

In the opinion of Bond Counsel, assuming compliance by the Issuer and the Borrowers with certain covenants, under existing statutes, regulations and judicial decisions, the interest on the Bonds will be excluded from gross income for federal income tax purposes of the holders thereof and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds shall be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. See "TAX MATTERS" herein for a description of other tax consequences to holders of the Bonds.

\$24,520,000

**FLORIDA MUNICIPAL LOAN COUNCIL
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2016**

Dated: Date of Delivery

Due: October 1, as shown on the inside cover

The Florida Municipal Loan Council's \$24,520,000 Refunding and Improvement Revenue Bonds, Series 2016 (the "Bonds") are being issued by the Florida Municipal Loan Council (the "Issuer"). The Issuer is a separate legal entity created pursuant to an Interlocal Agreement entered into initially by and among the City of Stuart, the City of Deland and the City of Rockledge, each of which is a Florida municipality.

The Bonds are being issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form only, in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds will not receive certificates representing their interests in the Bonds so purchased. So long as Cede & Co. is the registered owner of the Bonds, references herein to the registered owners shall mean Cede & Co., and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "THE BONDS – Book-Entry Only System" herein for further information.

Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2017. The principal of, premium, if any, and interest on the Bonds will be paid through the Trustee described herein. So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants (as defined herein), as more fully described herein.

The Bonds are subject to optional and mandatory redemption prior to maturity. See "THE BONDS - Redemption Provisions" herein for further information.

The proceeds to be received by the Issuer from the sale of the Bonds will be used by the Issuer to make loans (the "Loans") to nine State of Florida municipalities: City of Belle Isle, City of North Miami, City of Port Richey, City of St. Augustine Beach, City of Valparaiso, Town of Bay Harbor Islands, Town of Eatonville, Town of Lake Park and the Town of Oakland (jointly referred to as the "Borrowers") pursuant to loan agreements between the Issuer and each of the Borrowers (collectively, the "Loan Agreements") for the purposes of (i) providing funds to finance various governmental undertakings of the Borrowers, and (ii) paying costs and expenses related to the issuance of the Bonds, including the premiums for a municipal bond insurance policy and debt service reserve fund surety bond.

Payments made by the Borrowers in repayment of the loans (the "Loan Repayments") will be assigned by the Issuer to the Trustee described herein, pursuant to a Trust Indenture, dated as of September 1, 2016, between the Issuer and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Indenture").

The scheduled payment of principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by National Public Finance Guarantee Corporation ("National").



The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from (i) the payments to be made by the Borrowers pursuant to the Loan Agreements (as defined herein) (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind subjected to the Indenture, as and for additional security for the Bonds, by the Issuer or by any other person on its behalf or with its written consent (collectively, the "Trust Estate"), as more fully described herein. The obligations of the respective Borrowers pursuant to the Loan Agreements are not a general debt, liability or obligation of the respective Borrowers, but are limited obligations of the Borrowers payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

SEE THE INSIDE COVER FOR MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND INITIAL CUSIP NUMBERS.

The Bonds are offered when, as, and if issued and received by the Underwriter, subject to the approval of legality and tax-exempt status by Bryant Miller Olive P.A., Miami, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by Craig A. Conn, Esq., counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc., and by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Disclosure Counsel. The Underwriter is represented by Holland & Knight LLP, Lakeland, Florida. Public Resources Advisory Group, St. Petersburg, Florida, has served as financial advisor to the Issuer in connection with the Bonds. Florida League of Cities, Inc. is the administrator of the Issuer's bond program. It is expected that the Bonds will be available through the facilities of DTC in New York, New York, on or about September 29, 2016.

WELLS FARGO SECURITIES

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
YIELDS, PRICES AND INITIAL CUSIP NUMBERS**

\$24,520,000

**FLORIDA MUNICIPAL LOAN COUNCIL
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2016**

\$23,820,000 Serial Bonds

<u>Maturity</u> (October 1)	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Initial CUSIP</u> <u>No.*</u>
2017	\$1,585,000	2.000%	1.290%	100.707	34282CKQ3
2018	1,625,000	3.000	1.440	103.072	34282CKR1
2019	1,680,000	4.000	1.610	106.984	34282CKS9
2020	1,745,000	3.000	1.760	104.775	34282CKT7
2021	1,505,000	3.000	1.900	105.228	34282CKU4
2022	1,540,000	4.000	2.040	111.025	34282CKV2
2023	1,180,000	2.000	2.200	98.708	34282CKW0
2024	1,220,000	2.000	2.330	97.602	34282CKX8
2025	1,245,000	2.250	2.440	98.472	34282CKY6
2026	1,275,000	2.250	2.530	97.538	34282CKZ3
2027	970,000	2.500	2.730	97.826	34282CLA7
2028	990,000	3.000	3.000	100.000	34282CLB5
2029	1,305,000	5.000	2.830†	118.793†	34282CLC3
2030	1,235,000	5.000	2.880†	118.315†	34282CLD1
2031	1,220,000	3.000	3.100	98.807	34282CLE9
2032	1,255,000	3.000	3.130	98.372	34282CLF6
2033	1,135,000	3.000	3.160	97.907	34282CLG4
2034	890,000	3.000	3.200	97.278	34282CLH2
2035	220,000	3.000	3.220	96.890	34282CLJ8

\$700,000 Term Bonds

\$700,000 3.250% Term Bonds due October 1, 2046 -- Yield: 3.350% Price: 98.116 Initial CUSIP No.*34282CLK5

†Price and yield calculated to first optional redemption date of October 1, 2026.

*Neither the Issuer nor any Borrower nor the Underwriter shall be responsible for the use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the readers of this Official Statement.

Florida Municipal Loan Council

c/o Florida League of Cities, Inc.
301 South Bronough Street, Suite 300
Tallahassee, Florida 32302 (850) 222-9684

Directors

Chairman Isaac Salver, Councilman, Town of Bay Harbor Islands
Frank C. Ortis, Mayor, City of Pembroke Pines
Kevin Ruane, Mayor, City of Sanibel
Susan Starkey, Councilwoman, Town of Davie
Heyward Strong, Jr., Mayor Pro Tem, City of Valparaiso
George Vallejo, Mayor, City of North Miami Beach

Attorney

Kraig A. Conn, Esq.
Tallahassee, Florida

Bond Counsel

Bryant Miller Olive P.A.
Miami, Florida

Disclosure Counsel

Nabors, Giblin & Nickerson, P.A.
Tampa, Florida

Financial Advisor

Public Resources Advisory Group
St. Petersburg, Florida

Program Administrator

Florida League of Cities, Inc.
Tallahassee, Florida

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The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materially or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections in this Official Statement. The offering of the Bonds is made only by means of this entire Official Statement.

References to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan", "expect", "estimate", "project", "forecast", "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Issuer does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THIS OFFICIAL STATEMENT SHALL NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUER OR THE UNDERWRITER AND ANY ONE OR MORE HOLDERS OF THE BONDS.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE WEBSITE: WWW.MUNIOS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS

TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTY THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION ("NATIONAL") MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTING IN THE BONDS. IN ADDITION, NATIONAL HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING NATIONAL SUPPLIED BY NATIONAL AND PRESENTED UNDER THE HEADING "BOND INSURANCE" AND "APPENDIX O -- SPECIMEN BOND INSURANCE POLICY."

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OFFICIAL STATEMENT

Relating To

\$24,520,000

FLORIDA MUNICIPAL LOAN COUNCIL REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2016

INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to furnish certain information with respect to the original issuance and sale of \$24,520,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2016 (the "Bonds") to be issued by the Florida Municipal Loan Council (the "Issuer").

This Introduction is only a brief description of the matters described in this Official Statement, and a full review of this Official Statement should be undertaken by potential investors in the Bonds. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The Issuer is a separate legal entity under the laws of the State of Florida. The Issuer was created by an Interlocal Agreement (the "Interlocal Agreement"), dated December 1, 1998, initially among the City of Stuart, the City of Deland and the City of Rockledge, each of which is a Florida municipality. Subsequent to that date, other municipalities and counties have joined in the Interlocal Agreement, including Gadsden County, Florida, Jackson County, Florida and Leon County, Florida.

The Bonds are being issued pursuant to the Constitution of the State of Florida, Chapter 163, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), an authorizing resolution adopted by the Issuer on August 19, 2016, and a Trust Indenture (the "Indenture"), dated as of September 1, 2016, between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The Bonds are being issued to provide funds to make loans to nine municipalities of the State of Florida further described herein. The proceeds to be received by the Issuer from the sale of the Bonds will be loaned to the State of Florida municipalities of Belle Isle, North Miami, Port Richey, St. Augustine Beach, Valparaiso, Bay Harbor Islands, Eatonville, Lake Park and Oakland (jointly, the "Borrowers," and individually, a "Borrower") pursuant to Loan Agreements, each dated as of September 1, 2016, between the Issuer and each Borrower (collectively, the "Loan Agreements"). Each Borrower will use proceeds of the loan made to it by the Issuer (a "Loan") to finance, refinance or reimburse itself for the cost of a governmental undertaking approved by the governing body of that Borrower for a public purpose, and to pay a proportionate share of the costs of issuance of the Bonds, including the premiums for a municipal bond insurance policy and debt service reserve surety bond. As described herein, the City of St. Augustine Beach is entering into two separate Loan Agreements.

Pursuant to each Loan Agreement, each Borrower agrees to make payments (the "Basic Payments") in such amounts and at such times as shall be sufficient to pay the principal of, premium, if any, and interest on the Loan to that Borrower when due. The Basic Payments correlate to the debt service on a principal amount of Bonds equal to the principal amount of the Loan. The aggregate scheduled Basic Payments under all Loan Agreements equals the scheduled payments of principal and interest on the Bonds. Not all Loans mature on the same date. **No Borrower is obligated to pay the principal of, premium, if any, or interest on, or any other amount payable with respect to, a Loan made to a different Borrower.** The Basic Payments for each Borrower are set forth herein under the caption "Debt Service Requirements."

Pursuant to each Loan Agreement, each Borrower also agrees to make certain other payments (the "Additional Payments"), including, but not limited to, the fees and expenses of the Issuer, the Program Administrator and the Trustee, and the Borrower's proportionate share of any fees, including any rebate obligation with respect to the Bonds, related to a particular Borrower's Loan.

The Basic Payments and the Additional Payments are jointly referred to as the "Loan Repayments."

Each Borrower that has entered into a Loan Agreement (see "SECURITY AND SOURCES OF PAYMENT," herein) has agreed (except with respect to the St. Augustine Beach Limited Tax Loan Agreement described below) to appropriate in its annual budget, by amendment, if required, and to pay when due under its respective Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues (hereinafter defined) of such Borrower sufficient to satisfy the Loan Repayment obligations of such Borrower. "Non-Ad Valorem Revenues" means all revenues and taxes of the particular Borrower derived from any source whatsoever, other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

In addition to entering into a Loan Agreement as described above, the City of St. Augustine Beach, in its separate Limited Tax Loan Agreement dated as of September 1, 2016 (the "St. Augustine Beach Limited Tax Loan Agreement"), has pledged ad valorem tax revenues derived from its levy of not to exceed 0.50 mills pursuant to a referendum held August 26, 2008 to secure the loan made thereunder. See "SECURITY AND SOURCES OF PAYMENT - City of St. Augustine Beach Limited Tax Loan Agreement" herein.

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee all of the Issuer's right, title and interest (with certain exceptions specified therein) in and to the Loan Agreements, including the Issuer's right to receive Loan Repayments.

The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from (i) the payments to be made by the Borrowers pursuant to the Loan Agreements (as defined herein) (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind subjected to the Indenture, as and for additional security

for the Bonds, by the Issuer or by any other person on its behalf or with its written consent (collectively, the "Trust Estate"), as more fully described herein. The obligations of the respective Borrowers pursuant to the Loan Agreements are not a general debt, liability or obligation of the respective Borrowers, but are limited obligations of the Borrowers payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.

There follows in this Official Statement descriptions of the Bonds, the Issuer, the Borrowers and certain other matters. The descriptions and information contained herein do not purport to be complete, comprehensive, or definitive, and all references herein to documents or reports are qualified in their entirety by reference to the complete text of such documents or reports. Copies of documents and reports referred to herein that are not included in their entirety herein may be obtained from the Underwriter at 2363 Gulf-to-Bay Boulevard, Suite 200, Clearwater, Florida 33765 prior to delivery of the Bonds and thereafter from the Trustee upon payment of any required fee. Unless otherwise defined herein, terms used in capitalized form in this Official Statement shall have the same meanings as in the Indenture or the Loan Agreements. See Appendices C and D for definitions of certain terms used in this Official Statement.

THE BONDS

General Description

The Bonds are being issued as fully registered bonds without coupons in principal denominations of \$5,000 or any integral multiple thereof (the "Authorized Denominations"). The Bonds will be dated as of the date of their initial issuance and delivery, will bear interest from that date at the rates per annum and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Bonds will be subject to the redemption provisions set forth below. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months and will be payable semiannually on each April 1 and October 1 (each, an "Interest Payment Date,"), commencing April 1, 2017.

The principal and premium of the Bonds shall be payable when due by check or draft, upon presentation and surrender of the Bonds at the Designated Office of the Trustee, and interest will be payable by check or draft mailed by the Trustee on each Interest Payment Date to the holders of the Bonds registered as such as of the Record Date; provided, however, that at the expense of and upon the written request of a holder of \$1,000,000 or more (or of all Bonds if less than \$1,000,000 shall be outstanding), interest will be paid by wire transfer to an account in the United States. The Record Date with respect to any Interest Payment Date is the fifteenth day of the calendar month preceding such Interest Payment Date. For so long as the book-entry only system of ownership of the Bonds is in effect, payments of principal, premium, if any, and interest on the Bonds will be made as described below under the caption "Book-Entry Only System" below.

All payments of principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Redemption Provisions

Optional Redemption. The Bonds maturing on or before October 1, 2026 are not subject to optional redemption prior to their maturities. The Bonds maturing after October 1, 2026 are subject to redemption at the option of the Issuer on or after October 1, 2026 as a whole or in part at any time, in any manner as determined by the Trustee in its discretion taking into consideration the maturity of the Loan being prepaid by a particular Borrower, at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Scheduled Mandatory Redemption. The Bonds maturing on October 1, 2046 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2036 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2036	\$55,000
2037	55,000
2038	60,000
2039	60,000
2040	60,000
2041	65,000
2042	65,000
2043	65,000
2044	70,000
2045	70,000
2046*	75,000

*Maturity, not a redemption.

Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption as a result of acceleration of any Loan pursuant to a Loan Agreement at any time, in whole or in part, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, but only with the approval of the Bond Insurer, from all Liquidation Proceeds or Insurance Proceeds received by the Trustee as a result of an acceleration of any Loan or Loans. To the extent that all Loans are not being accelerated, Bonds to be redeemed shall be selected by the Registrar by lot or in such other manner as the Issuer in its discretion may deem appropriate; provided, however, that only such Bonds which correspond in terms of amount and scheduled maturity date to the Loan Repayment obligations of the Loan or Loans being accelerated are subject to such extraordinary mandatory redemption, and provided further that, in the event Liquidation Proceeds or Insurance Proceeds are not sufficient to redeem all such corresponding Bonds, the portion of the corresponding Bonds to be

so redeemed shall be selected on a pro-rata basis based upon the ratio of Liquidation Proceeds or Insurance Proceeds to the total amount of Bonds which correspond to the Loan or Loans being accelerated.

Selection of Bonds to be Redeemed. The Bonds may be redeemed only in the principal amount of an Authorized Denomination. The Bonds or portions of the Bonds to be redeemed shall, except as otherwise described above or as specified in the Indenture, be selected by the Registrar by lot or in such other manner as the Trustee in its discretion may deem appropriate.

Notice of Redemption. In the case of every redemption, notice of the call for redemption shall be given by the Trustee as Registrar (the "Registrar") by mailing a copy of the redemption notice, identifying the Bonds or portions thereof to be redeemed, (1) by first class mail at least thirty (30) days prior to the date fixed for redemption to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Bond Register, and (2) in addition to the mailing of the notice described above, the Registrar shall give additional notice of the redemption of Bonds in accordance with any regulation or release of the Municipal Securities Rulemaking Board or governmental agency or body from time to time applicable to such Bonds. No defect in any notice delivered pursuant to clause (2) above nor any failure to give all or any portion of such notice shall in any manner defeat the effectiveness of a call for redemption if notice is given as prescribed in clause (1) above. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner or any other recipient receives the notice.

Each notice of redemption given under the Indenture shall contain (i) information identifying the Bonds or portions thereof to be redeemed; (ii) the CUSIP numbers of all Bonds being redeemed; (iii) the date of issue of the Bonds as originally issued; (iv) the rate of interest borne by each Bond being redeemed; (v) the maturity date of each Bond being redeemed; (vi) a brief description, if applicable, of any conditions that must be satisfied prior to the redemption of the Bonds being redeemed; and (vii) any other descriptive information needed to identify accurately the Bonds being redeemed; provided, however, that no notice shall be deemed defective if the information required in clause (i) above is provided in such notice.

In the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar, Paying Agent or a fiduciary institution acting as escrow agent no later than the redemption date or (2) the Issuer retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in this section. Any such notice of Conditional Redemption shall be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the Issuer delivers a written direction to the Registrar directing the Registrar to rescind the redemption notice. The Registrar shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the Issuer to make such funds available shall constitute an Event of Default under the Indenture. The Registrar shall give immediate notice to the securities

information repositories and the affected Bondholders that the redemption did not occur and that the affected Bonds called for redemption and not so paid remain Outstanding.

Effect of Calling for Redemption. On the redemption date, the principal amount of each Bond to be redeemed, together with the accrued interest thereon to such date, shall become due and payable; and from and after such date, notice (if required) having been given and moneys available for such redemption being on deposit with the Trustee in accordance with the provisions of the Indenture, then notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds or portions thereof to be redeemed. From and after such date of redemption (such notice having been given and moneys available solely for such redemption being on deposit with the Trustee), the Bonds or portions thereof to be redeemed shall not be deemed to be Outstanding under the Indenture and the Issuer shall be under no further liability in respect thereof.

Book-Entry Only System

The information provided immediately below concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter, the Issuer or the Trustee.

Unless the book-entry system described herein is terminated, DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered bond certificates will be issued for the Bonds, and will be deposited with the Trustee on behalf of DTC. Individual purchases of beneficial interests in the Bonds will be made in increments of \$5,000 or integral multiples thereof.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks,

trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's Rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The contents of such website do not constitute a part of this Official Statement.

Purchases. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE ISSUER CANNOT PROVIDE ANY ASSURANCE THAT DTC, DIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Payments. Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on the relevant payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuance of Book-Entry-Only System. In the event the Issuer determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bond certificates, the Issuer may notify DTC and the Trustee, whereupon DTC will notify the Participants, of the availability through DTC of Bond certificates, in all cases subject to DTC's policies and procedures. In such event, the Bonds will be transferable in accordance with the provisions of the Indenture. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Issuer and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with the provisions of the Indenture. Whenever DTC requests the Issuer and the Trustee to do so, the Trustee and the Issuer will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds. In such event the Bonds will be transferable to such securities depository in accordance with the provisions of the Indenture.

No Assurance Regarding DTC Practices

The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer, the Underwriter and the Trustee take no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

None of the Issuer, the Trustee or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners, (iii) the selection by DTC or by any Direct or Indirect Participant of any Beneficial Owner to receive payment in the event of a partial redemption of the Bonds or (iv) any other action taken by DTC or its partnership nominee as owner of the Bonds.

THE ISSUER

The Issuer was created pursuant to the Florida Interlocal Cooperation Act of 1969, Section 163.01, Florida Statutes, as amended, through an Interlocal Agreement dated as of December 1, 1998, initially by and among the City of Stuart, Florida, the City of Deland, Florida and the City of Rockledge, Florida. Subsequent to that date, other municipalities and counties have joined in the Interlocal Agreement, including Gadsden County, Florida, Jackson County, Florida and Leon County, Florida.

The Issuer is a separate legal entity created for the purpose of enabling participating municipalities and counties or other participating governmental entities to finance or refinance (including reimbursement of prior expenditures) undertakings on a cooperative and cost effective basis and to benefit from the economies of scale associated with larger scale financings which might otherwise be unrealized if separate financings were undertaken. The Bonds are being issued in furtherance of the Issuer's program (the "Program") of making loans to participating governmental units. Pursuant to the Interlocal Agreement, the Issuer has the power to issue, from time to time, in various series, bonds, notes or other obligations to finance and refinance loans to participating governmental entities.

Membership in the Issuer consists of those governmental entities which from time to time have been admitted to membership by the affirmative vote of two-thirds of the board of directors of the Issuer and which have joined in the Interlocal Agreement. While membership in the Issuer is open to other governmental entities, membership in the Issuer is not a pre-condition to becoming a Borrower under the Program.

The Issuer is governed by a board of directors which consists of not less than one or more than seven elected public officials, each of which shall be appointed by the President of the Florida League of Cities, Inc. There is no limitation upon the term of office of a director, and

directors serve until the expiration of their term in elected office, their resignation or their removal. A director may be removed upon the affirmative vote of at least two-thirds of the members of the Issuer.

The duration of the Issuer shall continue so long as any obligation of the Issuer or any obligation of any participating governmental entity issued under the Program remains outstanding.

The Bonds constitute the twenty-fifth series of bonds to be issued by the Issuer, nineteen of which are currently outstanding.

The current Board of Directors of the Issuer consists of the following elected officials:

Chairman Isaac Salver, Councilman, Town of Bay Harbor Islands
Frank C. Ortis, Mayor, City of Pembroke Pines
Kevin Ruane, Mayor, City of Sanibel
Susan Starkey, Councilwoman, Town of Davie
Heyward Strong, Jr., Mayor Pro Tem, City of Valparaiso
George Vallejo, Mayor, City of North Miami Beach

THE ADMINISTRATOR AND THE ADMINISTRATION AGREEMENT

The Administrator

The Administrator of the Issuer's Program is the Florida League of Cities, Inc., a Florida non-profit corporation established in 1922. The mission of the Administrator, as outlined in its charter, is primarily to provide assistance to Florida municipalities on matters of common interest. The Administrator will provide loan origination and administration services under the Indenture pursuant to the Program Administration Agreement (hereinafter described).

The Administrator is organized on a non-stock membership basis. The members of the Administrator consist of over 400 Florida cities and counties. The Administrator is governed by a Board of Directors consisting of 54 members. Directors are elected by the members of the Administrator.

In addition to the Issuer's nineteen outstanding bond issues, the Administrator has also provided loan origination and administration services in connection with other prior loan pools established by entities other than the Issuer and, in that capacity, has participated in the origination of numerous loans to Florida municipalities and counties.

In addition to loan pool origination and administration services, the Administrator provides services to its members in the areas of pool insurance and advice on current and emerging constitutional, legislative, and regulatory issues. The Administrator has 185 full-time employees and an annual operating budget of approximately \$34.2 million.

The Bonds are not obligations of the Administrator. The Administrator is neither obligated nor expected to advance its own funds to pay principal of or interest on the Bonds or to perform the other obligations of the Issuer under the Indenture.

The Administration Agreement

The Issuer and the Administrator have entered into an ongoing Administration Agreement (the "Administration Agreement"). Under the terms of the Administration Agreement, the Administrator agrees to receive and review applications of municipalities and counties to participate in the Program and to forward the same to any institutions as may be providing credit support for the Program. The Administrator agrees to meet with representatives of applicants and to aid applicants in determining whether to participate in the Program. The Administrator agrees to abide by the terms of the Indenture and to use its best efforts to ensure that the Loans comply with the terms of the Indenture. Under the terms of the Administration Agreement, the Administrator is to be paid a semi-annual fee based upon the principal balance of all Loans outstanding. For bonds issued on or after April 1, 2016 under the Issuer's fixed rate bond program, the fee shall be computed annually for each borrower at the rate of 10/100 of 1% (.001) of the principal balance outstanding, with a minimum annual fee of \$1,500 and a maximum annual fee of \$10,000.

THE BORROWERS

CERTAIN OF THE INFORMATION HEREIN REGARDING THE BORROWERS IS BEYOND THE KNOWLEDGE OF THE ISSUER. WHILE THE ISSUER HAS NO REASON TO BELIEVE THAT SUCH INFORMATION IS INCOMPLETE OR INACCURATE, THE ISSUER HAS NOT INDEPENDENTLY INVESTIGATED OR CONFIRMED THE ACCURACY OR COMPLETENESS THEREOF AND HAS INCLUDED SUCH INFORMATION IN THIS OFFICIAL STATEMENT IN RELIANCE UPON THE REPRESENTATION AND WARRANTY OF THE RESPECTIVE BORROWERS THAT SUCH INFORMATION DOES NOT CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT AND DOES NOT OMIT TO STATE ANY MATERIAL FACT NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE HEREIN, IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE MADE, NOT MISLEADING.

The Borrowers consist of nine municipalities of the State of Florida. A brief description of each Borrower is set forth below. Financial information with respect to each of the Borrowers is contained in Appendices F through N hereof.

Town of Bay Harbor Islands – The Town of Bay Harbor Islands is located in Miami-Dade County, Florida. The Town of Bay Harbor Islands has an estimated population of approximately 6,036 people.

City of Belle Isle - The City of Belle Isle is located in Orange County, Florida. The City of Belle Isle has an estimated population of approximately 6,689 people.

Town of Eatonville – The Town of Eatonville is located in Orange County, Florida, six miles north of Orlando. The Town of Eatonville has an estimated population of approximately 2,271 people.

Town of Lake Park – The Town of Lake Park is located in Palm Beach County, Florida. The Town of Lake Park has an estimated population of approximately 8,538 people.

City of North Miami - The City of North Miami is located in Miami-Dade County, Florida. The City of North Miami has an estimated population of approximately 62,435 people.

Town of Oakland – The Town of Oakland is located in Orange County. The Town of Oakland has an estimated population of approximately 2,829 people.

City of Port Richey – The City of Port Richey is located in Pasco County, Florida. The City of Port Richey has an estimated population of approximately 2,761 people.

City of St. Augustine Beach – The City of St. Augustine Beach is a coastal city in St. Johns County. The City of St. Augustine Beach has an estimated population of approximately 6,849 people.

City of Valparaiso – The City of Valparaiso is located in Okaloosa County, Florida, in the Florida panhandle. The City of Valparaiso has an estimated population of approximately 5,023 people.

PURPOSE OF THE BONDS

General

The proceeds to be received by the Issuer from the sale of the Bonds will be used by the Issuer to make Loans to the Borrowers for the purpose of providing funds to (i) finance or refinance the costs of the Projects, and (ii) pay costs and expenses related to the issuance of the Bonds, including the purchase of a municipal bond insurance policy and a debt service reserve surety bond.

Under the terms of the Indenture, an amount sufficient to pay the costs of issuance of the Bonds will be deposited into the Costs of Issuance Fund and the balance of the proceeds of the Bonds will be deposited pursuant to the Escrow Deposit Agreement (the "Escrow Agreement") with respect to Loans the purpose of which is to refinance prior loans, or with respect to the City of St. Augustine Beach Loan Agreements, into an account in the Project Loan Fund, to be disbursed upon requisition therefor. Although not actually disbursed to each Borrower, each Borrower is responsible for repayment of that portion of the Bonds corresponding to its pro-rata share of costs of issuance. The borrowing amount set forth below for each Borrower is the principal amount of the Bonds corresponding to the Loan to such Borrower.

Town of Bay Harbor Islands – The Town of Bay Harbor Islands is borrowing the proceeds of \$3,085,000.00 principal amount of the Bonds (which inclusive of net bond premium

is \$3,218,080.70) for the purposes of refunding prior indebtedness. The Town of Bay Harbor Islands Loan is expected to be repaid over a period of 18 years.

City of Belle Isle - The City of Belle Isle is borrowing the proceeds of \$935,000.00 principal amount of the Bonds (which inclusive of net bond premium is \$956,036.15) for the purposes of refunding prior indebtedness. The City of Belle Isle Loan is expected to be repaid over a period of 10 years.

Town of Eatonville – The Town of Eatonville is borrowing the proceeds of \$850,000.00 principal amount of the Bonds (which inclusive of net bond premium is \$887,316.45) for the purposes of refunding prior indebtedness. The Town of Eatonville Loan is expected to be repaid over a period of 14 years.

Town of Lake Park – The Town of Lake Park is borrowing the proceeds of \$3,660,000.00 principal amount of the Bonds (which inclusive of net bond premium is \$3,773,628.10) for the purposes of refunding prior indebtedness. The Town of Lake Park Loan is expected to be repaid over a period of 16 years.

City of North Miami – The City of North Miami is borrowing the proceeds of \$2,265,000.00 principal amount of the Bonds (which inclusive of net bond premium is \$2,388,060.10) for the purposes of refunding prior indebtedness. The City of North Miami Loan is expected to be repaid over a period of 6 years.

Town of Oakland – The Town of Oakland is borrowing the proceeds of \$1,845,000.00 principal amount of the Bonds (which inclusive of net bond premium is \$1,910,424.40) for the purposes of refunding prior indebtedness. The Town of Oakland Loan is expected to be repaid over a period of 16 years.

City of Port Richey – The City of Port Richey is borrowing the proceeds of \$3,055,000.00 principal amount of the Bonds (which inclusive of net bond premium is \$3,134,415.70) for the purposes of refunding prior indebtedness. The City of Port Richey Loan is expected to be repaid over a period of 19 years.

City of St. Augustine Beach – The City of St. Augustine Beach is borrowing the proceeds of \$6,420,000.00 principal amount of the Bonds (which inclusive of net bond premium is \$6,547,301.80) through separate loans for the purposes of refunding prior indebtedness and financing the cost of protecting and preserving natural areas, wildlife habitat, and improving parks and water quality. The City of St. Augustine Beach Covenant to Budget Loan is expected to be repaid over a period of 30 years. The City of St. Augustine Limited Tax Loan is expected to be repaid over a period of 12 years.

City of Valparaiso – The City of Valparaiso is borrowing the proceeds of \$2,405,000.00 principal amount of the Bonds (which inclusive of net bond premium is \$2,467,422.35) for the purposes of refunding prior indebtedness. The City of Valparaiso Loan is expected to be repaid over a period of 10 years.

ESTIMATED SOURCES AND USES

The following table sets forth the estimated sources and uses of funds in connection with the Bonds:

SOURCES OF FUNDS:

Par Amount	\$24,520,000.00
Net Bond Premium	762,685.75
Other Sources of Funds.....	<u>434,478.13</u>
 TOTAL SOURCES	 \$25,717,163.88

USES OF FUNDS:

Deposit to Project Loan Fund ⁽¹⁾	\$4,433,507.00
Deposit to Escrow Funds	20,493,701.15
Costs of Issuance ⁽²⁾	<u>789,955.73</u>
 TOTAL USES:.....	 \$25,717,163.88

⁽¹⁾ \$1,433,507 of such amount is being transferred to redeem the Issuer's Series 2010AA Bonds on October 1, 2016.

⁽²⁾ This includes legal fees, Underwriter's discount, bond insurance premium, debt service reserve fund surety bond premium, costs of printing and other incidental expenses.

SECURITY AND SOURCES OF PAYMENT

Limited Obligations; Trust Estate

The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from (i) the payments to be made by the Borrowers pursuant to the respective Loan Agreements, (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind subjected to the Indenture, as and for additional security for the Bonds, by the Issuer or by any other person on its behalf or with its written consent (collectively, the "Trust Estate"), as more fully described herein. The obligations of the respective Borrowers pursuant to the Loan Agreements are not a general debt, liability or obligation of the respective Borrowers, but are limited obligations of the Borrowers payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.

A portion of the proceeds to be received by the Issuer from the sale of the Bonds will be loaned by the Issuer to the Borrowers pursuant to the Loan Agreements. Each Loan Agreement

provides that the particular Borrower will make Basic Payments to the Trustee in such amounts and at such times so as to provide sufficient funds to pay the principal of, premium, if any, and interest on the Loan to the Borrower. **Each Loan Agreement represents the several obligation of the relevant Borrower and no Borrower is obligated under the Loan Agreement of any other Borrower. Therefore, each Borrower is only responsible for making Basic Payments that constitute the security for its proportionate share of the debt service on the Bonds.** The aggregate principal and interest payments included in the Basic Payments scheduled to be made by the Borrowers equal the scheduled debt service on the Bonds.

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee all of the Issuer's right, title and interest (with certain exceptions specified therein) in and to the respective Loan Agreements, including the Issuer's right to receive Loan Repayments, as the source of payment of and security for the Bonds.

The Covenants to Budget and Appropriate

In each Loan Agreement other than the St. Augustine Beach Limited Tax Loan Agreement (the "Covenant to Budget Loan Agreements"), each Borrower, including the City of St. Augustine Beach in its separate Covenant to Budget Loan Agreement, covenants and agrees to appropriate (such covenant being referred to as the "Covenant to Budget and Appropriate") in its annual budget, by amendment if required, and to pay when due under its Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues of the Borrower to satisfy its Loan Repayment obligations (each such loan referred to herein as a "Covenant to Budget Loan"). Such covenant is subject in all respects to the payment of obligations secured by a pledge of Non-Ad Valorem Revenues heretofore or hereinafter entered into. The Borrowers do not covenant to maintain any services or programs which generate Non-Ad Valorem Revenues or to maintain the charges they collect as of the date of this Official Statement for any such services or programs.

"Non-Ad Valorem Revenues" means all revenues and taxes of the Borrower derived from any source whatsoever, other than ad valorem taxation on real and personal property, and which are legally available for Loan Repayments.

In Florida, the revenues received by municipalities may be classified based upon whether such revenues are derived from ad valorem taxation. Ad valorem taxes are taxes levied by municipalities upon taxable real and tangible personal property located within the geographic jurisdiction of the municipality. Ad valorem taxes are levied based upon the assessed value of taxable property, and are imposed at a uniform rate per thousand dollars of assessed value. This rate is referred to as the "millage rate," with one mill representing one dollar of ad valorem taxes per thousand dollars of assessed valuation. Exclusive of millage levied pursuant to the approval of the qualified electors of a municipality, municipalities may not levy ad valorem taxes at a rate in excess of ten mills annually.

Revenues received by a municipality other than from ad valorem taxation are referred to as "Non-Ad Valorem Revenues." Florida municipalities collect Non-Ad Valorem Revenues from a variety of sources. Certain Non-Ad Valorem Revenues are not lawfully available to be

used by municipalities to satisfy their Loan Repayments. The primary sources of Non-Ad Valorem Revenues generally consist of half-cent sales tax revenues distributed to the municipality from the State, state revenue sharing monies, utility and communication tax revenues, franchise fees, license and permit fees.

Brief descriptions of certain of such Non-Ad Valorem Revenue sources are set forth below. These sources do not purport to constitute all of the Non-Ad Valorem Revenues, but are included to provide additional information regarding some Non-Ad Valorem Revenue sources.

"Half-Cent Sales Tax Revenues" constitute proceeds of the state sales tax that are distributed annually to a municipality pursuant to Chapter 218, Part VI, Florida Statutes. Currently, 8.9744% of the entire State sales tax (less an amount equal to 1% of such amount) is deposited into the Local Government Half-Cent Sales Tax Clearing Trust Fund and earmarked for distribution to Florida counties and cities. The Sales Tax Trust Fund also receives a portion of certain taxes imposed by the State on communications services. Half-cent sales tax revenues may be pledged by Florida local governments to secure indebtedness issued for capital projects.

"State Revenue Sharing" consists of amounts collected by the State from portions of two revenue sources: 1.3653% of net state sales tax collections and the one cent municipal fuel tax collections, which are paid into the Revenue Sharing Trust Fund for Municipalities and made available to Florida cities. Certain portions of state revenue sharing may by law be pledged to secure indebtedness.

"Public Service Tax Revenues" are derived from a local option tax on utilities that Florida municipalities may levy in the incorporated area. The tax may be levied at a rate of up to 10% on purchases of electricity, metered natural gas, liquefied petroleum gas, manufactured gas and water. Fuel oil may also be taxed at a rate up to four cents per gallon.

"Franchise Fees" are impositions imposed, primarily on private utility companies, for use of municipal right-of-way in providing services within the municipality. Terms and amount of the fees are subject to negotiation with the private provider.

Under the terms of the Covenant to Budget Loan Agreements, each Borrower may pledge its Non-Ad Valorem Revenues to obligations that it issues in the future, and certain Borrowers may have already pledged certain of their Non-Ad Valorem Revenues to existing indebtedness. In the event of any such pledge, such Non-Ad Valorem Revenues would be required to be applied to said obligations prior to being used to repay a Loan.

The amount and availability of Non-Ad Valorem Revenues of each of the Borrowers are subject to change, including reduction or elimination by change of state law or changes in the facts and circumstances according to which certain of the Non-Ad Valorem Revenues are collected. The amount of Non-Ad Valorem Revenues collected by a Borrower is, in certain circumstances, beyond the control of the Borrower.

