

CITY OF PAHOKEE, FLORIDA



FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED SEPTEMBER 30, 2016

CITY OF PAHOKEE, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
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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, 2016, 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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 19 to the financial statements, the beginning net position of the Governmental Activities and the beginning fund balance of the General Fund were restated to record a prior period adjustment to correct contributions to the General employees’ Retirement Plan recorded in prior years. Our opinions are not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, during the fiscal year ended September 30, 2016. 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.

Rowlen, Hale & Miner, P.A.

West Palm Beach, Florida
December 21, 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 2015-2016 fiscal year. I encourage readers to consider the information presented here in conjunction with the City's financial statements beginning on page 14.

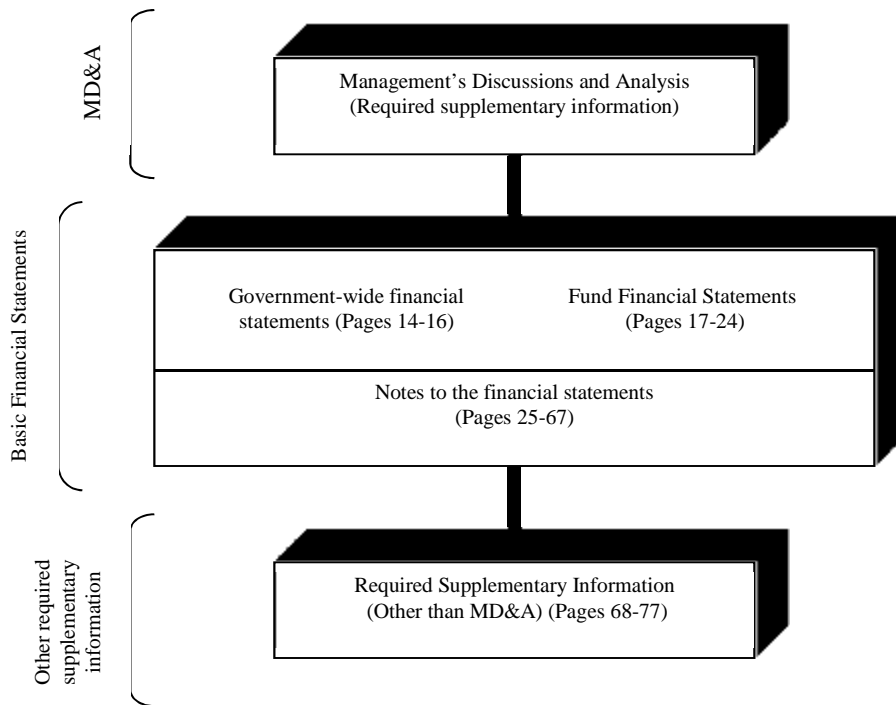
FINANCIAL HIGHLIGHTS

- 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 \$14,684,469 (net position) as of September 30, 2016. Unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors were \$688,914 as of September 30, 2016.
- The governmental net position increased by \$94,877 for the fiscal year ended September 30, 2016.
- The business-type net position decreased by \$959,300 for the fiscal year ended September 30, 2016. The decrease in net position was a result of the marina not operated at full capacity and depreciation of the marina's capital assets.
- The business-type activities revenues decreased by \$25,407 during the fiscal year ended September 30, 2016. The decrease was the result of the declined sales at the cemetery.
- The total net cost of all City programs was \$3,379,783 during fiscal year ended September 30, 2016. This is a increase of \$235,356 from the total net cost of all City programs during the fiscal year ended September 30, 2015.
- The City's long-term liabilities decreased by \$78,571 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, 2016, was \$14,684,469. The City's governmental activities net position were reported at \$5,513,084, of which \$1,217,075 was unrestricted and available to fund future operations. The City's business-type activities net position as of September 30, 2016 is reported at \$9,171,385. The total net position included an unrestricted net position deficit of \$528,161.

Management's Discussion and Analysis

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 2,694,870	\$ 2,757,461	\$ (351,267)	\$ 180,469	\$ 2,343,603	\$ 2,937,930
Capital assets	3,421,009	3,152,586	9,544,284	10,428,991	12,965,293	13,581,577
Total assets	<u>6,115,879</u>	<u>5,910,047</u>	<u>9,193,017</u>	<u>10,609,460</u>	<u>15,308,896</u>	<u>16,519,507</u>
Deferred outflows of resources						
Pension related items	33,787	11,805	-	8,078	33,787	19,883
Total deferred outflows of resources	<u>33,787</u>	<u>11,805</u>	<u>-</u>	<u>8,078</u>	<u>33,787</u>	<u>19,883</u>
Liabilities:						
Current liabilities	332,422	186,464	18,027	17,405	350,449	203,869
Long-term liabilities	256,413	295,096	3,605	458,715	260,018	753,811
Total liabilities	<u>588,835</u>	<u>481,560</u>	<u>21,632</u>	<u>476,120</u>	<u>610,467</u>	<u>957,680</u>
Deferred inflows of resources:						
Unearned revenue	6,697	6,402	-	-	6,697	6,402
Pension related items	41,050	15,683	-	10,733	41,050	26,416
Total deferred inflows of resources	<u>47,747</u>	<u>22,085</u>	<u>-</u>	<u>10,733</u>	<u>47,747</u>	<u>32,818</u>
Net position:						
Net investment in capital assets	3,421,009	3,061,964	9,544,284	10,428,991	12,965,293	13,490,955
Restricted	875,000	977,966	155,262	154,939	1,030,262	1,132,905
Unrestricted	1,217,075	1,378,277	(528,161)	(453,245)	688,914	925,032
Total net position	<u>\$ 5,513,084</u>	<u>\$ 5,418,207</u>	<u>\$ 9,171,385</u>	<u>\$ 10,130,685</u>	<u>\$ 14,684,469</u>	<u>\$ 15,548,892</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 \$94,877 for the fiscal year ended September 30, 2016.
- The business-type activities reported a total decrease in net position of \$959,300 for the fiscal year ended September 30, 2016.

