

CITY OF PAHOKEE, FLORIDA



FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED SEPTEMBER 30, 2015

CITY OF PAHOKEE, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
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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, 2015, and the related notes to the financial statements, which collectively comprise the City of Pahokee, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

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

Basis for Qualified Opinions on Cemetery Fund, Marina and Campground 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. The City has not established adequate controls over the completeness of revenues and unearned revenues for the Marina and Campground Fund. The amount by which these items would affect the assets, liabilities, net position, and revenues of the Marina and Campground 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, Marina and Campground 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, Marina and Campground Fund, and the business-type activities of the City of Pahokee, Florida as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major governmental fund of the City of Pahokee, Florida as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 1 and 19 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, during the fiscal year ended September 30, 2015. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, the budgetary comparison data on pages 68 through 72, the Schedule of Funding Progress - Other Postemployment Benefits on page 73, and the pension schedules on pages 74 through 77 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 8, 2017, 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 & Miner, P.A.

West Palm Beach, Florida
June 8, 2017

Management's Discussion and Analysis

As the City Manager of the City of Pahokee, I offer readers of our financial statements this narrative overview and analysis of our financial activities for the 2014-2015 fiscal year. I encourage readers to consider the information presented here in conjunction with the City's financial statements beginning on page 14.

In this fiscal year, the City adopted provisions of several Governmental Accounting Standards Board (GASB) Statements. These provisions relate to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment to GASB Statement No. 68*. Statement No. 68 and Statement No. 71 enhance the accountability and transparency of financial information to include revised and new financial note disclosures and a required supplementary information section. With the implementation of the GASB Statement No. 68, the Net Pension Obligation (NPO) has been replaced with a new term, **Net Pension Liability (NPL)**. In this fiscal year, the City has combined the Florida Retirement System Pension Plan's and Florida Retirement System HIS Plan's NPL calculation in the Government-wide Financial Statements. Additional information regarding these changes can be found in the notes to the financial statements beginning on page 25 of this report.

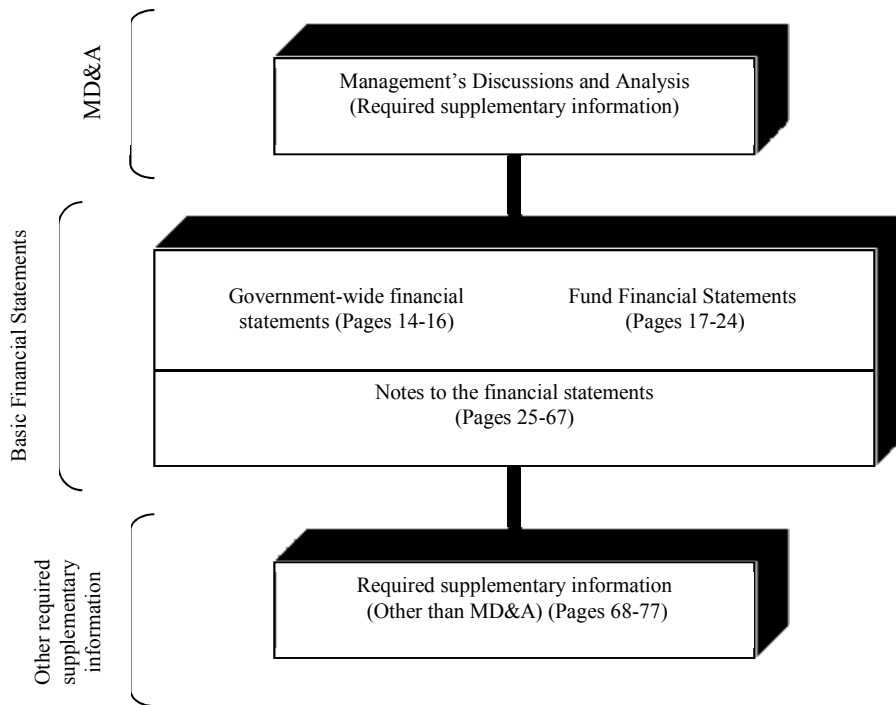
FINANCIAL HIGHLIGHTS

- The City of Pahokee's sum of assets and deferred outflows of resources exceeded the sum of its liabilities and deferred inflows of resources by \$15,458,892 (net position) as of September 30, 2015. Unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors were \$925,032 as of September 30, 2015.
- The governmental net position increased by \$205,442 for the fiscal year ended September 30, 2015.
- The business-type net position decreased by \$873,707 for the fiscal year ended September 30, 2015. The decrease in net position was a result of the marina not operated at full capacity and depreciation of marina capital assets.
- The business-type activities revenues increased by \$77,711 during the fiscal year ended September 30, 2015. The increase was the result of the continuing growth in the marina and campground rentals.
- The total net cost of all City programs was \$3,144,427 during fiscal year ended September 30, 2015. This is a increase of \$123,152 from the total net cost of all City programs during the fiscal year ended September 30, 2014. This decrease was throughout all City programs, except for physical environment that had an increase of \$211,521 in cost of services.
- The City's long-term liabilities decreased by \$140,238 during the current fiscal year. The decrease was partly due to regularly scheduled debt payments.

USING THIS REPORT

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

Management's Discussion and Analysis



Government-Wide Financial Statements

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

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

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

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

Management's Discussion and Analysis

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

Net position

The City's combined net position as of September 30, 2015, was \$15,458,892. The City's governmental activities net position were reported at \$5,328,207, of which \$1,378,277 was unrestricted and available to fund future operations. The City's business-type activities net position as of September 30, 2015 is reported at \$10,130,685. The total net position included an unrestricted net position deficit of \$453,245.

Management's Discussion and Analysis

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 2,667,461	\$ 2,698,440	\$ 180,469	\$ 184,759	\$ 2,847,930	\$ 2,883,199
Capital assets	3,152,586	3,182,066	10,428,991	11,314,488	13,581,577	14,496,554
Total assets	<u>5,820,047</u>	<u>5,880,506</u>	<u>10,609,460</u>	<u>11,499,247</u>	<u>16,429,507</u>	<u>17,379,753</u>
Deferred outflows of resources						
Pension related items	11,805	-	8,078	-	19,883	-
Total deferred outflows of resources	<u>11,805</u>	<u>-</u>	<u>8,078</u>	<u>-</u>	<u>19,883</u>	<u>-</u>
Liabilities:						
Current liabilities	186,464	287,492	17,405	39,722	203,869	327,214
Long-term liabilities	295,096	400,945	458,715	414,709	753,811	815,654
Total liabilities	<u>481,560</u>	<u>688,437</u>	<u>476,120</u>	<u>454,431</u>	<u>957,680</u>	<u>1,142,868</u>
Deferred inflows of resources:						
Unearned revenue	6,402	-	-	-	6,402	-
Pension related items	15,683	5,972	10,733	-	26,416	5,972
Total deferred inflows of resources	<u>22,085</u>	<u>5,972</u>	<u>10,733</u>	<u>-</u>	<u>32,818</u>	<u>5,972</u>
Net position:						
Net investment in capital assets	3,061,964	3,005,140	10,428,991	11,314,488	13,490,955	14,319,628
Restricted	887,966	1,035,844	154,939	154,638	1,042,905	1,190,482
Unrestricted	<u>1,378,277</u>	<u>1,145,113</u>	<u>(453,245)</u>	<u>(424,310)</u>	<u>925,032</u>	<u>720,803</u>
Total net position	<u>\$ 5,328,207</u>	<u>\$ 5,186,097</u>	<u>\$ 10,130,685</u>	<u>\$ 11,044,816</u>	<u>\$ 15,458,892</u>	<u>\$ 16,230,913</u>

Changes in Net Position

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

- The governmental activities reported a total increase in net position of \$205,442 for the fiscal year ended September 30, 2015.
- The business-type activities reported a total decrease in net position of \$873,707 for the fiscal year ended September 30, 2015.