Reserve Fund

General. The Indenture establishes a Reserve Fund, which is required to be funded at closing in an amount equal to the "Reserve Requirement" (as defined below), and which the Issuer intends to fund initially by means of a Debt Service Reserve Fund Surety Bond (the "Surety Bond") originally issued by MBIA Insurance Corporation and now guaranteed by National Public Finance Guarantee Corporation (the "Bond Insurer" or "National"), as described below. The Reserve Requirement is defined to be five percent (5%) of the original par amount of the Bonds. The Reserve Fund shall be on a parity with any reserve fund established by the Issuer in any other approved series of the Issuer's bonds listed in the Surety Bond; provided, however, prior to any other approved series of the Issuer's bonds being listed in the Surety Bond, such bonds shall have a reserve requirement at least equal to five percent (5%) of the original par amount of such bonds, and the limit of the Surety Bond shall be increased by an amount equal to such reserve requirement.

Moneys on deposit in the Reserve Fund shall be applied on any Interest Payment Date or redemption date on which a deficiency exists in the Principal Fund or Revenue Fund which cannot be cured by funds in any other Fund or Account held pursuant to the Indenture and available for such purpose. Thus, amounts on deposit in the Reserve Fund are available to cure a deficiency in the Principal Fund or Revenue Fund resulting from the failure of a Borrower to timely pay debt service on its Loan.

The Indenture provides that the Issuer may issue additional bonds and that the Reserve Fund may serve as the reserve fund for such additional bonds, but only with the written consent of the Bond Insurer; provided, however, that such combined reserve fund shall only be permitted if the Surety Bond is then in effect. If a demand for payment relates to one or more reserve funds from more than one series of bonds, and such demand for payment exceeds the limit of the Surety Bond, then the Surety Bond shall be allocated on a pro-rata basis for each reserve fund from each series and for each Borrower. The Issuer may also substitute an Alternate Surety Bond for the Reserve Fund Surety Bond, again only with the written consent of the Bond Insurer.

If a disbursement is made from the Surety Bond, the Issuer shall reimburse the Surety Bond Provider as soon as possible, but in any case within one year of any disbursement the amount of such disbursement. The Trustee is required to reimburse the Surety Bond Provider with interest until the face amount of the Surety Bond is reinstated before any deposit is made to the Principal Fund. In the event the Surety Bond Provider becomes insolvent, fails to perform pursuant to the terms of the Surety Bond or suffers a ratings downgrade, neither the Issuer, the Trustee nor the Borrowers are required to deposit cash into the Reserve Fund or otherwise replace the Surety Bond.

Moneys on deposit in the Reserve Fund shall be applied as follows (unless otherwise provided in the Indenture):

- (i) On the date of each required payment of principal of or interest in respect to the Bonds, moneys in the Reserve Fund or received from a draw on the Surety Bond shall be applied to cure any deficiency in the Principal Fund and the Revenue Fund. The

Issuer agrees that any transfer from the Reserve Fund to the Principal Fund and the Revenue Fund or any proceeds from the Surety Bond deposited into such Funds pursuant to this paragraph shall not be construed as preventing, waiving, or curing any nonpayment of any Loan Repayments required under each Loan Agreement until the amount of such deficiency has been restored; and

(ii) In each month during the twelve-month period preceding the final maturity date of the Bonds, so long as no Event of Default has occurred and is continuing, if moneys are then held in the Reserve Fund, such moneys shall be credited against the payment of principal of and interest on the Bonds and shall be transferred to the Principal Fund and the Revenue Fund for the payment of such principal and interest.

The Surety Bond. On September 6, 2007, MBIA Insurance Corporation ("MBIA Corp.") issued its debt service reserve fund surety bond numbered 37958(2)R (the "Existing Surety Bond") in connection with certain prior obligations of the Issuer, which Existing Surety Bond remains in full force and effect. The Existing Surety Bond is being amended and reissued by National Public Finance Guarantee Corporation ("National") in connection with the issuance of the Bonds. A copy of the amended and restated surety bond (referred to herein as the "Surety Bond") is attached hereto as APPENDIX P. See also "The Surety Bond Provider" below. The Surety Bond secures the "Obligations" (as defined therein), which consist of all series of Issuer's revenue bonds set forth on Annex A attached thereto, subject to the maximum limit of the Surety Bond (currently, \$20,827,000, prior to the issuance of the Bonds), through the stated maturity date of the Surety Bond, described below. The Existing Surety Bond has not been previously drawn upon.

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The Surety Bond includes the Reserve Requirement for the Bonds as covered under the Surety Bond. As of the date hereof, other indebtedness of the Issuer is covered under the Existing Surety Bond as described below:

<u>Issue</u>	<u>Final Maturity</u>	<u>Debt Service Reserve Fund Requirement⁽²⁾</u>
FMLC 2001A ⁽¹⁾	2031	\$4,510,500
FMLC 2002A ⁽¹⁾	2032	1,352,000
FMLC 2003A ⁽¹⁾	2033	3,566,000
FMLC 2003B	2034	1,569,750
FMLC 2004A ⁽¹⁾	2034	779,250
FMLC 2005A ⁽¹⁾	2034	2,781,500
FMLC 2005B	2030	907,250
FMLC 2005C ⁽¹⁾	2019	780,500
FMLC 2005D ⁽¹⁾	2035	921,250
FMLC 2006	2037	1,118,250
FMLC 2007A	2017	2,540,750

⁽¹⁾ Refunded in full by the issuance of the Bonds, resulting in a reduction of the maximum limit of the Surety Bond by \$14,691,000.

⁽²⁾ The Reserve Requirement with respect to the Bonds is \$1,226,000, and the maximum limit of the Surety Bond as of the date of issuance of the Bonds (which will include coverage of the 2003B Bonds, 2005B Bonds and 2006 Bonds and 2007A Bonds described above) will be \$7,362,000.

The Surety Bond provides that upon a Demand for Payment made by the Trustee to National to the effect that insufficient amounts are available to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Obligations, National will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Obligations or the available amount of the Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by National of a Demand for Payment in the form attached to the Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Trustee to National, National will make a deposit of funds in an account with U.S. Bank National Association, in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the available amount of the Surety Bond.

The available amount of the Surety Bond is the initial face amount of the Surety Bond less the amount of any previous deposits by National which have not been reimbursed by the Issuer.

The Surety Bond Provider. As described above, the Surety Bond will be issued by National. National does not accept any responsibility for the accuracy or completeness of any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding National and the Surety Bond under which National is

obligated. Additionally, National makes no representation regarding the Bonds or the advisability of investing in the Bonds.

For additional information regarding National, See "BOND INSURANCE," herein.

Anti-Dilution Covenant

Each of the Borrowers which has entered into a Covenant to Budget Loan Agreement has covenanted (such covenant being referred to as the "Anti-Dilution Covenant") in its Loan Agreement to the effect that the Borrower may incur additional debt secured by the Non-Ad Valorem Revenues, or a covenant to budget and appropriate the Non-Ad Valorem Revenues, only if: (i) the average annual Net Non-Ad Valorem Revenues Available For Debt Service for the two immediately preceding Fiscal Years for which audited financial statements are available were at least 2.0 times the Proforma Maximum Annual Non-Ad Valorem Debt Service; and (ii) the Proforma Maximum Annual Debt Service does not exceed 20% of the average annual Net Total Governmental Fund Revenues for the two immediately preceding Fiscal Years for which audited financial statements are available. Prior to the issuance of any additional debt of the Borrower secured by Non-Ad Valorem Revenues, or a covenant to budget and appropriate Non-Ad Valorem Revenues, the Borrower is required to provide an anti-dilution certificate demonstrating compliance to the Issuer and the Bond Insurer. As described below, the Town of Bay Harbor Islands and the City of Port Richey do not currently meet, and after issuance of the Bonds are not expected to meet, the anti-dilution covenant. Consequently, the Town of Bay Harbor Islands and City of Port Richey will not be able to issue other debt payable from Non-Ad Valorem Revenues until such time as they are able to satisfy such requirements.

For purposes of calculating the Proforma Maximum Annual Debt Service and the Proforma Maximum Annual Non-Ad Valorem Debt Service, if the terms of the debt are such that interest thereon for any future period of time is to be calculated at a rate which is not then susceptible of precise determination ("Variable Rate Indebtedness"), interest on such Variable Rate Indebtedness shall be computed based on the average annual interest rate paid over the last three years plus 150 basis points.

For purposes of calculating the Proforma Maximum Annual Debt Service and the Proforma Maximum Annual Non-Ad Valorem Debt Service, if 25% or more of the principal amount of any existing debt comes due in any one year ("Balloon Indebtedness"), it shall be assumed the Balloon Indebtedness amortizes over the maturity of the debt on a level debt service basis, provided, however, that the Borrower shall not incur any Balloon Indebtedness without consent of the Bond Insurer.

The following words and terms as used under this subheading shall have the following meanings:

- (i) "Adjusted Essential Expenditures" means essential expenditures for general government and public safety as shown in the Borrower's audited financial statements less any revenues derived from ad valorem taxation on real and personal property that are legally available to pay for such expenditures.

(ii) "Net Non-Ad Valorem Revenues Available For Debt Service" means the Non-Ad Valorem Revenues minus Adjusted Essential Expenditures.

(iii) "Net Total Governmental Fund Revenues" means Total Governmental Fund Revenues less the proceeds of any debt of the Borrower.

(iv) "Non-Ad Valorem Revenue Obligations" means obligations evidencing indebtedness for borrowed money (A) payable from or secured by a pledge of or lien on one or more sources of Non-Ad Valorem Revenues, or (B) payable, directly or indirectly, from a covenant to budget and appropriate Non-Ad Valorem Revenues, but only if the Borrower reasonably expects to apply Non-Ad Valorem Revenues to the payment of debt service, directly or indirectly, on such obligations and only to the extent that amounts other than Non-Ad Valorem Revenues available and pledged to pay such obligations during the prior Fiscal Year for which audited financial statements are available were less than the maximum annual debt service for such obligations for the then current or any subsequent Fiscal Year.

(v) "Proforma Maximum Annual Debt Service" means the maximum annual debt service on all existing debt and additional debt of the Borrower secured by or payable from the Total Governmental Fund Revenues.

(vi) "Proforma Maximum Annual Non-Ad Valorem Debt Service" means the maximum annual debt service on a consolidated basis of all existing and additional Non-Ad Valorem Revenue Obligations.

(vii) "Total Governmental Fund Revenues" means any revenues allocated to and accounted for in the Borrower's general fund, special funds, debt service funds, capital projects funds, or any other funds described and identified in the audited financial statements of the Borrower as a governmental fund; provided, however, grants and other one-time items, including, but not limited to, insurance proceeds, do not constitute Total Governmental Fund Revenues.

Additional Bonds: Permitted Parity Indebtedness

No additional bonds or debt of the Issuer may be issued pursuant to the Indenture. However, the Issuer may issue additional indebtedness, including future series of bonds, for any other purposes of the Issuer (including in order to make loans to borrowers), provided that such indebtedness may not be payable from the Trust Estate pledged to the repayment of the Bonds. There is no limitation on the issuance of additional debt by the Borrowers except as may result from compliance with the obligations described above under the caption "Anti-Dilution Covenant."

Acceleration of Bonds

If an Event of Default has occurred and is continuing, the Bond Insurer shall, subject to the provisions in the following sentence, have the right to direct the Trustee to declare immediately due and payable the principal amount of the Outstanding Bonds, provided that as a

condition to such direction of acceleration the Bond Insurer shall have deposited Insurance Proceeds with the Trustee in an amount equal to principal of and interest accrued and to accrue (to a date not less than thirty (30) days following the Bond Insurer's notice of direction to the Trustee of acceleration) on the Bonds Outstanding which are due as a result of such acceleration. Notwithstanding the foregoing or any provision of the Indenture to the contrary, in the event an Event of Default has occurred because of a default under less than all of the related Loan Agreements, the Bond Insurer shall only have the right to direct the Trustee to declare immediately due and payable a principal amount of the Outstanding Bonds in an amount equal to the principal amount of the Loan or Loans then in default. In such event, the Bond Insurer shall direct the Trustee as to which of the Outstanding Bonds shall be declared immediately due and payable. In making such declaration, the Issuer and the Bond Insurer may only declare Bonds immediately due and payable which correspond in terms of amount and scheduled maturity date to the related Loan Repayments. When the Trustee is directed that payment with respect to such Bonds is to be accelerated by the Bond Insurer pursuant to the Indenture and when the Bond Insurer, in connection with acceleration of such Bonds by the Trustee, shall have elected in its discretion to deposit Insurance Proceeds in an amount sufficient to pay all amounts of principal and interest due on such Bonds including principal due by reason of acceleration and has so notified the Trustee, the Trustee shall mail notice to the registered Owners of such Bonds not less than fifteen days prior to the date (the "Insurance Payment Date") to which interest accrued and to accrue on such Bonds has been provided by the Bond Insurer, which notice shall state the manner in which such Bonds may be assigned to the Bond Insurer or to an agent or designee thereof in exchange for payment thereon and shall state that from and after the Insurance Payment Date, interest shall cease to accrue on such Bonds for the benefit of such registered Owners (provided that an amount equal to such interest shall continue to accrue on such Bonds assigned to the Bond Insurer as aforesaid).

Outstanding Borrower Indebtedness; Calculations of Anti-Dilution Test Compliance; Historical Pro Forma Debt Service Coverage

Set forth below for the Borrowers under the Covenant to Budget Loan Agreements are brief descriptions of other covenant to budget-secured indebtedness or indebtedness secured by Non-Ad Valorem Revenues, a calculation of each Borrower's compliance with the anti-dilution test described above as of September 30, 2015, and a breakdown of historical Non-Ad Valorem Revenues for fiscal years 2011-2015.

Town of Bay Harbor Islands. After issuance of the Bonds, the Town of Bay Harbor Islands will, in addition to its Loan Agreement related to the Bonds, also have outstanding its Series 2012 Broad Causeway Note secured by a backup covenant to budget and appropriate Non-Ad Valorem Revenues, its Series 2012 Refunding Note secured by a pledge of half-cent sales tax revenues, franchise fees and utility service tax revenues, and its Parking Garage Note secured by a covenant to budget and appropriate Non-Ad Valorem Revenues. Set forth below is the combined debt service schedule:

Town of Bay Harbor Islands Combined Debt Service

Fiscal Year	Promissory Note Series 2012 Broad Causeway ⁽¹⁾	Promissory Refunding Note Series 2012 Community Enhancements ⁽²⁾	Promissory Refunding Note Series 2012 Parking Garage ⁽³⁾	FMLC 2016	Total
2016	\$1,120,835.80	\$382,832.25	\$355,700.60		\$1,859,368.65
2017	1,121,342.80	385,572.70	358,015.20	\$116,315.00	1,981,245.70
2018	1,120,318.50	382,187.75	360,156.20	115,600.00	1,978,262.45
2019	1,120,788.20	382,698.30	427,123.60	120,450.00	2,051,060.10
2020	1,120,701.30	383,062.55	425,506.90	120,050.00	2,049,320.75
2021	1,121,057.80	383,280.50	418,760.00	119,750.00	2,042,848.30
2022	1,120,832.40	382,362.60	421,991.40	119,450.00	2,044,636.40
2023	1,121,025.10	380,329.75	441,984.10	119,050.00	2,062,388.95
2024	1,120,610.60	379,181.95	442,369.20	118,850.00	2,061,011.75
2025	1,120,588.90	380,877.40	441,559.00	118,650.00	2,061,675.30
2026	1,120,934.70	381,395.20	441,575.20	118,425.00	2,062,330.10
2027	1,120,622.70	381,745.80	442,396.10	118,200.00	2,062,964.60
2028	1,120,652.90	380,939.65	-	117,950.00	1,619,542.55
2029	-	-	-	557,650.00	557,650.00
2030	-	-	-	555,150.00	555,150.00
2031	-	-	-	556,650.00	556,650.00
2032	-	-	-	551,800.00	551,800.00
2033	-	-	-	551,650.00	551,650.00
2034	-	-	-	551,050.00	551,050.00
TOTAL	\$14,570,311.70	\$4,966,466.40	\$4,977,137.50	\$4,746,690.00	\$29,260,605.60

⁽¹⁾ Secured by a pledge of causeway revenues and backup covenant to budget and appropriate Non-Ad Valorem Revenues.

⁽²⁾ Secured by a pledge of the Town's half-cent sales tax revenues, franchise fees and utility service tax revenues.

⁽³⁾ Secured by a covenant to budget and appropriate Non-Ad Valorem Revenues. Paid from Parking Revenues.

The Town of Bay Harbor Islands maintains a defined benefit pension system for its full time general employees and police officers, which at the conclusion of fiscal year 2015 showed a fiduciary net position as a percentage of total pension liability of 94.12%. In addition, allowing retired employees to continue to participate in the Town's group health plan creates an implicit subsidy and accrues other post-employment benefits ("OPEB") liability. See "APPENDIX F -- Financial Information Regarding Town of Bay Harbor Islands."

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Set forth below is the calculation of anti-dilution test compliance with respect to the Town of Bay Harbor Islands as of September 30, 2015 (but taking into account the issuance of the Bonds and the refunding of the indebtedness to be refunded thereby):

Town of Bay Harbor Islands Non-Ad Valorem Revenue Anti-Dilution Test

Revenues	Prior Two-Year		
	FY 2014	FY 2015	Average
Total Governmental Funds	\$6,872,412	\$9,136,700	\$8,004,556
Less: Ad Valorem Revenues	(3,054,392)	(3,332,606)	(3,193,499)
Total Governmental Non-Ad Valorem Revenues	3,818,020	5,804,094	4,811,057
Transfers from Enterprise Funds ⁽¹⁾	1,672,950	1,692,655	1,682,803
Less: Restricted Funds	-	-	-
Adjusted Non-Ad Valorem Revenues	5,490,970	7,496,749	6,493,860
Expenditures			
Essential Expenditures			
General Government	992,855	1,146,798	1,069,827
Public Safety	4,219,057	4,401,701	4,310,379
Total Essential Expenditures	5,211,912	5,548,499	5,380,206
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(3,054,392)	(3,332,606)	(3,193,499)
Adjusted Essential Expenditures	2,157,520	2,215,893	2,186,707
Net Non-Ad Valorem Revenues available for Debt Service	3,333,450	5,280,856	4,307,153
Ad Valorem Revenues Restricted for Debt Service			-
Debt Proceeds			-
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			4,307,153
Test 1 – Adjusted Net Non-Ad Valorem Revenues covers Proforma Non-Ad Valorem MADS by 2.0x			
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			4,307,153
Proforma Maximum Annual Non-Ad Valorem Debt Service ⁽¹⁾			1,623,231
Coverage			2.65
Test 2 - Proforma MADS does not exceed 20% of Net Total Governmental Fund Revenues			
Net Total Governmental Fund Revenues			8,004,556
Proforma Maximum Annual Debt Service ⁽¹⁾			1,623,231
Percentage			20.28%

⁽¹⁾ Includes the Promissory Refunding Note for Community Enhancements Series 2012, the Promissory Refunding Note for the Broad Causeway Series 2012. The Town pays the debt service on the Broad Causeway Series 2012 Promissory Note from the Causeway Fund, a business-type activity fund of the Town. Transfers from the Causeway Fund to the General Fund as a reimbursement for public safety expenditures are included in Adjusted Non-Ad Revenues; other causeway revenues are not. Operating income (prior to transfers) of the Causeway Fund was \$2,547,224 in FY 2015 and \$ 1,440,677 in FY 2014. Transfers were made by the Causeway Fund to the General Fund of \$1,065,000 in FY 2015 and \$1,055,000 in FY 2014 to reimburse the Town for related public safety expenditures.

Source: Town of Bay Harbor Islands Finance Department.

The foregoing test does not indicate current compliance with the anti-dilution test under Bay Harbor's Loan Agreement, and the Town would not, after issuance of the Bonds, be able to issue additional debt secured by Non-Ad Valorem Revenues until such time as it is able to satisfy each requirement, or a covenant to budget and appropriate the Non-Ad Valorem Revenues. See "APPENDIX F -- Financial Information Regarding Town of Bay Harbor Islands".

Set forth below is a table showing historical Non-Ad Valorem Revenues of the Town of Bay Harbor Islands:

**Town of Bay Harbor Islands Historical Non-Ad Valorem Revenues
FY 2011 through 2015**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Non-Ad Valorem Revenues:					
Franchise Fees	\$359,930	\$347,019	\$350,569	\$373,096	\$363,587
Utility Taxes	390,796	399,923	422,974	461,350	452,355
Communications Services Tax	323,884	305,124	281,603	270,719	249,333
Occupational Licenses	61,619	61,503	64,953	61,505	63,146
Building Permits and Fees	91,767	130,125	445,011	764,830	1,117,111
Other Licenses and Registrations					
Fines and Forfeitures	143,530	148,308	187,480	118,455	119,988
Sales Tax	319,564	365,685	388,606	413,855	434,991
Beverage License	1,720	2,416	1,860	3,000	4,920
Mobile Home Licenses					
Investment Earnings	42,924	83,813	(57,892)	12,555	39,064
Charges for Services	2,783	2,893	11,435	119,252	188,524
Facilities Rentals					
Revenue Sharing	395,564	436,869	486,223	496,847	530,552
Sales of Assets ⁽¹⁾		-	310,000	637,500	2,186,000
Miscellaneous	120,134	90,503	147,382	85,054	54,523
Total Non-Ad Valorem Revenues	\$2,254,215	\$2,374,181	\$3,040,204	\$3,818,018	\$5,804,094

⁽¹⁾ Sales of transferable development rights.

Source: Town of Bay Harbor Islands, Florida.

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City of Belle Isle. Set forth below is the debt service schedule related to the City of Belle Isle's Loan Agreement, which represents its only indebtedness secured by a pledge of or a covenant to budget and appropriate Non-Ad Valorem Revenues:

City of Belle Isle Debt Service

Fiscal Year	FMLC 2016
2017	\$105,666.81
2018	108,925.00
2019	106,375.00
2020	107,975.00
2021	110,275.00
2022	107,425.00
2023	103,625.00
2024	106,725.00
2025	109,725.00
2026	107,362.50
TOTAL	\$1,074,079.31

The City of Belle Isle is a participant in the Florida Municipal Pension Trust Fund, a multiple-employer 401(a) defined contribution plan. In addition, allowing retired employees to continue to participate in the City's group health plan creates an implicit subsidy and accrues other post-employment benefits ("OPEB") liability. See "APPENDIX G -- Financial Information Regarding City of Belle Isle."

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Set forth below is the calculation of anti-dilution test compliance with respect to the City of Belle Isle as of September 30, 2015 (but taking into account the issuance of the Bonds and the refunding of the indebtedness to be refunded thereby):

City of Belle Isle Non-Ad Valorem Revenue Anti-Dilution Test

Revenues	FY 2014	FY 2015	Prior Two-Year Average
Total Governmental Funds	\$15,033,033	\$15,807,051	\$15,420,042
Less: Ad Valorem Revenues	(2,479,107)	(2,506,520)	(2,492,814)
Total Governmental Non-Ad Valorem Revenues	12,553,926	13,300,531	12,927,229
Less: Restricted Funds ⁽¹⁾	(9,770,144)	(10,353,186)	(10,061,665)
Available Non-Ad Valorem Revenues	2,783,782	2,947,345	2,865,564
Adjusted Non-Ad Valorem Revenues	2,783,782	2,947,345	2,865,564
Expenditures			
Essential Expenditures			
General Government	988,079	991,080	989,580
Public Safety	2,547,179	2,531,847	2,539,513
Total Essential Expenditures	3,535,258	3,522,927	3,529,093
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(2,479,107)	(2,506,520)	(2,492,814)
Adjusted Essential Expenditures	1,056,151	1,016,407	1,036,279
Net Non-Ad Valorem Revenues available for Debt Service	1,727,631	1,930,938	1,829,285
Ad Valorem Revenues Restricted for Debt Service			-
Debt Proceeds			-
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			1,829,285
Test 1 – Adjusted Net Non-Ad Valorem Revenues covers Proforma Non-Ad Valorem MADS by 2.0x			
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			1,829,285
Proforma Maximum Annual Non-Ad Valorem Debt Service Coverage			110,275 16.59
Test 2 – Proforma MADS does not exceed 20% of Net Total Governmental Fund Revenues			
Net Total Governmental Fund Revenues			15,420,042
Proforma Maximum Annual Debt Service			110,275
Percentage			0.72%

⁽¹⁾ Restricted funds include the City's Debt Service Fund, all Nonmajor Funds and a portion of the Cornerstone Charter High School and Cornerstone Charter Academy Funds.

Source: City of Belle Isle Finance Department.

Set forth below is a table showing historical Non-Ad Valorem Revenues of the City of Belle Isle:

**City of Belle Isle Historical Non-Ad Valorem Revenues
FY 2011 through 2015**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Non-Ad Valorem Revenues:					
Franchise Fees	\$269,512	\$257,942	\$269,344	\$252,674	\$248,844
Utility Taxes	168,915	137,968	140,572	157,734	156,291
Occupational Licenses	15,512	13,954	11,118	15,045	15,534
Building Permits and Fees	150,353	111,188	122,118	131,650	162,432
Other Licenses and Registrations	1,024	3,557	4,727	4,592	2,662
Fines and Forfeitures	19,821	18,575	34,785	44,310	24,992
Sales Tax	751,309	776,497	833,187	916,456	964,476
Beverage License	851	196	1,150	832	685
Mobile Home Licenses	-	-	-	-	-
Interest	2,949	5,310	1,986	360	2,530
Charges for Services	495,142	487,294	532,072	544,934	547,058
Facilities Rentals	-	-	-	-	-
Revenue Sharing	439,552	431,611	449,189	496,883	524,704
Sales of Assets	-	-	-	2,337	18,100
Miscellaneous	7,460	35,174	42,324	47,803	48,377
Excess Charter Revenue ⁽¹⁾	-	-	165,762	168,170	230,660
Total Non-Ad Valorem Revenues	\$2,322,400	\$2,279,266	\$2,608,334	\$2,783,782	\$2,947,345

⁽¹⁾ In 2012 the City of Belle Isle issued its Charter School Lease Revenue Bonds (the "2012 Bonds"), which are secured by amounts payable by City of Belle Isle Charter Schools, Inc. (the "Company") to the City. Excess Charter Revenues represents excess revenues received by the City from the Company above amounts necessary to pay debt service on the 2012 Bonds. Since the 2012 Bonds are payable solely from charter school revenues and not from other amounts received by the City, they are not listed on the combined debt service schedule for Belle Isle in this Official Statement. The 2012 Bonds are included as City debt in the City's Fiscal Year 2015 financial statements due to overlap between the board of the Company and the Belle Isle City Commission. The City has advised that such overlap is expected to be eliminated shortly, whereupon the 2012 Bonds will not be listed as City debt on the City's financial statements.

Source: City of Belle Isle Finance Department.

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Town of Eatonville. Set forth below is the debt service schedule related to the Town of Eatonville's Loan Agreement, which represents its only indebtedness secured by a pledge of or covenant to budget and appropriate Non-Ad Valorem Revenues:

Town of Eatonville Debt Service

Fiscal Year	FMLC 2016
2017	\$81,534.10
2018	80,287.50
2019	78,637.50
2020	76,437.50
2021	74,787.50
2022	73,137.50
2023	75,937.50
2024	74,737.50
2025	73,537.50
2026	77,187.50
2027	75,725.00
2028	79,100.00
2029	77,000.00
2030	73,500.00
TOTAL	\$1,071,546.60

The Town of Eatonville maintains a defined benefit pension system for its sworn police officers, which at the conclusion of fiscal year 2015 showed a fiduciary net position as a percentage of total pension liability of 141.24%, and a defined contribution plan for all other Town employees meeting certain age and length of service requirements. In addition, allowing retired employees to continue to participate in the Town's group health plan creates an implicit subsidy and accrues other post-employment benefits ("OPEB") liability. See "APPENDIX H -- Financial Information Regarding Town of Eatonville."

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Set forth below is the calculation of anti-dilution test compliance with respect to the Town of Eatonville as of September 30, 2015 (but taking into account the issuance of the Bonds and the refunding of the indebtedness to be refunded thereby):

Town of Eatonville Non-Ad Valorem Revenue Anti-Dilution Test

Revenues	FY 2014	FY 2015	Prior Two-Year Average
	Total Governmental Funds	\$3,437,324	\$3,498,187
Less: Ad Valorem Revenues	(1,491,222)	(1,655,576)	(1,573,399)
Total Governmental Non-Ad Valorem Revenues	1,946,102	1,842,611	1,894,357
Less: Restricted Funds ⁽¹⁾	(8,622)	(4,822)	(6,722)
Available Non-Ad Valorem Revenues	1,937,480	1,837,789	1,887,635
Transfers from Enterprise Funds	159,000	295,000	227,000
Adjusted Non-Ad Valorem Revenues	2,096,480	2,132,789	2,114,635
Expenditures			
Essential Expenditures			
General Government	1,109,496	1,140,113	1,124,805
Public Safety	1,544,109	1,391,829	1,467,969
Total Essential Expenditures	2,653,605	2,531,942	2,592,774
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(1,491,222)	(1,655,576)	(1,573,399)
Adjusted Essential Expenditures	1,162,383	876,366	1,019,375
Net Non-Ad Valorem Revenues available for Debt Service	934,097	1,256,423	1,095,260
Ad Valorem Revenues Restricted for Debt Service			-
Debt Proceeds			-
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			1,095,260
Test 1 – Adjusted Net Non-Ad Valorem Revenues covers Proforma Non-Ad Valorem MADS by 2.0x			
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			1,095,260
Proforma Maximum Annual Non-Ad Valorem Debt Service Coverage			81,534 13.43
Test 2 - Proforma MADS does not exceed 20% of Net Total Governmental Fund Revenues			
Net Total Governmental Fund Revenues			3,467,756
Proforma Maximum Annual Debt Service Percentage			81,534 2.35%

⁽¹⁾ Restricted Funds include CRA revenue other than ad valorem revenues.

Source: Town of Eatonville Finance Department.

Set forth below is a table showing historical Non-Ad Valorem Revenues of the Town of Eatonville:

**Town of Eatonville Historical Non-Ad Valorem Revenues
FY 2011 through 2015**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Non-Ad Valorem Revenues:					
Franchise Fees	\$400,481.00	\$389,941.00	\$373,087.00	\$388,149.00	\$378,158.00
Utility Taxes	651,021.00	638,536.00	657,642.00	706,491.00	657,018.00
Occupational Licenses	17,962.00	15,761.00	16,099.00	20,600.00	16,341.00
Building Permits and Fees	47,218.00	45,044.00	61,055.00	39,760.00	43,859.00
Other Licenses and Registrations	n/a	n/a	n/a	n/a	n/a
Fines and Forfeitures	13,311.00	13,830.00	13,210.00	42,103.00	35,255.00
Sales Tax	295,009.00	272,354.00	294,711.00	337,319.00	327,545.00
Beverage License	440.00	147.00	783.00	294.00	661.00
Mobile Home Licenses	n/a	n/a	n/a	n/a	n/a
Interest	171.00	778.00	56.00	104.00	34.00
Charges for Services	58,966.00	76,225.00	67,713.00	85,962.00	37,928.00
Facilities Rentals	92,383.00	95,536.00	130,345.00	131,643.00	140,809.00
Revenue Sharing	103,819.00	104,509.00	103,831.00	105,287.00	107,812.00
Sales of Assets	1,785.00	2,005.00	-	-	450.00
Miscellaneous	110,634.00	100,873.00	31,998.00	79,768.00	91,919.00
Total Non-Ad Valorem Revenues	\$1,793,200.00	\$1,755,539.00	\$1,750,530.00	\$1,937,480.00	\$1,837,789.00

Source: Town of Eatonville, Florida.

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Town of Lake Park. After issuance of the Bonds, the Town of Lake Park will, in addition to its Loan Agreement related to the Bonds, also have outstanding three separate loans with Bank of America secured by a covenant to budget and appropriate Non-Ad Valorem Revenues, the remedies for events of default under which include a right of acceleration. Set forth below is the combined debt service schedule:

Town of Lake Park Combined Debt Service

Fiscal Year	BOA 2008A	BOA 2008B	BOA 2009	FMLC 2016	Total
2016	\$313,628	\$23,119	\$104,726	-	\$441,473
2017	313,485	23,096	104,724	\$283,540	724,845
2018	313,337	23,072	104,724	279,513	720,646
2019	313,182	23,046	104,725	284,413	725,366
2020	313,026	23,018	104,725	282,213	722,982
2021	312,859	22,988	104,723	281,663	722,233
2022	312,689	22,956	104,725	285,963	726,333
2023	312,513	22,922	104,726	277,963	718,124
2024	207,254	22,885	104,723	283,963	618,825
2025	207,133	22,847	-	284,763	514,743
2026	207,013	22,805	-	284,925	514,743
2027	206,884	22,761	-	284,975	514,620
2028	206,752	22,714	-	279,350	508,816
2029	-	-	-	277,600	277,600
2030	-	-	-	281,100	281,100
2031	-	-	-	283,850	283,850
2032	-	-	-	281,050	281,050
2033	-	-	-	278,100	278,100
TOTAL⁽¹⁾	\$3,539,755	\$298,229	\$942,521	\$4,794,940	\$9,575,449

⁽¹⁾ Numbers may not add due to rounding.

The Town of Lake Park maintains a defined benefit pension system for retired police officers, which at the conclusion of fiscal year 2015 showed a fiduciary net position as a percentage of total pension liability of 81.02%, and a defined contribution plan for other employees. In addition, allowing retired employees to continue to participate in the Town's group health plan creates an implicit subsidy and accrues other post-employment benefits ("OPEB") liability. See "APPENDIX I -- Financial Information Regarding Town of Lake Park."

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Set forth below is the calculation of anti-dilution test compliance with respect to the Town of Lake Park as of September 30, 2015 (but taking into account the issuance of the Bonds and the refunding of the indebtedness to be refunded thereby):

Town of Lake Park Non-Ad Valorem Revenue Anti-Dilution Test

Revenues	FY 2014	FY 2015	Prior Two-Year Average
Total Governmental Funds	\$9,072,977	\$9,801,721	\$9,437,349
Less: Ad Valorem Revenues	(4,554,358)	(4,839,895)	(4,697,127)
Total Governmental Non-Ad Valorem Revenues	4,518,619	4,961,826	4,740,223
Less: Restricted Funds ⁽¹⁾	(1,137,550)	(1,145,094)	(1,141,322)
Available Non-Ad Valorem Revenues	3,381,069	3,816,732	3,598,901
Transfers from Enterprise Funds	200,000	250,000	225,000
Adjusted Non-Ad Valorem Revenues	3,581,069	4,066,732	3,823,901
Expenditures			
Essential Expenditures			
General Government	1,459,677	1,610,692	1,535,185
Public Safety	4,754,459	4,926,858	4,840,659
Total Essential Expenditures	6,214,136	6,537,550	6,375,844
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(4,554,358)	(4,839,895)	(4,697,127)
Adjusted Essential Expenditures	1,659,778	1,697,655	1,678,717
Net Non-Ad Valorem Revenues available for Debt Service	1,921,291	2,369,077	2,145,184
Ad Valorem Revenues Restricted for Debt Service			768,107
Debt Proceeds			-
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			1,377,077
Test 1 – Adjusted Net Non-Ad Valorem Revenues covers Proforma Non-Ad Valorem MADS by 2.0x			
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			1,377,077
Proforma Maximum Annual Non-Ad Valorem Debt Service ⁽²⁾			379,416
Coverage ⁽²⁾			3.63
Test 2 - Proforma MADS does not exceed 20% of Net Total Governmental Fund Revenues			
Net Total Governmental Fund Revenues			9,437,349
Proforma Maximum Annual Debt Service ⁽²⁾			1,147,533
Percentage			12.16%

⁽¹⁾ Restricted Funds include Nonmajor Governmental Funds.

⁽²⁾ Includes the Bank of America Loans Series 2008A and Series 2009. Does not include debt attributable to and paid from Marina Fund revenues.

Source: Town of Lake Park Finance Department.

Set forth below is a table showing historical Non-Ad Valorem Revenues of the Town of Lake Park:

**Town of Lake Park Historical Non-Ad Valorem Revenues
FY 2011 through 2015**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Non-Ad Valorem Revenues:⁽¹⁾					
Franchise Fees	\$572,846	\$545,895	\$493,884	\$651,664	\$598,424
Utility Taxes	796,663	804,467	849,228	926,495	952,772
Occupational Licenses	323,867	309,659	331,742	332,267	335,325
Building Permits and Fees	77,725	117,437	115,670	116,584	202,830
Other Licenses and Registrations	26,502	43,748	54,867	88,447	84,608
Fines and Forfeitures	126,683	183,345	185,451	167,991	80,929
Sales Tax	579,262	533,602	563,688	605,562	650,565
Beverage License	9,425	10,509	10,243	9,516	9,583
Mobile Home Licenses	-	-	-	-	-
Interest	21,694	19,995	14,752	13,519	24,871
Charges for Services	450,744	409,660	398,504	347,788	387,410
Facilities Rentals	7,863	17,593	20,171	11,657	16,513
Revenue Sharing	644,223	639,324	621,468	588,054	614,096
Sales of Assets	-	-	-	-	320,000
Intergovernmental Revenue	-	-	-	514,458	544,337
Miscellaneous	310,590	249,913	147,776	144,617	137,741
Total Non-Ad Valorem Revenues	\$3,948,087	\$3,885,147	\$3,807,444	\$ 4,518,619	\$4,961,826⁽²⁾

⁽¹⁾ The Town of Lake Park has run deficits for the past several fiscal years in its marina fund, which it has funded from Non-Ad Valorem Revenues, in an aggregate amount of in excess of \$3,000,000 over several years, which advances were last made in fiscal year 2014. See "APPENDIX I" attached hereto.