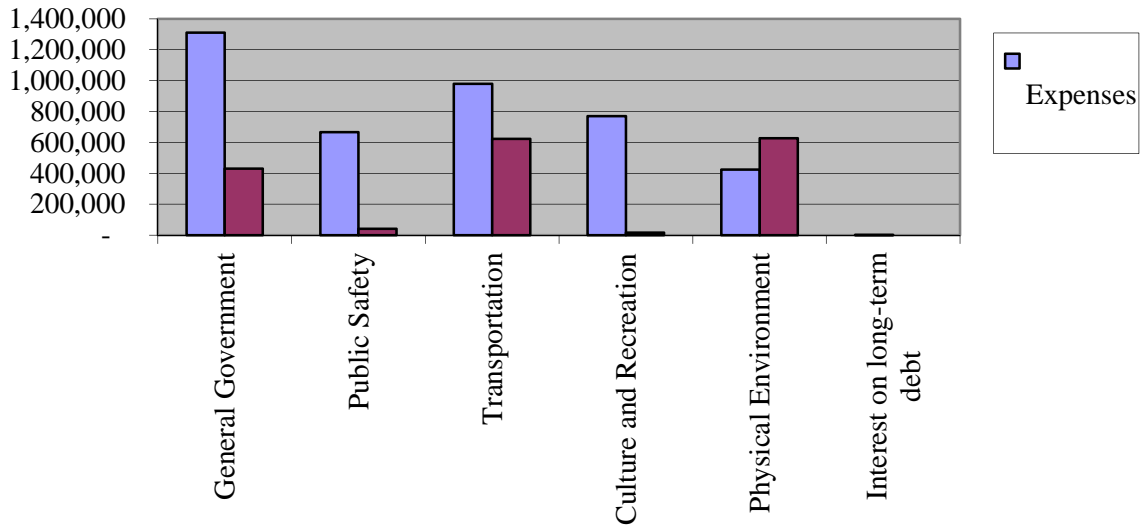
Management's Discussion and Analysis

Summary of Changes in Net Position

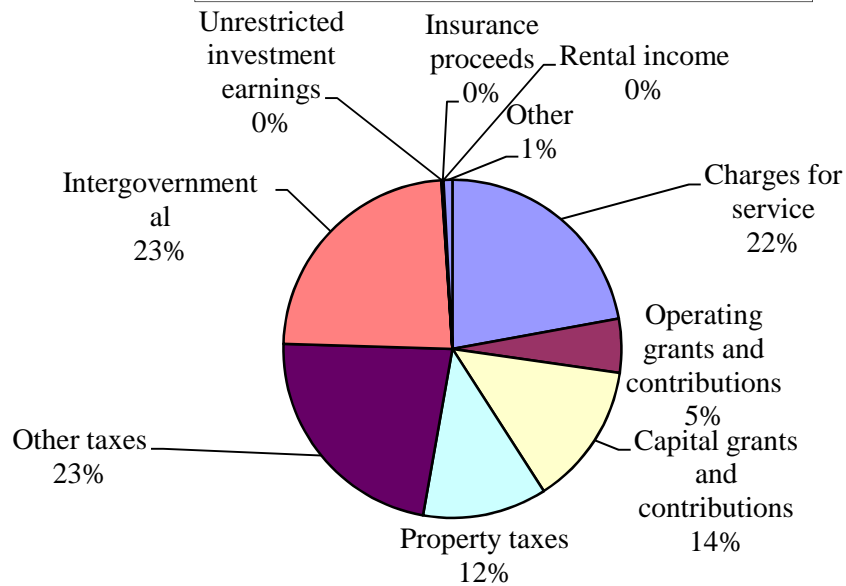
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program:						
Charges for services	\$ 940,398	\$ 896,522	\$ 332,237	\$ 357,610	\$ 1,272,635	\$ 1,254,132
Operating grants	218,704	241,015	-	-	218,704	241,015
Capital grants	578,686	409,562	6,875	-	585,561	409,562
General:						
Ad valorem taxes	504,786	430,804	-	-	504,786	430,804
Local option sales tax	182,183	181,149	-	-	182,183	181,149
Utility taxes	406,770	413,135	-	-	406,770	413,135
Franchise taxes	374,041	364,555	-	-	374,041	364,555
Intergovernmental shared revenues	997,139	985,459	-	-	997,139	985,459
Unrestricted investment earnings	2,993	1,849	323	300	3,316	2,149
Insurance proceeds	5,818	1,009	-	-	5,818	1,009
Miscellaneous revenues	36,007	2,937	764	8,572	36,771	11,509
Rental income	-	81,857	4,536	4,536	4,536	86,393
Total revenues	<u>4,247,525</u>	<u>4,009,853</u>	<u>344,735</u>	<u>371,018</u>	<u>4,592,260</u>	<u>4,380,871</u>
Program expenses:						
General government	1,311,266	1,031,688	-	-	1,311,266	1,031,688
Public safety	665,837	626,206	-	-	665,837	626,206
Transportation	978,506	982,137	-	-	978,506	982,137
Culture and recreation	771,148	740,455	-	-	771,148	740,455
Physical environment	423,878	417,317	-	-	423,878	417,317
Interest on long-term debt	1,137	5,561	-	-	1,137	5,561
Garbage and solid waste	-	-	-	-	-	-
Marina	-	-	1,141,790	1,012,192	1,141,790	1,012,192
Cemetery	-	-	163,121	233,580	163,121	233,580
Total expenses	<u>4,151,772</u>	<u>3,803,364</u>	<u>1,304,911</u>	<u>1,245,772</u>	<u>5,456,683</u>	<u>5,049,136</u>
Excess (deficiency) before transfers	95,753	206,489	(960,176)	(874,754)	(864,423)	(668,265)
Transfers	<u>(876)</u>	<u>(1,047)</u>	<u>876</u>	<u>1,047</u>	<u>-</u>	<u>-</u>
Changes in net position	94,877	205,442	(959,300)	(873,707)	(864,423)	(668,265)
Change in accounting principle:	-	(63,332)	-	(40,424)	-	(103,756)
Net position - beginning	<u>5,418,207</u>	<u>5,276,097</u>	<u>10,130,685</u>	<u>11,044,816</u>	<u>15,548,892</u>	<u>16,320,913</u>
Net position - ending	<u>\$ 5,513,084</u>	<u>\$ 5,418,207</u>	<u>\$ 9,171,385</u>	<u>\$ 10,130,685</u>	<u>\$ 14,684,469</u>	<u>\$ 15,548,892</u>

Management's Discussion and Analysis

Expense and Program Revenues - Governmental Activities

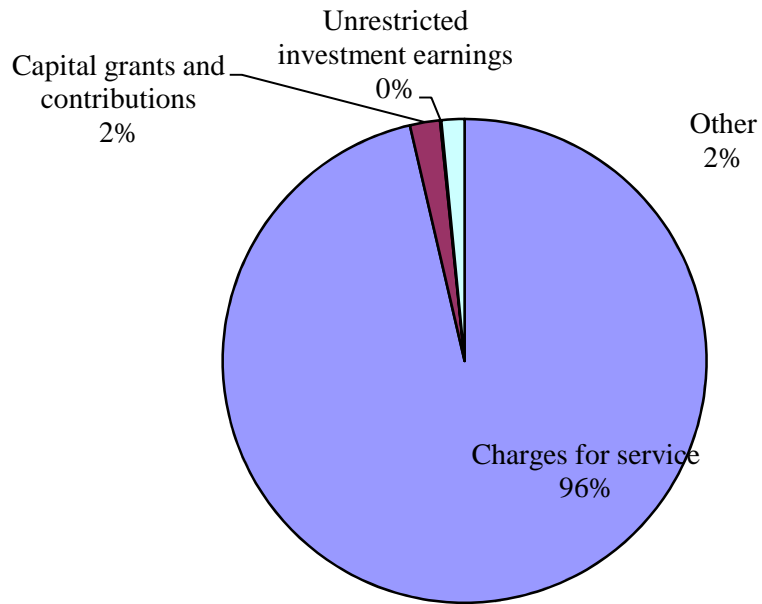


Revenues by Source - Governmental Activities

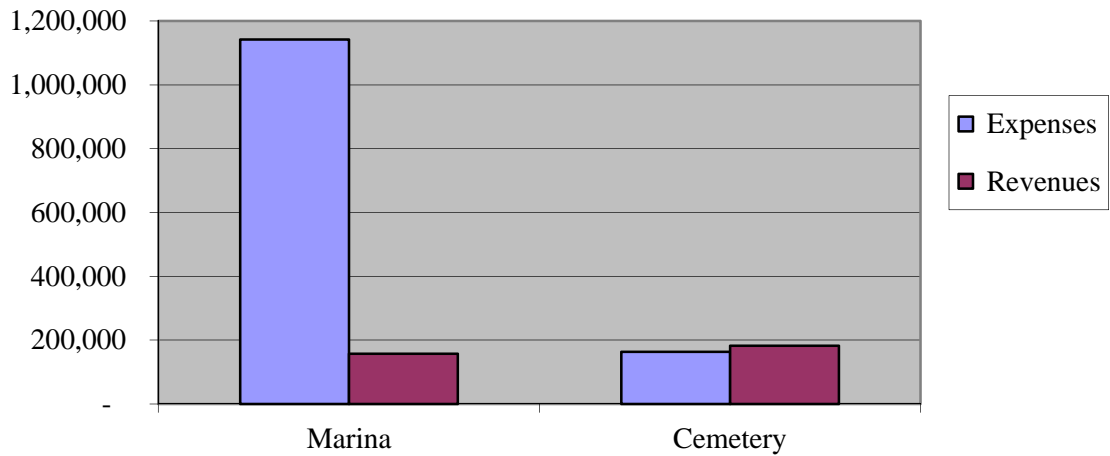


Management's Discussion and Analysis

Revenue by Source - Business-type Activities



Expense and Program Revenues - Business Type Activities



Management's Discussion and Analysis

For the fiscal year ended September 30, 2016 total taxes were \$1,467,780 and comprised 35% of the total revenues of \$4,247,525 for governmental activities during the year. For the fiscal year ended September 30, 2016 operating grants revenue were \$218,704 for governmental activities which represented 5% 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 \$997,139 and represented 23% of total revenues.