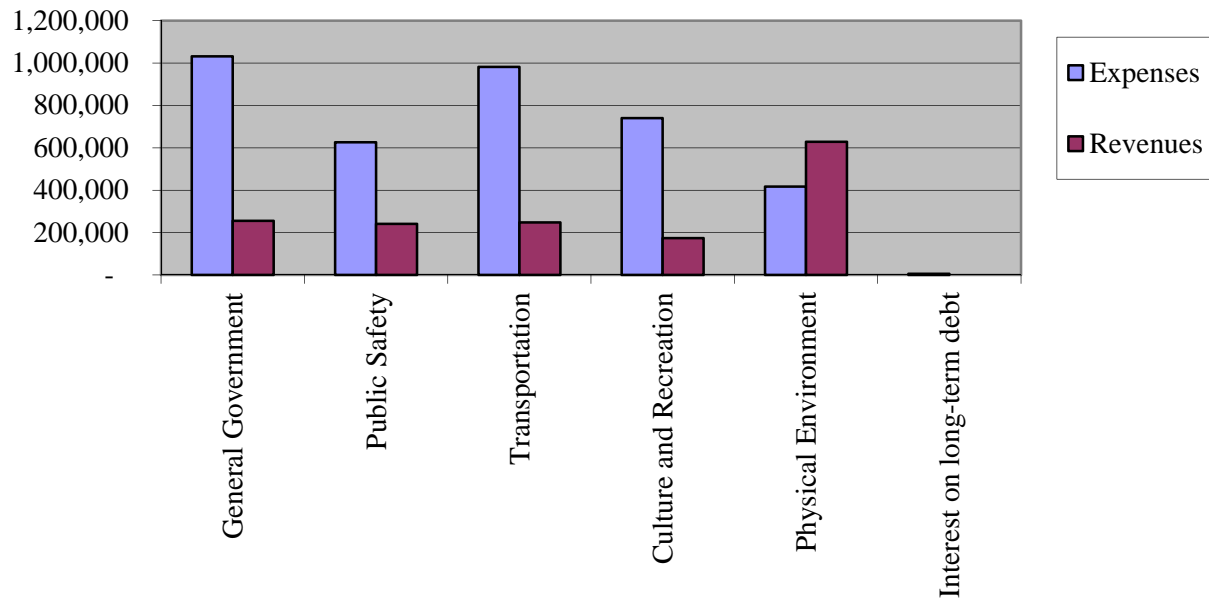
Management's Discussion and Analysis

Summary of Changes in Net Position

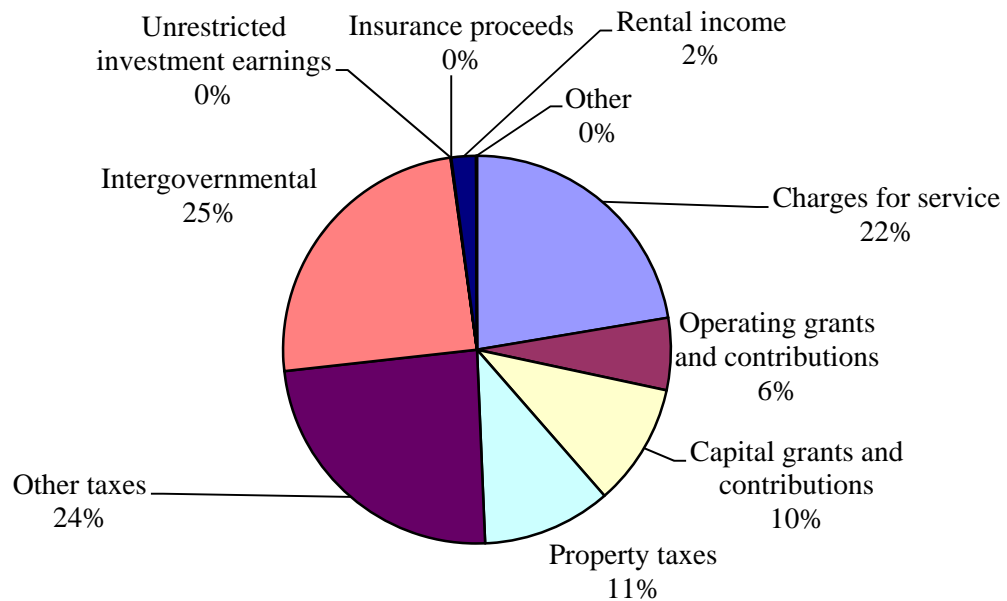
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program:						
Charges for services	\$ 896,522	\$ 900,519	\$ 357,610	\$ 287,744	\$ 1,254,132	\$ 1,188,263
Operating grants	241,015	516,482	-	-	241,015	516,482
Capital grants	409,562	301,998	-	-	409,562	301,998
General:						
Ad valorem taxes	430,804	407,027	-	-	430,804	407,027
Local option sales tax	181,149	170,626	-	-	181,149	170,626
Utility taxes	413,135	411,317	-	-	413,135	411,317
Franchise taxes	364,555	369,197	-	-	364,555	369,197
Intergovernmental shared revenues	985,459	944,908	-	-	985,459	944,908
Unrestricted investment earnings	1,849	2,123	300	285	2,149	2,408
Net increase (decrease) in fair value of investments	-	(301)	-	(32)	-	(333)
Insurance proceeds	1,009	660	-	-	1,009	660
Miscellaneous revenues	2,937	14,417	8,572	774	11,509	15,191
Rental income	81,857	-	4,536	4,536	86,393	4,536
Total revenues	<u>4,009,853</u>	<u>4,038,973</u>	<u>371,018</u>	<u>293,307</u>	<u>4,380,871</u>	<u>4,332,280</u>
Program expenses:						
General government	1,031,688	1,211,467	-	-	1,031,688	1,211,467
Public safety	626,206	626,359	-	-	626,206	626,359
Transportation	982,137	796,309	-	-	982,137	796,309
Culture and recreation	740,455	716,966	-	-	740,455	716,966
Physical environment	417,317	415,963	-	-	417,317	415,963
Interest on long-term debt	5,561	9,780	-	-	5,561	9,780
Garbage and solid waste	-	-	-	31	-	31
Marina	-	-	1,012,192	1,020,069	1,012,192	1,020,069
Cemetery	-	-	233,580	231,074	233,580	231,074
Total expenses	<u>3,803,364</u>	<u>3,776,844</u>	<u>1,245,772</u>	<u>1,251,174</u>	<u>5,049,136</u>	<u>5,028,018</u>
Excess (deficiency) before transfers	206,489	262,129	(874,754)	(957,867)	(668,265)	(695,738)
Transfers	<u>(1,047)</u>	<u>880,977</u>	<u>1,047</u>	<u>(880,977)</u>	<u>-</u>	<u>-</u>
Changes in net position	205,442	1,143,106	(873,707)	(1,838,844)	(668,265)	(695,738)
Change in accounting principle:	(63,332)	-	(40,424)	-	(103,756)	-
Net position - beginning	5,186,097	4,042,991	11,044,816	12,883,660	16,230,913	16,926,651
Net position - ending	<u>\$ 5,328,207</u>	<u>\$ 5,186,097</u>	<u>\$ 10,130,685</u>	<u>\$ 11,044,816</u>	<u>\$ 15,458,892</u>	<u>\$ 16,230,913</u>