⁽²⁾ Total does not foot due to rounding.

Source: Town of Lake Park, Florida.

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City of North Miami. After issuance of the Bonds, the City of North Miami will, in addition to its Loan Agreement related to the Bonds, also have outstanding its 2010 Note secured by a covenant to budget and appropriate Non-Ad Valorem Revenues. Set forth below is the combined debt service schedule:

City of North Miami Combined Debt Service

Fiscal Year	Promissory Note		Total
	Series 2010	FMLC 2016	
2016	\$1,786,138	-	\$1,786,138
2017	1,787,562	\$422,601	2,210,163
2018	1,785,362	425,200	2,210,562
2019	1,789,538	424,400	2,213,938
2020	1,784,362	424,600	2,208,962
2021	1,785,200	423,050	2,208,250
2022	1,786,325	421,200	2,207,525
2023	1,787,375	-	1,787,375
2024	1,787,988	-	1,787,988
2025	1,787,800	-	1,787,800
2026	1,786,450	-	1,786,450
2027	1,788,575	-	1,788,575
2028	1,788,450	-	1,788,450
2029	1,785,713	-	1,785,713
TOTAL⁽¹⁾	\$25,016,838	\$2,541,051	\$27,557,889

⁽¹⁾ Numbers may not add due to rounding.

The City of North Miami maintains separate defined benefit pension systems for its general employees and police officers. Effective in 2016, the City has closed both plans to new employees. As of the conclusion of fiscal year 2015, the City showed a fiduciary net position as a percentage of total pension liability of 80.00% and 68.78% for the respective plans. In addition, allowing retired employees to continue to participate in the City's group health plan creates an implicit subsidy and accrues other post-employment benefits ("OPEB") liability. See "APPENDIX J -- Financial Information Regarding City of North Miami."

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Set forth below is the calculation of anti-dilution test compliance with respect to the City of North Miami as of September 30, 2015 (but taking into account the issuance of the Bonds and the refunding of the indebtedness to be refunded thereby):

City of North Miami Non-Ad Valorem Revenue Anti-Dilution Test

Revenues	FY 2014	FY 2015	Prior Two-Year Average
Total Governmental Funds	\$55,741,493	\$58,203,242	\$56,972,368
Less: Ad Valorem Revenues	(15,653,416)	(17,138,805)	(16,396,111)
Total Governmental Non-Ad Valorem Revenues	40,088,077	41,064,437	40,576,257
Less: Restricted Funds ⁽¹⁾	(7,329,284)	(8,072,102)	(7,700,693)
Available Non-Ad Valorem Revenues	32,758,793	32,992,335	32,875,564
Transfers in/(out)	(1,584,667)	(2,524,588)	(2,054,628)
Adjusted Non-Ad Valorem Revenues	31,174,126	30,467,747	30,820,937
 Expenditures			
Essential Expenditures			
General Government	13,601,116	10,244,783	11,922,950
Public Safety	24,589,073	26,374,717	25,481,895
Total Essential Expenditures	38,190,189	36,619,500	37,404,845
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(15,653,416)	(17,138,805)	(16,396,111)
Adjusted Essential Expenditures	22,536,773	19,480,695	21,008,734
 Net Non-Ad Valorem Revenues available for Debt Service	 8,637,353	 10,987,052	 9,812,203
 Ad Valorem Revenues Restricted for Debt Service			 -
Debt Proceeds			-
 Adjusted Net Non-Ad Valorem Revenues available for Debt Service			 9,812,203
 Test 1 – Adjusted Net Non-Ad Valorem Revenues covers Proforma Non-Ad Valorem MADS by 2.0x			
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			9,812,203
Proforma Maximum Annual Non-Ad Valorem Debt Service ⁽²⁾			2,213,938
Coverage			4.43
 Test 2 - Proforma MADS does not exceed 20% of Net Total Governmental Fund Revenues			
Net Total Governmental Fund Revenues			56,972,368
Proforma Maximum Annual Debt Service ⁽²⁾			2,213,938
Percentage			3.89%

⁽¹⁾ Restricted Funds include the City's CRA, CDBG, Landfill Closure, Fuel and Gas Taxes, Half Cent Infrastructure Transit Surtax and Grant Revenues.

⁽²⁾ Includes debt service on the Promissory Note, Series 2010.

Source: City of North Miami Finance Department.

Set forth below is a table showing historical Non-Ad Valorem Revenues of the City of North Miami:

**City of North Miami Historical Non-Ad Valorem Revenues
FY 2011 through 2015**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Non-Ad Valorem Revenues:					
Franchise Fees	\$3,361,008.00	\$3,327,030.00	\$3,459,702.00	\$3,662,902.00	\$3,539,715.00
Utility Taxes	2,696,457.00	2,780,568.00	2,986,873.00	3,328,202.00	3,404,235.00
Occupational Licenses	570,331.81	493,292.97	439,757.28	449,032.81	737,392.40
Building Permits and Fees	415,842.60	401,130.48	512,250.25	435,272.85	601,245.83
Other Licenses and Registrations	968,086.59	989,710.93	1,035,706.12	1,245,468.60	1,167,737.00
Fines and Forfeitures	2,737,757.00	4,739,880.00	3,251,870.00	2,621,393.00	2,829,842.00
Local Option Gas Tax	775,608.00	746,246.00	759,659.00	774,414.00	805,838.00
Beverage License	15,682.70	16,657.95	18,829.45	17,113.27	20,062.95
Mobile Home Licenses	1,580.99	2,583.00	704.75	982.50	1,109.10
Interest and Other Earnings	121,451.00	101,102.10	148,137.00	467,385.19	736,707.00
Charges for Services	7,498,886.00	7,535,891.00	5,857,578.00	8,418,568.00	8,025,835.00
Facilities Rentals	544,518.11	2,215,405.00	4,411,644.00	3,451,572.00	2,407,399.00
Revenue Sharing	1,814,623.00	1,891,604.00	1,991,737.00	2,171,413.00	2,384,497.00
Sales of Assets	-	7,300.00	178,707.00	83,218.00	-
Local Government ½ Cent Sales Tax	3,561,863.54	3,806,275.89	4,778,516.00	4,290,083.55	4,552,815.00
Grants	9,546,397.79	8,226,331.92	3,410,421.00	3,742,587.00	4,540,676.72
Transportation Gas Tax	300,943.00	289,289.00	298,470.00	301,281.00	309,755.00
Half Cent Transit Surtax Revenue	1,547,726.00	1,994,867.00	2,211,182.00	2,212,494.00	2,371,513.00
Communication Service Tax	1,933,234.64	1,777,062.40	1,556,784.00	1,407,118.41	1,415,105.00
Miscellaneous	2,983,846.23	15,623,393.36 ⁽¹⁾	3,277,727.15	1,007,575.82	1,212,957.00
Total Non-Ad Valorem Revenues	\$41,395,844.00	\$56,965,621.00	\$40,586,255.00	\$40,088,077.00	\$41,064,436.60

⁽¹⁾ Includes proceeds received in connection with a development within the City.

Source: City of North Miami, Florida.

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Town of Oakland. After issuance of the Bonds, the Town of Oakland will, in addition to its Loan Agreement related to the Bonds, also have outstanding its Charter School Revenue Refunding Bond, Series 2013, which is secured by a backup covenant to budget and appropriate Non-Ad Valorem Revenues of up to 25% of the maximum annual principal and interest on the Series 2013 Bonds, in the event charter school revenues are insufficient to pay debt service. Set forth below is the combined debt service schedule:

Town of Oakland Combined Debt Service

Fiscal Year	Charter School Series 2013 ⁽¹⁾	FMLC 2016	Total
2016	\$142,574	\$147,455	\$290,029
2017	143,148	150,338	293,485
2018	143,598	152,488	296,085
2019	143,924	153,488	297,411
2020	144,126	150,338	294,464
2021	144,205	147,188	291,393
2022	144,160	147,988	292,148
2023	142,741	145,788	288,529
2024	143,740	148,588	292,328
2025	143,324	151,000	294,324
2026	144,034	148,300	292,334
2027	143,329	150,300	293,629
2028	-	146,550	146,550
2029	-	150,300	150,300
2030	-	148,550	148,550
2031	-	149,350	149,350
TOTAL⁽²⁾	\$1,722,901	\$2,388,005	\$4,110,906

⁽¹⁾ Only 25% responsibility of Town from Non-Ad Valorem Revenues is included. To date, the backup covenant to budget and appropriate Non-Ad Valorem Revenues has not been utilized.

⁽²⁾ Numbers may not add due to rounding.

The Town of Oakland maintains a defined contribution pension plan for its employees. In addition, allowing retired employees to continue to participate in the Town's group health plan creates an implicit subsidy and accrues other post-employment benefits ("OPEB") liability. See "APPENDIX K -- Financial Information Regarding Town of Oakland."

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Set forth below is the calculation of anti-dilution test compliance with respect to the Town of Oakland as of September 30, 2015 (but taking into account the issuance of the Bonds and the refunding of the indebtedness to be refunded thereby):

Town of Oakland Non-Ad Valorem Revenue Anti-Dilution Test

Revenues	FY 2014	FY 2015	Prior Two-Year Average
	Total Governmental Funds	\$7,640,539	\$7,871,713
Less: Ad Valorem Revenues	(1,251,925)	(1,329,036)	(1,290,481)
Total Governmental Non-Ad Valorem Revenues	6,388,614	6,542,677	6,465,646
Less: Restricted Funds ⁽¹⁾	(4,194,053)	(4,329,085)	(4,261,569)
Available Non-Ad Valorem Revenues	2,194,561	2,213,592	2,204,077
Adjusted Non-Ad Valorem Revenues	2,194,561	2,213,592	2,204,077
Expenditures			
Essential Expenditures			
General Government	986,134	860,030	923,082
Public Safety	1,272,836	1,450,003	1,361,420
Total Essential Expenditures	2,258,970	2,310,033	2,284,502
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(1,251,925)	(1,329,036)	(1,290,481)
Adjusted Essential Expenditures	1,007,045	980,997	994,021
Net Non-Ad Valorem Revenues available for Debt Service	1,187,516	1,232,595	1,210,056
Ad Valorem Revenues Restricted for Debt Service			-
Debt Proceeds			-
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			1,210,056
Test 1 – Adjusted Net Non-Ad Valorem Revenues covers Proforma Non-Ad Valorem MADS by 2.0x			
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			1,210,056
Proforma Maximum Annual Non-Ad Valorem Debt Service ⁽²⁾ Coverage			297,411 4.07
Test 2 - Proforma MADS does not exceed 20% of Net Total Governmental Fund Revenues			
Net Total Governmental Fund Revenues			7,756,126
Proforma Maximum Annual Debt Service ⁽²⁾ Percentage			297,411 3.83%

⁽¹⁾ Restricted Funds include the Fuel Tax, Impact Fee Special Revenue and Charter School Special Revenue Funds.

⁽²⁾ Includes 25% of the debt service on the Charter School Revenue Bonds, Series 2013.

Source: Town of Oakland Finance Department.

Set forth below is a table showing historical Non-Ad Valorem Revenues of the Town of Oakland:

**Town of Oakland Historical Non-Ad Valorem Revenues
FY 2011 through 2015**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Non-Ad Valorem Revenues:					
Franchise Fees	\$138,388	\$114,914	\$121,630	\$148,908	\$124,396
Utility Taxes	203,013	186,256	194,218	205,979	227,070
Occupational Licenses	-	-	-	-	-
Building Permits and Fees	37,078	24,749	22,393	50,367	115,112
Other Licenses and Registrations	-	-	-	-	-
Fines and Forfeitures	21,005	20,338	15,566	16,201	19,846
Sales Tax	344,837	421,142	437,321	449,021	467,119
Beverage License	-	-	-	-	-
Mobile Home Licenses	-	-	-	-	-
Interest	223	171	213	237	178
Charges for Services	177,714	169,262	183,090	345,121	359,081
Facilities Rentals	30,146	29,652	28,315	35,897	35,783
Revenue Sharing	49,757	57,745	76,351	87,518	99,471
Sales of Assets	-	-	-	-	-
Miscellaneous	40,781	776,850	1,279,267	855,313	766,077
Fuel Taxes	62,139	62,409	87,140	88,557	87,899
Impact Fee Special Revenue	29,367	1,532	3,177	27,300	23,823
Charter School Special Revenue	3,681,693	3,538,759	3,826,499	4,078,196	4,216,823
Debt Service for School	720,050	-	-	-	-
Total Non-Ad Valorem Revenues	\$5,536,191	\$5,403,779	\$6,275,180	\$6,388,615	\$6,542,678

Source: Town of Oakland, Florida.

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City of Port Richey. Set forth below is the debt service schedule related to the City of Port Richey's Loan Agreement, which represents its only indebtedness secured by a pledge of or covenant to budget and appropriate Non-Ad Valorem Revenues:

City of Port Richey Combined Debt Service

Fiscal Year	FMLC 2016
2017	\$319,195.42
2018	314,175.00
2019	317,425.00
2020	318,025.00
2021	180,675.00
2022	177,225.00
2023	177,625.00
2024	185,225.00
2025	182,625.00
2026	179,700.00
2027	181,775.00
2028	178,400.00
2029	184,350.00
2030	182,100.00
2031	179,600.00
2032	179,950.00
2033	180,150.00
2034	180,200.00
2035	175,100.00
TOTAL	\$3,973,520.42

The City of Port Richey contributes to the Florida Retirement System, a cost-sharing multiple employer public employee retirement system controlled by the State Legislature and administered by the Florida Department of Management Services, Division of Retirement. In addition, allowing retired employees to continue to participate in the City's group health plan creates an implicit subsidy and accrues other post-employment benefits ("OPEB") liability. See "APPENDIX L -- Financial Information Regarding City of Port Richey."

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Set forth below is the calculation of anti-dilution test compliance with respect to the City of Port Richey as of September 30, 2015 (but taking into account the issuance of the Bonds and the refunding of the indebtedness to be refunded thereby):

City of Port Richey Non-Ad Valorem Revenue Anti-Dilution Test

Revenues	FY 2014	FY 2015	Prior Two-Year Average
Total Governmental Funds	\$4,500,938	\$4,495,410	\$4,498,174
Less: Ad Valorem Revenues	(1,679,769)	(1,710,641)	(1,695,205)
Total Governmental Non-Ad Valorem Revenues	2,821,169	2,784,769	2,802,969
Less: Restricted Funds ⁽¹⁾	(136,195)	(62,299)	(99,247)
Available Non-Ad Valorem Revenues	2,684,974	2,722,470	2,703,722
Adjusted Non-Ad Valorem Revenues	2,684,974	2,722,470	2,703,722
Expenditures			
Essential Expenditures			
General Government	1,694,339	1,627,106	1,660,723
Public Safety	2,489,721	2,459,087	2,474,404
Total Essential Expenditures	4,184,060	4,086,193	4,135,127
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(1,679,769)	(1,710,641)	(1,695,205)
Adjusted Essential Expenditures to Non Ad Valorem Revenues	2,504,291	2,375,552	2,439,922
Net Non-Ad Valorem Revenues available for Debt Service	180,683	346,918	263,801
Ad Valorem Revenues Restricted for Debt Service			-
Debt Proceeds			-
Adjusted Net Non-Ad Valorem Revenues available for Debt Service		346,918	263,801
Test 1 – Adjusted Net Non-Ad Valorem Revenues covers Proforma Non-Ad Valorem MADS by 2.0x			
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			263,801
Proforma Maximum Annual Non-Ad Valorem Debt Service ⁽²⁾			182,695
Coverage			1.44
Test 2 - Proforma MADS does not exceed 20% of Net Total Governmental Fund Revenues			
Net Total Governmental Fund Revenues			4,498,174
Proforma Maximum Annual Debt Service ⁽³⁾			207,230
Percentage			4.61%

⁽¹⁾ Restricted Funds include Local Option Gas Tax and Police and Fire Impact Fees Funds.

⁽²⁾ Includes the City's portion of the Series 2016 Bonds not paid from water and sewer revenues.

⁽³⁾ Includes the portion of the Series 2016 Bonds not paid from water and sewer revenues and the City's Revenue Note, Series 2010 that is secured by tax increment revenues.

Source: City of Port Richey Finance Department.

The foregoing test does not indicate current compliance with the anti-dilution test under Port Richey's Loan Agreement, and the City would not, after issuance of the Bonds, be able to issue additional debt secured by Non-Ad Valorem Revenues until such time as it is able to satisfy each requirement, or a covenant to budget and appropriate the Non-Ad Valorem Revenues. The City of Port Richey used reserves or fund balances to fund expenses in its general fund and CRA fund for its fiscal year ended September 30, 2015 in order to provide for certain expenses anticipated in excess of current revenues and to spend down an accumulated surplus, respectively. The City anticipates the use of such reserves and fund balances for current expenses in fiscal years 2016 and 2017 will be minimal. See "APPENDIX L -- Financial Information Regarding Town of Port Richey".

Set forth below is a table showing historical Non-Ad Valorem Revenues of the City of Port Richey:

**City of Port Richey Historical Non-Ad Valorem Revenues
FY 2011 through 2015**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Non-Ad Valorem Revenues:					
Franchise Fees	\$314,872	\$304,713	\$326,650	\$352,568	\$304,574
Utility Taxes	247,995	345,236	314,897	324,164	364,249
Communications Services Tax	178,161	185,064	190,187	144,171	137,442
Occupational Licenses	66,694	69,994	57,233	69,647	61,897
Building Permits and Fees	113,695	114,380	120,116	89,728	170,130
Other Licenses and Registrations	-	-	-	-	-
Fines and Forfeitures	1,809,908	1,741,341	1,553,501	746,505	646,416
Sales Tax	154,363	132,247	138,214	146,394	154,080
Beverage License	10,892	12,577	11,553	11,280	10,186
Mobile Home Licenses	12,950	12,391	11,583	11,145	11,329
Interest	2,304	1,069	516	902	4,235
Charges for Services	376,413	376,800	355,479	357,479	358,860
Facilities Rentals	N/A	N/A	N/A	N/A	N/A
Revenue Sharing	100,817	100,727	99,749	100,046	101,057
Infrastructure Sales Tax	247,641	270,236	295,688	316,892	353,551
Local Option Gas Tax	118,581	116,949	124,580	135,918	62,299
FEMA Grant	89,638	15,908	81,105	-	19,313
Municipality Fuel Tax Refund	3,968	4,724	4,527	4,555	4,953
Police and Fire Impact Fees	4,627	428	24,508	277	-
Sales of Assets	-	8,686	3,204	-	-
Miscellaneous	24,328	34,744	9,961	9,498	20,198
Total Non-Ad Valorem Revenues	\$3,877,847	\$3,848,214	\$3,723,251	\$2,821,169	\$2,784,769

Source: City of Port Richey, Florida.

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City of St. Augustine Beach. Set forth below is the debt service schedule related to the City of St. Augustine Beach's Loan Agreements. The Covenant to Budget Loan Agreement represents its only indebtedness secured by a pledge of or covenant to budget and appropriate Non-Ad Valorem Revenues:

City of St. Augustine Beach Debt Service

Fiscal Year	FMLC 2016
2017	\$353,055.48
2018	358,137.50
2019	356,687.50
2020	357,887.50
2021	345,987.50
2022	349,237.50
2023	349,837.50
2024	359,937.50
2025	354,737.50
2026	353,887.50
2027	347,925.00
2028	346,300.00
2029	353,200.00
2030	218,950.00
2031	215,700.00
2032	220,600.00
2033	215,200.00
2034	214,800.00
2035	74,250.00
2036	77,750.00
2037	75,962.50
2038	79,175.00
2039	77,225.00
2040	75,275.00
2041	78,325.00
2042	76,212.50
2043	74,100.00
2044	76,987.50
2045	74,712.50
2046	77,437.50
TOTAL	\$6,589,480.48

City of St. Augustine Beach employees are eligible to participate in the Florida Retirement System, a cost-sharing multiple employee retirement system controlled by the Florida Legislature and administered by the Florida Department of Management Services, Division of Retirement. In addition, allowing retired employees to continue to participate in the City's group

health plan creates an implicit subsidy and accrues other post-employment benefits ("OPEB") liability. See "APPENDIX M -- Financial Information Regarding City of St. Augustine Beach."

Set forth below is the calculation of anti-dilution test compliance with respect to the City of St. Augustine Beach as of September 30, 2015 (but taking into account the issuance of the Bonds and the refunding of the indebtedness to be refunded thereby):

City of St. Augustine Beach Non-Ad Valorem Revenue Anti-Dilution Test

Revenues	FY 2014	FY 2015	Prior Two-Year Average
Total Governmental Funds	5,893,916	5,520,781	5,707,349
Less: Ad Valorem Revenues	(2,069,441)	(2,191,351)	(2,130,396)
Total Governmental Non-Ad Valorem Revenues	3,824,475	3,329,430	3,576,953
Less: Restricted Funds ⁽¹⁾	(969,836)	(999,139)	(984,488)
Available Non-Ad Valorem Revenues	2,854,639	2,330,291	2,592,465
Transfers from Enterprise Funds	(751,210)	(1,032,740)	(891,975)
Adjusted Non-Ad Valorem Revenues	2,103,429	1,297,551	1,700,490
 Expenditures			
Essential Expenditures			
General Government	1,160,620	1,281,426	1,221,023
Public Safety	1,766,910	1,825,178	1,796,044
Total Essential Expenditures	2,927,530	3,106,604	3,017,067
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(2,069,441)	(2,191,351)	(2,130,396)
Adjusted Essential Expenditures	858,089	915,253	886,671
 Net Non-Ad Valorem Revenues available for Debt Service	 1,245,340	 382,298	 813,819
 Ad Valorem Revenues Restricted for Debt Service Debt Proceeds	 - -	 - -	 65,881
 Adjusted Net Non-Ad Valorem Revenues available for Debt Service	 1,245,340	 382,298	 747,938
 Test 1 – Adjusted Net Non-Ad Valorem Revenues covers Proforma Non-Ad Valorem MADS by 2.0x			
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			747,938
Proforma Maximum Annual Non-Ad Valorem Debt Service ⁽²⁾			359,938
Coverage			2.08
 Test 2 - Proforma MADS does not exceed 20% of Net Total Governmental Fund Revenues			
Net Total Governmental Fund Revenues			5,707,349
Proforma Maximum Annual Debt Service ⁽³⁾			583,543
Percentage			10.22%

⁽¹⁾ Restricted Funds include Road and Bridge and Debt Service Funds.

⁽²⁾ Includes the portion of the Bonds relating to the City's Covenant to Budget Loan Agreement.

⁽³⁾ Includes the City's Limited Ad-Valorem Tax Bond, Series 2009 and the portion of the Bonds relating to the City's Covenant to Budget Loan Agreement and Limited Tax Loan Agreement.

Source: City of St. Augustine Beach Finance Department.

Set forth below is a table showing historical Non-Ad Valorem Revenues of the City of St. Augustine Beach:

**City of St. Augustine Beach Historical Non-Ad Valorem Revenues
FY 2011 through 2015**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Non-Ad Valorem Revenues:					
Local Option Fuel Tax	267,010.63	246,712.89	223,679.53	230,840.65	241,055.80
Franchise Fees	413,917.20	378,856.48	384,334.65	407,780.76	416,420.82
Utility Taxes	825,990.40	749,340.78	796,486.55	802,057.35	792,645.97
Business Tax Receipts	44,111.33	33,162.92	38,112.63	38,765.75	38,226.83
Building Permits and Fees	108,475.25	166,020.30	279,797.66	316,150.87	300,244.85
Other Licenses and Registrations	7,388.75	8,276.25	5,913.75	9,297.50	7,921.25
Fines and Forfeitures	41,643.84	50,542.17	51,436.81	21,320.51	26,257.61
Sales Tax	415,969.34	418,943.28	447,236.82	480,424.17	515,363.92
Beverage License	947.42	4,306.24	5,132.13	8,306.49	4,887.41
Fuel Tax Refund	3,804.05	4,202.35	4,210.12	4,752.66	4,829.79
Mobile Home Licenses	-	-	-	-	-
State Grants	1,540,346.33	304,551.00	15,791.00	16,268.00	21,591.00
Local Government Unit Grant	600.00	167,359.02	334,379.87	168,115.68	167,365.68
Tourist Development Funds	55,000.00	45,000.00	45,000.00	68,919.07	60,483.00
Interest	20,601.27	20,701.04	23,565.46	1,866.98	20,136.69
Charges for Services	127,776.15	370,860.43	368,867.67	412,735.27	416,339.22
Facilities Rentals	5,025.00	1,100.00	150.00	975.00	1,200.00
Revenue Sharing	136,833.03	138,996.93	147,942.44	156,584.55	168,636.58
Sales of Assets	7,095.68	3,505.00	20,816.30	6,162.04	50,445.00
Miscellaneous	69,886.84	106,972.30	75,054.17	673,149.97	75,378.69
Total Non-Ad Valorem Revenues	\$4,092,422.51	\$ 3,219,409.38	\$3,267,907.56	\$3,824,473.27	\$3,329,430.11

Source: City of St. Augustine Beach, Florida.

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City of Valparaiso. After issuance of the Bonds, the City of Valparaiso will, in addition to its Loan Agreement relating to the Bonds, also have outstanding a loan relating to the Issuer's Series 2010C Bonds secured by a covenant to budget and appropriate Non-Ad Valorem Revenues. Set forth below is the combined debt service schedule:

City of Valparaiso Combined Debt Service

Fiscal Year	FMLC 2010C	FMLC 2016	Total
2016	89,925	-	89,925
2017	89,138	357,423	446,560
2018	88,263	361,250	449,513
2019	87,388	357,250	444,638
2020	86,338	355,050	441,388
2021	85,288	215,600	300,888
2022	89,150	215,050	304,200
2023	87,750	217,450	305,200
2024	86,350	213,450	299,800
2025	89,550	214,450	304,000
2026	87,525	219,838	307,363
2027	85,500	-	85,500
2028	88,475	-	88,475
2029	86,225	-	86,225
2030	88,975	-	88,975
2031	86,500	-	86,500
2032	89,025	-	89,025
2033	86,325	-	86,325
2034	88,625	-	88,625
2035	90,700	-	90,700
2036	87,550	-	87,550
2037	89,400	-	89,400
2038	91,025	-	91,025
2039	87,425	-	87,425
2040	88,825	-	88,825
TOTAL ⁽¹⁾	\$2,201,238	\$2,726,810	\$4,928,048

⁽¹⁾ Numbers may not add due to rounding.

The City of Valparaiso previously participated in the Florida Retirement System, a cost-sharing multiple employee retirement system controlled by the Florida Legislature and administered by the Florida Department of Management Services, Division of Retirement, but transitional to a defined benefit pension plan for public safety employees and a defined contribution pension plan in 1997 (only three employees are still under the FRS system). As of the conclusion of fiscal year 2015, the City showed a fiduciary net position as a percentage of total pension liability of 144% for the public safety pension plan. In addition, by virtue of allowing retired employees to continue to participate in the City's group health plan creates an

implicit subsidy and accrues other post-employment benefits ("OPEB") liability. See "APPENDIX N -- Financial Information Regarding City of Valparaiso."

Set forth below is the calculation of anti-dilution test compliance with respect to the City of Valparaiso as of September 30, 2015 (but taking into account the issuance of the Bonds and the refunding of the indebtedness to be refunded thereby):

City of Valparaiso Non-Ad Valorem Revenue Anti-Dilution Test

Revenues	FY 2014	FY 2015	Prior Two-Year Average
Total Governmental Funds	\$3,278,037	\$3,666,569	\$3,472,303
Less: Ad Valorem Revenues	(812,089)	(832,092)	(822,091)
Total Governmental Non-Ad Valorem Revenues	2,465,948	2,834,477	2,650,212
Less: Restricted Funds ⁽¹⁾	(391,357)	(684,958)	(538,158)
Available Non-Ad Valorem Revenues	2,074,591	2,149,519	2,112,055
Transfers from Enterprise Funds	-	-	-
Adjusted Non-Ad Valorem Revenues	2,074,591	2,149,519	2,112,055
Expenditures			
Essential Expenditures			
General Government	761,756	719,144	740,450
Public Safety	1,236,003	1,254,636	1,245,320
Total Essential Expenditures	1,997,759	1,973,780	1,985,770
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(812,089)	(832,092)	(822,091)
Adjusted Essential Expenditures	1,185,670	1,141,688	1,163,679
Net Non-Ad Valorem Revenues available for Debt Service	888,921	1,007,831	948,376
Ad Valorem Revenues Restricted for Debt Service			-
Debt Proceeds			-
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			948,376
Test 1 – Adjusted Net Non-Ad Valorem Revenues covers Proforma Non-Ad Valorem MADS by 2.0x			
Adjusted Net Non-Ad Valorem Revenues available for Debt Service			948,376
Proforma Maximum Annual Non-Ad Valorem Debt Service ⁽²⁾			449,513
Coverage			2.11
Test 2 - Proforma MADS does not exceed 20% of Net Total Governmental Fund Revenues			
Net Total Governmental Fund Revenues			3,472,303
Proforma Maximum Annual Debt Service ⁽²⁾			449,513
Percentage			12.95%

⁽¹⁾ Restricted Funds include Streets Fund and Stormwater Fund.

⁽²⁾ Includes the City's portion of the Issuer's Series 2010C Bonds.

Source: City of Valparaiso Finance Department.

Set forth below is a table showing historical Non-Ad Valorem Revenues of the City of Valparaiso:

**City of Valparaiso Historical Non-Ad Valorem Revenues
FY 2011 through 2015**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Non-Ad Valorem Revenues:					
Franchise Fees	\$371,928	\$328,217	\$316,166	\$354,983	\$367,275
Utility Taxes	253,381	249,095	258,608	271,647	278,799
Communication Services Tax	161,648	120,203	150,006	127,014	116,475
Excise Taxes	-	64,589	66,307	70,606	68,130
Licenses and Registrations	43,706	36,520	37,162	29,765	25,831
Building Permits	24,647	21,024	39,539	37,260	38,766
Impact Fees	3,390	590	8,055	6,629	5,370
Intergovernmental	688,802	637,109	658,586	671,147	689,309
Charges for Services	359,477	361,043	383,637	380,945	400,225
Fines and Forfeits	27,217	20,667	26,663	20,332	8,751
Miscellaneous	41,823	69,573	35,362	104,263	150,588
Total Non-Ad Valorem Revenues	\$1,976,019	\$1,908,630	\$1,980,091	\$2,074,591	\$2,149,519

Source: City of Valparaiso, Florida.

City of St. Augustine Beach Limited Tax Loan Agreement

General. The St. Augustine Beach Limited Tax Loan Agreement, instead of including a covenant to budget and appropriate Non-Ad Valorem Revenues as described above, contains a pledge by the City of St. Augustine Beach ("SAB") of ad valorem tax revenues received pursuant to its levy of ad valorem taxes in an amount not to exceed 0.50 mills on all taxable property within SAB. On August 26, 2008, a majority of the electors voting in a referendum approved the issuance of not exceeding \$7,000,000 in bonds payable from ad valorem taxes not exceeding 0.50 mills, to protect natural areas and preserve and improve wildlife habitat, parks and water quality. As described below under the subheading "Prior Levy of the Limited Tax," below, SAB has previously issued \$5,350,000 of this authorized amount.

Ad Valorem Taxation. Local ad valorem property taxes are levied by the application of the millage rate to the assessed valuation of non-exempt property within SAB. Although municipalities within Florida are generally limited to a 10 mill cap, voted millages for debt service (of which SAB's is one) are exempted from this cap. Under the laws of the State of Florida, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and the County Tax Collector.

Procedure for Property Assessment. Real and personal property valuations are determined each year as of January 1 by the Property Appraiser. Except as noted below regarding the homestead exemption and other exemptions which may heretofore or hereafter be provided by applicable law, all taxable real and personal property must be assessed at its just or fair market value. The property owner has the right to file a petition with the Clerk of the

Property Appraisal Adjustment Board if, in the owners' opinion, such assessed property value, as determined by the Property Appraiser, is inconsistent with that as determined by the property owner. All petitions relating to such valuation determinations are heard and reviewed by the Property Appraisal Adjustment Board, which consists of members of the St. Johns County Board of County Commissioners and the School Board of St. Johns County. The Property Appraisal Adjustment Board certifies an assessment role upon completion of the hearings on all petitions so filed.

Setting the Millage. The Property Appraiser assesses all taxable real, personal and centrally assessed property and the Tax Collector collects all ad valorem taxes within each county. While one tax bill emanates from the county, that bill represents ad valorem taxes levied by the county and any taxing units, including any MSTUs, the county, the school district, municipalities located within the county and other taxing authorities.

Each respective millage rate, except as limited by law, is set on the basis of estimates of revenue needs and the total taxable property valuation within the taxing authority's respective jurisdiction. Ad valorem taxes are not levied in excess of actual budget requirements. By law, budget expenditures cannot exceed 95% of estimated revenues except for cash carry forward amounts.

Each year, the Property Appraiser is required to certify to each taxing authority the aggregate taxable value of all non-exempt property within the jurisdiction of the taxing authority, as well as the prior year's tax revenues, for use in connection with the determination of the forthcoming budget and millage levy. The form on which such certification is made by the Property Appraiser is required to include instructions to each taxing authority describing the proper method of computing a millage rate, which, exclusive of new construction, additions to structures, deletions and property added due to geographic boundary changes, will provide the same ad valorem tax revenues for each taxing authority as was levied during the prior fiscal year. Such millage rate is known as the "rolled-back rate."

In adopting an annual budget, the taxing authority must first adopt tentative millage rates within 35 days of receipt from the Property Appraiser of the preliminary certificate of taxable value. A notice of the impact of the tentative millage rates adopted by each taxing authority on the proposed tax statement for each taxpayer is then mailed to each individual taxpayer. Next, the taxing authority must hold a public hearing to adopt a tentative budget with the tentative millage rate. A second public hearing is held to adopt a final budget and millage rate.

Exemptions and Assessment Limitations. The Florida Constitution provides that every person who has the legal title or beneficial title in equity to real property in the State and who resides thereon and in good faith makes the State his or her permanent residence, or makes the State the permanent residence of another or others legally or naturally dependent upon such person, is entitled to an exemption from all taxation, except for assessments for special benefits, on the value of such property up to the assessed valuation of \$50,000 on the residence and contiguous real property. Additional exemptions include: homestead property of totally and permanently disabled persons; improved real property on which a renewable energy source device is installed and operated; inventory; property used by not-for-profit hospitals, nursing

homes and homes for special services; property used by certain not-for-profit homes for the aged; property used exclusively for educational purposes by educational institutions or other exempt organizations, including charter schools, for educational purposes; property owned by certain charitable, literary, religious or scientific organizations and used predominantly for such purposes; property owned and used for educational purposes by labor organizations; property of certain community centers; certain property used for affordable housing; property owned and used by certain governmental units; property of certain not-for-profit sewer and water companies; \$5,000 of property of every disabled ex-service member and their unmarried surviving spouses and the first \$500 of property of every widow, widower, blind person or disabled person. See also "Property Tax Reform" below.

Tax Collection. All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the county. The Tax Collector mails to each property owner on the assessment roll a notice of taxes levied by the various governmental entities in the county. Taxes may be paid upon receipt of such notice with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount. Accordingly, taxes collected will never be 100% of the tax levy.

Delinquent Taxes. All unpaid taxes on real and tangible property become delinquent on April 1 of the year following the year in which taxes were assessed. Delinquent real property taxes bear interest at the rate of eighteen percent (18%) per year from April 1 until paid or until payment is no longer required.

Tax Certificates. On or before April 25, delinquent personal property taxes must be advertised and after May 1, the property is subject to levy, seizure and sale. Florida law provides that real property liens are superior to all other liens except prior Internal Revenue Service liens. The Tax Collector advertises once each week for four weeks and sells tax certificates, by auction, on all real property with taxes due on or before June 1 of each year. The purchaser of any tax certificate must pay all of the then due property taxes plus an interest component. Delinquent tax certificates not sold at auction become the property of the county.

Tax Deeds. At any time after two years have elapsed since April 1 of the year of the issuance of the tax certificate and before the expiration of seven years, the holder of the tax certificate may apply for a tax deed with respect to any tax certificate it holds. Two years after such April 1, the county may make application for a tax deed with respect to any tax certificate it holds. Upon receipt of such applications, a public sale is advertised and held (unless the property is redeemed), and the highest bidder at such sale receives a tax deed for the property.