Financial Analysis of the Major Governmental Funds

As of September 30, 2016, the City of Pahokee's governmental funds reported a combined ending fund balance of \$2,192,194. The City reported a decrease in the governmental fund balance of \$352,893 for the fiscal year ended September 30, 2016.

The General Fund is the chief operating fund of the City of Pahokee. As of September 30, 2016, the General Fund unassigned fund balance was \$601,135, the total assigned fund balance was \$76,484, and the total non-spendable fund balance was \$639,575.

Financial Analysis of the Major Proprietary Funds

Marina and Campground Fund

As of September 30, 2016, the Marina and Campground Fund reported unrestricted net position deficit of \$199,827 and investment in capital assets of \$9,374,565. The Marina and Campground Fund total net position decreased by \$984,992 during the fiscal year ended September 30, 2016. The decrease was due to an operating loss resulting from minimal revenues and significant depreciation expense.

Cemetery Fund

As of September 30, 2016, the Cemetery Fund reported an unrestricted net position deficit of \$328,334, investment in capital assets of \$169,719 and \$155,262 in restricted net position. The Cemetery Fund total net position increased by \$25,692 during the fiscal year ended September 30, 2016. The increase was due to an increase in the sale of burial plots.

General Fund Budgetary Highlights

General Fund actual revenues were more than budgeted revenues by \$714,231 for the fiscal year ended September 30, 2016. This was primarily due to various grants received that were not budgeted. General Fund actual expenditures were above budgeted expenditures by \$1,115,101 during the fiscal year ended September 30, 2016. 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	
	2016	2015	2016	2015	2016	2015
Land	\$ 404,742	\$ 404,742	\$ 98,000	\$ 98,000	\$ 502,742	\$ 502,742
Idle and impaired property	-	100,000	-	-	-	100,000
Construction in progress	758,341	39,888	-	-	758,341	39,888
Improvements other than buildings	754,697	869,663	3,023,458	3,634,525	3,778,155	4,504,188
Buildings	1,076,264	1,255,615	6,421,341	6,693,312	7,497,605	7,948,927
Equipment	426,965	482,678	1,485	3,154	428,450	485,832
Total	<u>\$ 3,421,009</u>	<u>\$ 3,152,586</u>	<u>\$ 9,544,284</u>	<u>\$ 10,428,991</u>	<u>\$ 12,965,293</u>	<u>\$ 13,581,577</u>

As of September 30, 2016, the City had invested \$12,965,293 (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, 2016, the City had \$260,018 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	
	2016	2015	2016	2015	2016	2015
Notes payable	\$ -	\$ 122,563	\$ -	\$ -	\$ -	\$ 122,563
Compensated absences	119,199	85,570	3,605	5,972	122,804	91,542
OPEB obligation	47,772	32,137	-	-	47,772	32,137
Net pension liability	89,442	54,826	-	37,521	89,442	92,347
Total	<u>\$ 256,413</u>	<u>\$ 295,096</u>	<u>\$ 3,605</u>	<u>\$ 43,493</u>	<u>\$ 260,018</u>	<u>\$ 338,589</u>

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2017 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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,453,181	\$ 100	\$ 1,453,281
Receivables (net)			
Accounts	99,784	3,334	103,118
Taxes	112,193		112,193
Grants	317,159		317,159
Due from other governments	73,270		73,270
Internal balances	532,059	(532,059)	
Inventory		22,096	22,096
Prepaid expenses	107,224		107,224
Restricted assets			
Cash and cash equivalents		155,262	155,262
Capital assets			
Non-depreciable	1,163,083	98,000	1,261,083
Depreciable (net of depreciation)	2,257,926	9,446,284	11,704,210
Total assets	<u>6,115,879</u>	<u>9,193,017</u>	<u>15,308,896</u>
 Deferred outflows of resources			
Pension related items	<u>33,787</u>		<u>33,787</u>
 Liabilities			
Accounts payable	95,228	11,096	106,324
Contracts payable	179,381		179,381
Accrued liabilities	57,813	6,931	64,744
Non-current liabilities			
Due within one year	48,871	1,118	49,989
Due in more than one year	207,542	2,487	210,029
Total liabilities	<u>588,835</u>	<u>21,632</u>	<u>610,467</u>
 Deferred inflows of resources			
Unearned revenue	6,697		6,697
Pension related items	41,050		41,050
Total deferred inflows of resources	<u>47,747</u>		<u>47,747</u>
 Net Position			
Net investment in capital assets	3,421,009	9,544,284	12,965,293
Restricted for:			
Perpetual care		125,846	125,846
Pre-need		29,416	29,416
Endowment - nonexpendable	875,000		875,000
Unrestricted	1,217,075	(528,161)	688,914
Total net position	<u>\$ 5,513,084</u>	<u>\$ 9,171,385</u>	<u>\$ 14,684,469</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Activities
For the Fiscal Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,311,266	\$ 255,406	\$ 174,710	\$
Public safety	665,837	40,739		
Transportation	978,506		43,828	578,686
Culture and recreation	771,148	16,029	166	
Physical environment	423,878	628,224		
Interest on long-term debt	1,137			
Total governmental activities	<u>4,151,772</u>	<u>940,398</u>	<u>218,704</u>	<u>578,686</u>
Business-type activities				
Marina and campground	1,141,790	156,798		
Cemetery	163,121	175,439		6,875
Total business-type activities	<u>1,304,911</u>	<u>332,237</u>		<u>6,875</u>
Total primary government	<u>\$ 5,456,683</u>	<u>\$ 1,272,635</u>	<u>\$ 218,704</u>	<u>\$ 585,561</u>
General revenues				
Ad valorem taxes				
Local option gas taxes				
Utility taxes				
Franchise fees				
Intergovernmental shared revenues				
Unrestricted investment earnings				
Insurance proceeds				
Miscellaneous revenues				
Rental income				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (881,150)	\$	\$ (881,150)
(625,098)		(625,098)
(355,992)		(355,992)
(754,953)		(754,953)
204,346		204,346
(1,137)		(1,137)
<u>(2,413,984)</u>		<u>(2,413,984)</u>
	(984,992)	(984,992)
	19,193	19,193
	<u>(965,799)</u>	<u>(965,799)</u>
<u>(2,413,984)</u>	<u>(965,799)</u>	<u>(3,379,783)</u>
504,786		504,786
182,183		182,183
406,770		406,770
374,041		374,041
997,139		997,139
2,993	323	3,316
5,818		5,818
36,007	764	36,771
	4,536	4,536
(876)	876	
<u>2,508,861</u>	<u>6,499</u>	<u>2,515,360</u>
94,877	(959,300)	(864,423)
5,418,207	10,130,685	15,548,892
<u>\$ 5,513,084</u>	<u>\$ 9,171,385</u>	<u>\$ 14,684,469</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2016

