CITY OF PAHOKEE, FLORIDA



FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED SEPTEMBER 30, 2017

CITY OF PAHOKEE, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Pahokee, Florida as of and for the year ended September 30, 2017, 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.

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

Summary of Opinions

Opinion Unit	Type of Opinion
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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, the budgetary comparison data on pages 70 through 74, the Schedule of Funding Progress - Other Postemployment Benefits on page 75, and the pension schedules on pages 76 through 79 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 March 19, 2019, on our consideration of the City of Pahokee, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pahokee, Florida's internal control over financial reporting and compliance.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
March 19, 2019

Management's Discussion and Analysis

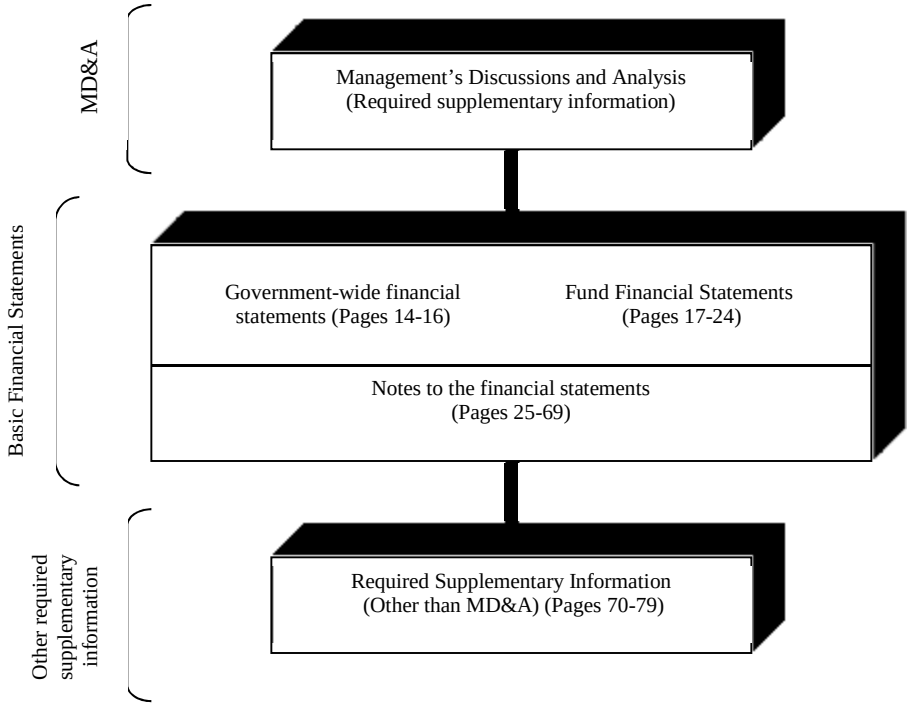
As the City Manager of the City of Pahokee, I offer readers of our financial statements this narrative overview and analysis of our financial activities for the fiscal year ended September 30, 2017. I encourage readers to consider the information presented here in conjunction with the City's financial 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 $13,799,664 (net position) as of September 30, 2017. Unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors were $447,245 as of September 30, 2017.
- The governmental net position increased by $22,998 for the fiscal year ended September 30, 2017.
- The business-type net position decreased by $907,803 for the fiscal year ended September 30, 2017. 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 $44,932 during the fiscal year ended September 30, 2017. The decrease was the result of the declined sales at the cemetery and rentals at the marina and campground.
- The total net cost of all City programs was $3,554,383 during fiscal year ended September 30, 2017. This is an increase of $174,600 from the total net cost of all City programs during the prior fiscal year.
- The City's long-term liabilities increased by $45,937 during the current fiscal year. All long-term liabilities, compensated absences, OPEB, and net pension liability, increased from the prior fiscal year.

USING THIS REPORT

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



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.

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, 2017, was $13,799,664. The City's governmental activities net position were reported at $5,536,082, of which $1,014,277 was unrestricted and available to fund future operations. The City's business-type activities net position as of September 30, 2017 is reported at $8,263,582. The total net position included an unrestricted net position deficit of $567,032.

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	$ 3,382,337	$ 2,694,870	$ 756,349	$ (351,267)	$ 4,138,686	$ 2,343,603
Capital assets	3,462,131	3,421,009	8,674,867	9,544,284	12,136,998	12,965,293
Total assets	6,844,468	6,115,879	9,431,216	9,193,017	16,275,684	15,308,896
Deferred outflows of resources						
Pension related items	36,348	33,787	-	-	36,348	33,787
Total deferred outflows of resources	36,348	33,787	-	-	36,348	33,787
Liabilities:						
Current liabilities	698,580	332,422	1,160,993	18,027	1,859,573	350,449
Long-term liabilities	299,314	256,413	6,641	3,605	305,955	260,018
Total liabilities	997,894	588,835	1,167,634	21,632	2,165,528	610,467
Deferred inflows of resources:						
Unearned revenue	307,852	6,697	-	-	307,852	6,697
Pension related items	38,988	41,050	-	-	38,988	41,050
Total deferred inflows of resources	346,840	47,747	-	-	346,840	47,747
Net position:						
Net investment in capital assets	3,442,131	3,421,009	8,674,867	9,544,284	12,116,998	12,965,293
Restricted	1,079,674	875,000	155,747	155,262	1,235,421	1,030,262
Unrestricted	1,014,277	1,217,075	(567,032)	(528,161)	447,245	688,914
Total net position	$ 5,536,082	$ 5,513,084	$ 8,263,582	$ 9,171,385	$ 13,799,664	$ 14,684,469