Redemption of Land by Owners. Redemption may be made by the owner of any land upon which a tax certificate has been sold. To redeem a tax certificate, the owner of the property must pay all delinquent taxes, the interest that accrued in connection with the sale of the tax certificate, omitted taxes, if any, and interest at the rate shown on the tax certificate (or interest at the rate of five percent (5%), whichever is higher) from the date of the sale of the tax certificate to the date of redemption.

Disposition of Tax Collections. Section 197.016, Florida Statutes, requires the county to distribute to each taxing authority the ad valorem taxes collected four times during the first two months after the tax roll becomes due and once per month thereafter.

Assessment Data. Under the Florida Constitution, real and personal property is required to be assessed at its "just value" for purposes of ad valorem taxation. Just value generally means the present cash value of the property, which is the amount a willing purchaser would pay a willing seller, exclusive of reasonable fees and costs of purchase (including costs of financing), in cash or the immediate equivalent thereof in a transaction at arm's length. The following table summarizes assessed values, exemptions and taxable value (in thousands of dollars) within SAB for the 2016 assessment rolls.

<u># of Tax Parcels</u>	<u>Aggregate Assessed Valuation⁽¹⁾</u>	<u>Average Assessed Valuation per Tax Parcel</u>
4,874	\$1,197,615,729	\$245,715

⁽¹⁾ Does not take into account real or personal property exemptions or adjustments for school board or other taxing authorities.

Source: St. Johns County Property Appraiser.

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Prior Levy of the Limited Tax. The loan under the St. Augustine Beach Limited Tax Loan Agreement is part of an overall authorization of not to exceed \$7,000,000 of limited general obligation debt of SAB, \$5,350,000 of which has been issued by means of the Issuer's Revenue Bonds, Series 2009 (City of St. Augustine Beach Limited Ad Valorem Tax Financing) (the "Series 2009 Bonds"), secured by a similar limited levy of ad valorem taxes to that securing the St. Augustine Beach Limited Tax Loan Agreement. The chart below evidences the taxes levied and received over the term of said Series 2009 Bonds:

Series 2009 Limited Tax Bonds

Year	Millage	Amount of Tax Levied	Taxes Received	Percentage of Levy Collected	Debt Service
2010	0.5000	\$517,201	\$497,315.38	96.15%	\$441,672
2011	0.2000	178,080	173,649.15	97.51%	65,881
2012	0.0787	66,553	64,406.95	96.76%	65,881
2013	0.0787	66,039	62,089.02	94.02%	65,881
2014	0.0800	69,064	66,740.08	96.63%	65,881
2015	0.0800	73,258	70,669.87	96.46%	65,881
2016	0.5000	495,587 ⁽¹⁾	478,681.20	96.58%	65,881

⁽¹⁾ Reflects an additional levy in anticipation of issuance of the Bonds and entering into the St. Augustine Beach Limited Tax Loan Agreement.

Source: City of St. Augustine Beach, Florida.

Millage Rates. The following table lists the ad valorem tax millage rates levied by each of the taxing authorities within SAB for operating purposes and debt service for tax years 2012 through 2016.

Historical Millage Rates⁽¹⁾

TAX YEAR ENDED	ST. JOHNS COUNTY	SAB ⁽²⁾	SCHOOL DISTRICT ⁽³⁾	WATER MANAGEMENT DISTRICTS ⁽⁴⁾	TOTALS
2012	7.3371	2.4779	7.6830	0.3313	17.8293
2013	7.3371	2.4792	7.5842	0.3283	17.7288
2014	7.3371	2.4792	7.3420	0.3164	17.4747
2015	7.3371	2.8992	7.2280	0.3023	17.7666
2016	7.3371	2.8992	6.8670	0.2885	17.3918

⁽¹⁾ One mill equals \$1 per \$1,000 of taxable value.

⁽²⁾ Includes the City's levy of 2.3992 mills for operating purposes and the debt service levy.

⁽³⁾ School district limited to 10 mills for operations. Counties and municipalities are limited to 10 mills for operations.

⁽⁴⁾ Water management district limited to 0.6 mills for operations.

Source: City of St. Augustine Beach, Florida.

The schedule set forth below shows combined scheduled debt service on SAB's Series 2009B Bonds and its obligations under the St. Augustine Beach Limited Tax Loan Agreement.

Fiscal Year	Series 2009 Bonds	FMLC 2016	Total
2017	\$65,880	\$159,169	\$225,049
2018	65,880	156,625	222,505
2019	65,880	158,175	224,055
2020	65,880	158,375	224,255
2021	65,880	159,625	225,505
2022	65,880	155,725	221,605
2023	65,880	160,525	226,405
2024	65,880	157,725	223,605
2025	65,880	159,925	225,805
2026	65,880	156,663	222,543
2027	65,880	158,400	224,280
2028	65,880	159,650	225,530
TOTAL	\$790,560	\$1,900,582	\$2,691,142

Property Tax Reforms

Although ad valorem tax revenues are by definition excluded from the Non-Ad Valorem Revenues each of the Borrowers under a Covenant to Budget Loan Agreement has covenanted to use to pay amounts due under its respective Loan, the amount of ad valorem taxes levied by a Borrower is of interest in examining the overall financial picture of the Borrower and the other funds available to fund essential services of the Borrower. In addition, as described above, the St. Augustine Beach Limited Tax Loan Agreement is secured by a limited pledge of ad valorem tax revenues. To that end, the past several years have been volatile with respect to Florida property assessments and levies, with various tax reform measures proposed and implemented, followed by a significant slump in ad valorem tax revenues.

During a special legislative session that ended on June 14, 2007, the Florida Legislature adopted Chapter 2007-321, Laws of Florida, affecting the amount and rate of ad valorem taxes levied by local governments. Among other things, Chapter 2007-321 statutorily required each county, municipality, and special district to roll back their millage rates for Fiscal Year 2007-2008 to a level that with certain adjustments and exceptions would generate the same level of ad valorem tax revenue as in Fiscal Year 2006-2007. Chapter 2007-321 also limits the growth of ad valorem tax levies in future years (except those levied by school districts) based upon the growth in a jurisdiction's population, as measured by new construction, and the statewide growth in per capita personal income. Notwithstanding the foregoing, the governing body of a county, municipality, or special district may levy a millage rate in excess of the then applicable rolled back millage rate upon a two-thirds or unanimous vote of such governing body (or three-fourths vote for jurisdictions that have a governing body comprised of nine or more members) depending on the level of the proposed increase. The rolled back millage rate may also be exceeded based on an affirmative vote of the voters in such jurisdiction.

Furthermore, Chapter 2007-321 provides that in the event a county or municipality fails to comply with certain requirements of the legislation, such county or municipality will forfeit its distribution of the half-cent sales tax state revenue sharing for the 12-months following the determination of non-compliance.

On January 29, 2008, in a special election held in conjunction with Florida's presidential primary, the requisite number of voters approved amendments to the State Constitution exempting certain portions of a property's assessed value from taxation. The amendments were effective beginning with the 2008 tax year (2008-09 fiscal year for local governments). The following is a brief summary of certain important provisions contained in such amendments:

1. Provides for an additional exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead exemption for property with an assessed value equal to or greater than \$75,000. This exemption does not apply to school district taxes.
2. Permits owners of homestead property to transfer the benefit of their exemption (up to \$500,000) to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or is equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then owners of homestead property may transfer a proportional amount of their Save Our Homes benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead. As discussed above, the Save Our Homes amendment generally limits annual increases in ad valorem tax assessments for those properties with homestead exemptions to the lesser of 3% or the annual rate of inflation.
3. Exempts from ad valorem taxation \$25,000 of the assessed value of property subject to tangible personal property tax.
4. Limits increases in the assessed value of non-homestead property to 10% per year, subject to certain adjustments. The cap on increases would be in effect for a 10 year period, subject to extension by an affirmative vote of electors. This limitation does not apply to school district taxes.

From time to time over the last few years, the Save Our Homes assessment cap and portability provision described above have been subject to legal challenge. The plaintiffs in such cases have generally argued that the Save Our Homes assessment cap constitutes an unlawful residency requirement for tax benefits on substantially similar property, in violation of the State Constitution's Equal Protection provisions and the Privileges and Immunities Clause of the Fourteenth Amendment to the United States Constitution, and that the portability provision simply extends the unconstitutionality of the tax shelters granted to long-term homeowners by Save Our Homes. The courts in each case have rejected such constitutional arguments and upheld the constitutionality of such provisions. However, there is no assurance that any future

challenges to such provisions will not be successful. Any potential impact on the Borrowers or their finances as a result of such challenges cannot be ascertained at this time.

In the November 2008 general election, the voters of Florida approved amendments to the State Constitution providing the Florida Legislature with authority to enact exemptions or special assessment protections for certain types of property subject to ad valorem taxation, including exemptions for conservation lands and residential wind damage resistance and renewable energy source improvements, and restrictions on the assessment of working waterfront properties.

In the November 2010 general election, voters approved a constitutional amendment which provides an additional homestead exemption for deployed military personnel. The exemption equals the percentage of days during the prior calendar year that the military homeowner was deployed outside of the United States in support of military operations designated by the legislature. This constitutional amendment took effect on January 1, 2011.

During the 2011 regular legislative session, the legislature passed Senate Joint Resolution 592 ("SJR 592"). SJR 592 allows totally or partially disabled veterans who were not Florida residents at the time of entering military service to qualify for the combat-related disabled veteran's ad valorem tax discount on homestead property. The amendment became effective January 1, 2013.

During the 2012 regular legislative session, the legislature passed House Joint Resolution 93 ("HJR 93"). HJR 93 allows the State Legislature to provide ad valorem tax relief to the surviving spouse of a veteran who died from service-connected causes while on active duty as a member of the United States Armed Forces and to the surviving spouse of a first responder who died in the line of duty. The amount of tax relief, to be defined by general law, can equal the total amount or a portion of the ad valorem tax otherwise owed on the homestead property. The amendment became effective January 1, 2013. Also during the State Legislature's 2013 Regular Session, the State Legislature passed House Bill 1193 ("HB 1193"). HB 1193 eliminated three ways in which the property appraiser had authority to reclassify agricultural land as non-agricultural appraisers. HB 1193 is effective immediately and will apply retroactively to January 1, 2013.

Also during the 2012 regular legislative session, the legislature passed House Joint Resolution 169 ("HJR 169") allowing the State Legislature by general law to permit counties and municipalities, by ordinance, to grant an additional homestead tax exemption equal to the assessed value of homestead property to certain low income seniors. To be eligible for the additional homestead exemption the county or municipality must have granted the exemption by ordinance; the property must have a just value of less than \$250,000; the owner must have title to the property and maintained his or her permanent residence thereon for at least 25 years; the owner must be age 65 years or older; and the owner's annual household income must be less than \$27,300. The additional homestead tax exemption authorized by HJR 169 does not apply to school property taxes.

Each of the above described amendments was approved by the voters on November 6, 2012.

During its 2013 Regular Session, the Florida Legislature passed Senate Bill 1830 ("SB 1830"), which was signed into law by the Governor and creates a number of changes affecting ad valorem taxation which became effective as of July 1, 2013. First, SB 1830 provides long-term lessees the ability to retain their homestead exemption and related assessment limitations and exemptions in certain instances and extends the time for property owners to appeal value adjustment board decisions on transfers of assessment limitations to conform with general court filing time frames. Second, SB 1830 inserts the term "algaculture" in the definition of "agricultural purpose" and inserts the term "aquacultural crops" in the provision specifying the valuation of certain annual agricultural crops, nonbearing fruit trees and nursery stock. Third, SB 1830 allows for an automatic renewal for assessment reductions related to certain additions to homestead properties used as living quarters for a parent or grandparent and aligns related appeal and penalty provisions to those for other homestead exemptions. Fourth, SB 1830 deletes a statutory requirement that the owner of Florida real property permanently reside upon on such property in order to qualify for a homestead exemption. This change conforms the statute at issue with the Florida Constitution by allowing non-resident owners of property to claim a homestead exemption if a person legally or naturally dependent upon the owner permanently resides on such property. Fifth, SB 1830 clarifies a drafting error regarding the property tax exemptions counties and cities may provide for certain low income persons age 65 and older. Sixth, SB 1830 removes a residency requirement that a senior disabled veteran must have been a Florida resident at the time they entered the service to qualify for certain property tax exemptions. Seventh, SB 1830 repeals the ability for limited liability partnerships with a general partner that is a charitable 501(c)(3) organization to qualify for the affordable housing property tax exemption. Finally, SB 1830 exempts from property taxes property used exclusively for educational purposes when the entities that own the property and the educational facility are owned by the same natural persons.

Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 277 ("HB 277"), which was signed into law by the Governor. HB 277 provides that certain renewable energy devices are exempt from being considered when calculating the assessed value of residential property. HB 277 only applies to devices installed on or after January 1, 2013. HB 277 took effect on July 1, 2013. The State Legislature in 2013 also passed House Bill 1193 ("HB 1193"). HB 1193 eliminated three ways in which the property appraiser had authority to reclassify agricultural land as non-agricultural land. Additionally, HB 1193 relieved the value adjustment board of the authority to review the property appraisers.

On August 30, 2016, Florida voters approved an amendment to the Florida Constitution to the effect that increased value to homes resulting from solar or renewal energy services cannot be considered in the home's tax assessment, and removing the state tangible personal property tax on solar equipment installed on properties. The act requires implementing legislation by the Florida Legislature.

During recent years, various other legislative proposals and constitutional amendments relating to ad valorem taxation and restrictions on local government revenues and expenditures

have been introduced in the State. Many of these proposals sought to limit local government revenues and expenditures, provide for new or increased exemptions to ad valorem taxation, limit the amount of revenues that local governments could generate from ad valorem taxation or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent historical levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would or might apply to, or have a material adverse effect upon, the collection of ad valorem taxes and thus, indirectly, the availability of non-ad valorem revenues.

Financial Information Regarding the Borrowers

Appendices F through N include financial information about each of the Borrowers. See "FINANCIAL STATEMENTS," herein.

BOND INSURANCE

Bond Insurance Policy

The following information has been furnished by National Public Finance Guarantee Corporation for use in this Official Statement.

National does not accept any responsibility for the accuracy or completeness of any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding National and the Financial Guaranty Insurance Policy issued by National (the "Policy"). Additionally, National makes no representation regarding the Bonds or the advisability of investing in the Bonds. A specimen of the Policy is attached hereto as APPENDIX O.

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of optional redemption or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless National elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking

fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of the Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Bonds.

National Public Finance Guarantee Corporation

National is an operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against National. National is domiciled in the State of New York and is licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands.

The principal executive offices of National are located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and the main telephone number at that address is (914) 765-3333.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, National is also subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for National, limits the classes and concentrations of investments that are made by National and requires the approval of policy rates and forms that are employed by National. State law also regulates the amount of both the aggregate and individual risks that may be insured by National, the payment of dividends by National, changes in control with respect to National and transactions among National and its affiliates.

The National Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of National

National's current financial strength ratings from the major rating agencies are summarized below:

<u>Agency</u>	<u>Ratings</u>	<u>Outlook</u>
S&P	AA-	Stable
Moody's	A3	Negative
KBRA	AA+	Stable

Each rating of National should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of National and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. National does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

Recent Litigation

In the normal course of operating its business, National may be involved in various legal proceedings. Additionally, MBIA Inc. may be involved in various legal proceedings that directly or indirectly impact National. For additional information concerning material litigation involving National and MBIA Inc., see MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, which is hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof, as well as the information posted on MBIA Inc.'s web site at <http://www.mbia.com>.

MBIA Inc. and National are defending against/pursuing the aforementioned actions and expect ultimately to prevail on the merits. There is no assurance, however, that they will prevail in these actions. Adverse rulings in these actions could have a material adverse effect on National's ability to implement its strategy and on its business, results of operations and financial condition.

Other than as described above and referenced herein, there are no other material lawsuits pending or, to the knowledge of National, threatened, to which National is a party.

National Financial Information

Based upon statutory financials, as of June 30, 2016, National had total net admitted assets of \$4.8 billion (unaudited), total liabilities of \$2.1 billion (unaudited), and total surplus of \$2.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning National, see the financial statements of MBIA Inc. and its subsidiaries as of December 31, 2015, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 2015, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

The following documents filed by MBIA Inc. with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015;

MBIA Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.

Any documents, including any financial statements of National that are included therein or attached as exhibits thereto, or any Form 8-K, filed by MBIA Inc. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of MBIA Inc.'s most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

MBIA Inc., files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of MBIA Inc.'s SEC filings (MBIA Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 and MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at MBIA Inc.'s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to National at its principal executive offices.

INVESTMENT CONSIDERATIONS

General

The purchase of the Bonds involves a degree of risk, as is the case with all investments. Factors that could affect the Issuer's ability to perform its obligations under the Indenture, including the timely payment of principal of and interest on the Bonds, include, but are not necessarily limited to, the following:

Limited Special Obligations

The Bonds are limited, special obligations of the Issuer, the principal of, premium, if any, and interest on which are payable from and secured solely by amounts held in the funds and accounts established under the Indenture and amounts paid under the Loan Agreements, which

are in turn (in the case of the Covenant to Budget Loan Agreements) secured by a covenant to budget and appropriate Non-Ad Valorem Revenues as described herein, and (in the case of the St. Augustine Beach Limited Tax Loan Agreement) are secured by a limited pledge of ad valorem tax revenues.

The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from the Trust Estate, as more fully described herein. The obligations of the respective Borrowers pursuant to the Loan Agreements are not a general debt, liability or obligation of the respective Borrowers, but are limited obligations of the Borrowers payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.

Bond Insurance

Although the Bonds are insured by the Policy issued by National which unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but which is unpaid by reason of nonpayment by the Issuer, there can be no assurance that National will make such payments. See the information under the heading "BOND INSURANCE" herein.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of optional redemption or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Issuer which is recovered by the Issuer from the Owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by National at such time and in such amounts as would have been due absent such prepayment by the Issuer unless National chooses to pay such amounts at an earlier date.

National may direct and must consent to any remedies and National's consent may be required in connection with amendments to any applicable bond documents.

In the event National is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the Indenture. In the event National becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term rating on the Bonds is dependent on the financial strength of National and its claim paying ability. National's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the

long-term rating of National and of the rating on the Bonds will not be subject to downgrade, and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "RATING" herein.

The obligations of the Bond Insurer are general obligations of National and in an event of default by National, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the Issuer, the Borrowers, nor the Underwriter have made independent investigation into the claims paying ability of National, and no assurance or representation regarding the financial strength or projected financial strength of National is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Borrowers to pay principal and interest on the Loans securing the Bonds and the claims paying ability of National, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by National and the Policy, which includes further instructions for obtaining current financial information concerning National.

No Replacement of Surety Bond

As described under the heading "SECURITY AND SOURCES OF PAYMENT – Reserve Fund," in the event National becomes insolvent, fails to meet its obligations under the terms of the Surety Bond or suffers a rating downgrade, neither the Issuer nor the Borrowers are under any obligation to deposit cash into the Reserve Fund or to otherwise replace the Surety Bond.

Pledging of Non-Ad Valorem Revenue Sources by Borrowers

As described herein under the heading "SECURITY AND SOURCES OF PAYMENT -- The Covenants to Budget and Appropriate," specific Non-Ad Valorem Revenue sources from which the Borrowers under Covenant to Budget Loan Agreements have covenanted to budget and appropriate amounts sufficient to make Loan Repayments may be pledged (and in some case already have been pledged) by a Borrower to secure other indebtedness of said Borrower. In such situation, such Non-Ad Valorem Revenue sources would be applied to such other indebtedness prior to being applied to pay said Borrower's Loan.

St. Augustine Beach Limited Tax Loan

Since the Borrower's obligation under the St. Augustine Beach Limited Tax Loan Agreement is limited to an annual millage levy not to exceed 0.50 mills, and there is additional debt secured by such levy (see "SECURITY AND SOURCES OF PAYMENT -- St. Augustine Beach Limited Tax Loan Agreement"), the possibility exists that amounts received pursuant to a full 0.50 mill levy, whether due to exemptions, failure to pay the tax or otherwise, will not be sufficient to pay amounts due under the St. Augustine Beach Limited Tax Loan Agreement and the other debt secured by said levy.

DEBT SERVICE REQUIREMENTS

The following table sets forth the total annual scheduled debt service requirements for the Bonds.

Year Ending October 1 (Inclusive)	Principal	Interest	Total Annual Debt Service
2017	\$1,585,000.00	\$760,954.17	\$2,345,954.17
2018	1,625,000.00	725,050.00	2,350,050.00
2019	1,680,000.00	676,300.00	2,356,300.00
2020	1,745,000.00	609,100.00	2,354,100.00
2021	1,505,000.00	556,750.00	2,061,750.00
2022	1,540,000.00	511,600.00	2,051,600.00
2023	1,180,000.00	450,000.00	1,630,000.00
2024	1,220,000.00	426,400.00	1,646,400.00
2025	1,245,000.00	402,000.00	1,647,000.00
2026	1,275,000.00	373,987.50	1,648,987.50
2027	970,000.00	345,300.00	1,315,300.00
2028	990,000.00	321,050.00	1,311,050.00
2029	1,305,000.00	291,350.00	1,596,350.00
2030	1,235,000.00	226,100.00	1,461,100.00
2031	1,220,000.00	164,350.00	1,384,350.00
2032	1,255,000.00	127,750.00	1,382,750.00
2033	1,135,000.00	90,100.00	1,225,100.00
2034	890,000.00	56,050.00	946,050.00
2035	220,000.00	29,350.00	249,350.00
2036	55,000.00	22,750.00	77,750.00
2037	55,000.00	20,962.50	75,962.50
2038	60,000.00	19,175.00	79,175.00
2039	60,000.00	17,225.00	77,225.00
2040	60,000.00	15,275.00	75,275.00
2041	65,000.00	13,325.00	78,325.00
2042	65,000.00	11,212.50	76,212.50
2043	65,000.00	9,100.00	74,100.00
2044	70,000.00	6,987.50	76,987.50
2045	70,000.00	4,712.50	74,712.50
2046	75,000.00	2,437.50	77,437.50
TOTALS	\$24,520,000.00	\$7,286,704.17	\$31,806,704.17

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TAX MATTERS

General

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The Issuer has covenanted in the Indenture and the Borrowers have covenanted in their Loan Agreements with respect to the Bonds to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations; however, interest on the Bonds may be subject to the federal alternative minimum tax when any Bond is held by a corporation. The federal alternative minimum taxable income of a corporation must be increased by seventy-five percent (75%) of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the Bonds.

Except as described above, Bond Counsel will express no opinion regarding other federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Bonds; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including interest on Bonds; (iii) the inclusion of interest on Bonds in earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion of interest on Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for the purposes of determining whether such benefits are included in gross income for federal income tax purposes.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the Issuer and the Borrowers, certificates of appropriate officers and certificates of public officials (including certifications as to the use of

proceeds of the Bonds and of the property financed or refinanced thereby), without undertaking to verify the same by independent investigation.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Other Tax Matters

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Bonds. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of owning the Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Tax Treatment of Original Issue Discount

Under the Code, the difference between the maturity amount of the Bonds maturing on October 1 of the years 2023 through 2027, 2031 through 2035, and 2046 (collectively, the "Discount Bonds"), and the initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of the Discount Bonds of the same maturity and, if applicable, interest rate, was sold is "original issue discount." Original issue discount will accrue over the term of the Discount Bonds at a constant interest rate compounded periodically. A purchaser who acquires the Discount Bonds in the initial offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he or she holds the Discount Bonds, and will increase his or her adjusted basis in the Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or disposition of the Discount Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Bondholders of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.

Tax Treatment of Bond Premium

The difference between the principal amount of the Bonds maturing on October 1 of the years 2017 through and including 2022 and 2029 through 2030 (collectively, the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Bondholders of the Premium Bonds are advised

that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

LITIGATION

The Borrowers experience claims, litigation, and various legal proceedings which individually are not expected to have a material adverse effect on its operations or financial condition, but may, in the aggregate, have a material impact thereon. On the date of delivery of the Bonds, each Borrower will certify that there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending, or to the best of such Borrower's knowledge, threatened, against or affecting such Borrower wherein an unfavorable decision, ruling or finding would materially and adversely affect such Borrower, its financial condition or its ability to comply with its obligations under its Loan Agreement or the validity or enforceability of its Loan Agreement.

On the date of delivery of the Bonds, the Issuer will certify that there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending, or to the best knowledge of the Issuer, threatened, against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would materially and adversely affect the validity of the Bonds, the Indenture or the Loan Agreements.

VALIDATION

On February 13, 2003, the Circuit Court of the Second Judicial Circuit of Florida in and for Leon County, Florida, entered an order validating the Bonds. The time for filing an appeal from such judgment expired with no appeal having been filed.

SEC ORDER; VOLUNTARY CLOSING AGREEMENT

On July 19, 2010, the Issuer and the City of South Miami ("South Miami") initiated with the Internal Revenue Service the process for requesting a voluntary closing agreement to resolve several issues which came to the attention of the Issuer and could have affected the tax-exempt status of certain prior bonds issued by the Issuer. Specifically, South Miami was a borrower of a portion of the proceeds of the Issuer's Series 2002A and Series 2006 Bonds. South Miami made the Issuer aware of an issue with regard to the use of the proceeds of such bonds and a long-term lease of a parking facility. On July 19, 2010, the United States Securities and Exchange Commission ("SEC") issued an Order Directing Private Investigation and Designating Officers to Take Testimony, alleging that in the underwriting, offering, sale and purchase of such bonds that there may have been made false statements of a material fact or a failure to disclose material facts concerning, among other things, the tax-exempt status of such bonds. On August 7, 2011, the Commissioner of Internal Revenue entered into a Closing Agreement with South Miami and the Issuer to resolve the matter, with a payment by South Miami but without penalty to the Issuer. On May 30, 2013, the SEC provided notice to the Issuer that its investigation had been completed without recommendation of any enforcement action.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds are subject to the approving opinion of Bryant Miller Olive P.A., Miami, Florida, Bond Counsel. Bond Counsel has not been engaged to, nor has it undertaken to, review the accuracy, completeness or sufficiency of this Official Statement or any other offering material relating to the Bonds; provided, however, that Bond Counsel shall render an opinion to the Underwriter of the Bonds (upon which only it may rely) relating to the accuracy of certain statements contained herein under the heading "TAX MATTERS" and certain statements which summarize provisions of certain documents described herein. Certain legal matters will be passed upon for the Issuer by Kraig A. Conn, Esquire, counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc. and Nabors, Giblin & Nickerson, P.A., Tampa, Florida, as Disclosure Counsel. Holland & Knight LLP, Lakeland, Florida, has served as counsel to the Underwriter. Certain legal matters will be passed upon for the Borrowers by their respective counsel.

The proposed text of the approving opinion of Bond Counsel to be delivered concurrently with the delivery of the Bonds is set forth as APPENDIX E to this Official Statement. The actual legal opinion to be delivered may vary from the text of APPENDIX E, if necessary, to reflect facts and law on the date of delivery of the Bonds. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

The legal opinions to be delivered by Bond Counsel, Disclosure Counsel and Counsel to the Issuer concurrently with the delivery of the Bonds are based on existing law, which is subject to change. Such legal opinions are further based on factual representations made as of the date thereof. The attorneys rendering legal opinions concurrently with the delivery of the Bonds assume no duty to update or supplement their respective opinions to reflect any facts or circumstances, including changes in law that may thereafter occur or become effective. In addition, such legal opinions express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed in such opinions. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The fees of Bond Counsel and Disclosure Counsel and payment of the Underwriter's discount, which includes the fees of counsel to the Underwriter, are contingent upon the issuance of the Bonds.

FINANCIAL STATEMENTS

Included in APPENDIX F through APPENDIX N are the audited financial statements of the Borrowers as of September 30, 2015, for the year then ended. Such financial statements, including the respective auditors' reports, have been included in this Official Statement as public

documents, and consent from the auditors was not requested. The auditors have not performed any services relating to, and are therefore not associated with, the issuance of the Bonds.

RATINGS

Standard and Poor's Global Ratings, a division of The McGraw-Hill Companies ("S&P") is expected to assign a rating to the Bonds, based upon the issuance of the Policy by National at the time of delivery of the Bonds, of "AA-" (stable outlook). In addition, S&P has assigned an underlying rating to the Bonds of "A-" (stable outlook).

The ratings reflect only the views of S&P and an explanation of the significance of the rating may be obtained only from S&P. The ratings are not recommendations to buy, sell or hold the Bonds, and there is no assurance that such ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. The Underwriter has not undertaken responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the ratings of the Bonds, or to oppose any proposed revision or withdrawal.

UNDERWRITING

Wells Fargo Bank, National Association, the Underwriter, has agreed, subject to certain customary conditions precedent, to purchase the Bonds at a price of \$25,110,863.75 (which includes net bond premium of \$762,685.75 and underwriter's discount of \$171,822.00), and to reoffer the Bonds at the prices shown on the inside cover hereof. If obligated to purchase any of the Bonds, the Underwriter will be obligated to purchase all of the Bonds. The initial public offering prices may be changed from time to time by the Underwriter.

There can be no assurance that there will be a secondary market for purchase or sale of the Bonds. Depending upon prevailing market conditions, including the financial condition or market positions of firms which may make the secondary market, evaluation of the Borrowers' capabilities and the financial condition and results of their operations, there may not be a secondary market for the Bonds from time to time, and investors in the Bonds may be unable to divest themselves of their interests therein.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934. Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), the sole underwriter of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its

underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

FINANCIAL ADVISOR TO THE ISSUER

The Issuer has retained Public Resources Advisory Group, St. Petersburg, Florida, as Financial Advisor in connection with the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE

In compliance with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, 240.15c2-12) (the "Rule"), the Issuer and each Borrower have entered into a covenant (each, a "Continuing Disclosure Covenant") that constitutes the written undertaking for the benefit of the holders of the Bonds required by Section (b)(5)(i) of the Rule. The form of the Continuing Disclosure Covenants for the Issuer and the Borrowers are contained in Appendices A and B hereof.

As noted elsewhere in this Official Statement, the Bonds constitute the twenty-fifth series of bonds issued by the Issuer. The Issuer's prior bond issues funded loans to various borrowers (the "Prior Borrowers") in a fashion similar to that described herein with respect to the Bonds. In connection with its prior bond issues, the Issuer and each of the Prior Borrowers entered into continuing disclosure agreements (the "Prior Undertakings") pursuant to the Rule. Pursuant to the Prior Undertakings, the Issuer and each Prior Borrower agreed to provide certain annual financial information on or before the date 270 days after the end of each fiscal year of the Issuer and the respective Prior Borrowers. The Issuer has complied with its Prior Undertakings, except as follows: (i) the Issuer was several days late in filing its fiscal year 2011 audited financial statements; (ii) certain of the Prior Borrowers failed to timely file their annual financial information (including audited financial statements) for fiscal years ending September 30, 2011 (including the City of North Miami, the Town of Eatonville and the Town of Oakland), September 30, 2012 (including the Town of Eatonville and the Town of Oakland), September 30, 2013 (including the Town of Eatonville and the City of North Miami), September 30, 2014 (including the City of North Miami and the Town of Eatonville) and September 30, 2015 (including the Town of Oakland and the Town of Lake Park) (each subsequently cured by a curative filing); (iii) one of the Prior Borrowers failed to include required information in its fiscal year 2011 annual report (subsequently supplied by a curative filing); (iv) one of the Prior Borrowers failed to file an annual report for fiscal years 2011-2013 (subsequently supplied by a curative filing); and (v) the Issuer and certain of the Prior Borrowers failed to make required timely filings of certain bond insurer rating changes in 2010, 2013 and 2014. Likewise, the Borrowers have certified that they have complied with prior undertakings applicable to each such

Borrower, except as provided above. The Issuer has taken certain steps to ensure timely notice of bond insurer ratings changes are made, and has instituted a tickler system to ensure reminders and cross-checks are in place with respect to future compliance by Borrowers.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Rule 69W-400.003, Rules of Government Securities under Section 517.051(1), Florida Statutes, promulgated by the Florida Department of Financial Services, Office of Financial Regulation, Division of Securities and Finance ("Rule 69W-400.003"), requires the Issuer to disclose each and every default as to the payment of principal and interest with respect to obligations issued or guaranteed by the Issuer after December 31, 1975. Rule 69W-400.003 further provides, however, that if the Issuer, in good faith, believes that such disclosures would not be considered material by a reasonable investor, such disclosures may be omitted.

Except as described below, the Issuer is not, and since December 31, 1975, has not been, in default as to principal of and interest on bonds or other debt obligations. Each Borrower has certified that it is not, and since December 31, 1975, has not been, in default as to principal of and interest on bonds or other debt obligations for which either ad valorem or non-ad valorem revenues of the Borrower were pledged.

On January 15, 2016, the City of Valparaiso ("Valparaiso") deposited sufficient debt service funds with The Bank of New York Mellon Trust Company, N.A. ("BNY Mellon") as trustee for the Issuer's Series 2005A Revenue Bonds, to make the required February 1, 2016 interest and mandatory redemption payments thereon. Valparaiso is the only remaining borrower under the Series 2005A program, so there are no debt service fund deposits required beyond that of Valparaiso. BNY Mellon, due to an internal processing error, inadvertently failed to make the full February 1, 2016 mandatory redemption principal payment in a timely manner, resulting in a shortfall of \$115,000 from what should have been redeemed. BNY Mellon, upon becoming aware of its internal processing error, submitted the payment to Depository Trust Company ("DTC") for processing. The mandatory redemption payment of \$115,000 was sent to DTC on March 3, 2016. No legal proceedings, civil, criminal, or administrative, were commenced as a result of or related to the failure to make the mandatory redemption principal payment in a timely manner, and there are no legal proceedings which may materially affect the Issuer's ability to perform its obligations to the present and future holders of the securities being offered. See "LITIGATION", herein. In addition, no trustee or receiver has ever been appointed over the assets of the Issuer. The Issuer, in good faith, believes that the default described above would not be considered material by a reasonable investor in the Bonds since (i) the Issuer acted solely as a conduit issuer and is in no way obligated to make payments on any of its bonds in default except to the extent it receives payments from the Borrowers related to such Bonds, and (ii) the cause of the default was not a result of nonpayment of the bonds, but due to an internal processing error of the Trustee.

The Borrowers have not undertaken an independent review or investigation of such bonds or other debt obligations as to which they have served only as a conduit issuer. To the extent any of bonds or other debt obligations are in default as to principal and/or interest, the obligation of the Borrower thereunder is limited solely to payment from funds received by the party on whose

behalf such bonds or other debt obligations were issued, and the Borrower is not obligated to pay the principal of or interest on such bonds or other debt obligations from any funds of the Borrower.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Bonds upon an event of default under the Indenture and any policy of insurance referred to herein are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the federal bankruptcy code, the Indenture, the Bonds and any policy of insurance referred to herein may not be readily available or maybe limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

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MISCELLANEOUS

The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report or other instrument. So far as any statements made in this Official Statement involve matters of opinion or are estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

FLORIDA MUNICIPAL LOAN COUNCIL

By: /s/ Isaac Salver
Its: Chairman

APPENDIX A

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BORROWERS

This **CONTINUING DISCLOSURE AGREEMENT** dated as of September 1, 2016 (the "Continuing Disclosure Agreement") is executed and delivered by _____, a Florida municipal corporation ("Borrower"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof.

SECTION 1. Nature of Undertaking. This Continuing Disclosure Agreement constitutes an undertaking by the Borrower under paragraph (b)(5) of the Rule to provide Financial Information and notice of the occurrence of certain events with respect to the Bonds, as provided in paragraph (b)(5)(i)(C) of the Rule, and otherwise to assist the Participating Underwriter in complying with paragraph (b)(5) of the Rule with respect to the Offering of the Bonds. Among other things, the Borrower is hereby undertaking (i) to disseminate an Annual Report not later than the June 30 following the end of each Fiscal Year of the Borrower in accordance with Section 4 hereof, which contains Financial Information with respect to the Borrower, (ii) if an Annual Report does not contain the Audited Financial Statements, to disseminate the Audited Financial Statements in accordance with Section 4 hereof as soon as practicable after they shall have been approved by the Governing Body, (iii) to provide notice in a timely manner, in accordance with Section 6 hereof, of the occurrence of any of the Listed Events related to the Borrower and (iv) to provide notice in a timely manner, in accordance with Section 4(e) hereof, of any failure to disseminate an Annual Report in accordance with the preceding clause (i) of this sentence.