	General	Henderson Endowment Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 577,889	\$ 875,292	\$ 1,453,181
Accounts receivable, net	99,784		99,784
Grants receivable	317,159		317,159
Taxes receivable	112,193		112,193
Due from other governments	73,270		73,270
Prepaid items	107,224		107,224
Advances to other funds	532,351		532,351
Total assets	<u>\$ 1,819,870</u>	<u>\$ 875,292</u>	<u>\$ 2,695,162</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ 95,228	\$	\$ 95,228
Contracts payable	179,381		179,381
Accrued liabilities	57,813		57,813
Due to other funds		292	292
Total liabilities	<u>332,422</u>	<u>292</u>	<u>332,714</u>
Deferred inflows of resources			
Unearned revenue	6,697		6,697
Unavailable revenue	163,557		163,557
Total deferred inflows of resources	<u>170,254</u>		<u>170,254</u>
Fund balances			
Non-spendable:			
Prepays	107,224		107,224
Advances to other funds	532,351		532,351
Endowment - nonexpendable		875,000	875,000
Assigned to:			
Subsequent year's expenditures	76,484		76,484
Unassigned	601,135		601,135
Total fund balances	<u>1,317,194</u>	<u>875,000</u>	<u>2,192,194</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,819,870</u>	<u>\$ 875,292</u>	<u>\$ 2,695,162</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, 2016

Fund balances total governmental funds		\$ 2,192,194
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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	\$ 9,674,482	
Less accumulated depreciation	<u>(6,253,473)</u>	3,421,009

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		38,256
Palm Beach County Code Enforcement Grant		18,813
FDOT Road Improvement Grant		106,488

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.

Compensated absences	\$ (119,199)	
Other postemployment benefits	(47,772)	
Net pension liability	(89,442)	(256,413)

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	\$ 33,787	
Pension related deferred inflows	<u>(41,050)</u>	<u>(7,263)</u>

Net position of governmental activities		<u>\$ 5,513,084</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, 2016

	General	Henderson Endowment Fund	Total Governmental Funds
Revenues			
Taxes	\$ 1,105,955	\$	\$ 1,105,955
Permits and fees	437,515		437,515
Intergovernmental revenues	1,654,844		1,654,844
Charges for services	705,318		705,318
Fines and forfeitures	38,789		38,789
Miscellaneous revenues	156,609	876	157,485
	<hr/>	<hr/>	<hr/>
Total revenues	4,099,030	876	4,099,906
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
General government	1,074,127		1,074,127
Public safety	659,496		659,496
Transportation	753,441		753,441
Culture and recreation	630,512		630,512
Physical environment	423,878		423,878
Capital outlay	790,339		790,339
Debt service			
Principal retirement	122,563		122,563
Interest	3,385		3,385
	<hr/>	<hr/>	<hr/>
Total expenditures	4,457,741		4,457,741
	<hr/>	<hr/>	<hr/>
Excess of revenues over (under) expenditures before other financing sources (uses)	(358,711)	876	(357,835)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Insurance proceeds	5,818		5,818
Transfers out		(876)	(876)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	5,818	(876)	4,942
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(352,893)		(352,893)
	<hr/>	<hr/>	<hr/>
Fund balances - beginning, as restated	1,670,087	875,000	2,545,087
	<hr/>	<hr/>	<hr/>
Fund balances - ending	<u>\$ 1,317,194</u>	<u>\$ 875,000</u>	<u>\$ 2,192,194</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended September 30, 2016

Net change in fund balances - total governmental funds \$ (352,893)

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	\$ 768,687	
Less current year depreciation	<u>(400,264)</u>	368,423
Net book value of assets disposed		(100,000)

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	122,563
Change in accrued interest payable	2,248

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

Palm Beach County Code Enforcement Grant	18,813
FDOT Road Improvement Grant	106,488
Senior Citizens' Wellness Program	16,500

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	(33,629)
Change in other postemployment benefits	(15,635)
Change in net pension liability and related deferred amounts	<u>(38,001)</u>

Change in net position of governmental activities	<u><u>\$ 94,877</u></u>
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See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2016

	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		292	292
Inventory		22,096	22,096
Restricted assets			
Cash and cash equivalents		155,262	155,262
Total current assets	<u>100</u>	<u>180,984</u>	<u>181,084</u>
Non-current assets			
Capital assets			
Property, plant, and equipment	15,077,725	584,124	15,661,849
Less accumulated depreciation	<u>(5,703,160)</u>	<u>(414,405)</u>	<u>(6,117,565)</u>
Total non-current assets	<u>9,374,565</u>	<u>169,719</u>	<u>9,544,284</u>
Total assets	<u>9,374,665</u>	<u>350,703</u>	<u>9,725,368</u>
Liabilities			
Current liabilities			
Accounts payable	4,333	6,763	11,096
Accrued liabilities	2,108	4,823	6,931
Compensated absences-current		1,118	1,118
Total current liabilities	<u>6,441</u>	<u>12,704</u>	<u>19,145</u>
Non-current liabilities			
Compensated absences		2,487	2,487
Advances from other funds	193,486	338,865	532,351
Total non-current liabilities	<u>193,486</u>	<u>341,352</u>	<u>534,838</u>
Total liabilities	<u>199,927</u>	<u>354,056</u>	<u>553,983</u>
Net Position			
Investment in capital assets	9,374,565	169,719	9,544,284
Restricted for:			
Perpetual care		125,846	125,846
Pre-need		29,416	29,416
Unrestricted	<u>(199,827)</u>	<u>(328,334)</u>	<u>(528,161)</u>
Total net position	<u>\$ 9,174,738</u>	<u>\$ (3,353)</u>	<u>\$ 9,171,385</u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Revenues, Expenses, and Changes
in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2016

	Marina and Campground	Cemetery	Total
Operating revenue			
Sales	\$ 149,869	\$ 175,439	\$ 325,308
Rental income	6,929		6,929
Total operating revenues	<u>156,798</u>	<u>175,439</u>	<u>332,237</u>
Operating expenses			
Cost of sales		36,726	36,726
Personal services		70,375	70,375
Contractual services	66,690	60	66,750
Utilities	96,415	8,764	105,179
Supplies	32,726	11,784	44,510
Insurance	6,916	8,787	15,703
Depreciation	875,590	9,117	884,707
Repairs and maintenance	62,182	9,058	71,240
Other	1,271	8,450	9,721
Total operating expenses	<u>1,141,790</u>	<u>163,121</u>	<u>1,304,911</u>
Operating income(loss)	<u>(984,992)</u>	<u>12,318</u>	<u>(972,674)</u>
Nonoperating revenues (expenses)			
Rental income		4,536	4,536
Interest revenue		323	323
Miscellaneous revenue		764	764
Total nonoperating revenues		<u>5,623</u>	<u>5,623</u>
Income (loss) before transfers	<u>(984,992)</u>	<u>17,941</u>	<u>(967,051)</u>
Capital grants and contributions		<u>6,875</u>	<u>6,875</u>
Transfers in		<u>876</u>	<u>876</u>
Total transfers		<u>876</u>	<u>876</u>
Change in net position	(984,992)	25,692	(959,300)
Net position - beginning	<u>10,159,730</u>	<u>(29,045)</u>	<u>10,130,685</u>
Net position - ending	<u><u>\$ 9,174,738</u></u>	<u><u>\$ (3,353)</u></u>	<u><u>\$ 9,171,385</u></u>