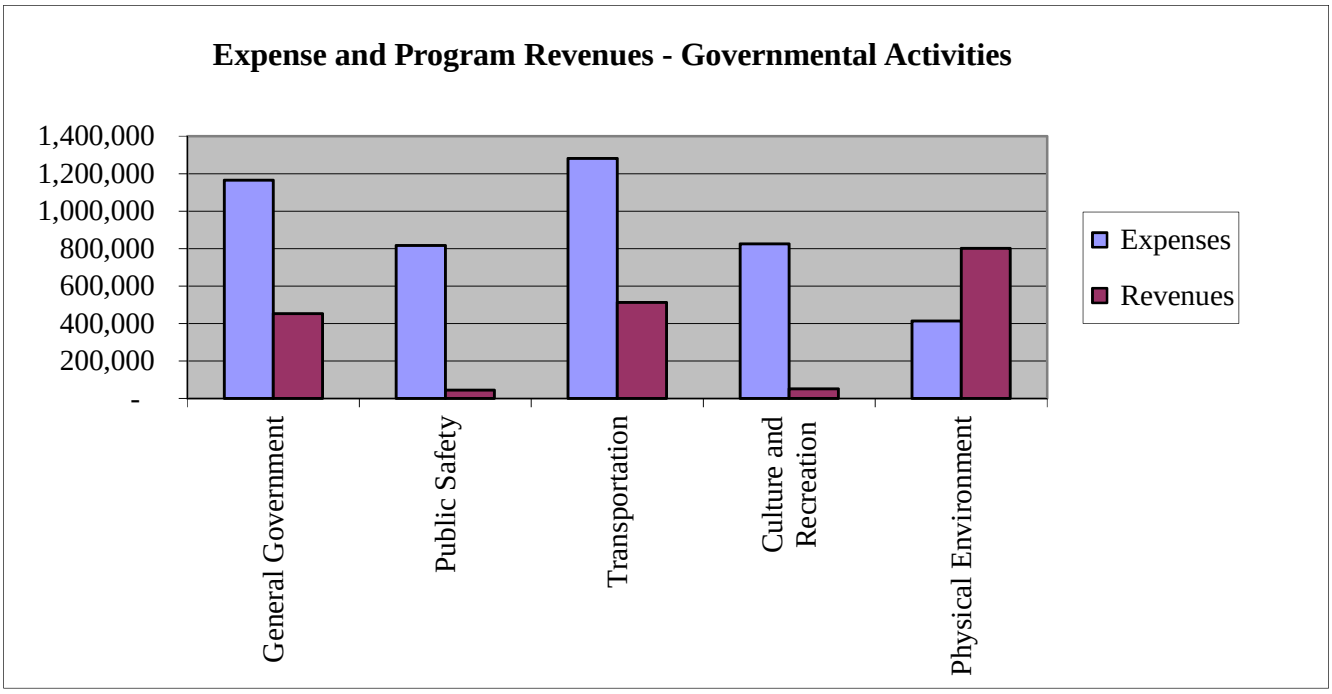
Changes in Net Position

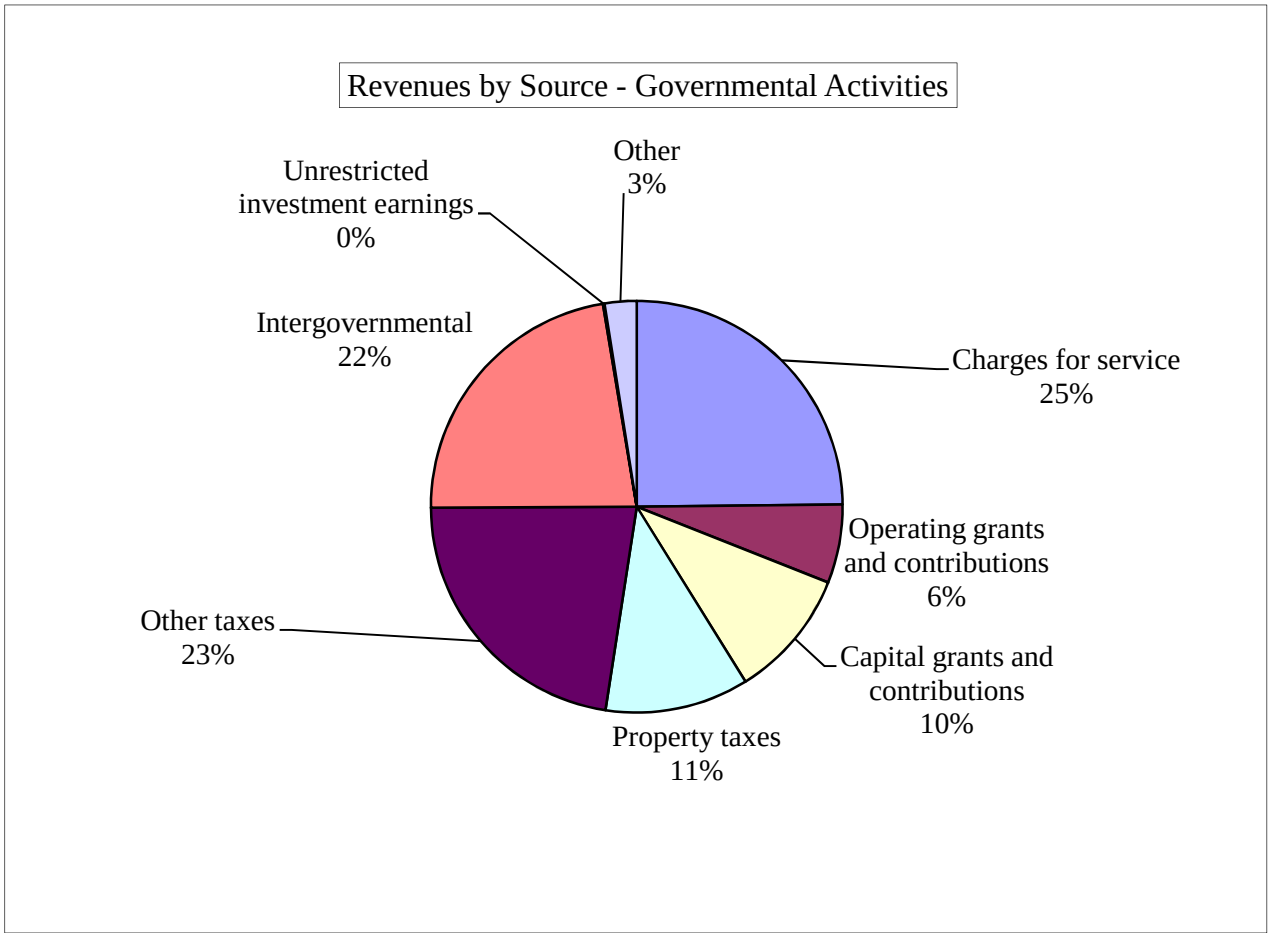
The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues 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).

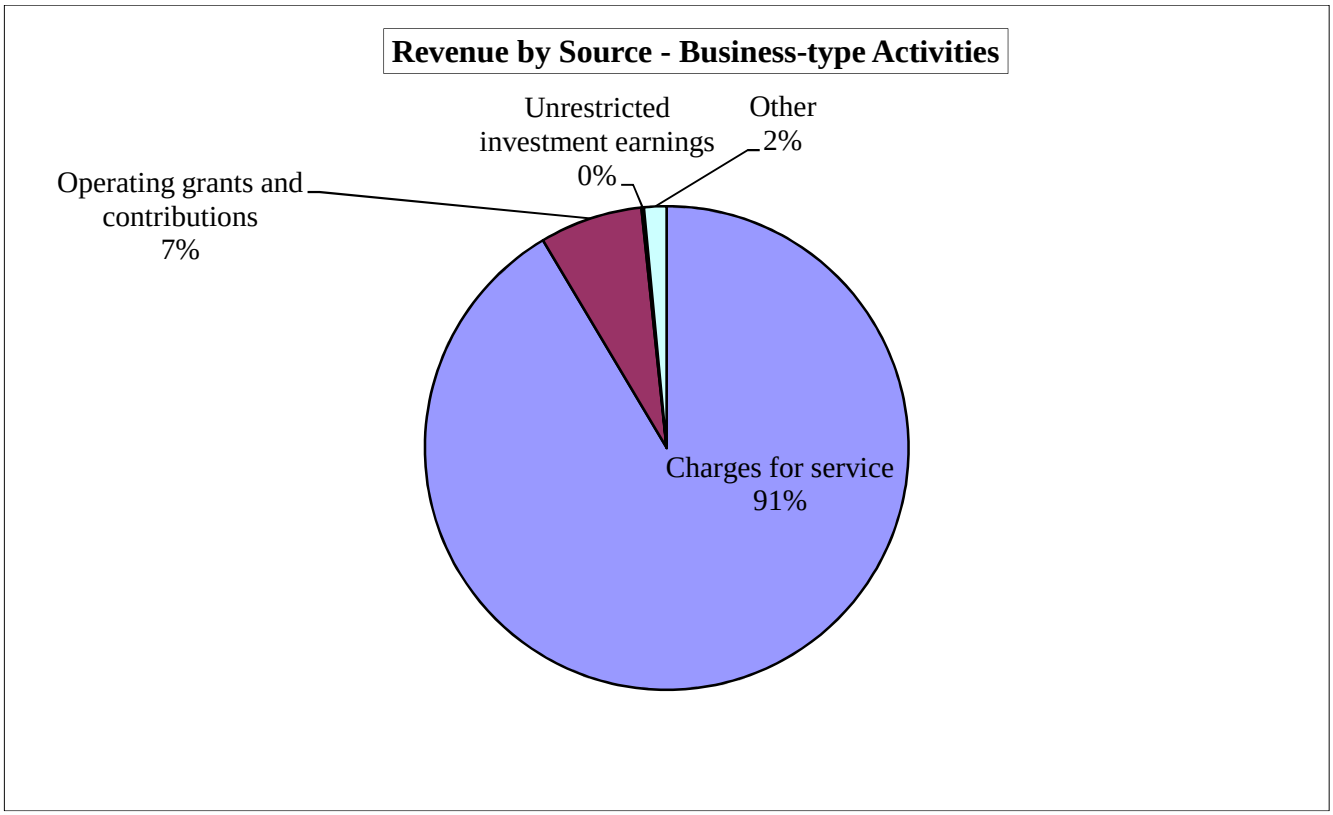
- The governmental activities reported a total increase in net position of $22,998 for the fiscal year ended September 30, 2017.
- The business-type activities reported a total decrease in net position of $907,803 for the fiscal year ended September 30, 2017.