SECTION 2. Definitions. In addition to the definitions set forth above and in the herein-defined Indenture, which shall apply to any capitalized terms used herein, the following capitalized terms shall have the following meanings, unless otherwise defined therein:

"Annual Report" means a document or set of documents which (a) identifies the Borrower; (b) contains (or includes by reference to documents which were filed with the SEC or EMMA prior to the date that the Annual Report containing such reference is provided to the Dissemination Agent in accordance with Section 4 hereof): (i) Financial Information and Operating Data for the Borrower; (ii) Audited Financial Statements if such Audited Financial Statements shall have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; and (iii) Unaudited Financial Statements if the Audited Financial Statements shall not have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; (c) in the event that the Borrower delivers a Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(b) hereof, contains (in the case of the Annual Report disseminated on or immediately after the date such Continuing Disclosure Certificate is so delivered) a narrative explanation of the reasons for

the changes in Financial Information and/or Operating Data set forth in such Continuing Disclosure Certificate and the effect of the changes on the types of Financial Information and/or Operating Data being provided in such Annual Report; and (d) in the event that the Borrower authorizes a change in the accounting principles by which its Audited Financial Statements are prepared, contains (in the case of the Annual Report disseminated on or immediately after the date of such change) (1) a comparison between the Financial Information prepared on the basis of the new accounting principles which is contained in such Annual Report and the Financial Information prepared on the basis of the former accounting principles which was contained in the previous Annual Report disseminated immediately prior to such Annual Report and (2) a discussion of the differences between such accounting principles and the effect of such change on the presentation of the Financial Information being provided in such Annual Report.

"Annual Report Certificate" means an Annual Report Certificate in the form attached hereto as Exhibit A.

"Annual Report Date" means the June 30 following the end of a Fiscal Year.

"Audited Financial Statements" means the financial statements of the Borrower which have been examined by independent certified public accountants in accordance with generally accepted auditing standards.

"Bondholder" means (i) the registered owner of a Bond and (ii) the beneficial owner of a Bond, as the term "beneficial owner" is used in any agreement with a securities depository for the Bonds and as the term may be modified by an interpretation by the SEC of paragraph (b)(5) of the Rule.

"Bonds" means the \$24,520,000 Florida Municipal Loan Council Revenue Refunding and Improvement Revenue Bonds, Series 2016.

"Continuing Disclosure Agreement" means this Continuing Disclosure Agreement, as the same may be supplemented and amended pursuant to Section 8 hereof.

"Continuing Disclosure Certificate" means a Continuing Disclosure Certificate in the form attached hereto as Exhibit B delivered by the Borrower to the Dissemination Agent pursuant to Section 5 hereof.

"Dissemination Agent" means Florida League of Cities, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent which is appointed pursuant to Section 3 hereof or to which the responsibilities of Dissemination Agent under this Continuing Disclosure Agreement shall have been assigned in accordance with Section 9 hereof.

"EMMA" means the Electronic Municipal Market Access System as described in Securities and Exchange Commission Release No. 34-59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule as further described in Sections 4 and 6 hereof.

"Event Notice" means notice of the occurrence of a Listed Event.

"Final Official Statement" means the Final Official Statement prepared in connection with the Offering of the Bonds.

"Financial Information" means financial information related to the Borrower of the types identified in the Continuing Disclosure Certificate most recently delivered by the Borrower to the Dissemination Agent in accordance with Section 5 hereof. The Financial Information (i) shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Financial Information, and (ii) shall be prepared on the basis of the Audited Financial Statements to be provided to the Dissemination Agent concurrently with the Annual Report, provided that, if the Audited Financial Statements are to be provided to the Dissemination Agent subsequent to the date that the Annual Report is provided to the Dissemination Agent, such Financial Information may be prepared on the basis of the Unaudited Financial Statements.

"Governing Body" shall mean the governing body of the Borrower which shall approve the Audited Financial Statements.

"Indenture" means the Trust Indenture dated of even date herewith by and between Florida Municipal Loan Council, as Issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee.

"Insurer" means National Public Finance Guarantee Corporation, its successors and assigns.

"Loan Agreement" means the Loan Agreement dated of even date herewith, between the Issuer and the Borrower.

"Listed Events" means any of the events which are set forth in Section 6 hereof.

"MSRB" means the Municipal Securities Rulemaking Board.

"Offering" means the primary offering of the Bonds for sale by the Participating Underwriter.

"Operating Data" means operating data of the types identified in the Continuing Disclosure Certificate most recently delivered by the Borrower to the Dissemination Agent in accordance with Section 5 hereof. The Operating Data shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Operating Data.

"Participating Underwriter" means Wells Fargo Bank, National Association.

"Rating Agency" means Standard & Poor's Ratings Services, or any successor thereto.

"Rule" means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as amended, as the Rule may be amended from time to time, or any successor provision thereto.

"SEC" means the Securities and Exchange Commission.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture.

"Unaudited Financial Statements" means unaudited financial statements of the Borrower for any Fiscal Year which have been prepared on a basis substantially consistent with the Audited Financial Statements to be subsequently prepared for such Fiscal Year.

SECTION 3. Appointment of Dissemination Agent: Obligations of Borrower Respecting Undertaking. (a) The Borrower hereby appoints Florida League of Cities, Inc. to act as the initial Dissemination Agent hereunder. Florida League of Cities, Inc. hereby accepts such appointment. The Borrower may, from time to time, appoint a successor Dissemination Agent or discharge any then acting Dissemination Agent, with or without cause. If at any time there shall be no Dissemination Agent appointed and acting hereunder or the then appointed and acting Dissemination Agent shall fail to perform its obligations hereunder, the Borrower shall discharge such obligations until such time as the Borrower shall appoint a successor Dissemination Agent or the then appointed and acting Dissemination Agent shall resume the performance of such obligations.

(b) The Borrower hereby acknowledges that the Borrower is obligated to comply with this Continuing Disclosure Agreement and that the appointment of the Dissemination Agent as agent of the Borrower for the purposes herein provided does not relieve the Borrower of its obligations with respect to this Continuing Disclosure Agreement.

SECTION 4. Annual Financial Information. (a) The Financial Information shall be contained in the Annual Reports and, if provided separately in accordance with Section 5(b) hereof, the Audited Financial Statements which the Borrower is required to deliver to the Dissemination Agent for dissemination in accordance with this Section 4.

(b) The Dissemination Agent shall notify the Borrower of each Annual Report Date and of the Borrower's obligation hereunder not more than 60 and not less than 30 days prior to each Annual Report Date. The Borrower shall provide an Annual Report to the Dissemination Agent, together with an Annual Report Certificate, not later than each Annual Report Date, provided that, if the Annual Report does not include the Audited Financial Statements, the Borrower shall provide the Audited Financial Statements to the Dissemination Agent as soon as practicable after they shall have been approved by the Governing Body.

(c) The Dissemination Agent shall provide the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, to EMMA, the Trustee, the Issuer, the Rating Agency and the Insurer within five (5) Business Days after receipt thereof from the Borrower.

(d) The Dissemination Agent shall provide the Issuer, the Borrower and the Trustee written confirmation that the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, were provided to EMMA in accordance with Section 4(c) hereof.

(e) If the Dissemination Agent shall not have filed the Annual Report by the Annual Report Date, the Dissemination Agent shall so notify the Borrower, EMMA, the Trustee and the Insurer within five (5) Business Days of the Annual Report Date.

SECTION 5. Continuing Disclosure Certificates. (a) The Borrower shall prepare a Continuing Disclosure Certificate in the form attached hereto as Exhibit B in connection with the Offering of the Bonds and shall deliver the same to the Dissemination Agent for dissemination to the Participating Underwriter, Issuer and Trustee.

(b) Prior to the deletion or substitution of any Financial Information and Operating Data in the Continuing Disclosure Certificate from the information listed in Exhibit B hereto, the Borrower will obtain an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Borrower) addressed to the Issuer, the Participating Underwriter, the Trustee and the Dissemination Agent, to the effect that said deletion or substitution is permitted by the Rule and the Financial and Operating Data to be provided will comply with the Rule, as in effect on the date of the Offering of the Bonds and taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent is entitled to rely on such opinion without further investigation.

(c) Notwithstanding Section 5(b) hereof, the Borrower shall not be required to comply with Section 5(b) hereof if such Section shall no longer be deemed to be required in order for this Continuing Disclosure Agreement to comply with the Rule as a result of the adoption, rendering or delivery of (i) an amendment or interpretation of the Rule by the SEC, (ii) an adjudication of the Rule by a final decision of a court of competent jurisdiction or (iii) an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Borrower), in each case, to that effect.

(d) Any delivery of a Continuing Disclosure Certificate pursuant to Section 5(a) hereof shall not be deemed to be an amendment to this Continuing Disclosure Agreement and shall not be subject to the provisions of Section 8 hereof.

SECTION 6. Reporting of Listed Events. (a) Pursuant to the provisions of this Section 6, the Borrower shall direct the Dissemination Agent to provide, in the appropriate format required by law or applicable regulation, in a timely manner such that notice to EMMA can be provided not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events, with respect to the Loan and the Bonds:

- (i) principal and interest payment delinquencies;

- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit facility providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS form 5701-TEB) or other material notices or determinations with respect to the tax status of the Loan or Bonds, or other material events affecting the tax status of the Loan or Bonds;
- (vii) modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of any property securing repayment of the Loan or Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar events of the Borrower (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower).
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a

definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (xiv) the appointment of a successor or additional trustee or the change of name of the trustee, if material; and
- (xv) in a timely manner, notice of failure to provide annual Financial Information before the date(s) specified in Section 4 hereof.

(b) If the Borrower instructs the Dissemination Agent to provide an Event Notice pursuant to Section 6(a) hereof, the Dissemination Agent shall, within three (3) Business Days thereafter, file an Event of Notice with EMMA, the Trustee, the Rating Agency, the Issuer and the Insurer. The Dissemination Agent shall provide the Borrower, the Issuer and the Trustee written confirmation that such Event Notice was provided to EMMA in accordance with this Section 6(b).

(c) Notwithstanding the foregoing, whenever the Borrower authorizes a change in either its Fiscal Year or the accounting principles by which its Audited Financial Statements are prepared, the Borrower shall provide the Dissemination Agent with written notice of such change and instruct the Dissemination Agent to file a copy of such notice with EMMA, the Issuer, the Insurer, the Rating Agency and the Trustee, and the Dissemination Agent shall, within three (3) Business Days thereafter, file a copy of such notice with EMMA, the Issuer, the Insurer, the Rating Agency and the Trustee. The Dissemination Agent shall provide the Borrower written confirmation that such notice was provided to EMMA in accordance with this Section 6(c).

SECTION 7. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent (i) the Borrower from disseminating any information or notice of the occurrence of any event using the means of dissemination specified in this Continuing Disclosure Agreement or other means or (ii) the Borrower from including in an Annual Report any information which shall be in addition to the Financial Information, Operating Data and Audited or Unaudited Financial Statements required by Section 4 hereof to be included in such Annual Report, provided that this Continuing Disclosure Agreement shall not be deemed to require the Borrower to include or update any such additional information in any subsequently prepared Annual Report.

SECTION 8. Amendments: Waivers. This Continuing Disclosure Agreement may be amended, and any provision hereof may be waived, by the parties hereto if prior to the effective date of any such amendment or waiver, the Borrower delivers to the Dissemination Agent, the Issuer and the Trustee an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Borrower), to the effect that the amendment is permitted under the Rule and that this Continuing Disclosure Agreement (taking into account such amendment or waiver) complies with the Rule, as in effect on the date of the Offering of Bonds or after the execution and delivery of this Continuing Disclosure Agreement, taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent shall

notify EMMA of any such amendment and shall provide EMMA with a copy of any such amendment.

SECTION 9. Assignment. The Borrower may not assign its obligations under this Continuing Disclosure Agreement. The Dissemination Agent may assign its rights and responsibilities hereunder to a third party with the consent of the Borrower, which shall not be unreasonably withheld.

SECTION 10. Compensation of the Dissemination Agent. As compensation to the Dissemination Agent for its services pursuant to this Continuing Disclosure Agreement, the Borrower agrees to pay all fees and all expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs and other disbursements in the administration and performance of its duties hereunder, and shall to the extent permitted by law indemnify and save the Dissemination Agent and its officers, directors, attorneys, agents and employees harmless from and against any costs, expenses, damages or other liabilities (including attorneys' fees) which it (or they) may incur in the exercise of its (or their) powers and duties hereunder, except with respect to its (or their) willful misconduct or gross negligence. Nothing contained herein is intended to be nor shall it be construed as a waiver of any immunity from or limitation of liability that the Borrower may be entitled to pursuant to the Doctrine of Sovereign Immunity or Section 768.28, Florida Statutes. Notwithstanding anything to the contrary contained herein, the obligations of the Borrower hereunder shall be limited obligations payable solely from the sources provided under Section 2.02(a) of the Loan Agreement.

SECTION 11. Concerning the Dissemination Agent and the Borrower. (a) The Dissemination Agent is not answerable for the exercise of any discretion or power under this Continuing Disclosure Agreement or for anything whatever in connection herewith, except only its own willful misconduct or gross negligence. The Dissemination Agent shall have no liability to the Bondholders or any other person with respect to the undertakings described in Section 1 hereof except as expressly set forth in this Continuing Disclosure Agreement regarding its own willful misconduct or gross negligence.

(b) The Dissemination Agent has no responsibility or liability hereunder for determining compliance for any information submitted hereunder with any law, rule or regulation or the terms of this agreement. The Dissemination Agent shall have no responsibility for disseminating information not delivered to it or giving notice of non-delivery except as specifically required hereunder.

(c) The parties to this Continuing Disclosure Agreement acknowledge and agree that the Borrower assumes no obligations hereunder other than those specifically assumed by the Borrower herein.

SECTION 12. Termination of this Continuing Disclosure Agreement. This Continuing Disclosure Agreement shall terminate at such time as the Loan Agreement terminates.

SECTION 13. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of the Borrower, the Dissemination Agent, the Trustee, the Issuer, the Insurer, the Participating Underwriter and the Bondholders. This Continuing Disclosure Agreement shall not be deemed to inure to the benefit of or grant any rights to any party other than the parties specified in the preceding sentence.

SECTION 14. Counterparts. This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

SECTION 15. Governing Law. This Continuing Disclosure Agreement shall be governed by the laws of the State of Florida.

IN WITNESS WHEREOF, the Borrower and the Dissemination Agent have caused this Continuing Disclosure Agreement to be executed and delivered as of the date first written above.

_____, as Borrower
By: _____
Its: _____

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: _____

EXHIBIT A

Form of Annual Report Certificate

The undersigned duly appointed and acting _____ of _____ a Florida municipal corporation, as Borrower under the Continuing Disclosure Agreement (hereinafter described) (the "Borrower"), hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of September 1, 2016 (the "Continuing Disclosure Agreement") executed and delivered by the Borrower and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.

2. Annual Report. Accompanying this Annual Report Certificate is the Annual Report for the Fiscal Year ended _____.

3. Compliance with Continuing Disclosure Agreement. The Annual Report is being delivered to the Dissemination Agent herewith not later than June 30 following the end of the Fiscal Year to which the Annual Report relates. The Annual Report contains, or includes by reference, Financial Information and Operating Data of the types identified in the Continuing Disclosure Certificate most recently delivered to the Dissemination Agent pursuant to Section 5 of the Continuing Disclosure Agreement. To the extent any such Financial Information or Operating Data is included in the Annual Report by reference, any document so referred to has been previously provided to EMMA or filed with the SEC.

Such Financial Information and Operating Data have been prepared on the basis of the [Audited/Unaudited] Financial Statements. [Such Audited Financial Statements are included as part of the Annual Report.] [Because the Audited Financial Statements have not been approved by the Governing Body as of the date hereof, the Unaudited Financial Statements have been included as part of the Annual Report. The Unaudited Financial Statements have been prepared on a basis substantially consistent with such Audited Financial Statements. The Borrower shall deliver such Audited Financial Statements to the Dissemination Agent as soon as practicable after they have been approved by the Governing Body.]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Annual Report Certificate to the Dissemination Agent, which has received such certificate and the Annual Report, all as of the day of the ___ day of _____, _____.

_____, as Borrower

By: _____

Its: _____

Acknowledgment of Receipt:

Florida League of Cities, Inc.
as Dissemination Agent

By: _____

Its: _____

EXHIBIT B

Form of Section 5(a) Continuing Disclosure Certificate

Florida League of Cities, Inc.
301 Bronough Street
Tallahassee, Florida 33401

The undersigned duly authorized signatory of _____ (the "Borrower") hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of September 1, 2016 (the "Continuing Disclosure Agreement") executed and delivered by the Borrower and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.

2. Purpose. The Borrower is delivering this Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(a) of the Continuing Disclosure Agreement.

3. Financial Information and Operating Data Included in Final Official Statement. The following types of Financial Information and Operating Data were included in the Final Official Statement for the Bonds and are to be included in the Annual Report:

(a) Financial Information _____

(b) Operating Data _____

4. Annual Report. Until such time as the Borrower delivers a revised Continuing Disclosure Certificate and an opinion of disclosure counsel to the Dissemination Agent pursuant to Section 5 of the Continuing Disclosure Agreement, the Financial Information and Operating Data of the types identified in paragraph 3 of this certificate shall be included in the Annual Reports delivered by the Dissemination Agent pursuant to Section 4 of the Continuing Disclosure Agreement.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Continuing Disclosure Certificate to the Dissemination Agent, which has received the same, all as of the 1st day of _____, _____.

_____, as Borrower

By: _____

Its: _____

Acknowledgment of Receipt:

Florida League of Cities, Inc., as
Dissemination Agent

By: _____

Its: _____

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APPENDIX B

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE ISSUER

This **CONTINUING DISCLOSURE AGREEMENT** dated as of September 1, 2016 (the "Continuing Disclosure Agreement") is executed and delivered by the Florida Municipal Loan Council ("Issuer"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof.

SECTION 1. Nature of Undertaking. This Continuing Disclosure Agreement constitutes an undertaking by the Issuer under paragraph (b)(5) of the Rule to provide Annual Financial Information and notice of the occurrence of certain events with respect to the Bonds, as provided in paragraph (b)(5)(i)(C) of the Rule, and otherwise to assist the Participating Underwriter in complying with paragraph (b)(5) of the Rule with respect to the Offering of the Bonds. Among other things, the Issuer is hereby undertaking (i) to disseminate an Annual Report not later than the June 30 following the end of each Fiscal Year of the Issuer in accordance with Section 4 hereof, which contains Annual Financial Information with respect to the Issuer, (ii) if an Annual Report does not contain the Audited Financial Statements, to disseminate the Audited Financial Statements in accordance with Section 4 hereof as soon as practicable after they shall have been approved by the Governing Body, (iii) to provide notice in a timely manner, in accordance with Section 6 hereof, of the occurrence of any of the Listed Events related to the Issuer and (iv) to provide notice in a timely manner, in accordance with Section 4(e) hereof, of any failure to disseminate an Annual Report in accordance with the preceding clause (i) of this sentence.

SECTION 2. Definitions. In addition to the definitions set forth above and in the herein-defined Indenture, which shall apply to any capitalized terms used herein, the following capitalized terms shall have the following meanings, unless otherwise defined therein:

"Annual Report" means a document or set of documents which (a) identifies the Issuer; (b) contains (or includes by reference to documents which were filed with the SEC or EMMA prior to the date that the Annual Report containing such reference is provided to the Dissemination Agent in accordance with Section 4 hereof): (i) Financial Information and Operating Data for the Issuer; (ii) Audited Financial Statements if such Audited Financial Statements shall have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; and (iii) Unaudited Financial Statements if the Audited Financial Statements shall not have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; (c) in the event that the Issuer delivers a Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(b) hereof, contains (in the case of the Annual Report disseminated on or immediately after the date such Continuing Disclosure Certificate is so delivered) a narrative explanation of the reasons for the changes in Financial Information and/or Operating Data set forth in such Continuing Disclosure Certificate and the effect of the changes on the types of Financial Information and/or Operating

Data being provided in such Annual Report; and (d) in the event that the Issuer authorizes a change in the accounting principles by which its Audited Financial Statements are prepared, contains (in the case of the Annual Report disseminated on or immediately after the date of such change) (1) a comparison between the Financial Information prepared on the basis of the new accounting principles which is contained in such Annual Report and the Financial Information prepared on the basis of the former accounting principles which was contained in the previous Annual Report disseminated immediately prior to such Annual Report and (2) a discussion of the differences between such accounting principles and the effect of such change on the presentation of the Financial Information being provided in such Annual Report.

"Annual Report Date" means the June 30 following the end of a Fiscal Year.

"Audited Financial Statements" means the financial statements of the Issuer which have been examined by independent certified public accountants in accordance with generally accepted auditing standards.

"Bondholder" means (i) the registered owner of a Bond and (ii) the beneficial owner of a Bond, as the term "beneficial owner" is used in any agreement with a securities depository for the Bonds and as the term may be modified by an interpretation by the SEC of paragraph (b)(5) of the Rule.

"Bonds" means the \$24,520,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2016.

"Continuing Disclosure Agreement" means this Continuing Disclosure Agreement, as the same may be supplemented and amended pursuant to Section 8 hereof.

"Continuing Disclosure Certificate" means a Continuing Disclosure Certificate in the form attached hereto as Exhibit A delivered by the Issuer to the Dissemination Agent pursuant to Section 5 hereof.

"Dissemination Agent" means Florida League of Cities, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent which is appointed pursuant to Section 3 hereof or to which the responsibilities of Dissemination Agent under this Continuing Disclosure Agreement shall have been assigned in accordance with Section 9 hereof.

"EMMA" means the Electronic Municipal Market Access System as described in Securities and Exchange Commission Release No. 34-59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule as further described in Sections 4 and 6 hereof.

"Event Notice" means notice of the occurrence of a Listed Event.

"Final Official Statement" means the Final Official Statement prepared in connection with the Offering of the Bonds.

"Financial Information" means financial information related to the Issuer of the types identified in the Continuing Disclosure Certificate most recently delivered by the Issuer to the Dissemination Agent in accordance with Section 5 hereof. The Financial Information (i) shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Financial Information, and (ii) shall be prepared on the basis of the Audited Financial Statements to be provided to the Dissemination Agent concurrently with the Annual Report, provided that, if the Audited Financial Statements are to be provided to the Dissemination Agent subsequent to the date that the Annual Report is provided to the Dissemination Agent, such Financial Information may be prepared on the basis of the Unaudited Financial Statements.

"Governing Body" shall mean the governing body of the Issuer which shall approve the Audited Financial Statements.

"Indenture" means the Trust Indenture dated of even date herewith, by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as Trustee.

"Insurer" means National Public Financial Guarantee Corporation, its successors and assigns.

"Issuer" means Florida Municipal Loan Council.

"Listed Events" means any of the events which are set forth in Section 6 hereof.

"MSRB" means the Municipal Securities Rulemaking Board.

"Offering" means the primary offering of the Bonds for sale by the Participating Underwriter.

"Operating Data" means operating data of the types identified in the Continuing Disclosure Certificate most recently delivered by the Issuer to the Dissemination Agent in accordance with Section 5 hereof. The Operating Data shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Operating Data.

"Participating Underwriter" means Wells Fargo Bank, National Association.

"Rating Agency" means Standard & Poor's Ratings Services, or any successor thereto.

"Rule" means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as amended, as the Rule may be amended from time to time, or any successor provision thereto.

"SEC" means the Securities and Exchange Commission.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture.

"Unaudited Financial Statements" means unaudited financial statements of the Issuer for any Fiscal Year which have been prepared on a basis substantially consistent with the Audited Financial Statements to be subsequently prepared for such Fiscal Year.

SECTION 3. Appointment of Dissemination Agent: Obligations of Issuer Respecting Undertaking. (a) The Issuer hereby appoints Florida League of Cities, Inc. to act as the initial Dissemination Agent hereunder. Florida League of Cities, Inc. hereby accepts such appointment. The Issuer may, from time to time, appoint a successor Dissemination Agent or discharge any then acting Dissemination Agent, with or without cause. If at any time there shall be no Dissemination Agent appointed and acting hereunder or the then appointed and acting Dissemination Agent shall fail to perform its obligations hereunder, the Issuer shall discharge such obligations until such time as the Issuer shall appoint a successor Dissemination Agent or the then appointed and acting Dissemination Agent shall resume the performance of such obligations.

(b) The Issuer hereby acknowledges that the Issuer is obligated to comply with this Continuing Disclosure Agreement and that the appointment of the Dissemination Agent as agent of the Issuer for the purposes herein provided does not relieve the Issuer of its obligations with respect to this Continuing Disclosure Agreement.

SECTION 4. Annual Financial Information. (a) The Financial Information shall be contained in the Annual Reports and, if provided separately in accordance with Section 5(b) hereof, the Audited Financial Statements which the Issuer is required to deliver to the Dissemination Agent for dissemination in accordance with this Section 4.

(b) The Dissemination Agent shall notify the Issuer of each Annual Report Date and of the Issuer's obligation hereunder not more than 60 and not less than 30 days prior to each Annual Report Date. The Issuer shall provide an Annual Report to the Dissemination Agent not later than each Annual Report Date, provided that, if the Annual Report does not include the Audited Financial Statements, the Issuer shall provide the Audited Financial Statements to the Dissemination Agent as soon as practicable after they shall have been approved by the Governing Body.

(c) The Dissemination Agent shall provide the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, to EMMA, the Trustee, the Rating Agency and the Insurer within five (5) Business Days after receipt thereof from the Issuer.

(d) The Dissemination Agent shall provide the Issuer and the Trustee written confirmation that the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, were provided to EMMA in accordance with Section 4(c) hereof.

(e) If the Dissemination Agent shall not have filed the Annual Report by the Annual Report Date, the Dissemination Agent shall so notify EMMA, the Trustee and the Insurer within five (5) Business Days of the Annual Report Date.

SECTION 5. Continuing Disclosure Certificates. (a) The Issuer shall prepare a Continuing Disclosure Certificate in the form attached hereto as Exhibit A in connection with the Offering of the Bonds and shall deliver the same to the Dissemination Agent for dissemination to the Participating Underwriter and Trustee.

(b) Prior to the deletion or substitution of any Financial Information and Operating Data in the Continuing Disclosure Certificate from the information listed in Exhibit A hereto, the Issuer will obtain an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Issuer) addressed to the Issuer, the Participating Underwriter, the Trustee and the Dissemination Agent, to the effect that said deletion or substitution is permitted by the Rule and the Financial Information and Operating Data to be provided will comply with the Rule, as in effect on the date of the Offering of the Bonds and taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent is entitled to rely on such opinion without further investigation.

(c) Notwithstanding Section 5(b) hereof, the Issuer shall not be required to comply with Section 5(b) hereof if such Section shall no longer be deemed to be required in order for this Continuing Disclosure Agreement to comply with the Rule as a result of the adoption, rendering or delivery of (i) an amendment or interpretation of the Rule by the SEC, (ii) an adjudication of the Rule by a final decision of a court of competent jurisdiction or (iii) an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Issuer), in each case, to that effect.

(d) Any delivery of a Continuing Disclosure Certificate pursuant to Section 5(b) hereof shall not be deemed to be an amendment to this Continuing Disclosure Agreement and shall not be subject to the provisions of Section 8 hereof.

SECTION 6. Reporting of Listed Events. (a) Pursuant to the provisions of this Section 6, the Issuer shall direct the Dissemination Agent to provide, in the appropriate format required by law or applicable regulation, in a timely manner such that notice to EMMA can be provided not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events, with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit facility providers, or their failure to perform;

- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of any property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar events of the Issuer (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer).
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) the appointment of a successor or additional trustee or the change of name of the trustee, if material; and
- (xv) in a timely manner, notice of failure to provide annual Financial Information before the date(s) specified in Section 4 hereof.

(b) If the Issuer instructs the Dissemination Agent to provide an Event Notice pursuant to Section 6(a) hereof, the Dissemination Agent shall, within three (3) Business Days thereafter, file an Event Notice with EMMA, the Trustee, the Rating Agency and the Insurer. The Dissemination Agent shall provide the Issuer and the Trustee written confirmation that such Event Notice was provided to EMMA in accordance with this Section 6(b).

(c) Notwithstanding the foregoing, whenever the Issuer authorizes a change in either its Fiscal Year or the accounting principles by which its Audited Financial Statements are prepared, the Issuer shall provide the Dissemination Agent with written notice of such change and instruct the Dissemination Agent to file a copy of such notice with EMMA, the Insurer, the Rating Agency and the Trustee, and the Dissemination Agent shall, within three (3) Business Days thereafter, file a copy of such notice with EMMA, the Insurer, the Rating Agency and the Trustee. The Dissemination Agent shall provide the Issuer written confirmation that such notice was provided to EMMA in accordance with this Section 6(c).

SECTION 7. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent (i) the Issuer from disseminating any information or notice of the occurrence of any event using the means of dissemination specified in this Continuing Disclosure Agreement or other means or (ii) the Issuer from including in an Annual Report any information which shall be in addition to the Financial Information, Operating Data and Audited or Unaudited Financial Statements required by Section 4 hereof to be included in such Annual Report, provided that this Continuing Disclosure Agreement shall not be deemed to require the Issuer to include or update any such additional information in any subsequently prepared Annual Report.

SECTION 8. Amendments: Waivers. This Continuing Disclosure Agreement may be amended, and any provision hereof may be waived, by the parties hereto if prior to the effective date of any such amendment or waiver, the Issuer delivers to the Dissemination Agent and the Trustee an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to one or more members of the Issuer), to the effect that the amendment is permitted under the Rule and that this Continuing Disclosure Agreement (taking into account such amendment or waiver) complies with the Rule, as in effect on the date of the Offering of Bonds or after the execution and delivery of this Continuing Disclosure Agreement, taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent shall notify EMMA of any such amendment and shall provide EMMA with a copy of any such amendment.

SECTION 9. Assignment. The Issuer may not assign its obligations under this Continuing Disclosure Agreement. The Dissemination Agent may assign its rights and responsibilities hereunder to a third party with the consent of the Issuer, which shall not be unreasonably withheld.

SECTION 10. Compensation of the Dissemination Agent. As compensation to the Dissemination Agent for its services pursuant to this Continuing Disclosure Agreement, the

Issuer agrees to pay all fees and all expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs and other disbursements in the administration and performance of its duties hereunder, and shall to the extent permitted by law indemnify and save the Dissemination Agent and its officers, directors, attorneys, agents and employees harmless from and against any costs, expenses, damages or other liabilities (including attorneys' fees) which it (or they) may incur in the exercise of its (or their) powers and duties hereunder, except with respect to its (or their) willful misconduct or gross negligence.

SECTION 11. Concerning the Dissemination Agent and the Issuer. (a) The Dissemination Agent is not answerable for the exercise of any discretion or power under this Continuing Disclosure Agreement or for anything whatever in connection herewith, except only its own willful misconduct or gross negligence. The Dissemination Agent shall have no liability to the Bondholders or any other person with respect to the undertakings described in Section 1 hereof except as expressly set forth in this Continuing Disclosure Agreement regarding its own willful misconduct or gross negligence.

(b) The Dissemination Agent has no responsibility or liability hereunder for determining compliance for any information submitted hereunder with any law, rule or regulation or the terms of this agreement. The Dissemination Agent shall have no responsibility for disseminating information not delivered to it or giving notice of non-delivery except as specifically required hereunder; and

(c) The parties to this Continuing Disclosure Agreement acknowledge and agree that the Issuer assumes no obligations hereunder other than those specifically assumed by the Issuer herein.

SECTION 12. Termination of this Continuing Disclosure Agreement. This Continuing Disclosure Agreement shall terminate at such time as the Bonds are no longer outstanding.

SECTION 13. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of the Dissemination Agent, the Trustee, the Issuer, the Insurer, the Participating Underwriter and the Bondholders. This Continuing Disclosure Agreement shall not be deemed to inure to the benefit of or grant any rights to any party other than the parties specified in the preceding sentence.

SECTION 14. Counterparts. This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

SECTION 15. Governing Law. This Continuing Disclosure Agreement shall be governed by the laws of the State of Florida.

IN WITNESS WHEREOF, the Issuer and the Dissemination Agent have caused this Continuing Disclosure Agreement to be executed and delivered as of the date first written above.

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: Executive Director

EXHIBIT A

Form of Section 5(a) Continuing Disclosure Certificate

Florida League of Cities, Inc.
Tallahassee, Florida
The Bank of New York Mellon Trust
Company, N.A.
Jacksonville, Florida
Florida Municipal Loan Council
Tallahassee, Florida
Wells Fargo Bank, National Association
Clearwater, Florida

The undersigned duly appointed and acting Chairman of Florida Municipal Loan Council (the "Issuer") hereby certifies on behalf of the Issuer pursuant to the Continuing Disclosure Agreement dated as of September 1, 2016 (the "Continuing Disclosure Agreement") executed and delivered by the Issuer and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.
2. Purpose. The Issuer is delivering this Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(a) of the Continuing Disclosure Agreement.
3. Written Undertaking. On behalf of the Issuer, the Issuer hereby designates the Continuing Disclosure Agreement to be the written undertaking under paragraph (b)(5) of the Rule with respect to the \$24,520,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2016.
4. Financial Information and Operating Data Included in Final Official Statement. The following types of Financial Information and Operating Data were included in the Final Official Statement for the Bonds and are to be included in the Annual Report:
 - (a) Financial Information None
 - (b) Operating Data None
5. Annual Report. Until such time as the Issuer delivers a revised Continuing Disclosure Certificate and an opinion of disclosure counsel to the Dissemination Agent pursuant to Section 5 of the Continuing Disclosure Agreement, the Financial Information and Operating Data of the types identified in paragraph 4 of this certificate shall be included in the Annual Reports delivered by the Dissemination Agent pursuant to Section 4 of the Continuing Disclosure Agreement.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Continuing Disclosure Certificate to the Dissemination Agent, which has received the same, all as of the 1st day of September, 2016.

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: Executive Director

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APPENDIX C
FORM OF THE INDENTURE

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FLORIDA MUNICIPAL LOAN COUNCIL,

Issuer

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,

Trustee

TRUST INDENTURE

\$24,520,000

FLORIDA MUNICIPAL LOAN COUNCIL
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2016

Dated as of September 1, 2016

This Instrument Prepared By:

JoLinda Herring, Esquire
Bryant Miller Olive P.A.
SunTrust International Center
1 SE 3rd Avenue, Suite 2200
Miami, Florida 33131

and

Jason M. Breth, Esquire
Bryant Miller Olive P.A.
101 North Monroe Street, Suite 900
Tallahassee, Florida 32301

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TRUST INDENTURE

THIS TRUST INDENTURE is made and entered into as of September 1, 2016, by and between the FLORIDA MUNICIPAL LOAN COUNCIL, a legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida (the "Council"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, duly organized, existing, and authorized to accept and execute trusts of the character herein set out, as trustee (the "Trustee").

WITNESSETH:

WHEREAS, all capitalized undefined terms used herein shall have the meanings set forth in Article I hereof; and

WHEREAS, the Council is duly created and existing pursuant to the Constitution and laws of the State of Florida (the "State"), including particularly Chapter 163, Part I, Florida Statutes, as amended (the "Interlocal Act"), and initially certain resolutions of the City of Stuart, Florida, the City of Deland, Florida, and the City of Rockledge, Florida; and

WHEREAS, the Council, pursuant to the authority of the Interlocal Act and other applicable provisions of law, is authorized, among other things, to issue revenue bonds on behalf of and for the benefit of the Borrowers in the State in order to finance, refinance, or reimburse the cost of qualified Projects of the Borrowers, such bonds to be secured by instruments evidencing and securing loans to the Borrowers and to be payable solely out of the payments made by the Borrowers pursuant to the Loan Agreements entered into between the Borrowers and the Council or from other moneys designated as available therefor and not otherwise pledged or used as security, and to enter into a trust indenture providing for the issuance of such bonds and for their payment and security; and

WHEREAS, the Council has determined that the public interest will be best served and that the purposes of the Interlocal Act can be more advantageously obtained by the Council's issuance of revenue bonds in order to provide funds to loan to the participating Borrowers to finance, refinance, or reimburse the cost of qualifying Projects pursuant to the Loan Agreements between the respective Borrowers and the Council; and

WHEREAS, the Council has previously by a resolution adopted on October 23, 2002 (the "Resolution"), authorized the issuance of its Florida Municipal Loan Council Revenue Bonds, in various series in an additional aggregate principal amount of not exceeding \$750,000,000, pursuant to certain trust indentures, to provide funds to finance, refinance, or reimburse the cost of qualified Projects of the participating Borrowers; and

WHEREAS, the Council has now determined to issue its \$24,520,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2016 at this time pursuant to this Trust Indenture for the purposes more fully described herein; and

WHEREAS, in order to secure the payment when due of the principal of, premium, if any, and interest on the Bonds, the Borrowers have covenanted or pledged in the Loan Agreements to either (i) budget and appropriate legally available Non-Ad Valorem Revenues of the Borrowers sufficient for that purpose, or (ii) with respect to one of the Loans to the City of St. Augustine Beach, Florida, pay from the Limited Ad Valorem Revenues of such Borrower; and

WHEREAS, the Council has obtained a commitment from the Bond Insurer to issue a Bond Insurance Policy in connection with the issuance of the Bonds.