Management's Discussion and Analysis

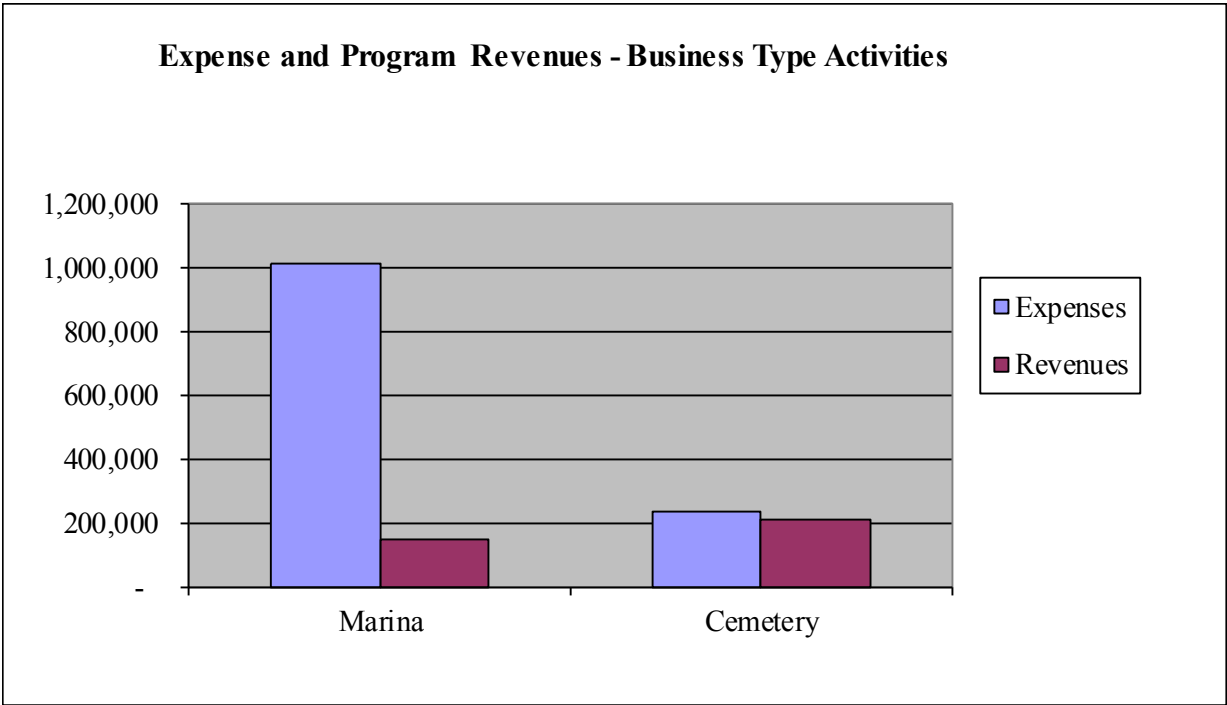
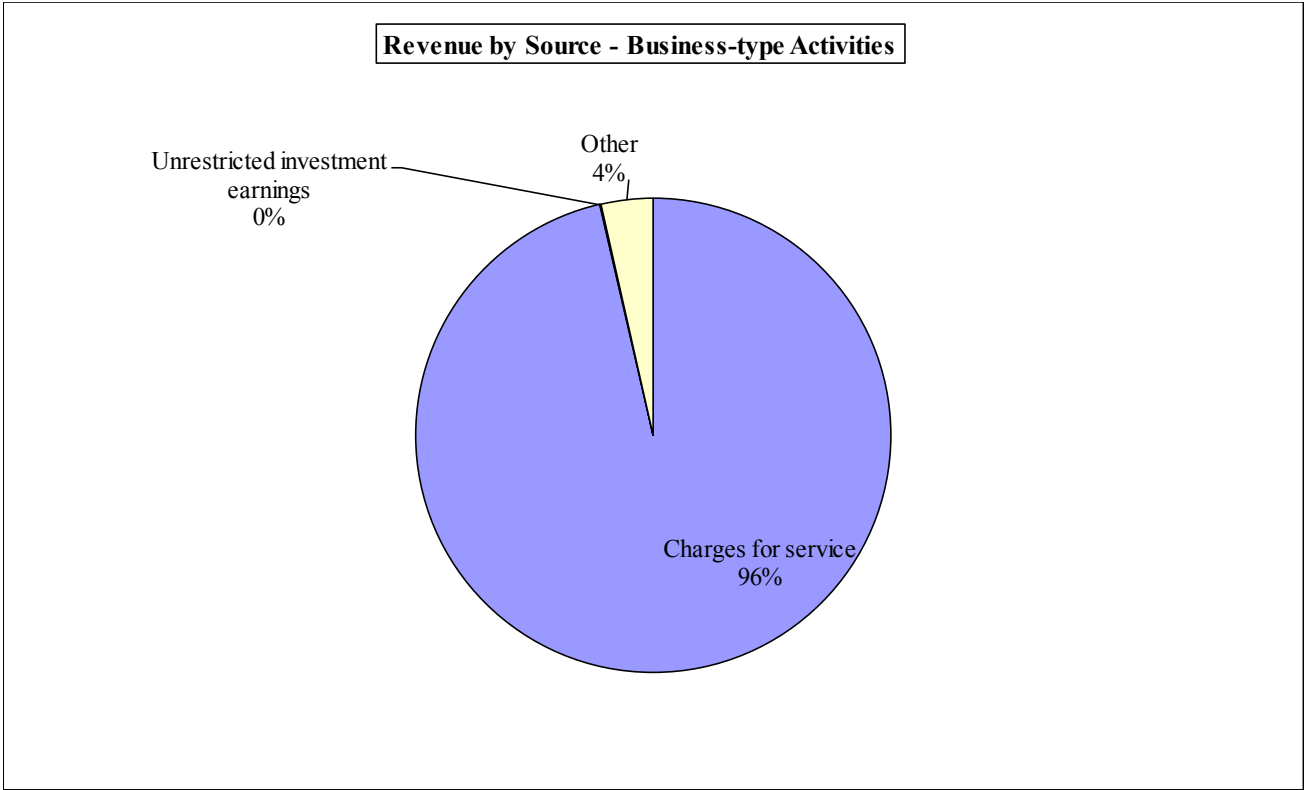
Expense and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Management’s Discussion and Analysis



Management's Discussion and Analysis

For the fiscal year ended September 30, 2015 total taxes were \$1,389,643 and comprised 35% of the total revenues of \$4,009,853 for governmental activities during the year. For the fiscal year ended September 30, 2015 operating grants revenue were \$241,015 for governmental activities which represented 6% of total revenues. The majority of the operating grant awards were for road improvements and parks and recreation grants. Governmental activities intergovernmental shared revenues were \$985,459 and represented 25% of total revenues.

Financial Analysis of the Major Governmental Funds

As of September 30, 2015, the City of Pahokee's governmental funds reported a combined ending fund balance of \$2,455,087. The City reported an increase in the governmental fund balance of \$284,020 for the fiscal year ended September 30, 2015.

The General Fund is the chief operating fund of the City of Pahokee. As of September 30, 2015, the General Fund unassigned fund balance was \$1,168,387, the total restricted fund balance was \$12,966, the total assigned fund balance was \$12,696, and the total non-spendable fund balance was \$386,038.

Financial Analysis of the Major Proprietary Funds

Marina and Campground Fund

As of September 30, 2015, the Marina and Campground Fund reported unrestricted net position deficit of \$90,425 and investment in capital assets of \$10,250,155. The Marina and Campground Fund total net position decreased by \$864,774 during the fiscal year ended September 30, 2015. The decrease was due to an operating loss resulting from minimal revenues and significant depreciation expense.

Cemetery Fund

As of September 30, 2015, the Cemetery Fund reported an unrestricted net position deficit of \$362,820, investment in capital assets of \$178,836 and \$154,939 in restricted net position. The Cemetery Fund total net position decreased by \$8,933 during the fiscal year ended September 30, 2015. The decrease was due to an decrease in the sale of burial plots.

General Fund Budgetary Highlights

The budget was revised during the fiscal year to reflect operational changes. General Fund actual revenues were more than budgeted revenues by \$704,682 for the fiscal year ended September 30, 2015. This was primarily due to various grants received that were not budgeted. General Fund actual expenditures were above budgeted expenditures by \$475,823 during the fiscal year ended September 30, 2015. This was primarily due to various grant expenditures spent that were not budgeted.

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital Assets Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 394,014	\$ 356,162	\$ 98,000	\$ 98,000	\$ 492,014	\$ 454,162
Idle and impaired property	110,728	110,728	-	-	110,728	110,728
Construction in progress	39,888	138,138	-	-	39,888	138,138
Improvements other than buildings	869,663	875,512	3,634,525	4,246,279	4,504,188	5,121,791
Buildings	1,255,615	1,427,288	6,693,312	6,965,386	7,948,927	8,392,674
Equipment	482,678	274,238	3,154	4,823	485,832	279,061
Total	<u>\$3,152,586</u>	<u>\$3,182,066</u>	<u>\$ 10,428,991</u>	<u>\$ 11,314,488</u>	<u>\$ 13,581,577</u>	<u>\$ 14,496,554</u>

As of September 30, 2015, the City had invested \$13,581,577 (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.

Long-term Liabilities

As of September 30, 2015, the City had \$338,589 in total long-term liabilities as shown in the following table. Additional information can be found in Note 7 of the notes to the financial statements.

Long-term Liabilities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Notes payable	\$ 122,563	\$ 268,867	\$ -	\$ -	\$ 122,563	\$ 268,867
Compensated absences	85,570	111,668	5,972	18,233	91,542	129,901
OPEB obligation	32,137	20,410	-	-	32,137	20,410
Net pension liability	54,826	36,410	37,521	23,239	92,347	59,649
Total	<u>\$ 295,096</u>	<u>\$ 437,355</u>	<u>\$ 43,493</u>	<u>\$ 41,472</u>	<u>\$ 338,589</u>	<u>\$ 478,827</u>