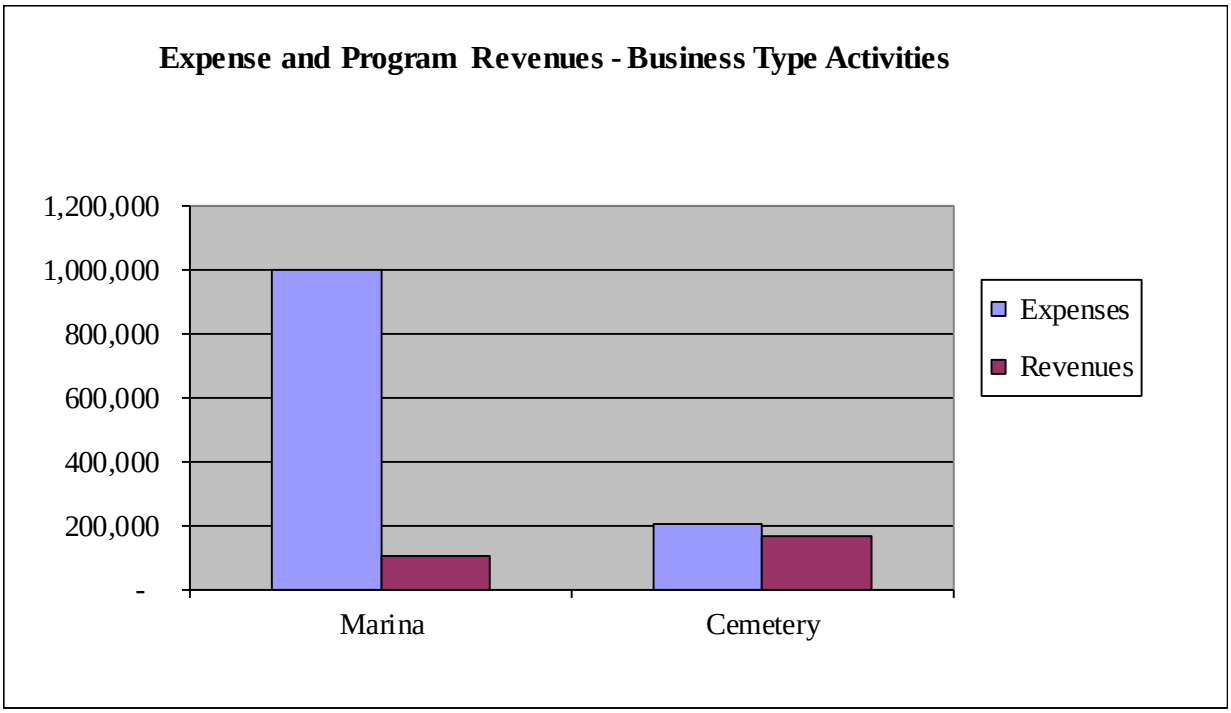
Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program:						
Charges for services	$ 1,123,514	$ 940,398	$ 274,181	$ 332,237	$ 1,397,695	$ 1,272,635
Operating grants	280,004	218,704	20,907	-	300,911	218,704
Capital grants	459,102	578,686	-	6,875	459,102	585,561
General:						
Ad valorem taxes	510,907	504,786	-	-	510,907	504,786
Local option sales tax	192,848	182,183	-	-	192,848	182,183
Infrastructure surtax	248,334	-	-	-	248,334	-
Utility taxes	402,238	406,770	-	-	402,238	406,770
Franchise taxes	175,113	374,041	-	-	175,113	374,041
Intergovernmental shared revenues	1,015,993	997,139	-	-	1,015,993	997,139
Unrestricted investment earnings	5,902	2,993	202	323	6,104	3,316
Insurance proceeds	-	5,818	-	-	-	5,818
Miscellaneous revenues	113,528	36,007	2,245	764	115,773	36,771
Rental income	-	-	2,268	4,536	2,268	4,536
Total revenues	4,527,483	4,247,525	299,803	344,735	4,827,286	4,592,260
Program expenses:						
General government	1,164,536	1,311,266	-	-	1,164,536	1,311,266
Public safety	816,998	665,837	-	-	816,998	665,837
Transportation	1,282,351	978,506	-	-	1,282,351	978,506
Culture and recreation	825,687	771,148	-	-	825,687	771,148
Physical environment	414,205	423,878	-	-	414,205	423,878
Interest on long-term debt	-	1,137	-	-	-	1,137
Marina	-	-	1,001,230	1,141,790	1,001,230	1,141,790
Cemetery	-	-	207,084	163,121	207,084	163,121
Total expenses	4,503,777	4,151,772	1,208,314	1,304,911	5,712,091	5,456,683
Excess (deficiency) before transfers	23,706	95,753	(908,511)	(960,176)	(884,805)	(864,423)
Transfers	(708)	(876)	708	876	-	-
Changes in net position	22,998	94,877	(907,803)	(959,300)	(884,805)	(864,423)
Net position - beginning	5,513,084	5,418,207	9,171,385	10,130,685	14,684,469	15,548,892
Net position - ending	$ 5,536,082	$ 5,513,084	$ 8,263,582	$ 9,171,385	$ 13,799,664	$ 14,684,469


Expense and Program Revenues - Governmental Activities
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
General Government
Public Safety
Transportation
Culture and Recreation
Physical Environment
Expenses
Revenues


Revenues by Source - Governmental Activities
Other 3%
Unrestricted investment earnings 0%
Intergovernmental 22%
Charges for service 25%
Operating grants and contributions 6%
Other taxes 23%
Capital grants and contributions 10%
Property taxes 11%


Revenue by Source - Business-type Activities
Unrestricted investment earnings 0%
Other 2%
Operating grants and contributions 7%
Charges for service 91%


Expense and Program Revenues - Business Type Activities
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Marina
Cemetery
Expenses
Revenues

For the fiscal year ended September 30, 2017 total taxes were $1,529,440 and comprised 34% of the total revenues of $4,527,483 for governmental activities during the year. For the fiscal year ended September 30, 2017 operating grants revenue were $280,004 for governmental activities which represented 6% of total revenues. The majority of the operating grant awards were for road improvements and parks and recreation grants. Governmental activities intergovernmental shared revenues were $1,015,993 and represented 22% of total revenues.

Financial Analysis of the Major Governmental Funds

As of September 30, 2017, the City of Pahokee's governmental funds reported a combined ending fund balance of $2,349,699. The City reported an increase in the governmental fund balance of $157,505 for the fiscal year ended September 30, 2017.

The General Fund is the chief operating fund of the City of Pahokee. As of September 30, 2017, the General Fund unassigned fund balance was $512,513, the total assigned fund balance was $105,455, the restricted fund balance was $204,674, and the total non-spendable fund balance was $652,057.

Financial Analysis of the Major Proprietary Funds

Marina and Campground Fund

As of September 30, 2017, the Marina and Campground Fund reported unrestricted net position deficit of $215,289 and investment in capital assets of $8,514,059. The Marina and Campground Fund total net position decreased by $875,968 during the fiscal year ended September 30, 2017. The decrease was due to an operating loss resulting from minimal revenues and significant depreciation expense.

Cemetery Fund

As of September 30, 2017, the Cemetery Fund reported an unrestricted net position deficit of $351,743, investment in capital assets of $160,808 and $155,747 in restricted net position. The Cemetery Fund total net position decreased by $31,835 during the fiscal year ended September 30, 2017. The decrease was due to a decrease in the sale of burial plots.

General Fund Budgetary Highlights

General Fund actual revenues were more than budgeted revenues by $1,061,868 for the fiscal year ended September 30, 2017. This was primarily due to various grants received that were not budgeted. General Fund actual expenditures were above budgeted expenditures by $882,272 during the fiscal year ended September 30, 2017. This was primarily due to various grant expenditures that were not budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital Assets
Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	$ 404,742	$ 404,742	$ 98,000	$ 98,000	$ 502,742	$ 502,742
Construction in progress	46,238	758,341	13,580	-	59,818	758,341
Improvements other than buildings	1,766,715	754,697	2,413,895	3,023,458	4,180,610	3,778,155
Buildings	898,320	1,076,264	6,149,392	6,421,341	7,047,712	7,497,605
Equipment	346,116	426,965	-	1,485	346,116	428,450
Total	$ 3,462,131	$ 3,421,009	$ 8,674,867	$ 9,544,284	$ 12,136,998	$ 12,965,293