NOW, THEREFORE, THIS TRUST INDENTURE

WITNESSETH:

GRANTING CLAUSES

The Council, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the owners thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and to secure the performance and observance by the Council of all the covenants expressed or implied herein and in the Bonds, does hereby grant, bargain, sell, convey, mortgage, assign, pledge, and grant, without recourse, the Trust Estate to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Council hereinafter set forth:

GRANTING CLAUSE FIRST

All right, title, and interest of the Council under the Loan Agreements (excluding fees and expenses payable to the Council, rights of the Council to indemnity and notices thereunder, and excluding any payments made by the Borrowers to comply with the rebate provisions of Section 148(f) of the Code) if, as and when entered into by the Borrowers and any documents securing payment thereunder, including all extensions and renewals of any of the terms of the Loan Agreements and any documents securing payment thereunder, if any, and without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any income, issues, profits, and other sums of money payable to or receivable by the Council to bring actions or proceedings under the Loan Agreements, any documents securing payment thereunder or for the enforcement thereof, and to do any and all

things which the Council is or may become entitled to do under or due to its ownership of the interests hereby granted in the Loan Agreements; and

GRANTING CLAUSE SECOND

All moneys and securities from time to time held in the Funds and Accounts by the Trustee under the terms of this Indenture (except for moneys and securities held in the Rebate Fund); and

GRANTING CLAUSE THIRD

All Revenues, any proceeds of the Bond Insurance Policy, any proceeds of the Surety Bond, any and all other property, rights, and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, pledged, hypothecated, or otherwise subjected hereto, as and for additional security herewith, by the Council or any other person on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, to the Trustee and its respective successors in trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security, and protection of all present and future owners of the Bonds issued under and secured by this Indenture and the Bond Insurer without privilege, priority, or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds;

PROVIDED, HOWEVER, that the holders of the Bonds shall be entitled to payment only from (a) the Loan Agreements more fully described in Granting Clause First hereof pledged for the payment of such Bonds, (b) the Funds and Accounts set forth in Granting Clause Second hereof established for such Bonds, and (c) the Revenues, proceeds of the Bond Insurance Policy, proceeds of the Surety Bond, and other property, rights, and interests described in Granting Clause Third pledged for the payment of such Bonds;

AND FURTHER PROVIDED, that if the Council, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the Bonds due or to become due thereon, at the times and in the manner mentioned in the Bonds and as provided in Article II hereof according to the true intent and meaning thereof, and shall cause the payments to be made as required under Article II hereof, or shall provide, as permitted hereby, for the payment thereof in accordance with Article VIII hereof, and shall well and truly keep, perform, and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed, and observed by it, and shall pay or cause to be paid to the

Trustee and any Paying Agent all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as provided in Article VIII hereof, this Indenture and the rights hereby granted shall cease, terminate, and be void and the Trustee shall thereupon cancel and discharge this Indenture and execute and deliver to the Council such instruments in writing as shall be requisite to evidence the discharge hereof.

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all of the Trust Estate is to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Council has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective owners, from time to time, of the Bonds, or any part thereof, as follows:

ARTICLE I

DEFINITIONS AND RULES OF INTERPRETATION

SECTION 1.01. Definitions. Unless the context or use indicates another meaning or intent, the following words and terms as used in this Indenture shall have the following meanings, and any other hereinafter defined words and terms, shall have the meanings as therein defined.

"Accountant" or "Accountants" means an independent certified public accountant or a firm of independent certified public accountants.

"Accounts" means the accounts created pursuant to Section 4.02 hereof.

"Act" means, collectively, Chapter 163, Part I, Florida Statutes, Chapter 166, Part II, Florida Statutes, and Chapter 125, Part I, Florida Statutes, each as amended, and all other applicable provisions of law.

"Additional Payments" means payments required by Section 5.03 of the Loan Agreements.

"Alternate Surety Bond" means any letter of credit or surety bond obtained to replace the Surety Bond then in effect pursuant to this Indenture.

"Alternate Surety Bond Provider" means any provider of an Alternate Surety Bond.

"Amortization Installment" means, with respect to any Term Bonds, an amount so designated for mandatory principal installments (for mandatory call or otherwise) payable on any Terms Bonds issued under the provisions of this Indenture.

"Arbitrage Regulations" means the income tax regulations promulgated, proposed, or applicable pursuant to Section 148 of the Code, as the same may be amended, supplemented, or proposed to be amended or supplemented from time to time.

"Authorized Denominations" means \$5,000 and any integral multiples thereof.

"Authorized Representative" means, when used pertaining to the Council, the Chairman of the Council and such other designated members, agents, or representatives as may hereafter be selected by Council resolution; and, when used with reference to a Borrower which is a municipality, means the person performing the functions of the Mayor or Deputy, Acting, or Vice Mayor of such Borrower thereof or other officer authorized to exercise the powers and performs the duties of the Mayor; and, when used with reference to a Borrower which is a County means the person performing the function of the Chairman or Vice Chairman of the Board of County Commissioners of such Borrower; and, when used with reference to an act or document, also means any other person authorized by resolution or ordinance to perform such act or sign such document.

"Basic Payments" means the payments denominated as such in Section 5.01 of the Loan Agreements.

"Board" means the governing body of the Borrower.

"Bond Counsel" means Bryant Miller Olive P.A., Miami, Florida, or any other nationally recognized bond counsel, selected by the Council and acceptable to the Trustee.

"Bondholder" or "Holder" or "holder of Bonds" or "Owner" or "owner of Bonds," means, whenever used herein with respect to a Bond, the person in whose name such Bond is registered.

"Bond Insurance Policy" means the municipal bond insurance policy of the Bond Insurer guaranteeing the scheduled payment when due of the principal of and interest on the Bonds as provided therein.

"Bond Insurance Premium" means the premium payable to the Bond Insurer for the Bond Insurance Policy.

"Bond Insurer" means National Public Finance Guarantee Corporation, a stock insurance corporation, duly organized and existing under the laws of the State of New York, and any successors thereto.

"Bonds" means the \$24,520,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2016 issued hereunder.

"Bond Year" means a 12-month period beginning on October 2 and ending on and including the following October 1, except for the first period which begins on September 29, 2016.

"Borrower" means a governmental unit which has entered into a Loan Agreement and which is borrowing and using the Loan proceeds to finance, refinance, and/or be reimbursed for, all or a portion of the costs of one or more Projects.

"Borrowers" mean, collectively, each governmental unit which has entered into a Loan Agreement receiving loans from the Council made from proceeds of the Bonds. Such Borrowers shall be those as named on Exhibit B.

"Business Day" means any day of the year which is not a Saturday or Sunday or a day on which banking institutions located in New York City or the State are required or authorized to remain closed or on which the New York Stock Exchange is closed.

"Certificate," "Statement," "Request," "Requisition" and "Order" of the Council mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the Council by its Chairman, Program Administrator, or such other person as may be designated and authorized to sign for the Council; or of the Borrower mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the Borrower by its Mayor or Deputy, Acting, or Vice Mayor, or such other person as may be designated and authorized to sign for the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing" means the closing of a Loans pursuant to this Indenture and the Loan Agreements.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code, the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions).

"Commencement Date" means the date when the term of a Loan Agreement begins and the obligation of the Borrower thereunder to make Loan Repayments accrues.

"Cost" means the purchase price of any project acquired; the cost of improvements; the cost of construction, extension or enlargement; the cost of all lands, properties, rights, easements and franchises acquired; the cost of all machinery and equipment, financing charges, interest during construction; and, if deemed advisable, for one year after completion of construction, cost of investigations, audits, and engineering and legal services; and all other expenses necessary or incident to determining the feasibility or practicability of such acquisition or construction, administrative expense and such other expenses as may be necessary or incident to the financing herein authorized and to the acquisition or construction of a project and the placing of the same in operation. Any obligation or expense incurred by the Borrower prior to the issuance of bonds for engineering studies and for estimates of cost and of revenues, and for other technical, financial, or legal services in connection with the acquisition or construction of any project, may be regarded as a part of the cost of such project.

"Cost of Issuance Fund" means the fund by that name established pursuant to Section 4.02 hereof.

"Council" means the Florida Municipal Loan Council.

"Counsel" means an attorney duly admitted to practice law before the highest court of the State and, without limitation, may include legal counsel for either the Council, a Borrower, or the Trustee.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Designated Member" means any designated person selected by the Council.

"Designated Office" means the office of the Trustee, Registrar, and Paying Agent set forth in Section 14.05 hereof.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Account" means the Escrow Account held for the benefit of the holders of the Refunded Bonds by the Escrow Agent under the Escrow Deposit Agreement.

"Escrow Agent" means the current trustee for the Refunded Bonds, which is a qualifying bank or trust company, and which shall execute the Escrow Deposit Agreement with the Council prior to the issuance of the Bonds.

"Escrow Deposit Agreement" means the Escrow Deposit Agreement, which shall be executed and delivered by and among the Council and the Escrow Agent, which agreement shall be in substantially the form approved by the parties thereto.

"Escrow Requirement" shall have the meaning assigned to such term in the Escrow Deposit Agreement.

"Event of Default" means any occurrence or event specified in Section 9.01 hereof.

"Executive Director" means the Executive Director of the Program Administrator and their successor.

"Financial Guaranty Agreement" means the agreement of that name dated September 29, 2016 between the Council and the Surety Bond Provider, as amended and supplemented from time to time.

"Financial Newspaper" or "Journal" means The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language, customarily published on each Business Day and circulated in New York, New York, and selected by the Trustee, whose decision shall be final and conclusive.

"Fiscal Year" means the fiscal year of the Borrower.

"Funds" means the funds created pursuant to Section 4.02 hereof.

"Governmental Obligations" means:

(a) U.S. Treasury certificates, notes, and bonds (including State and Local Government Series - "SLGS");

(b) direct obligations of the Treasury which have been stripped by the Treasury itself;

(c) only the interest component of Resolution Funding Corp. (REFCORP) strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable;

(d) pre-refunded municipal bonds rated "Aaa" by both Moody's and "AAA" by S&P; and

(e) obligations issued by the following agencies which are backed by the full faith and credit of the United States:

- (i) U.S. Export-Import Bank (Eximbank):
 - (1) Direct obligations or fully guaranteed certificates of beneficial ownership,
- (ii) Federal Financing Bank,
- (iii) General Services Administration:
 - (1) Participation certificates,
- (iv) U.S. Department of Housing and Urban Development (HUD):
 - (1) Project Notes,
 - (2) Local Authority Bonds,
 - (3) New Communities Debentures - U.S. government guaranteed debentures,
 - (4) U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

"Indenture" means this Trust Indenture dated as of September 1, 2016, between the Council and the Trustee, including any indentures amendatory or supplemental thereto, pursuant to which (a) the Bonds are authorized to be issued, and (b) the Council's interest in the Trust Estate is pledged as security for the payment of principal of, premium, if any, and interest on the Bonds.

"Insurance Proceeds" means amounts which are deposited by the Bond Insurer with the Trustee pursuant to Article IX hereof as a condition of the direction of acceleration of all or a portion of the Bonds insured by the Bond Insurer.

"Interest Payment Date" means October 1 and April 1 of each year, commencing April 1, 2017.

"Interest Period" means the period commencing on an Interest Payment Date and ending on the day preceding the next Interest Payment Date, provided that the initial Interest Period shall commence on the dated date of the Bonds.

"Interlocal Act" means Chapter 163, Part I, Florida Statutes, as amended.

"Interlocal Agreement" means that certain Interlocal Agreement originally dated as of December 1, 1998, initially among the City of Stuart, Florida, the City of Rockledge, Florida, and the City of DeLand, Florida, together with the additional governmental entities who become members of the Council, all as amended and supplemented from time to time.

"Investment Securities" means:

(a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(b) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(i) U.S. Export-Import Bank (Eximbank):

(1) Direct obligations or fully guaranteed certificates of beneficial ownership,

(ii) Federal Financing Bank,

(iii) Federal Housing Administration Debentures (FHA),

(iv) General Services Administration:

(1) participation certificates,

(v) Government National Mortgage Association (GNMA):

(1) GNMA - guaranteed mortgage-backed bonds,

(2) GNMA - guaranteed pass-through obligations,

(3) not acceptable for certain cash-flow sensitive issues,

(vi) bonds or notes issued by any state or municipality whose underlying ratings from Moody's and S&P are in the highest rating categories assigned by such agencies:

(1) project notes,

(2) local authority bonds,

(3) new communities debentures - U.S. government guaranteed debentures,

(4) U.S. public housing notes and Bonds - U.S. government guaranteed public housing notes and bonds;

(c) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System:

(1) senior debt obligations,

(ii) Resolution Funding Corp. (REFCORP) obligations,

(iii) Farm Credit System:

(1) consolidated system wide bonds and notes;

(d) certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral;

(e) certificates of deposit, savings accounts, deposit accounts, or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(f) bonds or notes issued by any state or municipality whose underlying ratings from Moody's and S&P are in the highest rating categories assigned by such agencies;

(g) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime -1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(h) repurchase agreements for thirty (30) days or less, subject to the following criteria:

(i) repos must be between the municipal entity and a dealer bank or securities firm:

(1) primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by S&P and Moody's, or

(2) banks rated "A" or above by S&P and Moody's; and

(i) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by of "Aam-G" or "Aam" or better by S&P.

"Limited Ad Valorem Revenues" means the ad valorem taxes, in an amount not to exceed 0.50 mills, levied upon the assessed property within the jurisdiction of the City of St. Augustine Beach, Florida pursuant to the referendum held on August 26, 2008, which was approved by a majority of the votes cast in such bond referendum.

"Liquidation Proceeds" means amounts received by the Trustee or the Council in connection with the enforcement of any of the remedies under a Loan Agreement after the occurrence of an "event of default" under a Loan Agreement which has not been waived or cured.

"Loan" means a loan to the Borrower from proceeds of the Bonds to finance, refinance, or reimburse a Project or Projects pursuant to a Loan Agreement in the amount specified in Section 3.01 of such Loan Agreement.

"Loan Agreement" or "Loan Agreements" means the Loan Agreement or Loan Agreements between the Council and the Borrower participating in the Program with respect to the Bonds, and any amendments and supplements thereto, which are executed for the purpose of securing repayment of the Loan or Loans made by the Council to such Borrower from proceeds of a the Bonds and establishing the terms and conditions upon which such Loan or Loans are to be made.

"Loan Repayment Date" means March 20, 2017, and thereafter each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day.

"Loan Repayments" means the payments of principal and interest and other payments payable by the Borrowers pursuant to the provisions of the Loan Agreements, including, without limitation, Additional Payments.

"Loan Term" means the term provided for in Article IV of each of the Loan Agreements.

"Loans" mean, collectively, each Loan made by the Council under this Indenture to the Borrowers.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Non-Ad Valorem Revenues" means all revenues and taxes of the Borrowers derived from any source whatsoever other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under this Indenture, except:

- (a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;
- (b) Bonds deemed paid under Article VIII hereof; and
- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07, or 2.09 hereof.

"Paying Agent" means the Trustee or any successor paying agent appointed pursuant to the provisions hereof.

"Person" means any individual, corporation, partnership, association, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Principal Fund" means the fund by that name created by Section 4.02 hereof.

"Principal Payment Date" means the maturity date or mandatory redemption date of any Bond.

"Program" means the Council's program of making the Loans under the Act and pursuant to this Indenture.

"Program Administrator" means the Florida League of Cities, Inc., a non-profit Florida corporation.

"Project" or "Projects" means a governmental undertaking approved by the governing body of a Borrower for a public purpose, including the refinancing of any indebtedness, which shall include the Borrowers' Projects detailed on each Exhibit A attached to the Loan Agreements.

"Project Loan Fund" means the fund by that name created by Section 4.02 hereof.

"Proportionate Share" means, at the time such calculation is made, with respect to a Borrower, a fraction the numerator of which is the outstanding principal amount of the Loan of such Borrower made from proceeds of the Bonds and the denominator of which is the outstanding principal amount of all Loans made from proceeds of the Bonds and then outstanding.

"Rating Category" means one of the generic rating categories of S&P, without regard of any refinement or graduation of such rating category by a numerical modifier or otherwise.

"Rebate Fund" means the fund by that name created by Section 4.02 hereof.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption pursuant to the provisions of such Bond and this Indenture.

"Refunded Bonds" shall have the meaning assigned to such term in the Escrow Deposit Agreement.

"Registrar" means the Trustee or any successor and registrar appointed pursuant to the provisions hereof.

"Reserve Fund" means the fund by that name created by Section 4.02 hereof and all accounts therein.

"Reserve Requirement" means five percent (5%) of the original par amount of the Bonds.

"Responsible Officer" means any officer of the Trustee within the corporate trust office specified in Section 14.05 (or any successor corporate trust office) having direct responsibility for the administration of this Indenture.

"Revenue Fund" means the fund by that name created by Section 4.02 hereof and all accounts therein.

"Revenues" means all Loan Repayments paid to the Trustee for the respective Accounts of the Borrowers for deposit in the Revenue Fund and the Principal Fund to pay principal of, premium, if any, and interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of the related Loan Agreement.

"S&P" means Standard & Poor's Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Special Record Date" means the date established pursuant to Section 9.05 hereof as a record date for the payment of defaulted interest, if any, on the Bonds.

"State" means the State of Florida.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Council and the Trustee, supplementing, modifying, or amending this Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Surety Bond" means the surety bond issued by the Surety Bond Provider guaranteeing certain payments into the Reserve Fund with respect to the Bonds and any other series of the Council's bonds, as provided therein, or any Alternate Surety Bond.

"Surety Bond Provider" means National Public Finance Guarantee Corporation, a stock insurance corporation, duly organized and existing under the laws of the State of New York, as the Administrator for MBIA Insurance Corporation ("MBIA") pursuant to the Administrative Services Agreement, dated as of February 17, 2009, between MBIA and MBIA Insurance Corp. of Illinois, and any successors thereto or any Alternate Surety Bond Provider.

"Term Bonds" means the Bonds which are subject to Amortization Installments, and are designated as Term Bonds.

"Trust Estate" means the property, rights, Revenues, and other assets pledged and assigned to the Trustee pursuant to the Granting Clauses hereof.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as Trustee, or any successor thereto under this Indenture.

SECTION 1.02. Rules of Interpretation. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) "This Indenture" means this instrument as originally executed and as it may from time to time be supplemented, modified, or amended by any Supplemental Indenture.

(b) All references in this instrument to designated "Articles," "Sections," and other subdivisions are to the designated Articles, Sections, and other subdivisions of this instrument as originally executed. The words "herein," "hereof," "hereunder," and "herewith," and other words of similar import, refer to this Indenture as a whole and not to any particular Article, Section, or other subdivision.

(c) The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.

(e) The terms defined elsewhere in this Indenture shall have the meanings therein prescribed for them.

(f) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(g) The headings or captions used in this Indenture are for convenience of reference only and shall not define or limit or describe any of the provisions hereof or the scope or intent hereof.

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ARTICLE II

THE BONDS

SECTION 2.01. Authorization; Book-Entry System.

(a) Authorization, Issuance and Execution of Bonds. A single series of Bonds may be issued hereunder in order to obtain moneys to carry out the purposes of the Program for the benefit of the Council and the Borrowers. The Bonds shall be designated as "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2016." At any time after the execution of this Indenture, the Council may execute and the Trustee shall authenticate and, upon the written request of the Council, deliver the Bonds in the aggregate principal amount of Twenty-four Million Five Hundred Twenty Thousand Dollars (\$24,520,000). This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds appertaining thereto to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions, and conditions herein contained.

The Bonds shall be issuable as fully registered bonds without coupons and shall be executed in the name and on behalf of the Council with the manual or facsimile signature of its Chairman, under its seal attested by the manual or facsimile signature of its Executive Director or Designated Member. Such seal may be in the form of a facsimile of the Council's seal and may be reproduced, imprinted, or impressed on the Bonds. The Bonds shall then be delivered to the Registrar for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Council before the Bonds so signed and attested shall have been authenticated or delivered by the Registrar or issued by the Council, such Bonds may nevertheless be authenticated, delivered, and issued and, upon such authentication, delivery, and issue, shall be as binding upon the Council as though those who signed and attested the same had continued to be such officers of the Council, and also any Bond may be signed and attested on behalf of the Council by such persons as at the actual date of execution of such Bond shall be the proper officers of the Council although at the nominal date of such Bond any such person shall not have been such officer of the Council.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form hereinafter recited, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Registrar shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated, and delivered hereunder and are entitled to the benefits of this Indenture.

(b) The Bonds shall be initially issued in the form of a separate single certificated fully registered Bond for each of the maturities of the Bonds. Upon initial issuance, the ownership of each such Bond shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC. Except as provided in this Section, all of the

outstanding Bonds shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC.

With respect to the Bonds registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, the Council, the Registrar, and the Paying Agent shall have no responsibility or obligation to any such participant or to any indirect participant. Without limiting the immediately preceding sentence, the Council, the Registrar, and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any participant with respect to any ownership interest in the Bonds, (ii) the delivery to any participant or any other person other than a Bondholder, as shown in the registration books kept by the Registrar, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any participant or any other person, other than a Bondholder, as shown in the registration books kept by the Registrar, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The Council, the Registrar, and the Paying Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Registrar as the holder and absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Holders, as shown in the registration books kept by the Registrar, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the Council's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Holder, as shown in the registration books kept by the Registrar, shall receive a certificated Bond evidencing the obligation of the Council to make payments of principal of, premium, if any, and interest on the Bonds pursuant to the provisions hereof. Upon delivery by DTC to the Council of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the words "Cede & Co." in this Indenture shall refer to such new nominee of DTC, and upon receipt of such a notice the Council shall promptly deliver a copy of the same to the Registrar and the Paying Agent.

Upon receipt by the Council of written notice from DTC (i) to the effect that DTC has received written notice from the Council to the effect that a continuation of the requirement that all of the outstanding Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Bonds, or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, upon compliance with any procedures of the DTC, the Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as

nominee of DTC, but may be registered in whatever name or names Holders transferring or exchanging the Bonds shall designate, in accordance with the provision hereof.

SECTION 2.02. Maturity and Interest Rate Provisions. The Bonds shall be dated September 29, 2016. They shall be numbered consecutively from R-1 upward. They shall be issued in Authorized Denominations. Each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or unless authenticated prior to the first payment date, in which case it shall bear interest from its date. The Bonds shall bear interest and shall mature at the rates, in the amounts and on the dates set forth below:

\$23,820,000 Serial Bonds

Maturity (October 1)	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2017	\$1,585,000	2.000%	100.707
2018	1,625,000	3.000%	103.072
2019	1,680,000	4.000%	106.984
2020	1,745,000	3.000%	104.775
2021	1,505,000	3.000%	105.228
2022	1,540,000	4.000%	111.025
2023	1,180,000	2.000%	98.708
2024	1,220,000	2.000%	97.602
2025	1,245,000	2.250%	98.472
2026	1,275,000	2.250%	97.538
2027	970,000	2.500%	97.826
2028	990,000	3.000%	100.000
2029	1,305,000	5.000%	118.793*
2030	1,235,000	5.000%	118.315*
2031	1,220,000	3.000%	98.807
2032	1,255,000	3.000%	98.372
2033	1,135,000	3.000%	97.907
2034	890,000	3.000%	97.278
2035	220,000	3.000%	96.890

* Priced to the first optional redemption date of October 1, 2026.

\$700,000 3.250% Term Bonds Due October 1, 2046 Price – 98.116

SECTION 2.03. Payment Provisions. The principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America, which on the respective dates of payment thereof is legal tender for the payment of public and

private debts. Principal of and premium, if any, on the Bonds shall be payable at the Designated Office of the Trustee, or any successor paying agent and registrar appointed pursuant to the provisions of Sections 10.12 and 10.13 hereof on each Principal Payment Date, and payment of the interest on each Bond shall be made by the Paying Agent on each Interest Payment Date to the person appearing as the registered owner thereof on the bond registration books maintained by the Registrar as of the close of business on the Record Date preceding the Interest Payment Date (or, if interest on the Bonds is in default and the Bond Insurer is in default under the Bond Insurance Policy, a Special Record Date established pursuant to Section 9.05 hereof), by check mailed on the Interest Payment Date to such registered owner at his or her address as it appears on such registration books or at the prior written request and expense of an owner of \$1,000,000 in aggregate principal amount of the Bonds, by bank wire transfer to a domestic bank account, notwithstanding the cancellation of any such Bonds upon any exchange or transfer thereof subsequent to the Record Date or Special Record Date and prior to such Interest Payment Date. Payment of the principal (or Redemption Price), of the Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable.

SECTION 2.04. Matters Concerning Bond Insurer and Bond Insurance Policy.

Notwithstanding anything to the contrary in this Indenture, so long as the Bond Insurance Policy is in full force and effect and the Insurer has not defaulted in its payment obligations thereunder, the following provisions shall apply:

(a) In the event that on the second Business Day prior to the payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on the second following Business Day, the Trustee shall immediately notify the Bond Insurer or its designee on the same Business Day by telephone and email, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(b) If the deficiency is made up in whole or in part prior to or on the Principal Payment Date or Interest Payment Date, the Trustee shall so notify the Bond Insurer or its designee.

(c) In addition, if a Responsible Officer of the Trustee has actual notice that any holder of the Bonds has been required to disgorge payments of principal of or interest on the Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Bond Insurer or its designee of such fact by telephone, confirmed in writing by registered or certified mail.

(d) The Trustee is hereby irrevocably designated, appointed, directed, and authorized to act as attorney-in-fact for Bondholders as follows:

(i) If and to the extent there is a deficiency in amounts required to pay interest on the Bonds, the Trustee shall (1) execute and deliver to U.S. Bank Trust National Association, or its successors under the Bond Insurance Policy (the "Insurance Trustee"), in form satisfactory to the Insurance Trustee, an instrument appointing the Bond Insurer as agent for such Bondholders in any legal proceeding related to the payment of such interest and an assignment to the Bond Insurer of the claims for interest to which such deficiency relates and which are paid by the Bond Insurer, (2) receive as designee of the respective Bondholders in accordance with the tenor of the Bond Insurance Policy payment from the Insurance Trustee with respect to the claims for interest so assigned, and (3) disburse the same to such respective Bondholders; and

(ii) If and to the extent of a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (1) execute and deliver to the Insurance Trustee in form satisfactory to the Insurance Trustee an instrument appointing the Bond Insurer as agent for such Bondholders in any legal proceeding relating to the payment of such principal and an assignment to the Bond Insurer of any of the Bonds surrendered to the Insurance Trustee of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Trustee is received), (2) receive as designee of the respective Bondholders in accordance with the tenor of the Bond Insurance Policy payment therefor from the Insurance Trustee, and (3) disburse the same to such Bondholders.

(e) Payments with respect to claims for principal of and interest on the Bonds disbursed by the Trustee from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the Council with respect to the Bonds, and the Bond Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(f) Irrespective of whether any such assignment is executed and delivered, the Council and the Trustee hereby agree for the benefit of the Bond Insurer that:

(i) They recognize that to the extent the Bond Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the Bonds, the Bond Insurer will be subrogated to the rights of such Bondholders to take all actions and enforce all rights of such Bondholders and to receive the amount of such principal and interest from the Council, with interest thereon as provided and solely from the sources stated in the Indenture and the Bonds; and

(ii) They will accordingly pay to the Bond Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in the

authorizing document and the Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Bonds to Bondholders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

(g) With respect to any amendment for which Bondholder consent is a prerequisite, the Bond Insurer's consent is also required and must be obtained.

(h) The Bond Insurer shall receive copies of all notices required to be delivered to Bondholders and any notices of Material Events, as defined by SEC Rule 15c2-12, as amended. All notices required to be given to the Bond Insurer shall be in writing and shall be sent by registered or certified mail addressed to National Public Finance Guarantee Corporation, 1 Manhattanville Road, Suite 301, Purchase, New York 10577 Attention: Portfolio Surveillance Policy No. _____, or electronically to NationalPortfolioSurveillance@Nationalpfg.com referencing Policy No. _____.

(i) With respect to any advance refunding of the Bonds, the Council agrees to provide the Bond Insurer (1) 10 days prior notice of any such advance refunding; (2) verification by an independent firm acceptable to the Bond Insurer of the sufficiency of the escrow to timely retire the refunded bonds; and (3) to the extent that such advance refunding is intended to discharge or defease the Council's obligations under the Indenture, an opinion of Bond Counsel stating that the Bonds have been legally defeased and that the escrow agreement establishing such defeasance operates to legally defease the Bonds within the meaning of this Indenture.

(j) The Council agrees to reimburse the Bond Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Bond Insurer in connection with the enforcement by the Bond Insurer of the Council's obligations, or the preservation or defense of any rights of the Bond Insurer, under the authorizing document and any other document executed in connection with the issuance of the Bonds.

SECTION 2.05. Payments in Advance of Scheduled Maturity Dates by the Bond Insurer. In the event that the Bond Insurer shall make any payments of principal of and/or interest on any of the Bonds pursuant to the terms of the Bond Insurance Policy and the Bonds are accelerated or redeemed pursuant to Section 3.02 hereof, the Bond Insurer may at any time and at its sole option pay all or a portion of amounts due under the Bonds to the Bondholders prior to the stated maturity dates thereof.

SECTION 2.06. Mutilated, Lost, Stolen, or Destroyed Bonds; Bonds Not Delivered for Redemption. If any Bond is mutilated, lost, stolen or destroyed, the Council shall execute and the Registrar shall authenticate a new Bond of the same date, maturity, and denomination as that mutilated, lost, stolen, or destroyed; provided that in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Registrar, and in the case

of any lost, stolen, or destroyed Bond, there shall be first furnished to the Council and the Registrar evidence of such loss, theft, or destruction satisfactory to the Council and the Registrar, together with an indemnity satisfactory to them. In the event any such Bond shall have matured or been called for redemption, instead of issuing a duplicate Bond, the Paying Agent may pay the same. The Council and the Registrar may charge the Owner of such Bond with their reasonable fees, costs and expenses (including reasonable attorney's fees, costs and expenses) in connection with replacing any Bond mutilated, lost, stolen or destroyed.

SECTION 2.07. Transfer and Exchange of Bonds; Persons Treated as Owners.

The Council shall cause books for the registration and transfer of the Bonds, as provided in this Indenture, to be kept by the Registrar. Upon surrender for transfer of any Bond at the Designated Office of the Registrar, accompanied by an assignment duly executed by the registered Owner or his attorney-in-fact duly authorized in writing, the Council shall execute and the Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds for a like aggregate principal amount.

Bonds of the same type may be exchanged at the Designated Office of the Registrar for a like aggregate principal amount of Bonds of other Authorized Denominations. The Council shall execute and the Registrar shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously outstanding.

The Registrar shall not be required to (a) transfer or exchange any Bonds during the ten (10) days next preceding any day upon which notice of redemption of Bonds is to be mailed or (b) transfer or exchange any Bonds selected, called, or being called for redemption in whole or in part.

The person in whose name any Bond shall be registered shall be deemed and regarded by the Trustee, the Registrar, the Paying Agent, and the Council as the absolute Owner thereof for all purposes, and payment of or on account of the principal of, premium, if any, or interest on any Bond shall be made only to or upon the written order of the registered Owner thereof or his legal representative, subject to Section 2.03 hereof, and neither the Council, the Trustee, the Paying Agent, nor the Registrar shall be affected by any notice to the contrary, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums paid.

A reasonable transfer charge may be made for any exchange or transfer of any Bond and the Registrar shall require the payment by any Bondholder requesting exchange or transfer of a sum sufficient to cover any tax or other governmental charge required to be paid with respect to such exchange or transfer and a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer.

SECTION 2.08. Cancellation of Bonds. Whenever any Outstanding Bond shall be delivered to the Registrar for cancellation pursuant to this Indenture, upon payment of the principal amount, or for replacement pursuant to Section 2.06 hereof or for transfer or exchange pursuant to Sections 2.07 or 2.09 hereof, such Bond shall be canceled by the Registrar.

SECTION 2.09. Temporary Bonds. Pending the preparation of definitive Bonds, the Council may execute and the Registrar shall authenticate and deliver temporary Bonds. Temporary Bonds shall be issuable as fully registered Bonds, of any Authorized Denomination, and substantially in the form of the definitive Bonds but with such omissions, insertions, and variations as may be appropriate for temporary Bonds, all as may be determined by the Council. Temporary Bonds may be issued without specific terms and may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Council and authenticated by the Registrar upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable, the Council shall execute and shall furnish definitive Bonds and thereupon temporary Bonds may be surrendered in exchange therefor without charge at the principal corporate trust office of the Registrar, and the Registrar shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds.

SECTION 2.10. Nonpresentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, or if any interest check shall not be cashed, if funds sufficient to pay such Bond or interest shall have been made available by the Council to the Trustee or Paying Agent for the benefit of the Owner thereof, all liability of the Council to the Owner thereof for the payment of such Bond or interest, as the case may be, shall forthwith cease, terminate, and be completely discharged, and thereupon it shall be the duty of the Trustee or Paying Agent to hold such funds, uninvested and without liability for interest thereon, for the benefit of the Owner of such Bond or interest, as the case may be, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on its part under this Indenture or on, or with respect to, said Bond or interest, as the case may be, provided that any money deposited with the Trustee or Paying Agent for the payment of the principal of (and premium, if any) or interest on any Bond and remaining unclaimed for six (6) years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Council, and the Owner of such Bond or interest, as the case may be, shall thereafter, as an unsecured general creditor, look only to the Council for payment thereof, and all liability of the Trustee or Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Trustee, before making any such payment to the Council, shall, at the expense of the Council, cause to be published once, in a Financial Newspaper or Journal, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such publication, any unclaimed balance of such money then remaining will be paid to the Council.

SECTION 2.11. Form of Bonds. The Bonds to be issued hereunder, and the certificate of authentication by the Registrar to be endorsed on all such Bonds, shall be substantially in the form set forth as Exhibit A hereto, with such changes, amendments, modifications, deletions, and additions as are permitted by this Indenture or are required to conform the form of Bond to the other provisions of this Indenture (any portion of such form of Bond may be printed on the back of the Bonds).

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ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Optional Redemption of the Bonds. The Bonds maturing on or before October 1, 2026 are not subject to optional redemption prior to their maturities. The Bonds maturing after October 1, 2026 are subject to redemption at the option of the Council on or after October 1, 2026, as a whole or in part at any time, in any manner determined by the Trustee in its discretion taking into consideration the maturity of the Loan being prepaid by a particular Borrower, at the Redemption Price, equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

SECTION 3.02. Mandatory Redemption of Bonds. The Bonds maturing on October 1, 2046 are subject to mandatory redemption, in part, by lot, at Redemption Prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2036 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2036	\$55,000
2037	55,000
2038	60,000
2039	60,000
2040	60,000
2041	65,000
2042	65,000
2043	65,000
2044	70,000
2045	70,000
2046*	75,000

*Maturity, not a redemption.

The Bonds are subject to extraordinary mandatory redemption as a result of acceleration of any Loan pursuant to a Loan Agreement at any time, in whole or in part, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, but only with the approval of the Bond Insurer, from all Liquidation Proceeds or Insurance Proceeds received by the Trustee as a result of an acceleration of any Loan or Loans. To the extent that all Loans are not being accelerated, Bonds to be redeemed shall be selected by the Registrar by lot or in such other manner as the Council in its discretion may deem appropriate; provided, however, that only such Bonds which correspond in terms of amount and scheduled maturity date to the Loan Repayment obligations of the Loan or Loans being accelerated are subject to such extraordinary mandatory redemption, and provided

further that, in the event Liquidation Proceeds or Insurance Proceeds are not sufficient to redeem all such corresponding Bonds, the portion of the corresponding Bonds to be so redeemed shall be selected on a pro-rata basis based upon the ratio of Liquidation Proceeds or Insurance Proceeds to the total amount of Bonds which correspond to the Loan or Loans being accelerated.

SECTION 3.03. Notice of Redemption. In the case of every redemption, notice of the call for redemption shall be given by the Registrar by mailing a copy of the redemption notice, identifying the Bonds or portions thereof to be redeemed, (1) by first class mail at least thirty (30) days prior to the date fixed for redemption to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Bond Register, and (2) in addition to the mailing of the notice described above, the Registrar shall give additional notice of the redemption of Bonds in accordance with any regulation or release of the Municipal Securities Rulemaking Board or governmental agency or body from time to time applicable to such Bonds. No defect in any notice delivered pursuant to clause (2) above nor any failure to give all or any portion of such notice shall in any manner defeat the effectiveness of a call for redemption if notice is given as prescribed in clause (1) above. Any notice mailed as provided in this Section 3.03 shall be conclusively presumed to have been duly given, whether or not the Owner or any other recipient receives the notice.

Each notice of redemption given hereunder shall contain (i) information identifying the Bonds or portions thereof to be redeemed; (ii) the CUSIP numbers of all Bonds being redeemed; (iii) the date of issue of the Bonds as originally issued; (iv) the rate of interest borne by each Bond being redeemed; (v) the maturity date of each Bond being redeemed; (vi) a brief description, if applicable, of any conditions that must be satisfied prior to the redemption of the Bonds being redeemed; and (vii) any other descriptive information needed to identify accurately the Bonds being redeemed; provided, however, that no notice shall be deemed defective if the information required in clause (i) above is provided in such notice. Notwithstanding anything to the contrary, in no event shall the Trustee be deemed to be disclosure/dissemination agent for purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated pursuant to the Securities Exchange Act of 1934, as supplemented and amended.