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2016

	Marina and Campground	Cemetery	Totals
Cash flows from operating activities:			
Receipts from customers and users	\$ 156,798	\$ 175,439	\$ 332,237
Payments to suppliers	(272,061)	(79,385)	(351,446)
Payments to employees		(110,679)	(110,679)
Net cash provided (used) by operating activities	(115,263)	(14,625)	(129,888)
Cash flows from non-capital financing activities:			
Payments (to) from other funds	115,263	1,574	116,837
Operating transfers in		876	876
Net cash provided (used) by non-capital financing activities	115,263	2,450	117,713
Cash flows from capital and related financing activities:			
Capital grant proceeds		6,875	6,875
Net cash provided (used) by capital and related financing activities		6,875	6,875
Cash flows from investing activities:			
Interest and dividends on investments		323	323
Other revenue		764	764
Proceeds from land lease		4,536	4,536
Net cash provided by investing activities		5,623	5,623
Net increase (decrease) in cash and cash equivalents		323	323
Cash and cash equivalents - beginning	100	154,939	155,039
Cash and cash equivalents - ending	\$ 100	\$ 155,262	\$ 155,362

(Continued)

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2016
(Continued)

	Marina and Campground	Cemetery	Totals
Cash flows from operating activities:			
Operating income (loss)	\$ (984,992)	\$ 12,318	\$ (972,674)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	875,590	9,117	884,707
Change in net pension liability and related deferred amounts		(40,176)	(40,176)
Change in assets and liabilities:			
(Increase) decrease in accounts receivable			
Increase (decrease) in accounts payable	(5,861)	4,244	(1,617)
Increase (decrease) in accrued liabilities		(128)	(128)
Total adjustments	869,729	(26,943)	842,786
Net cash provided (used) by operating activities	<u>\$ (115,263)</u>	<u>\$ (14,625)</u>	<u>\$ (129,888)</u>
Cash and cash equivalents			
Unrestricted	\$ 100	\$ 154,939	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, 2016

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 the City is financially accountable for the Pahokee Community Revitalization Corporation, Inc. (PCRC) and that it should be included in the City's reporting entity.

As of September 30, 2016, no financial activity has taken place in the PCRC. The PCRC will be included in the City's reporting entity as a blended component unit whenever financial activities begin.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting Entity (Continued)

Management has determined that no other component units exist which would require inclusion in this report. Further, the city is not aware of any entity that would consider the City to be a component unit.

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 underlying accounting system for the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds used by the City are classified into two categories: governmental funds and enterprise funds. Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

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

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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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, 2016

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 are stated at fair value, except as discussed below. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of fair value measurement in both cases is the same, that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The City categorizes investments reported at fair value in accordance with the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*.

Investments include amounts held in the Florida PRIME investment pool administered by the State Board of Administration. Florida PRIME is a Securities and Exchange Commission Rule 2a-7 like pool that measures all of the investments in the pool at amortized cost. The City reports its investment in Florida PRIME at amortized cost. Investments in Florida PRIME are exempt from the GASB 72 fair value hierarchy disclosures.

Accounts Receivable

Accounts receivable of the governmental funds 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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Net Position

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

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

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

1. *Nonspendable Fund Balance* – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.
2. *Restricted Fund Balance* – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. *Committed Fund Balance* – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the City’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (an ordinance) it employed to previously commit those amounts.
4. *Assigned Fund Balance* – Includes amounts intended to be used by the City for specific purposes, but are neither restricted nor committed. Intent should be expressed by the City Commission or the City Manager to which the City Commission has delegated authority to assign amounts to be used for specific purposes. The authority for making an assignment is not required to be the City’s highest level of decision making authority. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts classified as committed.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

5. *Unassigned Fund Balance* – Includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

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

Implementation of Governmental Accounting Standards Board Statements

The City implemented the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2016.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a 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. The adoption of this statement resulted in improved disclosures related to the fair value measurement of investments.

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. The adoption of this statement did not impact the Town's financial statements.

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. The adoption of this statement did not have any significant impact on the Town's financial statements.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements (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. The adoption of this statement did not have any significant impact on the Town's financial statements.

Recently Issued Accounting Pronouncements

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

In June 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. This Statement is 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 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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

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.

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, 2016

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

Budgetary Data (Continued)

For the year ended September 30, 2016, expenditures for the general government function exceeded appropriations by \$160,913, expenditures for the public safety function exceeded appropriations by \$33,613, expenditures for the transportation function exceeded appropriations by \$826,319, expenditures for the culture and recreation function exceeded appropriations by \$98,658, and total General Fund expenditures exceeded appropriations by \$1,115,101. 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, 2016, was 6.5419 (\$6.5419 for each \$1,000 of assessed valuation). The MSTU portion of the City's millage rate was 3.4581 mills.

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, 2016, unpaid delinquent taxes were not material.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

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, 2016 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 is in compliance.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The City's deposits at year end are considered insured for custodial credit risk purposes. At year end, the carrying amounts of the City's deposits were \$1,214,693 and the bank balances were \$1,395,561. 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, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The State Board of Administration (SBA) administers the Florida PRIME investment pool, which is governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME. The 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 an SEC Rule 2a-7 like external investment pool, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The investment in Florida PRIME is reported at amortized cost in accordance with GASB Statement No. 79, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 79). The investment in the Florida PRIME is not insured by FDIC or any other governmental agency.

GASB 79 requires that if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value in the Florida PRIME.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2016, was 50 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.

GASB 72 requires governments to disclose the fair value hierarchy for each type of asset or liability measured at fair value in the notes to the financial statements. The standard also requires governments to disclose a description of the valuation techniques used in the fair value measurement and any significant changes in valuation techniques. GASB 72 establishes a three-tier fair value hierarchy. The hierarchy is based on valuation inputs used to measure the fair value as follows:

- Level 1: Inputs are directly observable, quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs are other than quoted prices included within Level 1 that are for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.
- Level 3: Inputs are unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The level in which an asset is assigned is not indicative of its

As of September 30, 2016, the City did not hold any investments that are required to be reported in accordance with GASB 72.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2016, the City had the following investments.

<u>Investments Measured at Amortized Cost</u>	<u>Maturity</u>	<u>Fair Value</u>
Florida PRIME	50 days	<u>\$ 393,300</u>

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	\$ 1,214,693
Petty cash	550
Investments	<u>393,300</u>
Total deposits and investments	<u>\$ 1,608,543</u>

Presented in the statement of net position:

Cash and cash equivalents	\$ 1,453,281
Restricted cash and cash equivalents	<u>155,262</u>
Total cash and cash equivalents	<u>\$ 1,608,543</u>

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The City's investment policies limit its investments to high quality investments to control credit risk. As of September 30, 2016, 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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

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

<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%

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2016, are comprised of the following:

	<u>General Fund</u>	<u>Cemetery Fund</u>
Billed	\$ 118,309	\$ 3,334
Unbilled	54,574	
Grants receivable	317,159	
Taxes receivable	112,193	
Due from other governments	<u>73,270</u>	
Subtotal	675,505	3,334
Less allowance for uncollectibles	<u>(73,099)</u>	
	<u>\$ 602,406</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, 2016