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2016 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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,611,029	\$ 100	\$ 1,611,129
Receivables (net)			
Accounts	92,581	3,334	95,915
Taxes	110,188		110,188
Grants	317,660		317,660
Due from other governments	71,814		71,814
Internal balances	415,222	(415,222)	
Inventory		22,096	22,096
Prepaid expenses	48,967		48,967
Restricted assets			
Cash and cash equivalents		154,939	154,939
Capital assets			
Non-depreciable	544,630	98,000	642,630
Depreciable (net of depreciation)	2,607,956	10,330,991	12,938,947
Total assets	<u>5,820,047</u>	<u>10,194,238</u>	<u>16,014,285</u>
 Deferred outflows of resources			
Pension related items	<u>11,805</u>	<u>8,078</u>	<u>19,883</u>
 Liabilities			
Accounts payable	102,013	12,713	114,726
Contracts payable	44,873		44,873
Accrued liabilities	37,330	4,692	42,022
Accrued interest payable	2,248		2,248
Non-current liabilities			
Due within one year	167,287	1,851	169,138
Due in more than one year	127,809	41,642	169,451
Total liabilities	<u>481,560</u>	<u>60,898</u>	<u>542,458</u>
 Deferred inflows of resources			
Unearned revenue	6,402		6,402
Pension related items	15,683	10,733	26,416
Total deferred inflows of resources	<u>22,085</u>	<u>10,733</u>	<u>32,818</u>
 Net Position			
Net investment in capital assets	3,061,964	10,428,991	13,490,955
Restricted for:			
Transportation	12,966		12,966
Perpetual care		125,682	125,682
Pre-need		29,257	29,257
Endowment - nonexpendable	875,000		875,000
Unrestricted	1,378,277	(453,245)	925,032
Total net position	<u>\$ 5,328,207</u>	<u>\$ 10,130,685</u>	<u>\$ 15,458,892</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Activities
For the Fiscal Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental activities			
General government	\$ 1,031,688	\$ 199,832	\$ 55,351
Public safety	626,206	48,362	
Transportation	982,137		42,552
Culture and recreation	740,455	19,490	143,112
Physical environment	417,317	628,838	
Interest on long-term debt	5,561		
Total governmental activities	<u>3,803,364</u>	<u>896,522</u>	<u>241,015</u>
Business-type activities			
Marina and campground	1,012,192	147,418	
Cemetery	233,580	210,192	
Total business-type activities	<u>1,245,772</u>	<u>357,610</u>	
Total primary government	<u>\$ 5,049,136</u>	<u>\$ 1,254,132</u>	<u>\$ 241,015</u>

General revenues
Ad valorem taxes
Local option gas taxes
Utility taxes
Franchise fees
Intergovernmental shared revenues
Unrestricted investment earnings
Insurance proceeds
Gain on disposition of assets
Miscellaneous revenues
Rental income
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning, as restated
Net position - ending

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$	\$ (776,505)	\$	\$ (776,505)
192,619	(385,225)		(385,225)
205,693	(733,892)		(733,892)
11,250	(566,603)		(566,603)
	211,521		211,521
	(5,561)		(5,561)
<u>409,562</u>	<u>(2,256,265)</u>		<u>(2,256,265)</u>
		(864,774)	(864,774)
		(23,388)	(23,388)
		<u>(888,162)</u>	<u>(888,162)</u>
<u>\$ 409,562</u>	<u>(2,256,265)</u>	<u>(888,162)</u>	<u>(3,144,427)</u>
	430,804		430,804
	181,149		181,149
	413,135		413,135
	364,555		364,555
	985,459		985,459
	1,849	300	2,149
	1,009		1,009
	2,937		2,937
	81,857	8,572	90,429
		4,536	4,536
	(1,047)	1,047	
	<u>2,461,707</u>	<u>14,455</u>	<u>2,476,162</u>
	205,442	(873,707)	(668,265)
	5,122,765	11,004,392	16,127,157
<u>\$ 5,328,207</u>	<u>\$ 10,130,685</u>	<u>\$ 15,458,892</u>	

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2015

	General	Henderson Endowment Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 735,957	\$ 875,072	\$ 1,611,029
Accounts receivable	92,581		92,581
Grants receivable	317,660		317,660
Taxes receivable	110,188		110,188
Due from other governments	71,814		71,814
Due from other funds	78,223		78,223
Prepaid items	48,967		48,967
Advances to other funds	337,071		337,071
Total assets	<u>\$ 1,792,461</u>	<u>\$ 875,072</u>	<u>\$ 2,667,533</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ 102,013	\$	\$ 102,013
Contracts payable	44,873		44,873
Accrued liabilities	37,330		37,330
Due to other funds		72	72
Total liabilities	<u>184,216</u>	<u>72</u>	<u>184,288</u>
Deferred inflows of resources			
Unearned revenue	6,402		6,402
Unavailable revenue	21,756		21,756
Total deferred inflows of resources	<u>28,158</u>	<u></u>	<u>28,158</u>
Fund balances			
Non-spendable:			
Prepays	48,967		48,967
Advances to other funds	337,071		337,071
Endowment - nonexpendable		875,000	875,000
Restricted for:			
Transportation	12,966		12,966
Assigned to:			
Subsequent year's expenditures	12,696		12,696
Unassigned	1,168,387		1,168,387
Total fund balances	<u>1,580,087</u>	<u>875,000</u>	<u>2,455,087</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,792,461</u>	<u>\$ 875,072</u>	<u>\$ 2,667,533</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2015

Fund balances total governmental funds		\$ 2,455,087
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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	\$ 9,005,795	
Less accumulated depreciation	<u>(5,853,209)</u>	3,152,586

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.

Senior Citizens' Wellness Program	21,756
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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	\$ (122,563)	
Accrued interest payable	(2,248)	
Compensated absences	(85,570)	
Other postemployment benefits	(32,137)	
Net pension liability	(54,826)	(297,344)

Deferred outflows or resources and deferred inflows of resources related to defined benefit pension plans are applicable to future periods and are not reported in the governmental funds

Pension related deferred outflows	\$ 11,805	
Pension related deferred inflows	<u>(15,683)</u>	<u>(3,878)</u>

Net position of governmental activities		<u>\$ 5,328,207</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, 2015

	General	Henderson Endowment Fund	Total Governmental Funds
Revenues			
Taxes	\$ 1,036,881	\$	\$ 1,036,881
Permits and fees	408,135		408,135
Intergovernmental revenues	1,836,254		1,836,254
Charges for services	668,139		668,139
Fines and forfeitures	44,758		44,758
Miscellaneous revenues	189,383	1,047	190,430
	<hr/>	<hr/>	<hr/>
Total revenues	4,183,550	1,047	4,184,597
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
General government	956,624		956,624
Public safety	621,361		621,361
Transportation	877,400		877,400
Culture and recreation	540,769		540,769
Physical environment	417,317		417,317
Capital outlay	335,999		335,999
Debt service			
Principal retirement	146,304		146,304
Interest	7,702		7,702
	<hr/>	<hr/>	<hr/>
Total expenditures	3,903,476		3,903,476
	<hr/>	<hr/>	<hr/>
Excess of revenues over (under) expenditures before other financing sources (uses)	280,074	1,047	281,121
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Disposal of capital assets	2,937		2,937
Insurance proceeds	1,009		1,009
Transfers out		(1,047)	(1,047)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	3,946	(1,047)	2,899
	<hr/>	<hr/>	<hr/>
Net change in fund balances	284,020		284,020
Fund balances - beginning	1,296,067	875,000	2,171,067
	<hr/>	<hr/>	<hr/>
Fund balances - ending	\$ 1,580,087	\$ 875,000	\$ 2,455,087
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2015

Net change in fund balances - total governmental funds	\$	284,020
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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	\$ 335,999	
Less current year depreciation	<u>(403,331)</u>	(67,332)

Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds

Donations of capital assets	37,852
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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	146,304
Change in accrued interest payable	2,141

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

CDBG Grants	(63,750)
Urban Areas Security Initiative Grant	(90,000)
Highway Beautification Grant	(68,231)
Senior Citizens' Wellness Program	5,439

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	26,098
Change in other postemployment benefits	(11,727)
Change in net pension liability and related deferred amounts	<u>4,628</u>

Change in net position of governmental activities	\$	<u>205,442</u>
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See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2015

	Marina and Campground	Cemetery	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 100	\$	\$ 100
Accounts receivable (net)		3,334	3,334
Due from other funds		72	72
Inventory		22,096	22,096
Restricted assets			
Cash and cash equivalents		154,939	154,939
Total current assets	100	180,441	180,541
Non-current assets			
Capital assets			
Property, plant, and equipment	15,077,725	584,124	15,661,849
Less accumulated depreciation	(4,827,570)	(405,288)	(5,232,858)
Total non-current assets	10,250,155	178,836	10,428,991
Total assets	10,250,255	359,277	10,609,532
Deferred outflows of resources			
Pension related items		8,078	8,078
Liabilities			
Current liabilities			
Accounts payable	10,194	2,519	12,713
Accrued liabilities	2,108	2,584	4,692
Due to other funds	78,223		78,223
Compensated absences-current		1,851	1,851
Total current liabilities	90,525	6,954	97,479
Non-current liabilities			
Compensated absences		4,121	4,121
Advances from other funds		337,071	337,071
Net pension liability		37,521	37,521
Total non-current liabilities		378,713	378,713
Total liabilities	90,525	385,667	476,192
Deferred inflows of resources			
Pension related items		10,733	10,733
Net Position			
Investment in capital assets	10,250,155	178,836	10,428,991
Restricted for:			
Perpetual care		125,682	125,682
Pre-need		29,257	29,257
Unrestricted	(90,425)	(362,820)	(453,245)
Total net position	\$ 10,159,730	\$ (29,045)	\$ 10,130,685