Notwithstanding anything in this Section 3.03 to the contrary, in the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar, Paying Agent, or a fiduciary institution acting as escrow agent no later than the redemption date, or (2) the Council retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in this section. Any such notice of Conditional Redemption shall be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the Council delivers a written direction to the

Registrar directing the Registrar to rescind the redemption notice. The Registrar shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the Council to make such funds available shall constitute an Event of Default under this Indenture. The Registrar shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the affected Bonds called for redemption and not so paid remain Outstanding.

SECTION 3.04. Bonds Due and Payable on Redemption Date; Interest Ceases To Accrue. On the redemption date, the principal amount of each Bond to be redeemed, together with the accrued interest thereon to such date, shall become due and payable; and from and after such date, notice (if required) having been given and moneys available solely for such redemption being on deposit with the Trustee in accordance with the provisions of this Article III, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds or portions thereof to be redeemed. From and after such date of redemption (such notice having been given and moneys available solely for such redemption being on deposit with the Trustee), the Bonds or portions thereof to be redeemed shall not be deemed to be Outstanding hereunder, and the Council shall be under no further liability in respect thereof.

SECTION 3.05. Cancellation. All Bonds which have been redeemed shall be canceled by the Registrar as provided in Section 2.08 hereof.

SECTION 3.06. Partial Redemption of Bonds. Upon surrender of any Bond in a denomination greater than \$5,000 called for redemption in part only, the Council shall execute and the Registrar shall authenticate and deliver to the registered Owner thereof a new Bond or Bonds of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

SECTION 3.07. Selection of Bonds To Be Redeemed. The Bonds shall be redeemed pursuant to Sections 3.01 and 3.02 only in the principal amount of an Authorized Denomination. The Bonds or portions of the Bonds to be redeemed shall, except as otherwise provided in Section 3.02 hereof, be selected by the Registrar by lot or in such other manner as the Council in its discretion may deem appropriate.

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ARTICLE IV

REVENUES AND FUNDS

SECTION 4.01. Source of Payment of Bonds. The Bonds and all payments by the Council hereunder are limited and special obligations of the Council and are payable solely out of Revenues and certain proceeds of the Bonds as authorized by the Constitution and laws of the State, including particularly the Act, as and to the extent provided herein. The Bonds and the Council's other obligations hereunder are solely and exclusively obligations of the Council to the extent set forth herein and do not constitute or create an obligation, general or special, or debt, liability, or moral obligation of the State or any political subdivision or any municipal corporation of the State. The Bonds shall not be or constitute a general obligation of the Council, the State, or any political subdivision or any municipal corporation thereof or a lien upon any property owned or situated within the territorial limits of the Council, the State, or any political subdivision or any municipal corporation thereof except the Trust Estate, in the manner provided herein and in the Loan Agreements. The Loan Agreements do not represent joint liabilities of the Borrowers executing Loan Agreements with the Council, and shall be payable solely as provided in such Loan Agreements.

SECTION 4.02. Creation of Funds and Accounts. There are hereby established by the Council the following Funds and Accounts to be held by the Trustee: (a) the Project Loan Fund, with an Account relating to the City of St. Augustine Beach, Florida therein, (b) the Principal Fund, (c) the Revenue Fund, (d) the Cost of Issuance Fund, (e) the Reserve Fund, and (f) the Rebate Fund.

SECTION 4.03. Project Loan Fund. Moneys in the Project Loan Fund shall be segregated at Closing into a separate Account for the Loan to the Borrower as provided in Section 4.07(c) upon the submission of the documents by such Borrower as required by, and upon the terms and conditions specified in, Article V hereof. Interest earnings on investments in the Account of the Project Loan Fund shall be held in and credited to such Account. Upon the occurrence of an event of default under a Loan Agreement and the exercise by the Trustee of the remedy of acceleration as specified in such Loan Agreement, any moneys in the Account of the Project Loan Fund relating to such Borrower and not yet disbursed to the defaulting Borrower shall be transferred by the Trustee to the Principal Fund and applied in accordance with the second paragraph of Section 4.04 hereof.

SECTION 4.04. Principal Fund. Upon the receipt of the Loan Repayments, the Insurance Proceeds, or the Liquidation Proceeds, the Trustee shall deposit in the Principal Fund all payments or recoveries of principal of Loans or payments to be applied to the payment of any premium due upon optional redemption of the Bonds.

Amounts in the Principal Fund shall be used as follows: (a) on each Principal Payment Date, to pay principal due of the Bonds, and (b) to pay the principal of and premium, if any, on

the Bonds redeemed pursuant to Section 3.01 or Section 3.02 when required by such Sections. Upon acceleration of maturity of the Bonds pursuant to Section 9.02, all amounts in the Principal Fund shall be used to pay maturing principal of and interest on the Bonds.

SECTION 4.05. Revenue Fund. Upon the receipt of the Loan Repayments, the Liquidation Proceeds, the Insurance Proceeds, or proceeds earmarked for capitalized interest, the Trustee shall deposit in the Revenue Fund all moneys remaining after the deposits required by Section 4.04 hereof. All investment earnings on amounts in the Funds and Accounts (except the Rebate Fund and the Project Loan Fund) shall be deposited in the Revenue Fund as received. Any amounts received by the Trustee hereunder which are not required to be deposited elsewhere shall also be deposited in the Revenue Fund.

Amounts in the Revenue Fund shall be used to make the following payments or transfers in the following order of priority:

- (a) on each Interest Payment Date, to pay interest due on the Bonds;
- (b) at such times as are necessary, to pay accrued interest due on the Bonds redeemed pursuant to Sections 3.01 or 3.02 hereof;
- (c) at such times as are necessary, to pay the fees and expenses of the Trustee, DTC, the Program Administrator, the Registrar, and the Paying Agent (including the cost of printing additional Bonds) and the fees and expenses of the Council (including costs of issuing the Bonds if insufficient amounts are on hand in the Cost of Issuance Fund), any counsel consulted by the Council with respect to any Loan, or of Accountants employed pursuant to Section 4.12 hereof; provided, further, that the Bond Insurer may authorize the payment of any such fees or expenses prior to the payment of interest on the Bonds;
- (d) on each Interest Payment Date, all amounts remaining within the Revenue Fund, other than fees being collected in installments pursuant to the relevant Loan Agreement and amounts which will be credited against the relevant Borrower's next Loan Repayments, shall be deposited in the Principal Fund, as provided in Section 5.04 of the Loan Agreements.
- (e) to the extent that the amounts on deposit in the Reserve Fund are less than the Reserve Requirement, the Council shall make deposits into the Reserve Fund in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund, after all current applications and allocations to the Principal Fund, including deficiencies for prior payments that have not been made in full. The Council may provide that the difference between the amounts on deposit in the Reserve Fund and the Reserve Requirement shall be an amount covered by a letter of credit rated in one of the two highest categories by S&P, by a surety bond, by an Alternate Surety Bond, by the Surety Bond, or any combination thereof. Moneys in the Reserve Fund shall be used only for the purpose of the payment of principal of,

or interest on the Bonds when the other moneys allocated therefor are insufficient and for no other purpose.

In the event of the refunding of all or any portion of the Bonds, the Council may withdraw from the Reserve Fund, all or any portion of the amount accumulated therein with respect to the Bonds being refunded and deposit such amounts as required by the documents authorizing the refunding of such Bonds; provided that such withdrawal shall not be made unless (1) immediately thereafter, the Bonds being refunded shall be deemed to have been paid, and (2) the amount remaining in the Reserve Fund after giving effect to the issuance of such refunding obligations and the disposition of the proceeds thereof shall not be less than the Reserve Requirement for any Bonds then outstanding. Any excess moneys on deposit in the Reserve Fund shall be transferred by the Trustee, upon the written request of the Council, to the Principal Fund.

SECTION 4.06. Cost of Issuance Fund. Moneys in the Cost of Issuance Fund shall be used to pay costs of issuing the Bonds to the extent not paid from other sources, which costs may include, all printing expenses in connection with this Indenture, the Loan Agreements, the preliminary and final Official Statements for the Bonds, and the Bonds; the underwriter's discount for the initial purchase of the Bonds; the initial Bond Insurance Policy and Surety Bond premiums; administrative expenses of the Council; and legal fees and expenses of counsel to the Council, Bond Counsel, disclosure counsel, and counsel to the Bond Insurer, and fees of the financial advisor to the Council; fees of the Program Administrator, any accounting expenses incurred in connection with determining that the Bonds are not arbitrage bonds, the Trustee's, the Paying Agent's, and the Registrar's initial fees, costs and expenses (including attorney's fees, costs and expenses), upon the submission of requisitions by the Council signed by an officer of the Council stating the amount to be paid, to whom it is to be paid and the reason for such payment, and that the amount of such requisition is justly due and owing and has not been the subject of another requisition which was paid and is a proper expense of issuing such Bonds. Any monies remaining in the Cost of Issuance Fund on March 30, 2017, shall be transferred to the Revenue Fund and be credited on a pro rata basis toward each Borrower's obligation to pay Loan interest, taking into consideration the discount at which such Loans were made as specified in Section 3.01 of each Loan Agreement.

SECTION 4.07. Application of Bond Proceeds. The proceeds of the Bonds in the sum of \$24,911,463.75 (which amount is the par amount of the Bonds, plus the net original issue premium of \$762,685.75, and less the Underwriter's discount of \$171,822.00 and the Bond Insurance premium of \$199,400.00) shall be deposited with the Trustee as follows:

- (a) in the Cost of Issuance Fund, the total sum of \$418,733.73;
- (b) in the Account for the City of St. Augustine Beach, Florida in the Project Loan Fund, the total sum of \$4,433,507.00. On the date of Closing, the Trustee shall transfer the

amount of \$1,433,507 to the City of St. Augustine Beach for repayment of its outstanding debt to Branch Banking and Trust Company.

(c) in the Escrow Deposit Account for the Borrowers as described in the Escrow Deposit Agreement, the total sum of \$20,059,223.02, together with \$434,478.13 of other legally available funds of the Borrowers allocated as follows:

City of Belle Isle, Florida	\$918,250.00, together with \$91,250.00 of other legally available funds.
City of North Miami, Florida	\$2,316,287.50, together with \$0 of other legally available funds.
City of Port Richey, Florida	\$3,041,347.40, together with \$154,784.38 of other legally available funds.
City of St. Augustine Beach, Florida	\$1,911,533.33, together with \$0 of other legally available funds.
City of Valparaiso, Florida	\$2,392,696.46, together with \$188,443.75 of other legally available funds.
Town of Bay Harbor Islands, Florida	\$3,118,645.83, together with \$0 of other legally available funds.
Town of Eatonville, Florida	\$850,750.00, together with \$0 of other legally available funds.
Town of Lake Park, Florida	\$3,663,662.50, together with \$0 of other legally available funds.
Town of Oakland, Florida	\$1,846,050.00, together with \$0 of other legally available funds.

(d) The Council understands that \$199,400.00 is being transmitted directly to Bond Insurer by the Underwriter.

SECTION 4.08. Reserve Fund.

(a) The Trustee shall establish a Reserve Fund which shall be funded at closing in an amount equal to the Reserve Requirement. Such Reserve Fund shall be on a parity with any reserve fund established by the Council in any other approved series of the Council's bonds listed on Annex A to the Surety Bond; provided, however, prior to any other approved series of

the Council's bonds being listed on Annex A to the Surety Bond, such bonds shall have a reserve requirement at least equal to five percent (5%) of the of the original par amount of such bonds and the limit of the Surety Bond shall be increased by an amount equal to such reserve requirement. If any withdrawal is made under subsection (b)(i) below, the Council shall pay to the Trustee an amount received from the Borrower pursuant to Section 5.03(c) of the Loan Agreement which is sufficient to repay the principal of and interest on the Surety Bond from such withdrawal within twelve (12) months, commencing on the first day of the month following such withdrawal, together with any interest or other expenses due from the Council to the Surety Bond Provider under the Financial Guaranty Agreement. The Surety Bond shall be payable to the Trustee on any Interest Payment Date or redemption date on which a deficiency exists in the Principal Fund or Revenue Fund, which cannot be cured by funds in any other Fund or Account held pursuant to this Indenture and available for such purpose. If at any time the Reserve Fund contains both a Surety Bond and cash, the cash shall be drawn down completely before any demand is made on the Surety Bond. If at any time the Surety Bond is replaced by cash, in whole or in part, prior written consent of the Bond Insurer will be required.

The Surety Bond shall secure and satisfy the Reserve Requirement and any other reserve requirement of bonds as listed on Annex A to the Surety Bond. The Trustee may deliver a demand for payment in an amount less than or equal to the limit of the Surety Bond. If a demand for payment is made by the Trustee, on behalf of a Borrower which has an outstanding Loan Agreement relating to the Bonds due to a failure of the Borrower to pay its Basic Payments, or any other loan agreements relating to the other series of the Council's bonds listed on Annex A of the Surety Bond, then the Council's reimbursement, from the payments received by such Borrower, to the Surety Bond Provider shall be applied pro-rata to the Reserve Fund and to each reserve fund which secures such other loans. Further, if the demand for payment relates to one or more reserve funds from more than one series of bonds, and such demand for payment exceeds the limit of the Surety Bond, then the Surety Bond shall be allocated on a pro-rata basis for each reserve fund from each series and for each Borrower.

The Trustee shall deliver a demand for payment in the form attached to the Surety Bond at least three (3) days prior to the date on which funds are required from the Surety Bond, or as soon thereafter as the Trustee is aware that funds are required from the Surety Bond. The Trustee shall be responsible for maintaining records of withdrawals from the Reserve Fund and the reinstatement thereof. In addition, the Trustee shall be responsible for maintaining records of all withdrawals from this Reserve Fund and other reserve funds which are covered by the Surety Bond.

If a disbursement is made from the Surety Bond, the Council shall reimburse the Surety Bond Provider as soon as possible, but in any case within one year of any disbursement the amount of such disbursement. The Trustee is required to reimburse the Surety Bond Provider with interest from the Loan Repayments, the Insurance Proceeds, or the Liquidation Proceeds until the face amount of the Surety Bond is reinstated before any deposit is made to the Principal Fund.

(b) Moneys on deposit in the Reserve Fund shall be applied as follows (unless otherwise provided herein):

(i) On the date of each required payment of principal of or interest in respect to the Bonds, moneys in the Reserve Fund or received from a draw on the Surety Bond shall be applied to cure any deficiency in the Principal Fund and the Revenue Fund. The Council agrees that any transfer from the Reserve Fund to the Principal Fund and the Revenue Fund or any proceeds from the Surety Bond deposited into such Funds pursuant to this paragraph shall not be construed as preventing, waiving, or curing any nonpayment of any Loan Repayments required under each Loan Agreement until the amount of such deficiency has been restored; and

(ii) In each month during the twelve-month period preceding the final maturity date of the Bonds, so long as no Event of Default has occurred and is continuing, if moneys are then held in the Reserve Fund, such moneys shall be credited against the payment of principal of and interest on the Bonds and shall be transferred to the Principal Fund and the Revenue Fund for the payment of such principal and interest.

(c) The Council may issue additional bonds and the Reserve Fund may serve as the reserve fund for such additional bonds or may be combined with the reserve funds for such additional bonds with the prior written consent of the Bond Insurer; provided, however, that such combined reserve funds shall only be permitted if the Surety Bond is then in effect. The Trustee is hereby authorized to accept an Alternate Surety Bond with the prior written consent of the Bond Insurer.

(d) If the Surety Bond Provider becomes insolvent, the Surety Bond Provider defaults in its payment obligations under the Surety Bond, or the claims paying ability of the Surety Bond Provider fails to maintain any of the top three ratings of S&P (without regard to gradation or modifiers), the Council, the Trustee, or the Borrowers shall not be required to (i) deposit into the Reserve Fund cash in an amount equal to the Reserve Requirement, or (ii) replace the Surety Bond with an Alternate Surety Bond or letter of credit.

SECTION 4.09. Rebate Fund. In order to insure compliance with the rebate provisions of Section 148(f) of the Code, the Council shall create the Rebate Fund. Such Fund shall be held by the Trustee. The Rebate Fund need not be maintained if the Council and the Trustee shall have received an opinion of Bond Counsel to the effect that failure to maintain the Rebate Fund or such Account therein shall not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. Moneys in the Rebate Fund shall not be considered moneys held under the Indenture and shall not constitute a part of the Trust Estate held for the benefit of the Bondholders or the Council. Moneys in the Rebate Fund (including earnings and deposits therein) shall be held for future payment to the United States

Government as required by the regulations and as set forth in instructions delivered to the Council upon issuance of the Bonds.

SECTION 4.10. Moneys To Be Held in Trust. With the exception of moneys deposited in the Rebate Fund, all moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account established under any provision of this Indenture shall be held by the Trustee, in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, and except as otherwise provided in Section 2.10 hereof, shall, while held by the Trustee, constitute part of the Trust Estate.

SECTION 4.11. Reports From Trustee. Unless otherwise advised in writing, the Trustee shall furnish monthly to the Council, the Bond Insurer, and to any Borrower, upon written request, on the twentieth (20th) day of the month following the month in which the Bonds are delivered, and on the twentieth (20th) day of each month thereafter, a report on the status of each of the Funds and Accounts established under this Article IV which are held by the Trustee, showing at least the balance in each such Fund or Account as of the first day of the preceding month, the total of deposits to and the total of disbursements from each such Fund or Account, the dates of such deposits and disbursements, and the balance in each such Fund or Account on the last day of the preceding month.

SECTION 4.12. Certain Verifications. The Council, the Trustee, and/or the Bond Insurer from time to time may, but shall have no obligation to, cause a firm of Accountants to supply the Council, the Trustee, and the Bond Insurer with such information as the Council, the Trustee, or the Bond Insurer may request in order to determine in a manner reasonably satisfactory to the Council, the Trustee, and the Bond Insurer all matters relating to (a) the sufficiency of projected cash flow receipts and disbursements on the Loans and Funds described herein to pay the principal of and interest on the Bonds, (b) the actuarial yields on the Loans and on the Bonds as the same may relate to any data or conclusions necessary to verify that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Code, and (c) calculations related to rebate liability. Payment for costs and expenses incurred in connection with supplying the foregoing information shall be paid from moneys in the Revenue Fund pursuant to Section 4.05(c) hereof.

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ARTICLE V

PROJECT LOANS

SECTION 5.01. Terms and Conditions of Loans. The Council will make the Loans to the Borrowers in order to (a) finance the acquisition, installation, construction, and/or equipping of the Projects, and (b) refund or refinance debt incurred by the Borrowers, or reimburse funds previously expended by Borrowers, to acquire, install, construct, and/or equip Projects by the Borrowers, all in accordance with provisions more fully set forth in the Loan Agreements.

SECTION 5.02. Loan Closing Submission. No Loan shall be made by the Council unless and until the documents required by Section 4.03 of the Loan Agreements are submitted to the Council.

SECTION 5.03. Disbursement to Borrower From Project Loan Fund. The moneys in the Project Loan Fund shall be applied in accordance with written requisitions provided to the Trustee by the Borrower in the form attached to its Loan Agreement. After initial disbursements for payment of eligible Costs (whether from the Project Loan Fund or other Bond proceeds), disbursement to or at the direction of the Borrower will be made only if such Borrower is not then in default under this Indenture, its Loan Agreement, or the other Bond documents and only in accordance with such requisitions.

Except for an initial draw on the date the Bonds are issued and the final draw under the terms of this Indenture, the Borrower shall not make more than two (2) requests for a construction or project draw per calendar month. Each draw request must be in writing and received by the Trustee at least four (4) days prior to the date the requested draw is to be made. The draw dates upon which funds may be released pursuant to the written request shall be on the first Business Day of the month and the second Business Day of the month following the fifteenth (15th) day of the month.

Each draw request by the Borrower shall constitute an affirmation that the material warranties and representations contained in this Indenture and its Loan Agreement remain true and correct and that no breach of the covenants contained in this Indenture or its Loan Agreement has occurred as of the date of the draw, and the Trustee shall be entitled to conclusively rely on such representations and shall be fully indemnified by the Borrower from any liability resulting from such reliance, and shall have no liability to any other party, unless the Trustee is notified in writing to the contrary prior to the disbursement of the requested Project Loan Fund draw. The requisitions shall be retained in the possession of the Trustee, subject at all times to the inspection by the Council, the Borrower, and its agents and representatives thereof.

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ARTICLE VI

SERVICING OF LOANS

SECTION 6.01. Loan Servicing. The Trustee shall be responsible for calculating payments due in respect of the Loans, holding collateral pledged in respect of the Loans, if any, and enforcing the Loans; provided, however, that the Trustee shall have no duty to take notice of any default in respect of any Loan (other than a payment default) unless a Responsible Officer of the Trustee shall be notified of such default in a written instrument.

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ARTICLE VII

INVESTMENT OF MONEYS

Moneys in any of the Funds and Accounts shall be invested by the Trustee, at the written direction of the Council through its Program Administrator. The Trustee shall conclusively rely upon such written investment instructions as to both the suitability and legality of all investments directed under this Indenture. Ratings of investments shall be determined at the time of purchase of such investments and without regard to ratings subcategories. The Trustee shall have no responsibility to monitor the ratings of investments after the initial purchase of such investments. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades. In the absence of written investment instructions as provided herein, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested. The Trustee shall not be liable for any loss from any directed investments. Broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered by the Trustee.

Moneys in the Funds and Accounts shall be invested at the written direction of the Council through its Program Administrator in Investment Securities with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than the dates on which it is estimated that such moneys will be required by the Trustee for the purposes specified in this Indenture. Investment Securities acquired pursuant to this Section under a repurchase agreement with the seller thereof may be deemed to mature on the dates on and in the amounts (that is, for the repurchase price) which the Trustee may deliver such Investment Securities to such seller for repurchase under such agreement.

Investment Securities acquired as an investment of moneys in any Fund or Account shall be credited to such Fund or Account. For the purpose of determining the amount in any Fund or Account, all Investment Securities credited to any such Fund or Account shall be valued at market value on the date of determination; provided, however, that repurchase agreements shall be valued at the aggregate repurchase price of the securities remaining to be repurchased pursuant to such agreements and investment agreements shall be valued at the aggregate amount remaining invested therein (in each case exclusive of accrued interest after the first payment of interest following purchase). With respect to all Funds and Accounts, valuation by the Program Administrator shall occur annually and immediately upon a withdrawal from the Reserve Fund.

All interest, profits, and other income earned from investment (other than in Loans) of all moneys in any Fund or Account (except the Rebate Fund and the Project Loan Fund) shall be deposited when received in the Revenue Fund, except that an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the Fund or Account from

which such accrued interest was paid. Interest earned on the Accounts in the Project Loan Fund shall be credited to such Accounts.

Subject to Section 13.08 hereof and except as provided herein, investments in any and all Funds and Accounts may be commingled for purposes of making, holding, and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular Funds and Accounts of amounts received or held by the Trustee hereunder, provided that, notwithstanding any such commingling, the Trustee shall at all times account for such investments strictly in accordance with the Funds and Accounts to which they are credited and otherwise as provided in this Indenture. The Trustee may act as principal or agent in the acquisition or disposition of Investment Securities. The Trustee may sell, or present for redemption, any Investment Securities so purchased whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal, or disbursement from the Fund or Account to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this Article VII.

All amounts representing accrued and capitalized interest, if any, shall be invested at the written direction of the Council through its Program Administrator only in Government Obligations maturing at such times, and in such amounts as are necessary to match the interest payments on the Bonds.

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ARTICLE VIII

DISCHARGE OF INDENTURE; DEFEASANCE OF BONDS

If the Council shall pay or cause to be paid (other than by the Bond Insurer) to the Owner of any Bond secured hereby the principal of and interest due and payable, and thereafter to become due and payable, upon such Bond, or any portion of such Bond in the principal amount of \$5,000 or any integral multiple thereof, such Bond or portion thereof shall cease to be entitled to any lien, benefit, or security under this Indenture. If the Council shall pay or cause to be paid (other than by the Bond Insurer) to the Owners of all the Bonds secured hereby the principal of and interest due and payable, and thereafter to become due and payable thereon, and shall pay or cause to be paid (other than by the Bond Insurer) all other sums payable hereunder, under the Loan Agreements, the Bond Insurance Policy, or the Financial Guaranty Agreement, then, and in that case, the right, title, and interest of the Trustee in the related Trust Estate shall thereupon cease, terminate, and become void. In such event, the Trustee shall assign, transfer, and turn over to the Council the Trust Estate and, at the written direction of the Council, cancel any outstanding Loans related to the Bonds; provided that if the Bonds are paid from the proceeds of refunding bonds, the Loans shall at the written direction of the Council not be canceled but shall be transferred and pledged as security and a source of payment for the refunding bonds.

Any Bond shall be deemed to be paid within the meaning of this Article and for all purposes of this Indenture when (a) payment of the principal of, premium, if any, and interest on such Bond to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein), either (i) shall have been made or caused to be made (other than by the Bond Insurer) in accordance with the terms thereof, or (ii) shall have been provided for (other than by the Bond Insurer) by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment (1) moneys sufficient to make such payment, and/or (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation, and expenses of the Trustee, the Council, the Bond Insurer, and the Surety Bond Provider pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee, the Council, the Bond Insurer, and the Surety Bond Provider. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of any such payment from such moneys or Governmental Obligations.

Notwithstanding the foregoing paragraph, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of the Bonds as aforesaid until the Council shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

(a) stating the date when the principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted by this Indenture);

(b) to call for redemption pursuant to this Indenture any Bonds to be redeemed prior to maturity pursuant to (a) hereof;

(c) (i) if all the Bonds are not to be redeemed within thirty (30) days, to mail, as soon as practicable, in the manner prescribed by Article III hereof, a notice of defeasance to the Owners of the Bonds that the deposit required by (a)(ii) of the immediately preceding paragraph has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article VIII and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, of the Bonds as specified in (a) hereof, or (ii) if any Bonds are to be redeemed within the next thirty (30) days, until proper notice of redemption of those Bonds has been given.

Any moneys so deposited with the Trustee as provided in the two foregoing paragraphs may at the written direction of the Council also be invested and reinvested in Governmental Obligations, maturing in the amounts and at the times as hereinbefore set forth, and all income from all such Governmental Obligations in the hands of the Trustee pursuant to this Article VIII which is not required for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be paid to the Council as and when realized if not needed to pay any fees or expenses provided for hereunder.

To accomplish a defeasance, pursuant to this Article VIII, the Council shall cause to be delivered to the Trustee: (a) in the event of a net defeasance (unless otherwise required by the Council), a report of an Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date (the "Verification Report"); (b) an escrow deposit agreement (which shall be acceptable in form and substance to the Trustee), (c) an opinion of Bond Counsel to the effect that (i) the pledge of the Trust Estate and all covenants, agreements, and other obligations of the Council to the holders of the Bonds have ceased, terminated, and become void and been discharged and satisfied, and the Bonds are no longer secured by or entitled to the benefits of this Indenture, and (ii) the deposit under this Article VIII and use of such deposit to defease and redeem the Bonds would not cause the Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code (the "Defeasance Opinion"). The Verification Report and Defeasance Opinion shall be acceptable in form and substance, and addressed, to the Council, the Trustee, and the Bond Insurer.

Notwithstanding any provision of any other Article of this Indenture which may be contrary to the provisions of this Article, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of the Bonds and interest thereon shall be applied to and used solely for the payment of the particular Bonds and interest thereon with respect to which such moneys or obligations have been so set aside in trust.

Anything in Article XI hereof to the contrary notwithstanding, if moneys or obligations have been deposited or set aside with the Trustee pursuant to this Article VIII for the payment of the Bonds and interest thereon when due and such Bonds and interest shall not have in fact been actually paid in full when due, no amendment to the provisions of this Article VIII shall be made without the consent of the Owner of each Bond affected thereby.

Anything to the contrary provided elsewhere in this Indenture notwithstanding, this Indenture shall not be discharged as long as any amounts are owing to the Bond Insurer or the Surety Bond Provider and no Bond shall be deemed paid under this Indenture if the Bond Insurer or Surety Bond Provider shall have made any payment under the Bond Insurance Policy or Surety Bond, respectively, in respect of the principal of or interest on such Bond until the amount of such principal or interest, together with interest thereon provided for herein and in the Bonds on past-due principal and interest, shall have been paid to the Bond Insurer or the Surety Bond Provider. Furthermore, if the discharge of the Indenture is based upon, or utilizes a forward supply contract, the Bond Insurer's prior written consent must be received before the Indenture shall be discharged by the Trustee.

Notwithstanding the release and discharge of the lien of this Indenture as provided above, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost, or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, the holding of moneys in trust, and the duties, rights and protections of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Bondholder.

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ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

SECTION 9.01. Defaults; Events of Default. If any of the following events occur with respect to the Bonds, it is hereby defined as and declared to be and to constitute an "Event of Default" with respect to the Bonds:

(a) Default in the payment of the principal of or interest on any Bond after the same has become due, whether at maturity or upon call for redemption.

(b) Default in the performance or observance of any covenant, agreement, or condition on the part of the Council contained in this Indenture or in the Bonds (other than defaults mentioned in Section 9.01(a) and (c)) and failure to remedy the same after notice of the default pursuant to Section 9.10 hereof.

(c) If the Council shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State, or the Council declares any act of bankruptcy, or there is adjudication of the Council as a bankrupt, or an assignment by the Council for the benefit of its creditors or the approval by a court of competent jurisdiction of a petition applicable to the Council in any proceeding for its reorganization instituted under federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

SECTION 9.02. Remedies; Rights of Bondholders. Upon the occurrence of an Event of Default with respect to the Bonds, the Trustee shall have the following rights and remedies:

(a) Subject to the approval of the Bond Insurer, the Trustee may, and in the case of Event of Default under Section 9.01(c) above shall, pursue any available remedy at law or in equity or by statute, including the federal bankruptcy laws or other applicable law or statute of the United States of America or of the State, to enforce the payment of principal of and interest on the Bonds then Outstanding, including enforcement of any rights of the Council or the Trustee under the related Loan Agreements, and including the right to mandamus proceedings.

(b) Subject to the approval of the Bond Insurer, the Trustee may by action or suit in equity require the Council to account as if it were the trustee of an express trust for the Owners of the Bonds and may then take such action with respect to the related Loan Agreements as the Trustee shall deem necessary or appropriate and in the best interest of the Bondholders, subject to the terms of the related Loan Agreements, including the sale of part or all of the related Loan Agreements.

(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the related Trust Estate and of the Revenues, issues, earnings, income, products, and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

(d) The Trustee shall give written notice of any Event of Default to the Council and the Bond Insurer as promptly as practicable after the occurrence of an Event of Default becomes known to the Trustee. If an Event of Default has occurred and is continuing, the Bond Insurer shall, subject to the provisions in the following sentence, have the right to direct the Trustee to declare immediately due and payable the principal amount of the Outstanding Bonds, provided that as a condition to such direction of acceleration the Bond Insurer shall have deposited Insurance Proceeds with the Trustee in an amount equal to principal of and interest accrued and to accrue (to a date not less than thirty (30) days following the Bond Insurer's notice of direction to the Trustee of acceleration) on the Bonds Outstanding which are due as a result of such acceleration. NOTWITHSTANDING THE FOREGOING OR ANY PROVISION HEREIN TO THE CONTRARY, IN THE EVENT AN EVENT OF DEFAULT HAS OCCURRED BECAUSE OF AN EVENT OF DEFAULT UNDER LESS THAN ALL OF THE RELATED LOAN AGREEMENTS, THE BOND INSURER SHALL ONLY HAVE THE RIGHT TO DIRECT THE TRUSTEE TO DECLARE IMMEDIATELY DUE AND PAYABLE A PRINCIPAL AMOUNT OF THE OUTSTANDING BONDS IN AN AMOUNT EQUAL TO THE PRINCIPAL AMOUNT OF THE LOAN OR LOANS THEN IN DEFAULT. In such event, the Bond Insurer shall direct the Trustee as to which of the Outstanding Bonds shall be declared immediately due and payable. In making such declaration, the Council and the Bond Insurer may only declare Bonds immediately due and payable which correspond in terms of amount and scheduled maturity date to the related Loan Repayments. When the Trustee is directed that payment with respect to such Bonds is to be accelerated by the Bond Insurer pursuant to this Section and when the Bond Insurer, in connection with acceleration of such Bonds by the Trustee, shall have elected in its discretion to deposit Insurance Proceeds in an amount sufficient to pay all amounts of principal and interest due on such Bonds including principal due by reason of acceleration and has so notified the Trustee, the Trustee shall mail notice to the registered Owners of such Bonds not less than fifteen days prior to the date (the "Insurance Payment Date") to which interest accrued and to accrue on such Bonds has been provided by the Bond Insurer, which notice shall state the manner in which such Bonds may be assigned to the Bond Insurer or to an agent or designee thereof in exchange for payment thereon and shall state that from and after the Insurance Payment Date, interest shall cease to accrue on such Bonds for the benefit of such registered Owners (provided that an amount equal to such interest shall continue to accrue on such Bonds assigned to the Bond Insurer as aforesaid).

If an Event of Default shall have occurred, and if requested so to do in writing by the Bond Insurer or by the owners of 25% or more in aggregate principal amount of Outstanding Bonds and the Trustee is indemnified as provided in Section 10.01(k) hereof, the Trustee shall be obligated to exercise one or more of the rights and powers conferred by subsections (a) through

(d) of this Section 9.02 as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Bondholders.

No right or remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders or the Bond Insurer) is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given to the Trustee, the Bond Insurer, or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute. The assertion or employment of any right or remedy shall not prevent the concurrent or subsequent assertion or employment of any other right or remedy.

No delay or omission in exercising any right or remedy accruing upon any default or Event of Default shall impair any such right or remedy or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right or remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee, the Bond Insurer, or by the Bondholders, shall extend to or shall affect any subsequent Default or Event of Default or shall impair any rights or remedies consequent thereon. No waiver of any default or Event of Default hereunder by the Trustee shall be effective without the approval of the Bond Insurer.

When the Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Event of Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

SECTION 9.03. Right of Bondholders to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, the Bond Insurer or, with consent of the Bond Insurer, the Owners of a majority in aggregate principal amount of the Outstanding Bonds shall have the right, at any time during the continuance of an Event of Default, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

SECTION 9.04. Appointment of Receivers. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and

of the revenues, issues, earnings, income, products, and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 9.05. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article, including by virtue of action taken under provisions of any Loan Agreement, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees (including reasonable Trustee's fees), expenses, liabilities, and advances payable to, incurred or made by the Trustee (including reasonable fees and disbursements of its counsel), be applied, along with any other moneys available for such purposes, as follows:

(a) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST -- To the payment to the Persons entitled thereto of all amounts payable pursuant to Section 4.05(a) or Section 4.05(b) and, as to installments of interest, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND -- To the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at stated maturity or pursuant to a call for redemption (other than such Bonds called for redemption for the payment of which moneys are held pursuant to the other provisions of this Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full the Bonds due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege;

THIRD -- To payment to the Persons entitled thereto of all amounts payable pursuant to Section 4.05(c); and

FOURTH -- To be held as provided in Article IV hereof for the payment to the Persons entitled thereto as the same shall become due of the amounts payable pursuant to this Indenture (including principal of such Bonds due upon call for redemption) and, if the amount available shall not be sufficient to pay in full amounts due on any particular date, payment shall be made ratably according to the priorities set forth in subparagraphs FIRST, SECOND, and THIRD above.

(b) If the principal of all the Bonds shall have become due, all such moneys shall be applied to the payment of the principal of and interest then due and unpaid upon the Bonds and amounts payable pursuant to Section 4.05(c), with the Bond principal and interest to be

paid first, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, and with the items enumerated in Section 4.05(c) to be paid second to the Persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date, interest on the amounts of principal and past-due interest to be paid on such date shall cease to accrue. Defaulted interest on a Bond shall be payable to the Person in whose name such Bond is registered at the close of business on a Special Record Date for the payment of defaulted interest established by notice mailed by the Trustee to the registered Owners of the Bonds not more than fifteen (15) days preceding such Special Record Date. Such notice shall be mailed to the person in whose name the Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing. The Trustee shall not be required to make payment of principal of any Bond to the Owner of such Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of and interest on all Bonds have been paid under the provisions of this Section and all expenses and charges of the Trustee, the Council, the Bond Insurer, and the Surety Bond Provider have been paid, any balance remaining in the Funds and Accounts shall be transferred to the Council as provided in Article VIII hereof.

SECTION 9.06. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding related thereto and any trial or other proceeding related thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the Owners of all the Outstanding Bonds.