As of September 30, 2017, the City had invested $12,136,998 (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, 2017, the City had $305,955 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	
	2017	2016	2017	2016	2017	2016
Compensated absences	$ 143,873	$ 119,199	$ 6,641	$ 3,605	$ 150,514	$ 122,804
OPEB obligation	63,164	47,772	-	-	63,164	47,772
Net pension liability	92,277	89,442	-	-	92,277	89,442
Total	$ 299,314	$ 256,413	$ 6,641	$ 3,605	$ 305,955	$ 260,018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2018 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, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 1,864,855	$ 63,661	$ 1,928,516
Receivables (net)			
Accounts	102,738	3,333	106,071
Taxes	162,142		162,142
Grants	31,625		31,625
Due from other governments	64,785		64,785
Internal balances	633,770	(633,770)	
Inventory		22,096	22,096
Prepaid expenses	18,148		18,148
Restricted assets			
Cash and cash equivalents	504,274	1,301,029	1,805,303
Capital assets			
Non-depreciable	450,980	111,580	562,560
Depreciable (net of depreciation)	3,011,151	8,563,287	11,574,438
Total assets	6,844,468	9,431,216	16,275,684
Deferred outflows of resources			
Pension related items	36,348		36,348
Liabilities			
Accounts payable	489,528	9,962	499,490
Contracts payable	20,000		20,000
Accrued liabilities	43,579	5,849	49,428
Unearned revenue		1,145,182	1,145,182
Due to other governments	145,473		145,473
Non-current liabilities			
Due within one year	58,987	2,058	61,045
Due in more than one year	240,327	4,583	244,910
Total liabilities	997,894	1,167,634	2,165,528
Deferred inflows of resources			
Unearned revenue	307,852		307,852
Pension related items	38,988		38,988
Total deferred inflows of resources	346,840		346,840
Net Position			
Net investment in capital assets	3,442,131	8,674,867	12,116,998
Restricted for:			
Infrastructure	204,674		204,674
Perpetual care		126,011	126,011
Pre-need		29,736	29,736
Endowment - nonexpendable	875,000		875,000
Unrestricted	1,014,277	(567,032)	447,245
Total net position	$ 5,536,082	$ 8,263,582	$ 13,799,664

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Activities
For the Fiscal Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	$ 1,164,536	$ 234,613	$ 217,945	$
Public safety	816,998	44,402		
Transportation	1,282,351		53,059	459,102
Culture and recreation	825,687	43,065	9,000	
Physical environment	414,205	801,434		
Total governmental activities	4,503,777	1,123,514	280,004	459,102
Business-type activities				
Marina and campground	1,001,230	104,602		
Cemetery	207,084	169,579	20,907	
Total business-type activities	1,208,314	274,181	20,907	
Total primary government	$ 5,712,091	$ 1,397,695	$ 300,911	$ 459,102
General revenues				
Ad valorem taxes				
Local option gas taxes				
Infrastructure surtax				
Utility taxes				
Franchise fees				
Intergovernmental shared revenues				
Unrestricted investment earnings				
Miscellaneous revenues				
Rental income				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (711,978)	$	$ (711,978)
(772,596)		(772,596)
(770,190)		(770,190)
(773,622)		(773,622)
387,229		387,229
(2,641,157)		(2,641,157)
	(896,628)	(896,628)
	(16,598)	(16,598)
	(913,226)	(913,226)
(2,641,157)	(913,226)	(3,554,383)
510,907		510,907
192,848		192,848
248,334		248,334
402,238		402,238
175,113		175,113
1,015,993		1,015,993
5,902	202	6,104
113,528	2,245	115,773
	2,268	2,268
(708)	708	
2,664,155	5,423	2,669,578
22,998	(907,803)	(884,805)
5,513,084	9,171,385	14,684,469
$ 5,536,082	$ 8,263,582	$ 13,799,664

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2017

	General	Henderson Endowment Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 989,716	$ 875,139	$ 1,864,855
Accounts receivable, net	102,738		102,738
Grants receivable	31,625		31,625
Taxes receivable	162,142		162,142
Due from other governments	64,785		64,785
Prepaid items	18,148		18,148
Advances to other funds	633,909		633,909
Restricted cash and cash equivalents	504,274		504,274
Total assets	$ 2,507,337	$ 875,139	$ 3,382,476
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	$ 489,528	$	$ 489,528
Contracts payable	20,000		20,000
Accrued liabilities	43,579		43,579
Due to other governments	145,473		145,473
Due to other funds		139	139
Total liabilities	698,580	139	698,719
Deferred inflows of resources			
Unearned revenue	307,852		307,852
Unavailable revenue	26,206		26,206
Total deferred inflows of resources	334,058		334,058
Fund balances			
Non-spendable:			
Prepaids	18,148		18,148
Advances to other funds	633,909		633,909
Endowment - nonexpendable		875,000	875,000
Restricted			
Infrastructure	204,674		204,674
Assisgned to:			
Subsequent year's expenditures	105,455		105,455
Unassigned	512,513		512,513
Total fund balances	1,474,699	875,000	2,349,699
Total liabilities, deferred inflows of resources, and fund balances	$ 2,507,337	$ 875,139	$ 3,382,476

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, 2017

Fund balances total governmental funds		$ 2,349,699
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	$ 10,155,007	
Less accumulated depreciation	(6,692,876)	3,462,131
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		16,256
FDOT Road Improvement Grant		9,950
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	$ (143,873)	
Other postemployment benefits	(63,164)	
Net pension liability	(92,277)	(299,314)
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	$ 36,348	
Pension related deferred inflows	(38,988)	(2,640)
Net position of governmental activities		$ 5,536,082

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, 2017

	General	Henderson Endowment Fund	Total Governmental Funds
Revenues			
Taxes	$ 1,362,180	$	$ 1,362,180
Permits and fees	432,375		432,375
Intergovernmental revenues	1,861,377		1,861,377
Charges for services	706,708		706,708
Fines and forfeitures	60,515		60,515
Miscellaneous revenues	240,971	708	241,679
Total revenues	4,664,126	708	4,664,834
Expenditures			
Current			
General government	1,041,091		1,041,091
Public safety	809,964		809,964
Transportation	1,126,509		1,126,509
Culture and recreation	634,327		634,327
Physical environment	414,205		414,205
Capital outlay	480,525		480,525
Total expenditures	4,506,621		4,506,621
Excess of revenues over (under) expenditures before other financing sources (uses)	157,505	708	158,213
Other financing sources (uses)			
Transfers out		(708)	(708)
Total other financing sources (uses)		(708)	(708)
Net change in fund balances	157,505		157,505
Fund balances - beginning	1,317,194	875,000	2,192,194
Fund balances - ending	$ 1,474,699	$ 875,000	$ 2,349,699

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, 2017

Net change in fund balances - total governmental funds		$ 157,505
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	$ 480,525	
Less current year depreciation	(439,403)	41,122
Governmental funds report revenues when earned and available. However, in the statement of activities, revenues are recognized when earned, regardless of availability.		
Senior Citizens' Wellness Program		(22,000)
Palm Beach County Code Enforcement Grant		(18,813)
FDOT Road Improvement Grant		(106,488)
FDOT Road Improvement Grant		9,950
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		(24,674)
Change in other postemployment benefits		(15,392)
Change in net pension liability and related deferred amounts		1,788
Change in net position of governmental activities		$ 22,998

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2017

	Marina and Campground	Cemetery	Totals
Assets			
Current assets			
Cash and cash equivalents	$	$ 63,661	$ 63,661
Accounts receivable (net)		3,333	3,333
Due from other funds		139	139
Inventory		22,096	22,096
Restricted assets			
Cash and cash equivalents	1,145,282	155,747	1,301,029
Total current assets	1,145,282	244,976	1,390,258
Non-current assets			
Capital assets			
Property, plant, and equipment	15,091,305	584,124	15,675,429
Less accumulated depreciation	(6,577,246)	(423,316)	(7,000,562)
Total non-current assets	8,514,059	160,808	8,674,867
Total assets	9,659,341	405,784	10,065,125
Liabilities			
Current liabilities			
Accounts payable	7,957	2,005	9,962
Accrued liabilities	2,108	3,741	5,849
Unearned revenue	1,145,182		1,145,182
Compensated absences-current		2,058	2,058
Total current liabilities	1,155,247	7,804	1,163,051
Non-current liabilities			
Compensated absences		4,583	4,583
Advances from other funds	205,324	428,585	633,909
Total non-current liabilities	205,324	433,168	638,492
Total liabilities	1,360,571	440,972	1,801,543
Net Position			
Investment in capital assets	8,514,059	160,808	8,674,867
Restricted for:			
Perpetual care		126,011	126,011
Pre-need		29,736	29,736
Unrestricted	(215,289)	(351,743)	(567,032)
Total net position	$ 8,298,770	$ (35,188)	$ 8,263,582

