	\$ 417,120	\$ 417,120	\$ 417,526	\$ 406
Utility service taxes	441,827	441,827	387,183	(54,644)
Local option gas tax	165,762	165,762	167,112	1,350
Local business tax	12,700	12,700	12,368	(332)
Total taxes	1,037,409	1,037,409	984,189	(53,220)
Licenses and permits				
Building permits	25,000	25,000	62,582	37,582
Franchise fees	402,365	402,365	415,423	13,058
Other	1,500	1,500	34,172	32,672
Total licenses and permits	428,865	428,865	512,177	83,312
Intergovernmental revenues				
State revenue sharing	259,131	259,131	266,466	7,335
Mobile home license	7,000	7,000	4,913	(2,087)
Alcoholic beverage license	2,000	2,000	2,613	613
Motor fuel tax	104,474	104,474	97,543	(6,931)
Half-cent sales tax	373,463	373,463	380,808	7,345
County occupational license	15,000	15,000	13,372	(1,628)
Payments in lieu of taxes	156,900	156,900	156,955	55
Grants	825,145	825,145	571,212	(253,933)
Total intergovernmental	1,743,113	1,743,113	1,493,882	(249,231)

(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, 2013
(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Charges for services				
Management fees	\$ 10,710	\$ 10,710	\$	\$ (10,710)
Other	42,310	42,310	33,613	(8,697)
Total charges for services	53,020	53,020	33,613	(19,407)
Fines and forfeitures				
Court fines	13,200	13,200	8,216	(4,984)
Other	7,800	7,800	11,623	3,823
Total fines and forfeitures	21,000	21,000	19,839	(1,161)
Miscellaneous				
Interest	1,740	1,740	1,448	(292)
Rents	74,225	74,225	69,161	(5,064)
Contributions	49,881	100,301	93,574	(6,727)
Other	12,560	159,208	24,941	(134,267)
Total miscellaneous	138,406	335,474	189,124	(146,350)
Total revenues	3,421,813	3,618,881	3,232,824	(386,057)

(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, 2013
(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	\$ 90,968	\$ 107,489	\$ 114,542	\$ (7,053)
City manager	153,755	153,755	152,565	1,190
City clerk	77,763	77,763	96,321	(18,558)
Finance	162,604	162,604	126,807	35,797
Personnel	70,973	70,973	69,817	1,156
IT/GATV access	25,269	25,269	18,346	6,923
Legal counsel	85,000	85,000	85,502	(502)
Planning, zoning, and building	37,950	37,950	17,679	20,271
Community development	88,201	88,201	85,121	3,080
Non departmental	195,467	300,983	281,068	19,915
Total general government	<u>987,950</u>	<u>1,109,987</u>	<u>1,047,768</u>	<u>62,219</u>
Public safety				
Law enforcement	570,074	570,074	570,088	(14)
Protective inspections	97,186	109,717	95,387	14,330
Total public safety	<u>667,260</u>	<u>679,791</u>	<u>665,475</u>	<u>14,316</u>
Transportation				
Roads and streets	784,121	784,121	704,680	79,441
Total transportation	<u>784,121</u>	<u>784,121</u>	<u>704,680</u>	<u>79,441</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, 2013
(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	\$ 572,188	\$ 614,688	\$ 414,446	\$ 200,242
Recreation - Family Central	270,484	270,484	267,412	3,072
Recreation - Palm Beach County	131,364	131,364	94,933	36,431
Recreation - Pahokee Connection	44,000	44,000	16,426	27,574
Recreation - POPS	9,720	9,720	34,473	(24,753)
Parks	128,087	148,087	186,787	(38,700)
Total culture and recreation	<u>1,155,843</u>	<u>1,218,343</u>	<u>1,014,477</u>	<u>203,866</u>
Total expenditures	<u>3,595,174</u>	<u>3,792,242</u>	<u>3,432,400</u>	<u>359,842</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(173,361)</u>	<u>(173,361)</u>	<u>(199,576)</u>	<u>(26,215)</u>
Other financing sources (uses)				
Insurance proceeds	1,000	1,000	725	(275)
Transfers in	203,480	203,480		(203,480)
Transfers out	(31,119)	(31,119)		31,119
Total other financing sources (uses)	<u>173,361</u>	<u>173,361</u>	<u>725</u>	<u>(172,636)</u>
Net change in fund balances	<u>\$</u>	<u>\$</u>	(198,851)	<u>\$ (198,851)</u>
Beginning fund balance			<u>775,831</u>	
Ending fund balance			<u>\$ 576,980</u>	

CITY OF PAHOKEE, FLORIDA
Notes to the Budgetary Required Supplemental Information
For the Fiscal Year Ended September 30, 2013

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, 2013, there were no functional areas that had an excess of expenditures over appropriations.