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 404,742	\$	\$	\$ 404,742
Idle and impaired property	100,000		(100,000)	
Construction in progress	39,888	718,453		758,341
Capital assets being depreciated:				
Improvements other than buildings	1,900,940			1,900,940
Buildings	4,955,642			4,955,642
Equipment	1,604,583	50,234		1,654,817
Total at historical cost:	<u>9,005,795</u>	<u>768,687</u>	<u>(100,000)</u>	<u>9,674,482</u>
Less accumulated depreciation for:				
Improvements other than buildings	(1,031,277)	(114,966)		(1,146,243)
Buildings	(3,700,027)	(179,351)		(3,879,378)
Equipment	(1,121,905)	(105,947)		(1,227,852)
Total accumulated depreciation:	<u>(5,853,209)</u>	<u>(400,264)</u>	<u></u>	<u>(6,253,473)</u>
Governmental activities capital assets, net	<u><u>\$ 3,152,586</u></u>	<u><u>\$ 368,423</u></u>	<u><u>\$ (100,000)</u></u>	<u><u>\$ 3,421,009</u></u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

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	(3,601,747)	(611,067)		(4,212,814)
Buildings	(1,477,180)	(271,971)		(1,749,151)
Equipment	(153,931)	(1,669)		(155,600)
Total accumulated depreciation:	<u>(5,232,858)</u>	<u>(884,707)</u>		<u>(6,117,565)</u>
Business-type activities capital assets, net	<u><u>\$ 10,428,991</u></u>	<u><u>\$ (884,707)</u></u>	<u><u>\$</u></u>	<u><u>\$ 9,544,284</u></u>

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

Governmental activities:

General government	\$ 109,604
Public safety	2,976
Transportation	104,865
Culture and recreation	182,819

Total depreciation expense governmental activities	<u><u>\$ 400,264</u></u>
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Business-type activities

Marina & campground	\$ 875,590
Cemetery	9,117

Total depreciation expense business-type activities	<u><u>\$ 884,707</u></u>
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CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 6 – INTERFUND TRANSACTIONS

The composition of interfund balances at September 30, 2016, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Cemetery Fund	Henderson Endowment Fund	<u>\$ 292</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	Marina and Campground Fund	\$ 193,486
General Fund	Cemetery Fund	<u>338,865</u>
		<u>\$ 532,351</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, 2016, the Henderson Endowment Fund transferred interest earnings of \$876 to the Cemetery Fund.

Interfund transfers for the year ended September 30, 2016, are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Henderson Endowment Fund	Cemetery Fund	<u>\$ 876</u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 7 – LONG-TERM LIABILITIES

Governmental Activities

Long-term liabilities of the governmental activities at September 30, 2016, consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Note payable – BOA	\$ 90,622	\$	\$ (90,622)	\$	\$
Note payable - PBSO	31,941		(31,941)		
Total notes payable	122,563		(122,563)		
Compensated absences	85,570	98,896	(65,267)	119,199	48,871
OPEB	32,137	15,635		47,772	
Net pension liability	54,826	34,616		89,442	
Total governmental	<u>\$ 295,096</u>	<u>\$ 149,147</u>	<u>\$(187,830)</u>	<u>\$ 256,413</u>	<u>\$ 48,871</u>

Business-Type Activities

Long-term liabilities of the business-type activities at September 30, 2016, consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Compensated absences	\$ 5,972	\$ 10,080	\$ (12,447)	\$ 3,605	\$ 1,118
Net pension liability	37,521		(37,521)		
Total business-type	<u>\$ 43,493</u>	<u>\$ 10,080</u>	<u>\$ (49,968)</u>	<u>\$ 3,605</u>	<u>\$ 1,118</u>

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Interest Expense

Total interest costs incurred and paid on all City debt for the year ended September 30, 2016, were \$1,137 and \$3,385, respectively. No interest was capitalized in the enterprise funds.

NOTE 8 – FLORIDA RETIREMENT SYSTEM

General Information

All full-time employees hired before January 1, 1996 are eligible to 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 described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a 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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

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

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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

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.

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.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

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, 2016 were as follows:

Class	10/01/15 through 06/30/16	07/01/16 through 09/30/16
Regular Class	7.52%	7.52%
Senior Management Service Class	21.43%	21.77%
Special Risk Class	22.04%	22.57%
Elected Officials Class	42.27%	42.47%
DROP	12.88%	12.99%

Except for the DROP, the employer contribution rates include a 1.66% HIS Plan subsidy. The rates also include 0.04% and 0.06% for administrative costs of the Public Employee Optional Retirement Program for the period from October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively..

For the fiscal year ended September 30, 2016, the City made contributions of \$4,955 to the Pension Plan and the City's employees made contributions of \$2,625, for total contributions of \$9,033.

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

At September 30, 2016, the City reported a liability of \$54,020 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-2016 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was 0.000213941 percent, which was a decrease of 0.000135608 percent from its proportionate share measured as of June 30, 2015.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

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, 2016, the City recognized pension expense of \$4,444 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	\$ 4,136	\$ 503
Change of assumptions	3,268	
Net difference between projected and actual earnings on Pension Plan investments	13,964	
Change in proportion and differences between City Pension Plan contributions and proportionate share of contributions	3,023	21,103
Contributions subsequent to measurement date	1,227	
Total	<u>\$ 25,618</u>	<u>\$ 21,606</u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

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 \$1,227 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, 2017. 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
2017	\$ (919)
2018	(919)
2019	4,525
2020	2,958
2021	(1,937)
Thereafter	(923)
	<u>\$ 2,785</u>

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2016
Measurement date	June 30, 2016
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.60%, 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, 2016

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2016, 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%	3.0%	3.0%	1.7%
Fixed Income	18.0%	4.7%	4.6%	4.6%
Global Equity	53.0%	8.1%	6.8%	17.2%
Real Estate (Property)	10.0%	6.4%	5.8%	12.0%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	<u>12.0%</u>	6.1%	5.6%	11.1%
Total	<u><u>100.0%</u></u>			
Assumed Inflation - Mean		2.6%		1.9%

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

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. 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 7.60%, 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 (6.60%) or one percentage point higher (8.60%) than the current rate:

<u>Asset Class</u>	<u>1% Decrease (6.60%)</u>	<u>Current Discount Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
City's proportionate share of the net pension liability	\$ 99,455	\$ 54,020	\$ 16,202

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, 2016, the City reported no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2016.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

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, 2016, 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, 2016, the HIS contribution was 1.66%. 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 \$1,453 for the fiscal year ended September 30, 2016.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

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, 2016, the City reported a liability of \$35,422 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-2016 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was .000303930 percent, which was a decrease of 0.000158865 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$249. 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
Difference between expected and actual experience	\$	\$ 81
Change of assumptions	5,559	
Net difference between projected and actual earnings on Pension Plan investments	18	
Change in proportion and differences between City Pension Plan contributions and proportionate share of contributions	2,241	19,363
Contributions subsequent to measurement date	351	
Total	<u>\$ 8,169</u>	<u>\$ 19,444</u>

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

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
2017	\$ (2,208)
2018	(2,208)
2019	(2,211)
2020	(2,213)
2021	(1,104)
Thereafter	(1,682)
	<u>\$ (11,626)</u>

Actuarial Assumptions

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2016
Measurement date	June 30, 2016
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.85%
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, 2016, 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, 2016

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 2.85%. 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 2.85%, 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 (1.85%) or one percentage point higher (3.85%) than the current rate:

<u>Asset Class</u>	<u>1% Decrease (1.85%)</u>	<u>Current Discount Rate (2.85%)</u>	<u>1% Increase (3.85%)</u>
City's proportionate share of the net pension liability	\$ 40,637	\$ 35,422	\$ 31,094

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, 2016, the City reported no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2016.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

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, 2016.