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, 2017

	Marina and Campground	Cemetery	Total
Operating revenue			
Sales	$ 94,833	$ 169,579	$ 264,412
Rental income	9,769		9,769
Other income			
Total operating revenues	104,602	169,579	274,181
Operating expenses			
Cost of sales		33,612	33,612
Personal services		122,487	122,487
Contractual services	500	3,020	3,520
Utilities	68,288	9,145	77,433
Supplies	16,490	12,539	29,029
Insurance	6,365	8,991	15,356
Depreciation	874,086	8,911	882,997
Repairs and maintenance	1,860	7,676	9,536
Other	12,981	703	13,684
Total operating expenses	980,570	207,084	1,187,654
Operating income(loss)	(875,968)	(37,505)	(913,473)
Nonoperating revenues (expenses)			
Rental income		2,268	2,268
Interest revenue		484	484
Grant revenue		20,625	20,625
Grant expense		(20,660)	(20,660)
Miscellaneous revenue		2,245	2,245
Total nonoperating revenues		4,962	4,962
Income (loss) before transfers	(875,968)	(32,543)	(908,511)
Transfers in		708	708
Total transfers		708	708
Change in net position	(875,968)	(31,835)	(907,803)
Net position - beginning	9,174,738	(3,353)	9,171,385
Net position - ending	$ 8,298,770	$ (35,188)	$ 8,263,582

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2017

	Marina and Campground	Cemetery	Totals
Cash flows from operating activities:			
Receipts from customers and users	$ 104,602	$ 169,580	$ 274,182
Payments to suppliers	(102,860)	(80,444)	(183,304)
Payments to employees		(120,533)	(120,533)
Net cash provided (used) by operating activities	1,742	(31,397)	(29,655)
Cash flows from non-capital financing activities:			
Grant proceeds		20,625	20,625
Grant expenditures		(20,660)	(20,660)
Payments (to) from other funds	11,838	89,873	101,711
Operating transfers in		708	708
Net cash provided (used) by non-capital financing activities	11,838	90,546	102,384
Cash flows from capital and related financing activities:			
Capital grant proceeds	1,145,000		1,145,000
Acquisition and construction of capital assets	(13,580)		(13,580)
Net cash provided (used) by capital and related financing activities	1,131,420		1,131,420
Cash flows from investing activities:			
Interest and dividends on investments	182	484	666
Other revenue		2,245	2,245
Proceeds from land lease		2,268	2,268
Net cash provided by investing activities	182	4,997	5,179
Net increase (decrease) in cash and cash equivalents	1,145,182	64,146	1,209,328
Cash and cash equivalents - beginning	100	155,262	155,362
Cash and cash equivalents - ending	$ 1,145,282	$ 219,408	$ 1,364,690

(Continued)

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2017
(Continued)

	Marina and Campground	Cemetery	Totals
Cash flows from operating activities:			
Operating income (loss)	$ (875,968)	$ (37,505)	$ (913,473)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	874,086	8,911	882,997
Change in assets and liabilities:			
Increase (decrease) in accounts payable	3,624	(4,757)	(1,133)
Increase (decrease) in accrued liabilities		1,954	1,954
Total adjustments	877,710	6,108	883,818
Net cash provided (used) by operating activities	$ 1,742	$ (31,397)	$ (29,655)
Cash and cash equivalents			
Unrestricted	$	$ 63,661	$ 63,661
Restricted	1,145,282	155,747	1,301,029
Total cash and cash equivalents	$ 1,145,282	$ 219,408	$ 1,364,690

See notes to the financial statements

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, 2017, 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.

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.

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.

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.

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. 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.

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 governmental-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than $5,000. Capital assets are recorded at cost or the fair market value of the assets at the time of contribution. Depreciation has been provided over the useful lives using the straight line method. The estimated useful lives are as follows:

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

Interest Cost

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

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 positon 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.

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."

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 Bal*ance – 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.

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, 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. Implementation of this Statement did not impact the City's financial statements.

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 of comprehensively reported to the public at present. Implementation of this Statement did not impact the City's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements (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.* Implementation of this Statement did not impact the City's financial statements.

In January 2016 the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units- an amendment of GASB Statement no. 14.* This Statement improves financial reporting by clarifying the financial statement presentation for certain component units. The implementation of this Statement did not impact the City'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. 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 March 2016 the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreement.* This Statement will improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for the fiscal year ending September 30, 2018.

In November 2016 the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for an asset retirement obligation. This Statement is effective for the fiscal year ending September 30, 2019.

In January 2017 the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for the fiscal year ending September 30, 2020.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In March 2017 the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This Statement is effective for the fiscal year ending September 30, 2018.

In May 2017 the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement will improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is effective for the fiscal year ending September 30, 2018.

In May 2017 the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2021.

In March 2018 the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It will also clarify which liabilities governments should include when disclosing information related to debt. This Statement is effective for the fiscal year ending September 30, 2019.

In June 2018 the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for the fiscal year ending September 30, 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In August 2018 the GASB issued Statement No. 90, *Major Equity Interests*. This Statement will improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for the fiscal year ending September 30, 2020.

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. The annual appropriated budget for the General Fund is 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.

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

Budgetary Data (Continued)

For the year ended September 30, 2017, expenditures for the general government function exceeded appropriations by $47,610, expenditures for the public safety function exceeded appropriations by $38,102, expenditures for the transportation function exceeded appropriations by $796,577, expenditures for the culture and recreation function exceeded appropriations by $1,558, and total General Fund expenditures exceeded appropriations by $882,272. 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, 2017, 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, 2017, unpaid delinquent taxes were not material.

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, 2017 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 $3,421,544 and the bank balances were $3,431,054. 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.

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 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."

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.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2017, 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.

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, 2017, 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, 2017, was 51 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 quality but an indication of the source of valuation inputs.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2017, the City did not hold any investments that are required to be reported in accordance with GASB 72.

As of September 30, 2017, the City had the following investments.

Investments Measured at Amortized Cost	Maturity	Amount
Florida PRIME	50 days	$ 311,725

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	$ 3,421,544
Petty cash	550
Investments	311,725
Total deposits and investments	$ 3,733,819
Presented in the statement of net position:	
Cash and cash equivalents	$ 1,928,516
Restricted cash and cash equivalents	1,805,303
Total cash and cash equivalents	$ 3,733,819

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, 2017, the SBA Florida PRIME Pool was rated AAAm by Standard and Poor's.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

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

Concentration of Credit Risk

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

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

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2017, are comprised of the following:

	General Fund	Cemetery Fund
Billed	$ 137,085	$ 3,333
Unbilled	55,339	
Grants receivable	31,625	
Taxes receivable	162,142	
Due from other governments	64,785	
Subtotal	450,976	3,333
Less allowance for uncollectible	(89,686)	
	$ 361,290	$ 3,333

NOTE 4 – ACCOUNTS RECEIVABLE Continued)

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.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

Governmental activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 404,742	$	$	$ 404,742
Construction in progress	758,341	464,049	(1,176,152)	46,238
Total not being depreciated	1,163,083	464,049	(1,176,152)	450,980
Capital assets being depreciated:				
Improvements other than buildings	1,900,940	1,176,152		3,077,092
Buildings	4,955,642			4,955,642
Equipment	1,654,817	16,476		1,671,293
Total being depreciated	8,511,399	1,192,628		9,704,027
Total at historical cost:	9,674,482	1,656,677	(1,176,152)	10,155,007
Less accumulated depreciation for:				
Improvements other than buildings	(1,146,243)	(164,134)		(1,310,377)
Buildings	(3,879,378)	(177,944)		(4,057,322)
Equipment	(1,227,852)	(97,325)		(1,325,177)
Total accumulated depreciation:	(6,253,473)	(439,403)		(6,692,876)
Governmental activities capital assets, net	$ 3,421,009	$ 1,217,274	$ (1,176,152)	$ 3,462,131

NOTE 5 – CAPITAL ASSETS (Continued)

Business-type activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 98,000	$	$	$ 98,000
Construction in progress		13,580		13,580
Total not being depreciated	98,000	13,580		111,580
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 being depreciated	15,563,849			15,563,849
Total at historical cost:	15,661,849	13,580		15,675,429
Less accumulated depreciation for:				
Improvements other than buildings	(4,212,814)	(609,563)		(4,822,377)
Buildings	(1,749,151)	(271,949)		(2,021,100)
Equipment	(155,600)	(1,485)		(157,085)
Total accumulated depreciation:	(6,117,565)	(882,997)		(7,000,562)
Business-type activities capital assets, net	$ 9,544,284	$ (869,417)	$	$ 8,674,867

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

Governmental activities:	
General government	$ 107,572
Public safety	3,414
Transportation	179,903
Culture and recreation	148,514
Total depreciation expense governmental activities	$ 439,403
Business-type activities	
Marina & campground	$ 874,086
Cemetery	8,911
Total depreciation expense business-type activities	$ 882,997

NOTE 6 – INTERFUND TRANSACTIONS

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Cemetery Fund	Henderson Endowment Fund	$ 139

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

Receivable Fund	Payable Fund	Amount
General Fund	Marina and Campground Fund	$ 205,324
General Fund	Cemetery Fund	428,585
		$ 633,909

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, 201, the Henderson Endowment Fund transferred interest earnings of $7086 to the Cemetery Fund.