CITY OF PAHOKEE, FLORIDA
Required Supplemental Information
Schedule of Funding Progress
Other Postemployment Benefits
For the Fiscal Year Ended September 30, 2013

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, 2013, 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 June 26, 2014. 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 a deficiency in internal control that we consider to be a material weakness.

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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Pahokee, Florida's Response to Findings

The City of Pahokee, Florida 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
June 26, 2014



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

We have audited the financial statements of the City of Pahokee, Florida, as of and for the year ended September 30, 2013, and have issued our report thereon dated June 26, 2014. 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.

Except as discussed in the preceding paragraph, 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. 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 Standard*. Disclosures in that report, which is dated June 26, 2014, should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, Rules of the Auditor General, which governs the conduct of local government entity audits in the State of Florida. This letter includes the following information, which was not included in the aforementioned auditor's reports.

Rules of the Auditor General require that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.

PRIOR YEAR COMMENTS THAT NO LONGER APPLY

The following prior year comments no longer apply:

- Finding 2011-1
- Finding 2011-2
- Finding 2011-6
- Finding 2011-7
- Finding 2011-9

PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY

The following findings were included in the audit reports for the prior two years and continue to apply:

- Finding 2010-1
- Finding 2011-8

CURRENT YEAR COMMENTS

Investment of Public Funds

Rules of the Auditor General require our audit to include a review of the City's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

Recommendation to Improve Financial Management

Rules of the Auditor General require that we address any recommendation to improve financial management. In connection with our audit, we did not have any such recommendations.

Noncompliance With Provisions of Contracts or Grant Agreements, or Abuse

Rules of the Auditor General require 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 attention of those charged with governance. In connection with our audit, we did not have any such findings.

Oversight Unit and Component Units

Rules of the Auditor General require 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, but has been repeated here.

The City of Pahokee, Florida is a municipal corporation organized pursuant to Chapter 9872, Laws of Florida, 1923. Based upon the application of criteria defined in publications cited in Chapter 10.553, Rules of the Auditor General, the City has determined that there were no component units related to the entity.

Consideration of Financial Emergency Criteria

Rules of the Auditor General require a statement be included as to whether or not the local government entity 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 noted that the City of Pahokee did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Annual Financial Report

Rules of the Auditor General require that we determine whether the annual financial report for the City of Pahokee for the fiscal year ended September 30, 2013, 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, 2013. In connection with our audit, we noted that the two reports are in substantial agreement.

Finding 2011-8: Financial Condition Assessment Procedures

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Pahokee's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provide by management. Our assessment was done as of the fiscal year end.

Two of the City's three enterprise funds have experienced operating losses for several years, and the General Fund had a significant decrease in fund balance during the prior year and the current fiscal year. Based upon our procedures, we believe the City is in a deteriorating financial condition.

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.

Also, the City, on October 1, 2009, transferred all the water and sewer utility assets and related debt obligations to the Glades Utility Authority under an interlocal agreement with Palm Beach County. The Glades Utility Authority is now providing all water and sewer utility services in the City's former service area. On September 30, 2011, the City closed the Water and Sewer Fund and transferred all assets and liabilities to the General Fund and/or governmental activities.

Excess of Expenditures Over Appropriations

As reported in Note 2 to the budgetary required supplementary information for the year ended September 30, 2013, there were no departments that had expenditures in excess of appropriations.

Single Audits

The City expended less than \$500,000 of federal awards and less than \$500,000 of state financial assistance for the year ended September 30, 2013. Consequently, the City was not required to have a federal or state single audit.

Response to Management Letter

We did not audit management's responses to the Management Letter and express no opinion on them.

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, 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 & Mimer, P.A.

West Palm Beach, Florida
June 26, 2014