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, 2015

	Marina and Campground	Cemetery	Total
Operating revenue			
Sales	\$ 140,848	\$ 210,192	\$ 351,040
Other income	6,570		6,570
Total operating revenues	<u>147,418</u>	<u>210,192</u>	<u>357,610</u>
Operating expenses			
Cost of sales		42,482	42,482
Personal services		136,527	136,527
Contractual services	1,785	1,431	3,216
Utilities	82,464	9,252	91,716
Supplies	14,213	10,907	25,120
Insurance	10,662	12,092	22,754
Depreciation	876,277	9,220	885,497
Repairs and maintenance	7,476	11,299	18,775
Other	19,315	370	19,685
Total operating expenses	<u>1,012,192</u>	<u>233,580</u>	<u>1,245,772</u>
Operating income(loss)	<u>(864,774)</u>	<u>(23,388)</u>	<u>(888,162)</u>
Nonoperating revenues (expenses)			
Rental income		4,536	4,536
Interest revenue		300	300
Miscellaneous revenue		8,572	8,572
Total nonoperating revenues		<u>13,408</u>	<u>13,408</u>
Income (loss) before transfers	<u>(864,774)</u>	<u>(9,980)</u>	<u>(874,754)</u>
Transfers in		1,047	1,047
Total transfers		<u>1,047</u>	<u>1,047</u>
Change in net position	(864,774)	(8,933)	(873,707)
Net position - beginning, as restated	<u>11,024,504</u>	<u>(20,112)</u>	<u>11,004,392</u>
Net position - ending	<u>\$ 10,159,730</u>	<u>\$ (29,045)</u>	<u>\$ 10,130,685</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2015

	Marina and Campground	Cemetery	Totals
Cash flows from operating activities:			
Receipts from customers and users	\$ 144,468	\$ 211,358	\$ 355,826
Payments to suppliers	(145,318)	(93,896)	(239,214)
Payments to employees		(149,512)	(149,512)
Net cash provided (used) by operating activities	(850)	(32,050)	(32,900)
Cash flows from non-capital financing activities:			
Payments (to) from other funds	850	17,896	18,746
Operating transfers in		1,047	1,047
Net cash provided (used) by non-capital financing activities	850	18,943	19,793
Cash flows from investing activities:			
Interest and dividends on investments		300	300
Other revenue		8,572	8,572
Proceeds from land lease		4,536	4,536
Net cash provided by investing activities		13,408	13,408
Net increase (decrease) in cash and cash equivalents		301	301
Cash and cash equivalents - beginning	100	154,638	154,738
Cash and cash equivalents - ending	<u>\$ 100</u>	<u>\$ 154,939</u>	<u>\$ 155,039</u>

(Continued)

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2015
(Continued)

	Marin and Campground	Cemetery	Totals
Cash flows from operating activities:			
Operating income (loss)	\$ (864,774)	\$ (23,388)	\$ (888,162)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	876,277	9,220	885,497
Change in net pension liability and related deferred amounts		(248)	(248)
Change in assets and liabilities:			
(Increase) decrease in accounts receivable		4,591	4,591
Increase (decrease) in accounts payable	(9,730)	(6,063)	(15,793)
Increase (decrease) in accrued liabilities	(2,623)	(12,737)	(15,360)
Increase (decrease) in unearned revenue		(3,425)	(3,425)
Total adjustments	863,924	(8,662)	855,262
Net cash provided (used) by operating activities	<u>\$ (850)</u>	<u>\$ (32,050)</u>	<u>\$ (32,900)</u>
Cash and cash equivalents			
Unrestricted	\$ 100	\$	100
Restricted		154,939	154,939
Total cash and cash equivalents	<u>\$ 100</u>	<u>\$ 154,939</u>	<u>\$ 155,039</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

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, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Funds

The City reports the following as major governmental funds.

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

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Enterprise Funds

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

The City reports the following major proprietary funds:

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

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, 2015

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, 2015

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 government-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, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unavailable Revenue

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

Unearned Revenue

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position might sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that is applicable to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) in the current period. At the current time, the City has only pension related items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position might sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) in the current period. At the current time, the City has three items that qualify for reporting in this category. (1) Pension related items. (2) Local business tax receipts that are received by the City prior to the period for which the taxes are levied are reported as deferred inflows of resources on both the entity-wide statement of net position and on the governmental funds balance sheet. (3) Governmental fund revenues that are not received within 60 days of the fiscal year end don't meet the availability criterion for revenue recognition of the modified accrual basis of accounting, and are therefore reported as deferred inflows of resources on the governmental funds balance sheet.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

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

Fund Balances

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

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements

The City implemented the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2015.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The cumulative effect of applying this statement is required to be reported as a restatement of beginning net position. See Note 19.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a 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.

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 February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining fair value measurement for financial reporting purposes and also provides guidance for applying fair value of certain investments and disclosures related to all fair value measurements. This Statement is effective for the fiscal year ending September 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Certain

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

sections of this Statement are effective for the fiscal year ending September 30, 2016 and the remaining sections are effective for the fiscal year ending September 30, 2017.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. This Statement is effective for the fiscal year ending September 30, 2017.

In June 2015 the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for the fiscal year ending September 30, 2018.

In June 2015 the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement identifies – in the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles. This Statement is effective for the fiscal year ending September 30, 2016.

In August 2015 the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. This Statement is effective for the fiscal year ending September 30, 2017.

In December 2015 the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement is effective for the fiscal year ending September 30, 2017.

In December 2015 the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for the fiscal year ending September 30, 2017.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for the fiscal year ending September 30, 2017. Earlier application is encouraged.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

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

The following procedures are utilized to establish the annual budget:

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

(Continued)

Budgetary Data (Continued)

For the year ended September 30, 2015, expenditures for the public safety function exceeded appropriations by \$15,182, expenditures for the transportation function exceeded appropriations by \$254,830, expenditures for the culture and recreation function exceeded appropriations by \$258,079, and total General Fund expenditures exceeded appropriations by \$475,823. The excesses occurred because of expenditure of various grants that were not budgeted

Property Taxes

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

The tax levy of the City is established by the City Commission prior to October 1st of each year and the Palm Beach County Property Appraiser incorporates the City's millage into the total tax levy, which includes Palm Beach County, the Palm Beach County School Board, and special district tax requirements. All property is reassessed according to its fair market value on January 1st of each year, which is also the lien date. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all the appropriate requirements of State statutes. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The tax rate for the Palm Beach County Fire/Rescue Municipal Service Taxing Unit (MSTU) is included in the 10 mills. See Note 16. The millage rate assessed by the City for the year ended September 30, 2015, was 6.5419 (\$6.5419 for each \$1,000 of assessed valuation).

All taxes are due and payable on November 1st of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1st following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount. Delinquent taxes on real property bear interest of 18% per year. On or prior to June 1st following the tax year, certificates are sold for all delinquent taxes on real property. After the sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations. At September 30, 2015, unpaid delinquent taxes were not material.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

(Continued)

Compliance

The audit report and the Annual Financial Report filed with the Florida Department of Financial Services for the fiscal year ended September 30, 2015 were not filed timely. Consequently, the Florida Department of Revenue and the Florida Department of Financial Services have been instructed by the Joint Legislative Auditing Committee to withhold any funds not pledged for bond debt service satisfaction which are payable to the City until the City complies with the law.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

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

Investments

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

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

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

On August 3, 2009, the SBA announced “Florida PRIME” as the highly enhanced version of the SBA’s prior Local Government Surplus Funds Trust Fund. Florida PRIME 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, which permits money market funds to use amortized costs to maintain a constant net asset value of \$1 per share. The fair value of the position in the Florida PRIME is equal to the value of the pool shares. The investment in the Florida PRIME is not insured by FDIC or any other governmental agency. At September 30, 2015, Florida PRIME was rated AAAm by Standard and Poor’s Ratings.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2015, was 30 days. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

As of September 30, 2015, the City of Pahokee had \$391,175 invested in Florida PRIME.

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	\$ 1,374,343
Petty cash	550
Investments	<u>391,175</u>
Total deposits and investments	<u>\$ 1,766,068</u>
Presented in the statement of net position:	
Cash and cash equivalents	\$ 1,611,129
Restricted cash and cash equivalents	<u>154,939</u>
Total cash and cash equivalents	<u>\$ 1,766,068</u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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, 2015, the SBA Florida PRIME Pool was rated AAAm by Standard and Poor's.