Interfund transfers for the year ended September 30, 2017, are as follows:

Transfers Out	Transfers In	Amount
Henderson Endowment Fund	Cemetery Fund	$ 708

NOTE 7 – LONG-TERM LIABILITIES

Governmental Activities

Long-term liabilities of the governmental activities at September 30, 2017, consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 119,199	$ 124,845	$(100,171)	$ 143,873	$ 58,987
OPEB	47,772	15,392		63,164	
Net pension liability	89,442	2,835		92,277	
Total governmental	$ 256,413	$ 143,072	$(100,171)	$ 299,314	$ 58,987

Business-Type Activities

Long-term liabilities of the business-type activities at September 30, 2017, consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Compensated absences	$ 3,605	$ 7,337	$ (4,301)	$ 6,641	$ 2,058

The liability for compensated absences, other postemployment benefits, and the net pension liability have been paid out of the fund where the related employees work.

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.

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 Retirment 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.

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.

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	10/01/16 through 06/30/17	07/01/17 through 09/30/17
Regular Class	7.52%	7.92%
Senior Management Service Class	21.77%	21.71%
Special Risk Class	22.57%	23.27%
DROP	12.99%	13.26%

The employer contribution rates include a 1.66% HIS Plan subsidy. Except for DROP, the rates also include 0.06% for administrative costs of the Public Employee Optional Retirement Program.

For the fiscal year ended September 30, 2017, the City made contributions of $5,522 to the Pension Plan and the City's employees made contributions of $2,783, for total contributions of $8,305.

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

At September 30, 2017, the City reported a liability of $61,153 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liability was based on the City's 2016-2017 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members. At June 30, 2017, the City's proportionate share was 0.000213941 percent, which was a decrease of 0.000007200 percent from its proportionate share measured as of June 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, 2017, the City recognized pension expense of $6,219 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	$ 5,612	$ 339
Change of assumptions	20,552	
Net difference between projected and actual earnings on Pension Plan investments		1,516
Change in proportion and differences between City Pension Plan contributions and proportionate share of contributions	2,320	17,548
Contributions subsequent to mesaurement date	1,311	
Total	$ 29,795	$ 19,403

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 $1,311 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
2018	$ (794)
2019	4,467
2020	2,988
2021	(1,743)
2022	2,707
Thereafter	1,456
	$ 9,081

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2017
Measurement date	June 30, 2017
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation
Mortality	Generational RP-2000 with projection scale BB
Actuarial cost method	Individual Entry Age

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2017, 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:

Asset Class	(1) Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed Income	18.0%	4.5%	4.4%	4.2%
Global Equity	53.0%	7.8%	6.6%	17.0%
Real Estate (Property)	10.0%	6.6%	5.9%	12.8%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	9.7%
Total	100.0%			
Assumed Inflation - Mean		2.6%		1.9%

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

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Discount Rate

The long-term expected rate of return assumption of 7.1% used in the discount rate calculations consists of two building block components: 1) a real (in excess of inflation) return of 4.5%, consistent with the currently articulated real return target in the current Florida State Board of Administration's investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; 2) a long-term average annual inflation assumption of 2.6% as most recently adopted in October 2017 by the FRS Actuarial Assumption Conference. The discount rate of 7.10% used for the net pension liability calculations differs from the 7.50% investment rate of return chosen by the FRS Actuarial Assumptions Conference used for funding policy.

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 7.10%, 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 (6.10%) or one percentage point higher (8.10%) than the current rate:

Asset Class	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
City's proportionate share of the net pension liability	$ 110,683	$ 61,153	$ 20,031

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, 2017, the City reported no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2017.

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, 2017, 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, 2017, 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 $1,540 for the fiscal year ended September 30, 2017.

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, 2017, the City reported a liability of $31,124 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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 2016-2017 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members. At June 30, 2017, the City's proportionate share was .000291086 percent, which was a decrease of 0.000012844 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized a negative pension expense of $1,000. 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	$	$ 65
Change of assumptions	4,375	2,691
Net difference between projected and actual earnings on Pension Plan investments	17	
Change in proportion and differences between City Pension Plan contributions and proportionate share of contributions	1,810	16,829
Contributions subsequent to mesaurement date	351	
Total	$ 6,553	$ 19,585

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 $351 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, 2018. 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
2018	$ (2,858)
2019	(2,861)
2020	(2,863)
2021	(1,748)
2022	(2,013)
Thereafter	(1,040)
	$ (13,383)

Actuarial Assumptions

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

Valuation date	July 1, 2017
Measurement date	June 30, 2016
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.58%
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.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.58%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.58%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

Asset Class	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
City's proportionate share of the net pension liability	$ 35,517	$ 31,124	$ 27,465

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, 2017, the City reported no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2017.

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, 2017.

Description	Pension Plan	HIS Program	Total
Total pension liability	$ 379,644	$ 31,643	$ 411,287
Plan fiduciary net position	318,491	519	319,010
Net pension liability	61,153	31,124	92,277
Deferred outflows of resources	29,795	6,553	36,348
Deferred inflows of resources	19,403	19,585	38,988
Pension expense	6,219	(1,000)	5,219

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, 2017, the City recognized pension expense of $50,255 for the General Employees' Retirement Plan, which included forfeitures of $50,255. At September 30, 2017, the City reported no payable for outstanding contributions to the Plan.

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, 2017, the Marina and Campground Enterprise Fund reported positive net position but reported a deficit of $215,289 in unrestricted net position, and the Cemetery Enterprise Fund reported a deficit of $35,188 in total net position and a deficit of $351,743 in unrestricted net position.

NOTE 12 – INDUSTRIAL DEVELOPMENT BONDS

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

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

As of September 30, 2017, there was $1,315,000 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 Statues limit the City's maximum loss for most liability claims to $200,000 per person and $300,000 per occurrence under the Doctrine of Sovereign Immunity. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in Federal courts.

NOTE 14 – LITIGATION CONTINGENCIES

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

NOTE 15 – COMMITTMENTS

Palm Beach County Fire Rescue Services Interlocal 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, 2017, 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.

NOTE 15 – COMMITMENTS (Continued)

Palm Beach County Law Enforcement Services Interlocal 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 July 12, 2016, the City approved the eleventh addendum to the agreement extending the agreement through September 30, 2017. The cost for the year ending September 30, 2017 was $583,905. 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.

Encumbrances

As of September 30, 2017, encumbrances were as follows:

Major Funds:

General Fund	$ 9,224
Marina and Campground Fund	3,902
Cemetery Fund	4,307

NOTE 16 – 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, 2017, the permanent fund transferred $708 to the Cemetery Fund.

NOTE 17 – 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.

NOTE 17 – 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	1,911
Adjustment to annual required contribution	(2,656)
Annual OPEB cost	15,392
Estimated net contributions made	
Increase in net OPEB obligation	15,392
Net OPEB obligation October 1, 2016	47,772
Net OPEB obligation September 30, 2017	$ 63,164

Trend Information

Three-Year Trend Information

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/15	$16,387	28.4%	$32,137
09/30/16	$15,635	0.0%	$47,772
09/30/17	$15,392	0.0%	$63,164

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%

NOTE 17 – 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

NOTE 18 – OPERATING LEASES

Everglades Preparatory Academy

In March 2007, the City entered into an agreement with Everglades Preparatory Academy, Inc. (Everglades) to lease certain facilities at the Old Pahokee High School to Everglades. The term of the lease was for a 10-year period commencing on May 1, 2007, with an option to renew for an additional 10-year term. In 2017, Everglades exercised its option to renew the lease. Total lease payments received under the lease during the fiscal year ended September 30, 2017 were $35,300. As of September 30, 2017, the cost of the land and building under the operating lease was $2,607,755 and accumulated depreciation was $2,425,376 resulting in a net book value of $182,379.