Description	Pension Plan	HIS Program	Total
Total pension liability	\$ 357,348	\$ 35,768	\$ 393,116
Plan fiduciary net position	303,328	346	303,674
Net pension liability	54,020	35,422	89,442
Deferred outflows of resources	25,618	8,169	33,787
Deferred inflows of resources	21,606	19,444	41,050
Pension expense	4,444	249	4,693

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. Plan members are not allowed to contribute to the Plan. However, if Plan members contribute 3% of compensation to the Internal Revenue Code Section 457 Deferred Compensation Plan (see Note 10), the City will make a matching contribution of 4.35% to the General Employees' Retirement Plan. For the year ended September 30, 2016, the City recognized pension expense of \$33,275 for the General Employees' Retirement Plan, which included forfeitures of \$31,016. At September 30, 2016, the City reported no payable for outstanding contributions to the Plan.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

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, 2016, the Marina and Campground Enterprise Fund reported positive net position but reported a deficit of \$199,827 in unrestricted net position, and the Cemetery Enterprise Fund reported a deficit of \$3,353 in total net position and a deficit of \$328,334 in unrestricted net position.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

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, 2016, there was \$1,445,000 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, 2016

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, 2016

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.

On September 8, 2015, the City approved the tenth addendum to the agreement extending the agreement through September 30, 2016. The cost for the year ending September 30, 2016 was \$527,609. On July 12, 2016, the City approved the eleventh addendum to the agreement extending the agreement through September 30, 2017. The contractual cost for the year ending September 30, 2017 will be \$538,161. On August 22, 2017, the City approved the twelfth addendum to the agreement extending the agreement through September 30, 2018. The contractual cost for the year ending September 30, 2018 will be \$548,924.

Construction Commitments

<u>Project</u>	<u>Authorized Amount</u>	<u>Amount Completed at 09/30/16</u>	<u>Balance to Complete at 09/30/16</u>
Street Improvements	\$ 883,096	\$ 642,984	\$ 240,112

NOTE 17 – SPECIAL ENDOWMENT

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

The City has established a permanent fund to account for the endowment principal, investment earnings, and transfers to the Cemetery Fund for upkeep, maintenance, and beautification of the cemetery. During the fiscal year ended September 30, 2016, the permanent fund transferred \$876 to the Cemetery Fund.

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

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, 2016

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	\$ 16,137
Interest on net OPEB obligation	1,285
Adjustment to annual required contribution	<u>(1,787)</u>
Annual OPEB cost	15,635
Estimated net contributions made	
Increase in net OPEB obligation	15,635
Net OPEB obligation October 1, 2015	<u>32,137</u>
Net OPEB obligation September 30, 2016	<u>\$ 47,772</u>

Trend Information

Three-Year Trend Information			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/14	\$16,523	47.7%	\$20,410
09/30/15	\$16,387	28.4%	\$32,137
09/30/16	\$15,635	0.0%	\$47,772

Funded Status

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

Actuarial valuation date	October 1, 2015
Actuarial accrued liability	\$ 84,708
Actuarial value of plan assets	\$
Unfunded actuarial accrued liability (UAAL)	\$ 84,708
Funded ratio	0.0%
Covered payroll	\$1,182,214
UAAL as a percentage of covered payroll	7.2%

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

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. The fiscal year ended September 30, 2013 was the year of implementation of GASB 45 and the City elected to apply the statement prospectively. The City is required to have an actuarial valuation every three years. The next valuation is scheduled for October 1, 2018. 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, 2015
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	12.89% for 2017, 22.54% for 2018, 16.00% for 2019 decreasing to 5.0% in 2026

CITY OF PAHOKEE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 19 – PRIOR PERIOD ADJUSTMENT

The beginning net position of the Governmental Activities and the beginning fund balance of the General Fund were restated to record a prior period adjustment to correct contributions to the General Employees' Retirement Plan recorded in prior years. A reconciliation of the prior period ending net position and fund balance to the current period beginning net position and fund balance is presented below:

	<u>Governmental Activities</u>	<u>General Fund</u>
Balance at September 30, 2015, as reported	\$ 5,328,207	\$ 1,580,087
Adjustment to correct pension contributions	<u>90,000</u>	<u>90,000</u>
Balance at September 30, 2015, as restated	<u><u>\$ 5,418,207</u></u>	<u><u>\$ 1,670,087</u></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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Taxes				
Ad valorem taxes	\$ 484,256	\$ 484,256	\$ 504,786	\$ 20,530
Utility service taxes	408,633	408,633	406,770	(1,863)
Local option gas tax	179,696	179,696	182,183	2,487
Local business tax	12,125	12,125	12,216	91
Total taxes	1,084,710	1,084,710	1,105,955	21,245
Licenses and permits				
Building permits	20,000	20,000	41,390	21,390
Franchise fees	189,954	189,954	374,041	184,087
Other	4,500	4,500	22,084	17,584
Total licenses and permits	214,454	214,454	437,515	223,061
Intergovernmental revenues				
State revenue sharing	292,427	292,427	293,016	589
Mobile home license	6,000	6,000	4,940	(1,060)
Alcoholic beverage license	1,200	1,200	2,456	1,256
Motor fuel tax	93,333	93,333	91,147	(2,186)
Half-cent sales tax	446,703	446,703	433,520	(13,183)
County occupational license	10,000	10,000	9,822	(178)
Payments in lieu of taxes	156,900	156,900	162,238	5,338
Grants	199,264	199,264	657,705	458,441
Total intergovernmental	1,205,827	1,205,827	1,654,844	449,017

(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, 2016
(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	671,000	671,000	604,922	(66,078)
Other	61,446	61,446	100,396	38,950
Total charges for services	736,856	736,856	705,318	(31,538)
Fines and forfeitures				
Court fines	7,000	7,000	1,338	(5,662)
Other	15,000	15,000	37,451	22,451
Total fines and forfeitures	22,000	22,000	38,789	16,789
Miscellaneous				
Interest	840	840	2,117	1,277
Rents	103,492	103,492	101,107	(2,385)
Contributions	1,500	1,500	15,428	13,928
Other	15,120	15,120	37,957	22,837
Total miscellaneous	120,952	120,952	156,609	35,657
Total revenues	3,384,799	3,384,799	4,099,030	714,231

(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, 2016
(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	\$ 98,063	\$ 98,063	\$ 123,441	\$ (25,378)
City manager	211,577	211,577	361,019	(149,442)
City clerk	87,624	87,624	77,547	10,077
Finance	176,954	176,954	139,251	37,703
Personnel	75,689	75,689	71,608	4,081
IT/GATV access	12,945	12,945	50,624	(37,679)
Legal counsel	80,000	80,000	83,509	(3,509)
Planning, zoning, and building	22,950	22,950	35,862	(12,912)
Community development	75,010	75,010	88,678	(13,668)
Non departmental	117,860	117,860	88,046	29,814
Total general government	<u>958,672</u>	<u>958,672</u>	<u>1,119,585</u>	<u>(160,913)</u>
Public safety				
Law enforcement	560,271	560,271	565,720	(5,449)
Protective inspections	102,329	102,329	130,493	(28,164)
Total public safety	<u>662,600</u>	<u>662,600</u>	<u>696,213</u>	<u>(33,613)</u>
Transportation				
Roads and streets	746,298	746,298	1,572,617	(826,319)
Total transportation	<u>746,298</u>	<u>746,298</u>	<u>1,572,617</u>	<u>(826,319)</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, 2016
(Continued)