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, 2015

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2015, are comprised of the following:

	General Fund	Cemetery Fund
Billed	\$ 84,987	\$ 3,334
Unbilled	56,528	
Grants receivable	317,660	
Taxes receivable	110,188	
Due from other governments	71,814	
Subtotal	641,177	3,334
Less allowance for uncollectibles	(48,934)	
	<u>\$ 592,243</u>	<u>\$ 3,334</u>

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 356,162	\$ 37,852	\$	\$ 394,014
Idle and impaired property	110,728			110,728
Construction in progress	138,138	17,528	(115,778)	39,888
Capital assets being depreciated:				
Improvements other than buildings	1,785,162	115,778		1,900,940
Buildings	4,947,539	8,103		4,955,642
Equipment	1,315,059	310,368	(20,844)	1,604,583
Total at historical cost:	<u>8,652,788</u>	<u>489,629</u>	<u>(136,622)</u>	<u>9,005,795</u>
Less accumulated depreciation for:				
Improvements other than buildings	(909,650)	(121,627)		(1,031,277)
Buildings	(3,520,251)	(179,776)		(3,700,027)
Equipment	(1,040,821)	(101,928)	20,844	(1,121,905)
Total accumulated depreciation:	<u>(5,470,722)</u>	<u>(403,331)</u>	<u>20,844</u>	<u>(5,853,209)</u>
Governmental activities capital assets, net	<u><u>\$ 3,182,066</u></u>	<u><u>\$ 86,298</u></u>	<u><u>\$ (115,778)</u></u>	<u><u>\$ 3,152,586</u></u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

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	157,085			157,085
Total at historical cost:	<u>15,661,849</u>			<u>15,661,849</u>
Less accumulated depreciation for:				
Improvements other than buildings	(2,989,993)	(611,754)		(3,601,747)
Buildings	(1,205,106)	(272,074)		(1,477,180)
Equipment	(152,262)	(1,669)		(153,931)
Total accumulated depreciation:	<u>(4,347,361)</u>	<u>(885,497)</u>		<u>(5,232,858)</u>
Business-type activities capital assets, net	<u>\$ 11,314,488</u>	<u>\$ (885,497)</u>	<u>\$</u>	<u>\$ 10,428,991</u>

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

Governmental activities:	
General government	\$ 115,733
Public safety	2,459
Transportation	94,985
Culture and recreation	190,154
Total depreciation expense governmental activities	<u>\$ 403,331</u>
Business-type activities	
Marina & campground	\$ 876,277
Cemetery	9,220
Total depreciation expense business-type activities	<u>\$ 885,497</u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 6 – INTERFUND TRANSACTIONS

The composition of interfund balances at September 30, 2015, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Marina and Campground Fund	\$ 78,223
Cemetery Fund	Henderson Endowment Fund	<u>72</u>
		<u>\$ 78,295</u>

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

Advances to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Cemetery Fund	<u>\$ 337,071</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, 2015, the Henderson Endowment Fund transferred interest earnings of \$1,047 to the Cemetery Fund.

Interfund transfers for the year ended September 30, 2015, are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Henderson Endowment Fund	Cemetery Fund	<u>\$ 1,047</u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 7 – LONG-TERM LIABILITIES

Governmental Activities

Long-term liabilities of the governmental activities at September 30, 2015, 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>
2016	<u>\$ 90,622</u>	<u>\$ 3,385</u>	<u>\$ 94,007</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 an original maturity date of December 1, 2017. During the fiscal year ended September 30, 2014, the Sheriff's Office forgave \$100,000 of the loan principal balance. The maturity date is now April 1, 2016. The loan is an interest free obligation.

The 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>
2016	<u>\$ 31,941</u>	<u>\$</u>	<u>\$ 31,941</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	<u>\$ 122,563</u>	<u>\$ 3,385</u>	<u>\$ 125,948</u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Changes in long-term liabilities

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Note payable – BOA	\$ 176,926	\$	\$ (86,304)	\$90,622	\$ 90,622
Note payable - PBSO	91,941		(60,000)	31,941	31,941
Total notes payable	268,867		(146,304)	122,563	122,563
Compensated absences	111,668	75,539	(101,637)	85,570	35,083
OPEB	20,410	17,522	(5,795)	32,137	9,641
Net pension liability (1)	36,410	18,416		54,826	
Total governmental	<u>\$ 437,355</u>	<u>\$ 111,477</u>	<u>\$(253,736)</u>	<u>\$ 295,096</u>	<u>\$ 167,287</u>

Business-Type Activities

	Beginning Balance As Restated	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Compensated absences	\$ 18,233	\$ 11,206	\$ (23,467)	\$ 5,972	\$ 1,851
Net pension liability	23,239	14,282		37,521	
Total business-type	<u>\$ 41,472</u>	<u>\$ 25,488</u>	<u>\$ (23,467)</u>	<u>\$ 43,493</u>	<u>\$ 1,851</u>

The liability for compensated absences and the net pension liability are paid out of the fund where the related employees work.

Interest Expense

Total interest costs incurred and paid on all City debt for the year ended September 30, 2015, were \$5,561 and \$7,702, respectively. No interest was capitalized in the enterprise funds.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM

General Information

All full-time employees participate in the Florida Retirement System (FRS). The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the Florida Retirement System Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost sharing multiple-employer defined benefit pension plan, to assist retired members of any state administered retirement system in paying the costs of health insurance.

Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and escribed in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000 or calling toll free at 877-377-1737. The report is also available at the Florida Department of Management Services web site www.dms.myflorida.com.

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (FRSP) and the Florida Retirement System Health Insurance Subsidy Program and additions to/deduction from the FRSP and HIS fiduciary net position have been determined on the same basis as they are reported by FRSP and HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN

Plan Description

The FRS Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

Regular Class
Special Risk Class
Elected Officials Class
Senior Management Service Class

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service.

Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Benefits Provided (Continued)

The following table shows the percentage value for each year of service credit earned:

Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
Special Risk Class	
Service from December 1, 1970 through September 30, 1974	2.00%
Service on or after October 1, 1974	3.00%
Elected Officials Class	3.00%
Senior Management Service Class	2.00%

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011 will not have a cost-of-living adjustment after retirement.

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1st of each year. The employer contribution rates by job class for the fiscal year ended September 30, 2015 were as follows:

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Contributions (Continued)

Class	10/01/14 through 06/30/15	07/01/15 through 09/30/15
Regular Class	7.37%	7.26%
Senior Management Service Class	21.14%	21.43%
Special Risk Class	19.82%	22.04%
Elected Officials Class	43.24%	42.27%
DROP	12.28%	12.88%

Except for the DROP, the employer contribution rates include a 1.26% and 1.66% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, and 0.04% for administrative costs of the Public Employee Optional Retirement Program.

For the fiscal year ended September 30, 2015, the City made contributions of \$7,965 to the Pension Plan and the City's employees made contributions of \$3,979, for total contributions of \$11,944.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability of \$45,149 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-2015 fiscal year contributions relative to the 2014-2015 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was 0.000349549 percent, which was an increase of 0.000028392 percent from its proportionate share measured as of June 30, 2014.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$2,420 related to the Plan. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,766	\$ 1,071
Change of assumptions	2,997	
Net difference between projected and actual earnings on Pension Plan investments		10,781
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	3,726	6,496
Port Pension Plan contributions subsequent to the measurement date	1,527	
Total	<u>\$ 13,016</u>	<u>\$ 18,348</u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The deferred outflows of resources related to the Pension Plan, totaling \$1,527 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2016	\$ (4,380)
2017	(4,380)
2018	(4,380)
2019	4,515
2020	1,285
Thereafter	481
	<u>\$ (6,859)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2015
Measurement date	June 30, 2015
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality	Generational RP-2000 with projection scale BB
Actuarial cost method	Individual Entry Age

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>(1) Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0%	4.8%	4.7%	4.7%
Global Equity	53.0%	8.5%	7.2%	17.7%
Real Estate (Property)	10.0%	6.8%	6.2%	12.0%
Private Equity	6.0%	11.9%	8.2%	30.0%
Strategic Investments	12.0%	6.7%	6.1%	11.4%
Total	<u>100.0%</u>			
Assumed Inflation - Mean		2.60%		1.90%

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Port's proportionate share of the net pension liability	\$ 116,991	\$ 45,149	\$ (14,636)

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2015, the City reported a payable in the amount of \$532 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2015.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM

Plan Description

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.26% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$1,781 for the fiscal year ended September 30, 2015.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability of \$47,198 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-2015 fiscal year contributions relative to the 2014-2015 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was .000462795 percent, which was an increase of 0.000034423 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$2,395. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 3,713	\$
Net difference between projected and actual earnings on Pension Plan investments	26	
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	2,672	8,068
Town Pension Plan contributions subsequent to the measurement date	456	
Total	<u>\$ 6,867</u>	<u>\$ 8,068</u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The deferred outflows of resources related to the HIS Plan, totaling \$456 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2016	\$ (473)
2017	(473)
2018	(473)
2019	(479)
2020	(481)
Thereafter	722
	<u>\$ (1,657)</u>

Actuarial Assumptions

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2015
Measurement date	June 30, 2015
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.80%
Investment rate of return	N/A
Mortality	GenerationalRP-2000 with projection scale BB
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.80%) or one percentage point higher (4.80%) than the current rate:

	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
Port's proportionate share of the net pension liability	\$ 53,780	\$ 47,198	\$ 41,709

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2015, the City reported a payable in the amount of \$103 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2015.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Summary Data

The following table provides a summary of significant information related to the Florida Retirement System defined benefit plans for the year ended September 30, 2015.