The future minimum rentals for the noncancelable lease are as follows:

Fiscal Year Ending September 30th	Future Minimum Rentals
2018	$ 33,600
2019	33,600
2020	33,600
2021	33,600
2022	33,600
2023-2027	154,000
	$ 322,000

Lutheran Services Florida

In May 2014, the City entered into an agreement with Lutheran Services Florida, Inc. (Lutheran) to lease to Lutheran a building and various other improvements located at 380 East Dr. Martin Luther King Jr. Boulevard to Lutheran. The term of the lease was for a 5-year period commencing May 2014. Lutheran has the right to terminate the lease for any reason upon 120 days prior written notice to the City. Total lease payments received under the lease during the fiscal year ended September 30, 2017 were $27,979. As of September 30, 2017, the cost of the land and building under the operating lease was $100,800 and accumulated depreciation was $83,664, resulting in a net book value of $17,136.

NOTE 18 – OPERATING LEASES (Continued)

Okeechobee Land Company

In July 2008, the City entered into an agreement with Okeechobee Land Company (Okeechobee) to lease the property located at 246 East Main Street to Okeechobee for the purpose of operating a retail tire store. The term of the lease was for a 10-year period commencing August 1, 2008. Total lease payments received under the lease during the fiscal year ended September 30, 2017 were $15,150. As of September 30, 2017, the cost of the land and building under the operating lease was $75,531 and accumulated depreciation was $24,468, resulting in a net book value of $51,063.

Metro PCS

In April 2005 the City into an agreement with MetroPCS California/Florida, Inc. (Metro PCS) to lease land consisting of approximately 180 square feet located at 335 Muck City Road to Metro PCS for use as a personal communications service system. The term of the lease was for a 5-year period commencing on April 29, 2005. The agreement will be automatically renewed for four additional terms of 5 years each unless Metro PCS provides the City notice of intention not to renew not less than 90 days prior to the expiration of any renewal term. Total lease payments received under the lease during the fiscal year ended September 30, 2017 were $21,026. As of September 30, 2017, the cost of the land under the operating lease was approximately $81.

NOTE 19 – SUBSEQUENT EVENT

On November 29, 2018 the City issued the City of Pahokee Promissory Note, Series 2018 in the principal amount of $605,780. The Note was issued to finance the purchase and installation of an artificial turf surface on the City's Everglades Preparatory Academy football field and to pay costs related thereto (the "Project") and to pay costs of issuance of the Note.

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Taxes				
Ad valorem taxes	$ 506,409	$ 506,409	$ 510,907	$ 4,498
Infrastructure surtax			248,334	248,334
Utility service taxes	401,172	401,172	402,238	1,066
Local option gas tax	186,373	186,373	192,848	6,475
Local business tax	17,125	17,125	7,853	(9,272)
Total taxes	1,111,079	1,111,079	1,362,180	251,101
Licenses and permits				
Building permits	35,000	35,000	50,608	15,608
Franchise fees	365,954	365,954	357,197	(8,757)
Other			24,570	24,570
Total licenses and permits	400,954	400,954	432,375	31,421
Intergovernmental revenues				
State revenue sharing	296,673	296,673	300,569	3,896
Mobile home license	5,000	5,000	5,092	92
Alcoholic beverage license	1,200	1,200	1,624	424
Motor fuel tax	95,110	95,110	95,879	769
Half-cent sales tax	449,129	449,129	432,479	(16,650)
County occupational license	3,600	3,600	15,488	11,888
Payments in lieu of taxes	156,900	156,900	164,862	7,962
Grants	285,289	289,230	845,384	556,154
Total intergovernmental	1,292,901	1,296,842	1,861,377	564,535

(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, 2017
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Charges for services				
Management fees	$ 4,410	$ 4,410	$	$ (4,410)
Solid waste collection fees	580,000	580,000	595,802	15,802
Other	66,990	70,290	110,906	40,616
Total charges for services	651,400	654,700	706,708	52,008
Fines and forfeitures				
Court fines	4,800	4,800	1,721	(3,079)
Other	16,000	16,000	58,794	42,794
Total fines and forfeitures	20,800	20,800	60,515	39,715
Miscellaneous				
Interest	300	300	5,194	4,894
Rents	95,463	95,463	105,153	9,690
Contributions	8,000	8,000	8,985	985
Other	14,120	14,120	121,639	107,519
Total miscellaneous	117,883	117,883	240,971	123,088
Total revenues	3,595,017	3,602,258	4,664,126	1,061,868

(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, 2017
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
General government				
Legislative	$ 100,412	$ 100,412	$ 128,926	$ (28,514)
City manager	221,925	194,308	268,618	(74,310)
City clerk	79,751	79,751	60,006	19,745
Finance	182,646	182,646	202,077	(19,431)
Personnel	80,387	80,387	60,939	19,448
IT/GATV access	18,384	18,384	22,172	(3,788)
Legal counsel	80,000	80,000	74,467	5,533
Planning, zoning, and building	25,950	25,950	3,711	22,239
Community development	90,893	118,510	91,220	27,290
Non departmental	113,133	113,133	128,955	(15,822)
Total general government	993,481	993,481	1,041,091	(47,610)
Public safety				
Law enforcement	538,881	538,881	538,345	536
Protective inspections	232,981	232,981	271,619	(38,638)
Total public safety	771,862	771,862	809,964	(38,102)
Transportation				
Roads and streets	812,237	810,457	1,607,034	(796,577)
Total transportation	812,237	810,457	1,607,034	(796,577)

(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, 2017
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Culture and recreation				
Recreation - City	$ 452,606	$ 455,906	$ 453,806	$ 2,100
Recreation - Family Central			2,478	(2,478)
Recreation - Palm Beach County	131,364	135,305	134,373	932
Recreation - Pahokee Connection				
Recreation - POPS				
Parks	41,558	41,558	43,670	(2,112)
Total culture and recreation	625,528	632,769	634,327	(1,558)
Physical environment				
Solid waste collection	414,000	415,780	414,205	1,575
Total physical environment	414,000	415,780	414,205	1,575
Total expenditures	3,617,108	3,624,349	4,506,621	(882,272)
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(22,091)	(22,091)	157,505	179,596
Other financing sources (uses)				
Transfers out	(54,393)	(54,393)		54,393
Total other financing sources (uses)	(54,393)	(54,393)		54,393
Net change in fund balances	$ (76,484)	$ (76,484)	157,505	$ 233,989
Beginning fund balance			1,317,194	
Ending fund balance			$ 1,474,699	

CITY OF PAHOKEE, FLORIDA
Notes to the Budgetary Required Supplementary Information
For the Fiscal Year Ended September 30, 2017

Note 1 - Basis of Accounting

A budgetary comparison schedule is presented for the General Fund as required by generally accepted 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, 2017, the following areas had expenditures in excess of appropriations.

General government	$ 47,610
Public safety	$ 38,102
Transportation	$ 796,577
Culture and recreation	$ 1,558
Total expenditures	$ 882,272

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule of Funding Progress
Other Postemployment Benefits
For the Fiscal Year Ended September 30, 2017

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

	2014	2015	2016	2017
Contractually required FRS contribution	$ 7,565	$ 7,965	$ 4,955	$ 5,382
FRS contributions in relation to the contractually required contribution	7,565	7,965	4,955	5,382
FRS contribution deficiency (excess)	$	$	$	$
Town's covered payroll	$ 129,357	$ 132,646	$ 87,507	$ 92,780
FRS contributions as a percentage of covered-employee payroll	5.85%	6.00%	5.66%	5.80%

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

	2014	2015	2016	2017
Proportion of the FRS net pension liability	0.000321157%	0.000349549%	0.000213941%	0.000206741%
Proportionate share of the FRS net pension liability	$ 19,595	$ 45,149	$ 54,020	$ 61,153
Town's covered payroll	$ 127,284	$ 140,400	$ 93,822	$ 92,780
Town's proportionate share of the FRS net pension liability as a percentage of it covered-employee payroll	15.39%	32.16%	57.58%	65.91%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%	83.89%

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 to 7.10% in 2017.