	Budgeted	Amounts	Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Culture and recreation				
Recreation - City	\$ 368,036	\$ 368,036	\$ 460,103	\$ (92,067)
Recreation - Family Central			3,109	(3,109)
Recreation - Palm Beach County	86,249	86,249	118,698	(32,449)
Recreation - Pahokee Connection			11	(11)
Recreation - POPS			85	(85)
Parks	92,505	92,505	63,442	29,063
	<u>546,790</u>	<u>546,790</u>	<u>645,448</u>	<u>(98,658)</u>
Total culture and recreation				
Physical environment				
Solid waste collection	428,280	428,280	423,878	4,402
	<u>428,280</u>	<u>428,280</u>	<u>423,878</u>	<u>4,402</u>
Total physical environment				
	<u>428,280</u>	<u>428,280</u>	<u>423,878</u>	<u>4,402</u>
Total expenditures	<u>3,342,640</u>	<u>3,342,640</u>	<u>4,457,741</u>	<u>(1,115,101)</u>
Excess (deficiency) of revenues				
over expenditures before other				
financing sources (uses)	42,159	42,159	(358,711)	(400,870)
	<u>42,159</u>	<u>42,159</u>	<u>(358,711)</u>	<u>(400,870)</u>
Other financing sources (uses)				
Insurance proceeds			5,818	5,818
Transfers out	(54,855)	(54,855)		54,855
Total other financing sources (uses)	<u>(54,855)</u>	<u>(54,855)</u>	<u>5,818</u>	<u>60,673</u>
Net change in fund balances	<u>\$ (12,696)</u>	<u>\$ (12,696)</u>	<u>(352,893)</u>	<u>\$ (340,197)</u>
Beginning fund balance			<u>1,670,087</u>	
Ending fund balance			<u>\$ 1,317,194</u>	

CITY OF PAHOKEE, FLORIDA
Notes to the Budgetary Required Supplementary Information
For the Fiscal Year Ended September 30, 2016

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, 2016, the following areas had expenditures in excess of appropriations.

General government	\$ 160,913
Public safety	\$ 33,613
Transportation	\$ 826,319
Culture and recreation	\$ 98,658
Total expenditures	\$ 1,115,101

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule of Funding Progress
Other Postemployment Benefits
For the Fiscal Year Ended September 30, 2016

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
10/1/2015	\$	\$ 84,708	\$ 84,708	0.0%	\$ 1,182,214	7.0%

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, 2018. 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>	<u>2016</u>
Contractually required FRS contribution	\$ 7,565	\$ 7,965	\$ 4,955
FRS contributions in relation to the contractually required contribution	<u>7,565</u>	<u>7,965</u>	<u>4,955</u>
FRS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 129,357	\$ 132,646	\$ 87,507
FRS contributions as a percentage of covered-employee payroll	5.85%	6.00%	5.66%

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>	<u>2016</u>
Proportion of the FRS net pension liability	0.000321157%	0.000349549%	0.000213941%
Proportionate share of the FRS net pension liability	\$ 19,595	\$ 45,149	\$ 54,020
Town's covered payroll	\$ 127,284	\$ 140,400	\$ 93,822
Town's proportionate share of the FRS net pension liability as a percentage of it covered-employee payroll	15.39%	32.16%	57.58%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%

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. The discount rate decreased from 7.65% in 2015 to 7.60% in 2016.

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>	<u>2016</u>
Contractually required HIS contribution	\$ 1,573	\$ 1,781	\$ 1,453
HIS contributions in relation to the contractually required contribution	<u>1,573</u>	<u>1,781</u>	<u>1,453</u>
HIS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 129,357	\$ 132,646	\$ 87,507
HIS contributions as a percentage of covered-employee payroll	1.22%	1.34%	1.66%

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>	<u>2016</u>
Proportion of the HIS net pension liability	0.000428372%	0.000462795%	0.000303930%
Proportionate share of the HIS net pension liability	\$ 40,054	\$ 47,198	\$ 35,422
Town's covered payroll	\$ 127,284	\$ 140,400	\$ 93,822
Town's proportionate share of the HIS net pension liability as a percentage of it covered-employee payroll	31.47%	33.62%	37.75%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%	0.97%

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 to 2.85% in 2016.



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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, 2016, 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 December 21, 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 *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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

Finding 2016-1

Condition: The City has not adequately trained staff to implement purchasing procedures and management has not adequately monitored the purchasing process.

Criteria: The City's purchasing procedures require all purchases to have a purchase order number, excluding minor purchases made from petty cash and those purchases declared exempt. The procedures further require that all purchases exceeding ten thousand dollars shall be approved by the City Commission and shall be awarded after receiving competitive bids. Emergency purchases not exceeding fifteen thousand dollars may be made by the City Manager to meet a pressing need for the protection of the public health, safety, or welfare of the community. The City Commission shall ratify every emergency purchase as soon as it is reasonable possible.

Effect: Noncompliance with purchasing procedures. See Finding 2016-2.

Recommendation: We recommend that City staff involved in the purchasing process receive training regarding the approved purchasing procedures and that management increase monitoring of the purchasing process to maintain adequate controls.

Management Response: The new Finance Director, hired in October 2016, has made several changes to enhance the operations of the Finance Department. The Finance Director will develop a training program for all staff involved in the purchasing process to properly train the staff in all aspects of the purchasing process. The Finance Director will work with the City Manager to implement added procedures to enhance the current monitoring procedures.

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, 2016 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, 2017.

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.

Finding 2016-2

Condition: The City has not complied with purchasing procedures.

Criteria: The City's purchasing procedures require all purchases to have a purchase order number, excluding minor purchases made from petty cash and those purchases declared exempt. The procedures further require that all purchases exceeding ten thousand dollars shall be approved by the City Commission and shall be awarded after receiving competitive bids. Emergency purchases not exceeding fifteen thousand dollars may be made by the City Manager to meet a pressing need for the protection of the public health, safety, or welfare of the community. The City Commission shall ratify every emergency purchase as soon as it is reasonable possible.

Effect: We noted the following instance of noncompliance with purchasing procedures:

- 1) Purchases in excess of ten thousand dollars were not approved by the City commission.
- 2) Competitive bids were not obtained for purchases in excess of ten thousand dollars.
- 3) Emergency purchases were not ratified by the City commission.
- 4) Purchase orders were not issued for all purchases that require them.
- 5) Purchases were made without the approval of management.
- 6) Source documents were not properly maintained.
- 7) The public purpose for purchases was not always documented.

Recommendation: We recommend that the City review the purchasing process and make changes required to maintain compliance with approved purchasing procedures.

Management Response: The new Finance Director, hired in October 2016, has made several changes to enhance the operations of the Finance Department. The City Manager and Finance Director will continue to review all current purchasing procedures and make any necessary modifications to ensure compliance with all approved purchasing procedures.

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 & Miner, P.A.

West Palm Beach, Florida
December 21, 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

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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, 2016, and have issued our report thereon dated December 21, 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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated December 21, 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 findings were included in the audit reports for the prior two years and still apply.

- Finding 2010-1 Cemetery Fund
- 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 finding was included in the audit report for the prior year and still applies.

- Finding 2015-1 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, 2016, 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, 2016. 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 \$750,000 of federal awards and less than \$750,000 of state financial assistance for the year ended September 30, 2016, 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 Representatives, the Florida Auditor General, Federal and state awarding agencies, pass-through entities, management of the City of Pahokee, and members of the City Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mims, P.A.

West Palm Beach, Florida
December 21, 2017



NOWLEN, HOLT & MINER, P.A.

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

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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, 2016. Management of the City of Pahokee, Florida is responsible for the City of Pahokee, Florida's compliance with the specified requirements. Our responsibility is to express an opinion on the City of Pahokee, Florida's compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on the City of Pahokee, Florida's compliance with the specified requirements.

In our opinion, the City of Pahokee, Florida complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2016.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, 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
December 21, 2017