Description	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	\$ 564,070	\$ 47,433	\$ 611,503
Proportionate share of plan fiduciary net position	518,921	235	519,156
Proportionate share of net pension liability	45,149	47,198	92,347
Proportionate share of deferred outflows of resources	13,016	6,867	19,883
Proportionate share of deferred inflows of resources	18,348	8,068	26,416
Pension expense	2,420	2,395	4,815

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.

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 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. There were no optional employee contributions for the year ended September 30, 2015. For the fiscal year ended September 30, 2015, the City recognized pension expense of \$27,230 for the General Employees' Retirement Plan. There were no forfeitures for the fiscal year. At September 30, 2015, the City reported a payable in the amount of \$635 for outstanding contributions to the Plan for the fiscal year ended September 30, 2015.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 9 – GENERAL EMPLOYEES’ RETIREMENT PLAN (Continued)

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.

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, 2015, the Marina and Campground Enterprise Fund reported positive net position but reported a deficit of \$90,425 in unrestricted net position, and the Cemetery Enterprise Fund reported a deficit of \$29,044 in total net position and a deficit of \$362,819 in unrestricted net position.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

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.

As of September 30, 2015, there was \$1,570,000 of the Series 2009A 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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

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 16 – COMMITMENTS

Palm Beach County Fire Rescue Services Inter-local Agreement

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

The costs of the services under the Agreement are to be funded through the Fire/Rescue MSTU pursuant to ordinances adopted by the County and the City providing for the inclusion of the City into the Fire/Rescue MSTU. It is anticipated that the County Fire/Rescue dispatch and related communication services to the City will be funded from countywide ad valorem tax revenues through the Countywide Common Dispatch program offered by the County to any fire-rescue providers that desire these services. If the County's ability to fund the dispatch and related communication services from non-MSTU revenues is eliminated for any reason, then the County may fund these dispatch and related services to the City through the Fire/Rescue MSTU. The tax rate for the MSTU is included in the 10 mills the City is legally allowed to assess. For the fiscal year ended September 30, 2015, the MSTU portion of the City's millage rate was 3.4581 mills.

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

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 16 – COMMITMENTS (Continued)

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

On September 9, 2014, the City approved the ninth addendum to the agreement extending the agreement through September 30, 2015. The contractual cost for the year ending September 30, 2015 was \$522,385. On September 8, 2015, the City approved the tenth addendum to the agreement extending the agreement through September 30, 2016. The contractual cost for the year ending September 30, 2016 will be \$527,609.

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, 2015, the permanent fund transferred \$1,047 to the Cemetery Fund.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS

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

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Required contribution rate - employer	Pay-as-you-go
Required contribution rate - plan members	N/A
Annual required contribution	\$ 16,706
Interest on net OPEB obligation	816
Adjustment to annual required contribution	<u>(1,135)</u>
Annual OPEB cost	16,387
Estimated net contributions made	<u>(4,660)</u>
Increase in net OPEB obligation	11,727
Net OPEB obligation October 1, 2014	<u>20,410</u>
Net OPEB obligation September 30, 2015	<u><u>\$ 32,137</u></u>

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	29.6%	\$11,766
09/30/14	\$16,523	47.7%	\$20,410
09/30/15	\$16,387	28.4%	\$32,137

Funded Status

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

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Progress

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

Actuarial Methods and Assumptions

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

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2015

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE

The City participates in the Florida Retirement System defined benefit pension plan and the Florida Retirement System Health Insurance Subsidy Program defined benefit plan administered by the Florida Division of Retirement. As discussed in Note 1, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*, and *GASB Statement No. 71, Pension Transition Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, during the current fiscal year. These standards require participating employers in cost-sharing multiple-employer defined benefit pension plans to report their proportionate share of the net pension liabilities and related pension amounts of defined benefit pension plans. The cumulative effect of applying GASB 68 has been reported as a restatement of the beginning net position. A reconciliation of the prior period ending net position to the current period beginning net positions is as follows.

	Governmental Activities	Business-type Activities	Cemetery Enterprise Fund
Balance at September 30, 2014, as reported	\$ 5,186,097	\$ 11,044,816	\$ 20,312
Adjustment for adoption of GASB 68	<u>(63,332)</u>	<u>(40,424)</u>	<u>(40,424)</u>
Balance at September 30, 2014, as restated	<u>\$ 5,122,765</u>	<u>\$ 11,004,392</u>	<u>\$ (20,112)</u>

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Taxes				
Ad valorem taxes	\$ 435,764	\$ 435,764	\$ 430,804	\$ (4,960)
Utility service taxes	406,177	406,177	413,135	6,958
Local option gas tax	172,250	172,250	181,149	8,899
Local business tax	12,125	12,125	11,793	(332)
Total taxes	1,026,316	1,026,316	1,036,881	10,565
Licenses and permits				
Building permits	20,000	20,000	26,139	6,139
Franchise fees	363,327	363,327	364,555	1,228
Other	4,500	4,500	17,441	12,941
Total licenses and permits	387,827	387,827	408,135	20,308
Intergovernmental revenues				
State revenue sharing	276,487	276,487	288,435	11,948
Mobile home license	6,000	6,000	5,342	(658)
Alcoholic beverage license	1,200	1,200	2,652	1,452
Motor fuel tax	98,486	98,486	93,728	(4,758)
Half-cent sales tax	417,596	417,596	422,806	5,210
County occupational license	10,000	10,000	14,734	4,734
Payments in lieu of taxes	156,900	156,900	157,762	862
Grants	222,048	222,048	850,795	628,747
Total intergovernmental	1,188,717	1,188,717	1,836,254	647,537

(Continued)

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2015
(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Charges for services				
Management fees	\$ 4,410	\$ 4,410	\$	\$ (4,410)
Solid waste collection fees	664,490	664,490	605,635	(58,855)
Other	63,696	63,696	62,504	(1,192)
Total charges for services	732,596	732,596	668,139	(64,457)
Fines and forfeitures				
Court fines	6,500	6,500	2,604	(3,896)
Other	15,000	15,000	42,154	27,154
Total fines and forfeitures	21,500	21,500	44,758	23,258
Miscellaneous				
Interest	1,200	1,200	802	(398)
Rents	103,592	103,592	116,779	13,187
Contributions	1,500	1,500	24,193	22,693
Other	15,620	15,620	47,609	31,989
Total miscellaneous	121,912	121,912	189,383	67,471
Total revenues	3,478,868	3,478,868	4,183,550	704,682

(Continued)

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2015
(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	\$ 96,854	\$ 96,854	\$ 93,246	\$ 3,608
City manager	143,365	143,365	204,234	(60,869)
City clerk	96,761	96,761	69,640	27,121
Finance	214,973	214,973	160,591	54,382
Personnel	30,654	30,654	29,419	1,235
IT/GATV access	28,795	28,795	21,837	6,958
Legal counsel	80,000	80,000	60,526	19,474
Planning, zoning, and building	22,950	22,950	9,942	13,008
Community development	85,619	85,619	123,657	(38,038)
Non departmental	187,922	187,922	183,532	4,390
Total general government	<u>987,893</u>	<u>987,893</u>	<u>956,624</u>	<u>31,269</u>
Public safety				
Law enforcement	553,105	553,105	583,519	(30,414)
Protective inspections	113,074	113,074	97,842	15,232
Total public safety	<u>666,179</u>	<u>666,179</u>	<u>681,361</u>	<u>(15,182)</u>
Transportation				
Roads and streets	755,126	755,126	1,009,956	(254,830)
Total transportation	<u>755,126</u>	<u>755,126</u>	<u>1,009,956</u>	<u>(254,830)</u>