CITY OF PAHOKEE, FLORIDA

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

Last Ten Fiscal Years

	2014	2015	2016	2017
Contractually required HIS contribution	$ 1,573	$ 1,781	$ 1,453	$ 1,541
HIS contributions in relation to the contractually required contribution	1,573	1,781	1,453	1,541
HIS contribution deficiency (excess)	$	$	$	$
Town's covered payroll	$ 129,357	$ 132,646	$ 87,507	$ 92,780
HIS contributions as a percentage of covered-employee payroll	1.22%	1.34%	1.66%	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

	2014	2015	2016	2017
Proportion of the HIS net pension liability	0.000428372%	0.000462795%	0.000303930%	0.000291086%
Proportionate share of the HIS net pension liability	$ 40,054	$ 47,198	$ 35,422	$ 31,124
Town's covered payroll	$ 127,284	$ 140,400	$ 93,822	$ 92,780
Town's proportionate share of the HIS net pension liability as a percentage of it covered-employee payroll	31.47%	33.62%	37.75%	33.55%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%	0.97%	1.64%

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 to 3.58% in 2017.

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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, 2017, 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 March 19, 2019. 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 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: Transactions were not properly recorded in the general ledger. Consequently, numerous audit adjustments were required to correct the financial records.

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. During FY 2017, the City completed the conversion to 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 Finance Director continues to make changes to enhance the operations of the Finance Department. The Finance Director will continue to 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, 2017 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, 2018.

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 continues to re-organizing the structure of the current day-to-day duties and expects that the new 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 Finance Director continues to make 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
March 19, 2019

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

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

Report on the Financial Statements

We have audited the financial statements of the City of Pahokee, Florida, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 19, 2019. 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 Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of 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 March 19, 2019, 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
- Finding 2015-1 Marina and Campground Fund

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

- Finding 2016-1 Purchasing
- Finding 2016-2 Purchasing

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 and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the 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 for the City of Pahokee, Florida. It is management's responsibility to monitor the City of Pahokee, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our assessment was done as of the fiscal year end.

Based on our procedures, we believe the Marina and Campground Enterprise Fund and the Cemetery Enterprise Fund are in a deteriorating financial condition.

Finding 2017-1

Condition: The Marina and Campground Enterprise Fund has experienced operating losses for many years and the Cemetery Enterprise Fund has frequently experienced operating losses. As of September 30, 2017, both funds reported a deficit in unrestricted net position. As of September 30, 2017, advances from the General Fund totaled $193,486 for the Marina and Campground Enterprise Fund and $338,865 for the Cemetery Enterprise Fund.

Criteria: Section 10.554 (1)(f), Rules of the Auditor General defines deteriorating financial condition as a circumstance determined as of the fiscal year end that significantly impairs a county, municipality, or special district's ability to generate enough revenues to meet its expenditures without causing a condition described in Section 2018.503(1), Florida Statutes to occur.

Effect: The City's enterprise funds might not be able to generate enough revenues to meet their obligations.

Recommendation: We recommend that the City review the operations of the enterprise funds to develop options for increasing revenues for these funds.

Management Response:

Marina and Campground Fund

The marina and campground were destroyed by Hurricane Wilma in October 2005. These facilities were rebuilt with grant funds at a cost of over $15,000,000. The marina and campground reopened late in the fiscal year ended September 30, 2011.

Due to the large investment in capital assets, this fund reports a large depreciation expense. For the fiscal years ended September 30, 2017 and 2016, depreciation expense was approximately $874,000 and $876,000, respectively. Depreciation expense will continue to cause operating losses, and it is unlikely that this fund will operate at a profit in the foreseeable future. The City would consider this fund to be operating successfully if revenues are sufficient to cover all expenses except depreciation. The change in net position, excluding depreciation expense, was $1,882 and $109,402, for the years ended September 30, 2017 and 2016, respectively. The net cash flow, excluding grant revenue, was $182 and $0, for the years ended September 30, 2017 and 2016, respectively.

The City will continue to review other revenue sources to help defray some of the fund's expenses in the future.

Cemetery Fund

Prior to fiscal year 2009, losses were mitigated by earnings on the Henderson Endowment. All earnings on the principal balance of $875,000 are restricted for upkeep, maintenance, and beautification of the Port Mayaca Cemetery. The City has established a permanent fund to account for the endowment principal, investment earning, and transfers to the Cemetery Fund. In recent years, the low interest rate environment has greatly reduced the investment earnings. When interest

rates return to more normal levels, the investment earnings will again mitigate the operating losses of the Cemetery Fund.

Presently. to help control operating costs of the cemetery, the City has implemented a purchasing process that monitors and manages daily expenses. The City has transferred all accounting functions from the cemetery to City Hall to incorporate into the control structure of the finance department to rectify the finding. The finance department will handle all contract writing, billing, and receipt functions of the cemetery operations to be able to better monitor the activities of the cemetery in the future. Also, the City is aggressively seeking ways to increase the revenues of the cemetery, but the efforts are hampered by the fact that there is currently only one funeral home within the City of Pahokee.

The Cemetery Fund is showing some improvement from the prior year. The net cash flow was $64,146 and $323, for the years ended September 30, 2017 and 2016, respectively.

The City is expecting a negative change in net position of approximately $4,000 for the Cemetery Fund for the year ended September 30, 2018. The City reported a negative change in net position of approximately $32,000 for the Cemetery Fund for the year ended September 30, 2017.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit we noted the following items:

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: The administration and the Finance Director 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 administration continues to make purchasing policy changes and will continue to renegotiate contracts to control expenditures of the City.

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.

Finding 2017-2

Condition: We noted management did not provide adequate and timely financial information to the City Commission.

Criteria: Those charged with governance require appropriate and timely financial information in order to monitor the activities of the City and to facilitate the decision-making process.

Effect: Inadequate internal financial reporting could expose the City to the risk of fraud, misuse, or abuse and impair the decision-making process.

Recommendation: We recommend that the City review its policies and procedures for internal financial reporting and implement steps to provide appropriate and timely financial information to those charged with governance.

Management Response: Beginning in 2018, the Finance Director has been producing monthly financial statements for the City Commission and the administration.

Finding 2017-3

Condition: We noted there is inadequate communication between personnel performing the accounting function and personnel managing grants.

Criteria: Policies and procedures should provide reasonable assurance that the City identifies, captures, and exchanges information enabling employees to carry out their responsibilities accurately and timely.

Effect: Grant transactions were not always properly recorded in the accounting system requiring audit adjustments to correct the financial records.

Recommendation: We recommend that the City review its grant management policies and procedures and implement steps to provide appropriate exchanges of information between departments.

Management Response: The Finance Director and grant manager will determine the appropriate steps needed to ensure adequate communication between the two departments.

Finding 2017-4

Condition: We noted that the City recorded infrastructure surtax revenues and expenditures in the General Fund.

Criteria: In November 2016, Palm Beach County voters approved raising the sales tax from 6 percent to 7 percent. This one-cent sales tax increase went into effect on January 1, 2017 and will end on December 31, 2016 unless $2.7 billion is collected before then. Of the total funds collected from the surtax, 50% will be provided to the Palm Beach County School District and 30% will be provided to Palm Beach County. The 39 municipalities in Palm Beach County will split the remaining 20%. The surtax funds may only be used for infrastructure projects such as roads, bridges, schools, and government buildings. The entities receiving surtax funds are required to establish Citizen Oversight Committees to oversee the infrastructure projects. Because of the restrictions on the use of the surtax, it is desirable to account for the revenues and expenditures in a separate.

Effect: Infrastructure surtax expenditures can't be determined from the City's financial statements.

Recommendation: We recommend that the City create a separate fund to account for the infrastructure surtax revenues and expenditures.

Management Response: We will review the infrastructure surtax revenues and expenditures activity to determine the appropriate course for creating a separate fund.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City of Pahokee, Florida for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide 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.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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, 2017, 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 & Miner, P.A.

West Palm Beach, Florida
March 19, 2019

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

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

We have examined the City of Pahokee, Florida's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2017. 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, 2017.

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
March 19, 2019