(Continued)

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2015
(Continued)

	Budgeted	Amounts	Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Culture and recreation				
Recreation - City	\$ 388,111	\$ 388,111	\$ 636,009	\$ (247,898)
Recreation - Family Central			2,856	(2,856)
Recreation - Palm Beach County	131,364	131,364	128,279	3,085
Recreation - POPS			1,810	(1,810)
Parks	60,664	60,664	69,264	(8,600)
Total culture and recreation	580,139	580,139	838,218	(258,079)
Physical environment				
Solid waste collection	438,316	438,316	417,317	20,999
Total physical environment	438,316	438,316	417,317	20,999
Total expenditures	3,427,653	3,427,653	3,903,476	(475,823)
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	51,215	51,215	280,074	228,859
Other financing sources (uses)				
Disposal of capital assets			2,937	2,937
Insurance proceeds			1,009	1,009
Transfers out	(71,046)	(71,046)		71,046
Total other financing sources (uses)	(71,046)	(71,046)	3,946	74,992
Net change in fund balances	\$ (19,831)	\$ (19,831)	284,020	\$ 303,851
Beginning fund balance			1,296,067	
Ending fund balance			\$ 1,580,087	

CITY OF PAHOKEE, FLORIDA
Notes to the Budgetary Required Supplementary Information
For the Fiscal Year Ended September 30, 2015

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, 2015, the following areas had expenditures in excess of appropriations.

Public safety	\$ 15,182
Transportation	\$ 254,830
Culture and recreation	\$ 258,079
Total expenditures	\$ 475,823

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule of Funding Progress
Other Postemployment Benefits
For the Fiscal Year Ended September 30, 2015

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.

CITY OF PAHOKEE, FLORIDA

**Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System
Pension Plan**

Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>
Contractually required FRS contribution	\$ 7,565	\$ 7,965
FRS contributions in relation to the contractually required contribution	<u>7,565</u>	<u>7,965</u>
FRS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 129,357	\$ 132,646
FRS contributions as a percentage of covered-employee payroll	5.85%	6.00%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available.

CITY OF PAHOKEE, FLORIDA

**Required Supplementary Information
Schedule of Proportionates Share of Net Pension Liability
Florida Retirement System
Pension Plan**

Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>
Proportion of the FRS net pension liability	0.000321157%	0.000349549%
Proportionate share of the FRS net pension liability	\$ 19,595	\$ 45,149
Town's covered payroll	\$ 127,284	\$ 140,400
Town's proportionate share of the FRS net pension liability as a percentage of it covered-employee payroll	15.39%	32.16%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year are as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report.

CITY OF PAHOKEE, FLORIDA

**Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System
Retiree Health Insurance Subsidy Program**

Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>
Contractually required HIS contribution	\$ 1,573	\$ 1,781
HIS contributions in relation to the contractually required contribution	<u>1,573</u>	<u>1,781</u>
HIS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 129,357	\$ 132,646
HIS contributions as a percentage of covered-employee payroll	1.22%	1.34%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available.

CITY OF PAHOKEE, FLORIDA

**Required Supplementary Information
Schedule of Proportionates Share of Net Pension Liability
Florida Retirement System
Retiree Health Insurance subsidy Program**

Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>
Proportion of the HIS net pension liability	0.000428372%	0.000462795%
Proportionate share of the HIS net pension liability	\$ 40,054	\$ 47,198
Town's covered payroll	\$ 127,284	\$ 140,400
Town's proportionate share of the HIS net pension liability as a percentage of it covered-employee payroll	31.47%	33.62%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year are as of the June 30 measurement date. The Plan fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report. The discount rate decreased from 4.29% in 2014 to 3.80% in 2015.



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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, and each major fund of the City of Pahokee, Florida, as of and for the year ended September 30, 2015, 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 8, 2017. The reports on the Statement of Net Position, the Statement of Activities, the Marina and Campground Fund, and the Cemetery Fund financial statements were qualified because of inadequacies in the internal controls and accounting records relating to inventories, cost of goods sold, revenues, and receivables.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified deficiencies in internal control that we consider to be material weaknesses.

Finding 2010-1

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

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

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

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

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

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

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

Finding 2014-1

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

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

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

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

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

During FY 2015, the City's Finance Director resigned. The City was not able to hire another Finance Director until October 2016. There were several struggles the City had to overcome without a Finance Director. The day-to-day operations suffered during this time period. The Administration is in the process of re-organizing the structure of the current day-to-day duties and expects that a more comprehensive management reporting system will enable management to better utilize its existing personnel and provide for more efficient utilization of staff responsibilities. This will improve the reliability, integrity, and timeliness of all financial and reporting systems. The City has also purchased new accounting software to assist in improving the overall financial and reporting systems.

Finding 2015-1

Condition: The City has not established adequate controls over the completeness of revenues and unearned revenues for the Marina and Campground 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 Marina and Campground Fund, we were unable to form opinions regarding the amounts of service revenue and unearned revenue for the fund.

Recommendation: We recommend that the City implement the following for the Marina and Campground Fund

- 1) Acquire and implement special purpose software to maintain detailed records of revenue and utilization of the facilities for the marina and campground.
- 2) Establish access controls for the campground such as gates, card entry systems, and security cameras.

- 3) Develop and implement procedures to monitor and control marina and campground revenues.

Management Response: During the current year, we will review all policies and procedures related to the Marina and Campground Fund to establish adequate controls over all operations of the Marina and Campground

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pahokee, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described below.

Finding 2014-2

Condition: We noted that the audit report and the Annual Financial Report filed with the Florida Department of Financial Services for the fiscal year ended September 30, 2015 were not filed timely.

Criteria: Florida Statutes require audit reports for local governmental entities and the Annual Financial Report to be filed within nine months of the fiscal year end. The City's reports were due June 30, 2016.

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

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

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

City of Pahokee, Florida's Response to Findings

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

Purpose of this Report

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

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
June 8, 2017



NOWLEN, HOLT & MINER, P.A.

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

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

Report on the Financial Statements

We have audited the financial statements of the City of Pahokee, Florida, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 8, 2017. The reports on the Statement of Net Position, the Statement of Activities, the Marina and Campground Enterprise Fund, and the Cemetery Enterprise Fund financial statements were qualified because of inadequacies in the internal controls and accounting records relating to inventories, cost of goods sold, revenues, and receivables.

Auditor's Responsibility

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

Other Reports

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 8, 2017, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

The following finding was included in the audit reports for the prior two years and still applies.

- Finding 2010-1 Cemetery Fund

The following findings were included in the audit report for the prior year and still apply.

- Finding 2014-1 Financial Reporting
- Finding 2014-2 Timely Reporting
- Finding 2014-3 Excess of Expenditures Over Appropriations
- Finding 2014-4 Credit Cards

The following findings were included in the audit report for the prior year but no longer apply.

- Finding 2011-8 Deteriorating Financial Condition
- Finding 2014-5 Marina and Campground Fund

Official Title and Legal Authority

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

Financial Condition

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Pahokee, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Pahokee, Florida for the fiscal year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that the two reports were in agreement.

Special District Component Units

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

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

Other Matters

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

Finding 2014-3

Condition: As indicated in Note 2 to the Budgetary Required Supplementary Information, certain functions in the General Fund had expenditures in excess of appropriations, and total expenditures of the General Fund exceeded total appropriations.

Criteria: Florida Statutes prohibit expenditures in excess of appropriations.

Effect: Noncompliance with budgetary requirements.

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

Management Response: We will continue to monitor the budget on a monthly basis to control expenditures and make necessary budget amendments between budget line items as necessary. The new administration has made several purchasing policy changes and is continuing to renegotiate contracts to control expenditures of the City. We have also filled the Finance Director position to monitor the budget to help the City in rectifying this finding.

Finding 2014-4

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

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

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

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

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

Management Response: We will continue to review the policies and procedures for credit card use and will implement appropriate procedures to provide adequate control and accounting records for these activities.

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

Single Audits

The Town expended less than \$500,000 of federal awards and less than \$500,000 of state financial assistance for the year ended September 30, 2015, and was not required to have a federal single audit or a state single audit.

Response to Management Letter

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

Purpose of this Letter

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representative, the Florida Auditor General, Federal and state awarding agencies, pass-through entities, management of the City of Pahokee, and members of the City Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
June 8, 2017



NOWLEN, HOLT & MINER, P.A.

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

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

We have examined the City of Pahokee, Florida's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2015. Management is responsible for the City of Pahokee, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of Pahokee, Florida's compliance based on our examination.

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

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

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 8, 2017