SECTION 9.07. Rights and Remedies of Bondholders. No Owner of any Bond or the Bond Insurer shall have any right to institute any suit, action, or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (a) a default has occurred, (b) such default shall have become an Event of Default and the Owners of not less than 25% in aggregate principal amount of Outstanding Bonds affected thereby, with the consent of the Bond Insurer, or the Bond Insurer shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted

or to institute such action, suit, or proceeding in its own name, (c) such Owners of Bonds or the Bond Insurer shall have offered to the Trustee indemnity as provided in Section 10.01(k) hereof, and (d) the Trustee shall for 60 days after receipt of such request and indemnification fail or refuse to exercise the rights and remedies hereinbefore granted, or to institute such action, suit, or proceeding in its own name; and such request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Owners of the Bonds or the Bond Insurer shall have any right in any manner whatsoever to affect, disturb, or prejudice the lien of this Indenture by its, his, or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner herein provided and for the equal and ratable benefit of the Owners of all Outstanding Bonds. However, nothing contained in this Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity or redemption date of such principal or interest, or the obligation of the Council to pay the principal of and interest on each of the Bonds issued hereunder to the respective registered Owners thereof at the time, place, and from the source and in the manner in this Indenture and in the Bonds expressed.

SECTION 9.08. Termination of Proceedings. In case the Trustee or any Owner of any Bonds or the Bond Insurer shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Council, the Trustee, the Bond Insurer, and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and with regard to the property herein subject to this Indenture, and all rights, remedies, and powers of the Trustee, the Bond Insurer, and Owners of Bonds shall continue as if no such proceedings had been taken.

SECTION 9.09. Waivers of Events of Default. The Trustee may, upon the advice of Counsel, with the consent of the Bond Insurer, at its discretion waive any Event of Default hereunder (other than an Event of Default specified in 9.01(c) above) and its consequences and may rescind any declaration of maturity of all the Bonds affected thereby and shall do so upon the written request of the Bond Insurer or the Owners of (a) more than two-thirds in aggregate principal amount of all Outstanding Bonds with the consent of the Bond Insurer in the case of default in the payment of principal or interest, or (b) more than one-half in aggregate principal amount of all Outstanding Bonds affected thereby with the consent of the Bond Insurer, in the case of any other default; provided, however, that there shall not be waived (i) any default in the payment of the principal of any such Outstanding Bond at the date of maturity specified therein, or (ii) any default in the payment when due of the interest on any such Outstanding Bond, unless prior to such waiver all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal and interest, and all fees, costs

and expenses of the Trustee (including reasonable attorney's fees, costs and expenses) in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then, and in every such case, the Council, the Trustee, the Bond Insurer, and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon. No such waiver shall affect the rights of third parties to payment of amounts provided for hereunder.

SECTION 9.10. Notice of Defaults Under Section 9.01(b); Opportunity of Council To Cure Such Defaults. Anything herein to the contrary notwithstanding, no default under Section 9.01(b) hereof shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the Council by the Trustee, the Bond Insurer, or the Owners of not less than 25% in aggregate principal amount of all Outstanding Bonds affected thereby and the Council shall have had thirty (30) days after receipt of such notice to correct the default or cause the default to be corrected, and shall not have corrected the default or caused the default to be corrected within the applicable period; provided, however, if the default is such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Council within the applicable period and diligently pursued until the default is corrected.

With regard to any alleged default concerning which notice is given to the Council under the provisions of this Section, the Council hereby grants the Trustee full authority for the account of the Council to perform any covenant or obligation alleged in said notice to constitute a default, in the name and stead of the Council with full power to do any and all things and acts to the same extent that the Council could do and perform any such things and acts and with power of substitution.

The Council and the Trustee shall notify the Bond Insurer within five (5) days after each has received notice or has actual knowledge of (a) an Event of Default specified in Section 9.01 hereof; (b) the withdrawal of amounts on deposit in the Reserve Fund; or (c) the failure to make any required deposit to the Principal Fund or the Revenue Fund to pay principal or interest when due.

Any notice that is required to be given to the Bondholders or the Trustee pursuant to this Indenture or any Supplemental Indenture shall also be provided to the Bond Insurer. All notices required to be given to the Bond Insurer under this Indenture shall be in writing and shall be sent by registered or certified mail addressed to the Bond Insurer at the address specified in Section 2.04 hereof.

SECTION 9.11. Bond Insurer to be Deemed Bondholder; Rights of Bond Insurer.

(a) Notwithstanding any provisions of this Indenture to the contrary, unless the Bond Insurer is in default under the Bond Insurance Policy, the Bond Insurer shall at all times be deemed the exclusive Owner of all Bonds for all purposes except for the purpose of payment of the principal of, premium, if any, and interest on the Bonds prior to the payment by the Bond Insurer of the principal of and interest on the Bonds. The Bond Insurer shall have the exclusive right to direct any action or remedy to be undertaken by the Trustee, by the Owners or by any other party pursuant to this Indenture and the Loan Agreements, and no acceleration of the Bonds shall be permitted, and no event of default shall be waived, without the Bond Insurer's consent. All rights to collect, receive and dispose of such collateral shall be independent of any rights to effect acceleration of the Bonds.

(b) Except as otherwise provided in Section 11.02 hereof, the Bond Insurer shall be subrogated to any and all of the rights of the Owners of any and all of the Bonds insured by the Bond Insurer at all times for the purpose of the execution and delivery of a Supplemental Indenture or of any amendment, change, or modification of the Loan Agreements or the initiation by Bondholders of any action to be undertaken by the Trustee at the Bondholder's request. In addition, the Bond Insurer's consent to any Supplemental Indenture and any amendment, change, or modification of any Loan Agreement shall be required.

(c) All provisions in this Indenture regarding consents, approvals, directions, appointments, or requests by the Bond Insurer shall be deemed to not require or permit such consents, directions, appointments, or requests by the Bond Insurer and shall be read as if the Bond Insurer were not mentioned therein during any time in which (a) the Bond Insurer is in default in its obligation to make payments under the Bond Insurance Policy, (b) the Bond Insurance Policy shall at any time for any reason cease to be valid and binding on the Bond Insurer, or shall be declared to be null and void by final and conclusive judicial determination, or the validity or enforceability of any provision thereof is being contested by the Bond Insurer or any governmental agency or authority, or if the Bond Insurer is denying further liability or obligation under the Bond Insurance Policy, or (c) a final determination against the Bond Insurer, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of the State of New York, whether now or hereafter in effect.

ARTICLE X

THE TRUSTEE

SECTION 10.01. Acceptance of the Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers, or employees appointed with due care, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers, and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorneys (who may but need not be the attorney or attorneys for the Council, the Bond Insurer, or a Borrower) approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds, or for the validity of the execution by the Council of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the Owner of the Bonds secured hereby with the same rights which it would have if not the Trustee.

(e) Unless a Responsible Officer of the Trustee shall have actual knowledge thereof, the Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except defaults under Section 9.01(a) hereof unless the Trustee shall be specifically notified in writing of such default by the Council, the Bond Insurer, a court of law, or any Owner of Bonds. All notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Designated Office of the Trustee and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no

default except as aforesaid. The Trustee shall provide copies of any such notices as soon as practicable to the Council, the Bond Insurer, and the Borrowers.

(f) The Trustee shall conclusively rely upon and shall be fully protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document believed to be genuine and correct and to have been signed or sent by the proper Person or Persons. The Trustee shall not withhold unreasonably its consent, approval, or action to any reasonable request of the Council. Any action taken by the Trustee pursuant to this Indenture upon the request, authority, or consent of any Person who at the time of making such request or giving such authority or consent is the registered Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon the Bonds issued in exchange therefor or in place thereof.

(g) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper, or proceeding, the Trustee shall be entitled in good faith to conclusively rely upon a certificate signed by an authorized officer of the Council or by an authorized officer of the Program Administrator as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which a Responsible Officer of the Trustee has actual knowledge, or is deemed to have notice pursuant to Section 10.01(e), shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction, or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an authorized officer of the Council under its seal to the effect that a resolution in the form therein set forth has been adopted by the Council as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(h) All moneys received by the Trustee hereunder, until used or applied as herein provided, shall be held in trust for the purposes for which they were received.

(i) At any and all reasonable times, the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants, and representatives and the Bond Insurer, shall have the right to inspect any and all of the books, papers, and records of the Council pertaining to the Revenues and receipts under the Loan Agreements and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Before taking the action referred to in Sections 9.02 or 9.07 hereof, the Trustee may require that satisfactory indemnity be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability relating to such action, except liability which is adjudicated to have resulted from its negligence or willful default.

(l) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(m) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(n) None of the provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

(o) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(p) The Trustee shall have the right to accept and act upon directions or instructions given pursuant to this Indenture, any Loan Agreement or any other document reasonably relating to the Bonds and delivered using Electronic Means (defined below); provided, however, that the Council or a Borrower, as the case may be, shall provide to the Trustee an incumbency certificate listing Authorized Representatives and containing specimen signatures of such Authorized Representatives, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Council or a Borrower elects to give the Trustee directions or instructions using Electronic Means and the Trustee in its discretion elects to act upon such directions or instructions, the Trustees' understanding of such directions or instructions shall be deemed controlling. The Council and each Borrower understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions or instructions and that the Trustee shall conclusively presume that directions or instructions that purport to have been sent by an Authorized Representative listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Representative. The Council and each Borrower, as the case may be, shall each be responsible for ensuring that only Authorized Officers transmit such directions or instructions to the Trustee and that all Authorized Representatives treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with

such directions or instructions notwithstanding such directions or instructions conflict or are inconsistent with a subsequent written direction or written instruction. The Council and each Borrower agree: (i) to assume all risks arising out of the use of Electronic Means to submit directions or instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions or instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions or instructions to the Trustee and that there may be more secure methods of transmitting directions or instructions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions or instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

SECTION 10.02. Fees, Charges, and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees, costs and expenses (including in connection with any appeal or bankruptcy proceedings and other expenses reasonably and necessarily made or incurred by the Trustee), but solely from moneys available therefor pursuant to Section 4.05 hereof or Section 9.05 hereof and pursuant to the Loan Agreements.

SECTION 10.03. Notice to Bondholders if Default Occurs Under Indenture. If, subject to Section 10.01(e), the Trustee becomes aware of an Event of Default, then the Trustee shall promptly give written notice thereof by registered or certified mail to the Bond Insurer and by first-class mail to the Owners of all Outstanding Bonds affected thereby, as shown by the bond registration books.

SECTION 10.04. Intervention by Trustee. In any judicial proceeding to which the Council is a party and which in the opinion of the Trustee and its Counsel has a substantial bearing on the interests of Owners of the Bonds, the Trustee may intervene on behalf of the Bondholders, and shall do so if requested in writing by (a) the Bond Insurer, or (b) the Owners of at least 25% of the aggregate principal amount of Bonds then Outstanding, with the consent of the Bond Insurer; provided, however, the Trustee shall have no duty to act under this Section 10.04 unless it has received indemnification satisfactory to it.

SECTION 10.05. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer all or substantially all of the bond administration portion of its corporate trust business, or any corporation or association resulting from any such conversion, sale, merger, consolidation, or transfer to which it is a party, ipso facto shall be and become, to the extent

permitted by law, successor Trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed, or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided, however, that written notice shall be provided to the Bond Insurer, the Council, and the Bondholders.

Any successor Trustee appointed pursuant to this Section or through consolidation, sale, or merger shall be a trust company or bank in good standing located in or incorporated under the laws of the State or the United States, duly authorized to exercise trust powers and subject to examination by federal or State authority, having a reported capital and surplus of not less than \$50,000,000 and acceptable to the Bond Insurer.

SECTION 10.06. Resignation by Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving sixty (60) days' written notice by registered or certified mail to the Council and the Bond Insurer and by first-class mail to the registered Owner of each Bond, and such resignation shall take effect upon the appointment of a successor Trustee as hereinafter provided and the acceptance of such appointment by such successor. No such acceptance shall be effective unless the Bond Insurer has consented in writing to such appointment.

SECTION 10.07. Removal of Trustee. The Council may remove the Trustee at any time without cause with thirty (30) days written notice, by an instrument or concurrent instruments in writing delivered to the Trustee so removed and consented to by the Bond Insurer or the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, with consent of the Bond Insurer, for any breach of trust set forth herein, provided, that all amounts owing to the Trustee shall be paid simultaneous with or prior to such removal.

SECTION 10.08. Appointment of Successor Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by a resolution of the Council, with the consent of the Bond Insurer, or if the Council shall not have appointed a successor Trustee, by filing with the Council an instrument or concurrent instruments in writing signed by Owners of not less than a majority in principal amount of Bonds outstanding, or by their attorneys in fact, duly authorized. Nevertheless, in case of such vacancy, the Bond Insurer may appoint a temporary Trustee to fill such vacancy until a successor to the Trustee shall be appointed in the manner above prescribed; and any such temporary Trustee so appointed by the Bond Insurer shall immediately and without further act be superseded by any Trustee so appointed. Notice of the appointment of a successor Trustee shall be given by the successor Trustee in the same manner as provided by Section 10.06 hereof with respect to the resignation of a Trustee. Every such Trustee appointed

pursuant to the provisions of this Section shall be a trust company or bank in good standing having a corporate trust office in the State, having a reported capital and surplus of not less than \$50,000,000 and subject to examination by federal or State authority, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms. The Bond Insurer shall be notified immediately upon the resignation or termination of the Trustee and the appointment of a successor Trustee.

Notwithstanding anything to the contrary, if no successor Trustee shall have been appointed and accepted appointment within sixty (60) days of the resignation, removal, or other vacancy in the office of Trustee in the manner herein provided, the Trustee or any bond owner may petition any court of competent jurisdiction for the appointment of a successor Trustee until a successor shall have been appointed as above provided.

SECTION 10.09. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge, and deliver to its predecessor and also to the Council and the Bond Insurer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties, and obligations of its predecessors; but such predecessor shall, nevertheless, on the reasonable written request of the Council, or of the successor Trustee, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers, and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities, moneys, documents, and other property held by it as the Trustee hereunder to its or his successor hereunder. Should any instrument in writing from the Council be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers, and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged, and delivered by the Council. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office where this Indenture shall have been filed or recorded. Such successor Trustee shall give notice of such successors to S&P.

SECTION 10.10. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Council and the Bond Insurer, during the Trustee's normal business hours and under reasonable conditions.

SECTION 10.11. [Reserved].

SECTION 10.12. Paying Agent. The Council hereby appoints the Trustee as Paying Agent. The Council may, with the approval of the Trustee and the Bond Insurer appoint additional Paying Agents for the Bonds. Each Paying Agent shall designate to the Council and the Trustee its principal office and signify its acceptance of the duties and obligations imposed

upon it hereunder by a written instrument of acceptance delivered to the Council under which such Paying Agent will agree, particularly:

(a) to hold all sums received by it for the payment of the principal of or interest on Bonds in trust for the benefit of the Owners of the Bonds until such sums shall be paid to such Owners of the Bonds or otherwise disposed of as herein provided;

(b) to keep such books and records as shall be consistent with prudent industry practice, to make such books and records available for inspection by the Council and the Trustee at all reasonable times; and

(c) upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by the Paying Agent.

SECTION 10.13. Registrar. The Council hereby appoints the Trustee as Registrar for the Bonds. The Registrar shall designate to the Trustee its principal office and signify its acceptance of the duties imposed upon it hereunder by a written instrument of acceptance delivered to the Council and the Trustee under which such Registrar will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Council and the Trustee at all reasonable times.

The Council shall cooperate with the Trustee to cause the necessary arrangements to be made and to be thereafter continued whereby Bonds, executed by the Council and authenticated by the Registrar or any authenticating agent, shall be made available for exchange, registration, and registration of transfer at the principal office of the Registrar. The Council shall cooperate with the Trustee to cause the necessary agreements to be made and thereafter continued whereby the Registrar shall be furnished such records and other information at such times as shall be required to enable the Registrar to perform the duties and obligations imposed upon it hereunder.

SECTION 10.14. Effect on Bondholders of Certain Actions. Notwithstanding any other provision of this Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee, or Paying Agent shall consider the effect on the Bondholders as if there were no Bond Insurance Policy.

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ARTICLE XI

SUPPLEMENTAL INDENTURES

SECTION 11.01. Supplemental Indentures Not Requiring Consent of Bondholders. The Council and the Trustee may, without the consent of or notice to any of the Bondholders, but only with the consent of the Bond Insurer, enter into any indenture or indentures supplemental to this Indenture for any one or more of the following purposes:

- (a) to cure or correct any ambiguity, omission, or formal defect in this Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional benefits, rights, remedies, powers, or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which is not to the material prejudice of the Bondholders;
- (c) to subject to this Indenture additional revenues, properties, or collateral;
- (d) to modify, amend, or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions, and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute; or
- (e) to change, evidence, or give effect to the delivery of an Alternate Surety Bond.

SECTION 11.02. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of supplemental indentures covered by Section 11.01 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Bond Insurer and the Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds affected thereby shall have the right, from time to time, to consent to and approve the execution by the Council and the Trustee of such other indenture or indentures supplemental hereto for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section shall permit, or be construed as permitting (a) without the consent of the Owners of all then Outstanding Bonds affected thereby: (i) an extension of the maturity date of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, or (v) except to the extent necessary to implement Section 4.08(c) hereof, the creation of any lien hereunder other than a

lien ratably securing all of the Bonds at any time Outstanding hereunder, or (b) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities, and privileges of the Trustee without the written consent of the Trustee.

If at any time the Council shall request the Trustee in writing to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by registered or certified mail to each Owner of a Bond affected thereby at the address shown on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the Designated Office of the Trustee for inspection by all Bondholders. If, within sixty (60) days, or such longer period as shall be prescribed by the Council, following the mailing of such notice, the Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds affected thereby at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Council from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Notwithstanding the foregoing or any other provisions to the contrary, for as long as the Bond Insurance Policy remains in full force and effect, consent and approval by the Bond Insurer shall constitute the required consent and approval of the Owners of the Bonds, provided, however, that in no event shall the Bond Insurer's consent to the actions listed in subsection (a)(i) through (v) of this Section 11.02 constitute consent of the Owners.

Prior to entering into any indenture or indentures supplemental to this Indenture under this Article XI, the Trustee shall be entitled to receive and conclusively rely upon an opinion of Counsel to the effect that such indenture or indentures supplemental to this Indenture is authorized or permitted pursuant to this Article XI. The Trustee may, but shall not be obligated to, enter into any indenture or indentures supplemental to this Indenture that adversely affects its rights, duties and protections under and pursuant to this Indenture.

SECTION 11.03. Notice to S&P. The Trustee shall give notice to the Bond Insurer and S&P of any supplemental indentures or any amendments to any Loan Agreement.

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ARTICLE XII

AMENDMENT OF LOAN AGREEMENTS

SECTION 12.01. Amendments, Etc., Not Requiring Consent of Bondholders. The Council and the Trustee may, without the consent of or notice to the Bondholders, but only with the consent of the Bond Insurer, consent to any amendment, change, or modification of any Loan Agreement that may be required (a) by the provisions of such Loan Agreement or to conform to the provisions of this Indenture, (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such Loan Agreement, (d) in connection with any other change therein which is not to the material prejudice of the Trustee or the Owners of the Bonds, or (e) in connection with the delivery of an Alternate Surety Bond.

SECTION 12.02. Amendments, Etc., Requiring Consent of Bondholders. Except for amendments, changes, or modifications provided for in Section 12.01 hereof, neither the Council nor the Trustee shall consent to any amendment, change, or modification of any Loan Agreement without the mailing of notice and the written approval or consent of the Bond Insurer and Owners of not less than two-thirds in aggregate principal amount of the Bonds at the time Outstanding given and procured pursuant to this Section. If at any time the Council and a Borrower shall request in writing the consent of the Trustee to any such proposed amendment, change, or modification of a Loan Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change, or modification to be mailed in the same manner as provided by Section 11.02 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change, or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Bondholders. Nothing contained in this Section shall permit, or be construed as permitting, a reduction of the aggregate principal amount of Bonds the Owners of which are required to consent to any amendment, change, or modification of a Loan Agreement, a reduction in, or a postponement of, the payments under any Loan Agreement or any changes that affect the exclusion of interest on the Bonds from the gross income of the Holders thereof for purposes of federal income taxation, without the consent of the Owners of all of the Bonds then Outstanding.

Notwithstanding the foregoing or any other provisions to the contrary, for as long as the Bond Insurance Policy remains in full force and effect, consent and approval by the Bond Insurer shall constitute the required consent and approval of the Owners of the Bonds; provided, however, that the Bond Insurer shall not be entitled to consent to a reduction in, or postponement of, the payment due the Bondholders or any change that affects the exclusion of interest on the Bonds from gross income of the Holders thereof for purposes of federal income taxation.

Prior to consenting to any amendment, change or modification of any Loan Agreement, the Trustee shall be entitled to receive and conclusively rely upon an opinion of Counsel to the effect that such amendment, change or modification is authorized or permitted pursuant to this Article XII. The Trustee may, but shall not be obligated to, enter into any amendment, change or modification of a Loan Agreement that adversely affects its rights, duties and protections thereunder.

Nothing contained in this Section shall be construed to prevent the Trustee, with the consent of the Council and the Bond Insurer, from settling a default under any Loan Agreement on such terms as the Trustee may determine to be in the best interests of the Owners of the Bonds.

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ARTICLE XIII

GENERAL COVENANTS

SECTION 13.01. Payment of Principal and Interest. The Council covenants that it will promptly pay the principal of and interest on every Bond issued under this Indenture at the place, on the dates, and in the manner provided herein and in said Bonds according to the true intent and meaning thereof, provided that the principal and interest are payable by the Council solely from the Trust Estate as provided in this Indenture, and nothing in the Bonds or this Indenture shall be considered as assigning or pledging any other funds or assets of the Council other than such Trust Estate.

SECTION 13.02. Performance of Covenants; the Council. The Council covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Indenture, in any and every Bond executed, authenticated, and delivered hereunder and in all of its proceedings pertaining hereto. The Council covenants that it is duly authorized under the Constitution and laws of the State, including particularly the Act, to issue the Bonds authorized hereby and to execute this Indenture, to execute and deliver the Loan Agreements, to assign the Loan Agreements and collateral documents and amounts payable thereunder, and to pledge the Revenues and any other property hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the Council according to the terms thereof and hereof.

SECTION 13.03. Instruments of Further Assurance. The Council agrees that the Trustee may defend its rights to the payments of the Revenues for the benefit of the Owners of the Bonds, against the claims and demands of all persons whomsoever. The Council covenants that it will do, execute, acknowledge, and deliver, or cause to be done, executed, acknowledged, and delivered, such indentures supplemental hereto and such further acts, instruments, and transfers as the Trustee may reasonably require for the better assuring, transferring, pledging, assigning, and confirming unto the Trustee all and singular the rights assigned hereby and the amounts and other property pledged hereby to the payment of the principal of and interest on the Bonds. The Council covenants and agrees that, except as provided herein or in the Loan Agreements, it will not sell, convey, assign, pledge, encumber, or otherwise dispose of any part of the Revenues or the proceeds of the Bonds or its rights under the Loan Agreements.

SECTION 13.04. Rights Under the Loan Agreements. The Loan Agreements, the form of which has been filed with the Trustee and duly executed counterparts of each of which will be retained by the Trustee, as required by Section 13.06 hereof, set forth the covenants and obligations of the Council and the Borrowers, including provisions that the Loan Agreements may not be effectively amended without the concurring written consent of the Trustee, as provided in Article XII hereof, and reference is hereby made to the Loan Agreements for a

detailed statement of said covenants and obligations of the Borrowers under the Loan Agreements, and the Council agrees that the Trustee in its name or to the extent permitted by law, in the name of the Council, may enforce all rights of the Council and all obligations of the Borrowers under the Loan Agreements (and waive the same except for rights expressly granted to the Council) on behalf of the Bondholders whether or not the Council is in default hereunder.

SECTION 13.05. Possession and Inspection of Loan Agreements. The Trustee shall retain possession of an executed copy of each Loan Agreement to which it is a party or in which it has an interest and release them only in accordance with the provisions of this Indenture. The Council and the Trustee covenant and agree that all books and documents in their possession relating to the Loan Agreements and to the distribution of proceeds thereof shall at all times be open to inspection by such accountants or other agencies or Persons as the other party or the Bond Insurer may from time to time designate.

SECTION 13.06. Provision of Documents to Bondholders. If any Bondholder shall request of the Council or Trustee in writing a copy of the Indenture, the Bond Insurance Policy, the Financial Guaranty Agreement, or any Loan Agreement, the Trustee shall, at the expense of the Bondholder, provide such Bondholder with a photocopy or other copy of any such document requested.

SECTION 13.07. Tax Covenants.

(a) The Council shall not use or permit the use of any proceeds of the Bonds or any other funds of the Council, and the Trustee shall not knowingly use or permit the use of any proceeds of the Bonds or any other funds of the Council held by the Trustee, directly or indirectly, to acquire any securities or obligations, and shall not knowingly use or permit the use of any amounts received by the Council or Trustee with respect to the Loan Agreements in any manner, and shall not take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148, or "federally guaranteed" within the meaning of the Code. If at any time the Council is of the opinion that for purposes of this subsection (a) it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held by the Trustee under this Indenture, the Council shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(b) The Council shall not use or permit the use of any proceeds of Bonds or any other funds of the Council, and the Trustee shall not knowingly use or permit the use of any proceeds of the Bonds or any other funds of the Council held by the Trustee, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Bonds being treated as a "private activity bond," as defined in Section 141 of the Code.

(c) The Council and the Trustee (if directed by the Council) shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to assure that interest paid on the Bonds will be excluded from gross income for purposes of federal income taxation and shall take no action that would result in such interest not being excluded from federal gross income.

(d) The Council covenants that it will maintain adequate accounting records, and rebate investment income from the investment of proceeds of the Bonds to the United States Treasury within the time allowed and in the manner specified by the Code and regulations and will otherwise comply with such laws and regulations.

SECTION 13.08. Security Interest.

(a) This Indenture creates a valid and binding assignment of, lien on the Trust Estate in favor of the Trustee as security of payment of the Bonds, enforceable by the Trustee in accordance with the terms hereof.

(b) The Council has not heretofore made a pledge of, granted a lien on, or made an assignment or sale of such collateral that ranks on a parity with (except the Reserve Fund) or prior to the lien or assignment granted hereby. The Council shall not hereafter make or suffer to exist any pledge or assignment of, or lien on, in such collateral that ranks prior to or on a parity with (except the Reserve Fund) the assignment or lien, granted hereby.

[Remainder of page intentionally left blank]

ARTICLE XIV

MISCELLANEOUS

SECTION 14.01. Consents, etc., of Bondholders. Any consent, request, direction, approval, objection, or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by an agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection, or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Council, the Trustee, and any subsequent Owners of the Bonds with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of ownership of the Bonds and the amount or amounts, numbers and other identification of the Bonds, and the date of owning the same shall be proved by the registration books of the Council maintained by the Registrar pursuant to Section 2.07 hereof.

SECTION 14.02. Limitation of Rights. With the exception of rights herein expressly conferred or as otherwise provided herein, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto and the owners of the Bonds, any legal or equitable right, remedy, or claim under or in respect to this Indenture or any covenants, conditions, and provisions herein contained; this Indenture and all of the covenants, conditions, and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the Owners of the Bonds as herein provided. The Bond Insurer is recognized as a third-party beneficiary hereunder and may enforce any such right, remedy, or claim conferred, given, or granted hereunder.

SECTION 14.03. [Reserved].

SECTION 14.04. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative, or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

SECTION 14.05. Notices. Any notice, request, complaint, demand, communication, or other paper shall be sufficiently given and shall be deemed given when delivered or mailed

by registered or certified mail, postage prepaid, or sent by telegram or telex, addressed to the parties as follows:

Council: Florida Municipal Loan Council
c/o Florida League of Cities
301 South Bronough Street
Tallahassee, Florida 32301

Bond Insurer: National Public Finance Guarantee Corporation
1 Manhattanville Road, Suite 301,
Purchase, New York 10577
Attention: Portfolio Surveillance Policy No. _____

Trustee: The Bank of New York Mellon Trust Company, N.A.
10161 Centurion Parkway North
Jacksonville, Florida 32256

For purposes of presentation of Bonds for transfer, exchange, or payment:

The Bank of New York Mellon Trust Company, N.A.

The above parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications shall be sent.

SECTION 14.06. Payments Due on Saturdays, Sundays, and Holidays. In any case where the date of payment of principal of or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day which is not a Business Day, then payment of interest or principal shall be made on the succeeding Business Day with the same force and effect as if made on the interest payment date or the date of maturity or the date fixed for redemption.

SECTION 14.07. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

SECTION 14.08. Applicable Provisions of Law. This Indenture shall be governed by and construed in accordance with the laws of the State without regard to conflict of law principles.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Council has caused this Indenture to be executed on its behalf by its Chairman and the seal of the Council to be hereunto affixed and duly attested by its Executive Director and the Trustee, to evidence its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its name by its duly authorized officer, all as of the day and year first above written.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: _____

Name: Isaac Salver

Title: Chairman

ATTEST:

FLORIDA LEAGUE OF CITIES, INC.,

Program Administrator

By: _____

Name: Michael Sittig

Title: Executive Director

TRUST INDENTURE

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____

Name: Janalee Scott

Title: Vice President

EXHIBIT A

FORM OF BOND

No. R-_____

\$_____

**FLORIDA MUNICIPAL LOAN COUNCIL
REFUNDING AND IMPROVEMENT REVENUE BOND,
SERIES 2016**

Maturity Date:

Interest Rate:

Dated Date:

CUSIP

Registered Owner: CEDE & CO.

Principal Amount: _____ DOLLARS

FLORIDA MUNICIPAL LOAN COUNCIL, a legal entity duly created and existing under the Constitution and laws of the State of Florida (the "Council"), for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount identified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Dated Date identified above, until payment of said Principal Amount has been made or duly provided for, at the Interest Rate set forth above on April 1, 2017, and on each April 1 and October 1 thereafter (each an "Interest Payment Date"), unless interest on this Bond is in default, in which event it shall bear interest from the last date to which interest has been paid until payment of such Principal Amount shall be discharged as provided in the Indenture hereinafter mentioned. The principal (or Redemption Price) hereof is payable upon presentation hereof at the designated office of The Bank of New York Mellon Trust Company, N.A., as Paying Agent and Registrar (together with any successor thereto, respectively, the "Paying Agent" and the "Registrar"). Interest hereon is payable by check mailed, except as provided in the Indenture, to the person whose name appears on the bond registration books maintained by the Registrar as the Registered Owner hereof as of the close of business on the fifteenth (15th) day of the calendar month preceding each Interest Payment Date, at such Person's address as it appears on such registration books.

This Bond is one of a duly authorized issue of bonds of the Council designated as "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2016" (the "Bonds"), issued in the aggregate principal amount of _____ Dollars (\$_____), pursuant to the provisions of Chapter 163, Part I, Florida Statutes, and other

applicable provisions of law (collectively, the "Act"), and pursuant to a Trust Indenture, dated as of _____ 1, 2016, between the Council and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (together with any supplements or amendments thereto, the "Indenture"). The Bonds are issued for the purpose of providing funds to make loans to the City of Belle Isle, Florida, City of North Miami, Florida, City of Port Richey, Florida, City of St. Augustine Beach, Florida, City of Valparaiso, Florida, Town of Bay Harbor Islands, Florida, Town of Eatonville, Florida, Town of Lake Park, Florida, and Town of Oakland, Florida (collectively, the "Borrowers") to finance, refinance, or reimburse the costs of various capital projects, pursuant to loan agreements between the Council and such Borrowers (together with any supplements or amendments thereto, the "Loan Agreements").

Capitalized terms used but not defined herein shall have the meaning set forth in the Indenture.

Reference is hereby made to the Indenture (a copy of which is on file at the Designated Office of the Trustee) and to the Act for a description of the rights and remedies thereunder (and limitations thereon) of the registered owners of the Bonds, of the nature and extent of the security, of the rights, duties, and immunities of the Trustee, and of the rights and obligations of the Council thereunder, to all the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds and the interest thereon are payable from Revenues and are secured by a pledge and assignment of said Revenues and of amounts held in certain Funds and Accounts established pursuant to the Indenture (including proceeds of the sale of the Bonds until applied as set forth therein), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are further secured by an assignment of the right, title, and interest of the Council in the Loan Agreements to the Trustee, to the extent and as more particularly described in the Indenture.

[Insert redemption provisions]

In addition, the Bonds are also subject to extraordinary mandatory redemption (as a result of acceleration pursuant to the Indenture) at any time, in whole or in part, at a redemption price of the principal amount thereof plus accrued interest to the redemption date, without premium, but only with the approval of the Bond Insurer, from all Liquidation Proceeds or Insurance Proceeds (as such terms are defined in the Indenture) received by the Trustee as a result of an acceleration of any Loan or Loans. If Bonds are to be redeemed in part by extraordinary mandatory redemption, the Bonds to be redeemed will be selected on a proportionate basis from among all of the maturities of such Bonds which correspond to the maturities of such Loan and within each maturity by lot. To the extent that all Loans are not being accelerated, Bonds are to be redeemed as the Council in its discretion may deem appropriate; provided, however, that only such Bonds which correspond in terms of amount and scheduled maturity date to the principal loan payment obligations of the Loan or Loans

being accelerated are subject to such extraordinary mandatory redemption, and provided further that, in the event that Liquidation Proceeds are not sufficient to redeem all such corresponding Bonds, the portion of the corresponding Bonds to be so redeemed shall be selected on a pro-rata basis based upon the ratio of Liquidation Proceeds to the total amount of Bonds which correspond to the Loan or Loans being accelerated.

In the case of every redemption, the Registrar shall cause notice of such redemption to be given to the Registered Owner of any Bonds designated for redemption in whole or in part as provided in the Indenture. The failure of the Registrar to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Bonds. On the redemption date, the principal amount and premium, if any, of each Bond to be redeemed, together with the accrued interest thereon to such date, shall become due and payable; from and after such date of redemption (such notice having been given and moneys available solely for such redemption being on deposit with the Trustee), the Bonds or portions thereof to be redeemed shall not be deemed to be outstanding under the Indenture, and the Council shall be under no further liability in respect thereof.

In the event that the Bond Insurer shall make any payments of principal of and/or interest on any of the Bonds pursuant to the terms of the Bond Insurance Policy, and the Bonds are accelerated or redeemed pursuant to the terms of the Indenture or Loan Agreements, the Bond Insurer may pay all or a portion of amounts due under the Bonds to the Owners thereof prior to the stated maturity dates thereof.

If an Event of Default (as defined in the Indenture) shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded.

The Indenture and the rights and obligations of the Council, the Bondholders, and Trustee may be modified or amended from time to time and at any time, without consent of the Bondholders in the manner, to the extent, and upon the terms provided in the Indenture.

The Bonds are limited obligations of the Council and are not a lien or charge upon the funds or property of the Council, except to the extent of the herein mentioned pledge and assignment. Neither the State of Florida nor the Council shall be obligated to pay the principal of the Bonds, nor the interest thereon, except from Revenues received by the Council, and neither the faith and credit nor the taxing power of the State of Florida or of any political subdivision or any municipal corporation thereof is pledged to the payment of the principal of, or interest on, the Bonds. The Bonds are not a debt of the State of Florida and the State of Florida or any political subdivision or any municipal corporation thereof are not liable for the payment thereof.

It is hereby certified and recited that any and all conditions, things, and acts required to exist, to have happened, and to have been performed precedent to and in the issuance of this Bond do exist, have happened, and have been performed in due time, form, and manner as required by the Act, and by the Constitution and laws of the State of Florida, and that the amount of this Bond, together with all other indebtedness of the Council, does not exceed any limit prescribed by the Act, or by the Constitution and laws of the State of Florida, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Registrar.

IN WITNESS WHEREOF, FLORIDA MUNICIPAL LOAN COUNCIL has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chairman and its seal to be reproduced hereon by facsimile and attested by the manual or facsimile signature of its Executive Director all as of the date of the Bonds.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: _____
Chairman

Attest:

Executive Director

VALIDATION CERTIFICATE

This Bond is one of a series of Bonds which were validated and confirmed by judgment of the Circuit Court for Leon County, Florida, rendered on February 13, 2003.

By: _____
Chairman

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Registrar

Date of Authentication:

By: _____
Authorized Signer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____

_____ the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) attorney, to transfer the same on the books of the Registrar with full power of substitution in the premises.

Dated: _____

Signature guaranteed:

STATEMENT OF INSURANCE

[To come]

EXHIBIT B

BORROWERS

City of Belle Isle, Florida
City of North Miami, Florida
City of Port Richey, Florida
City of St. Augustine Beach, Florida
City of Valparaiso, Florida
Town of Bay Harbor Islands, Florida
Town of Eatonville, Florida
Town of Lake Park, Florida
Town of Oakland, Florida

APPENDIX D

FORM OF THE LOAN AGREEMENTS

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COVENANT TO BUDGET AND APPROPRIATE
LOAN AGREEMENT

By and Between

FLORIDA MUNICIPAL LOAN COUNCIL

and

_____, FLORIDA

Dated as of _____ 1, 2016

FLORIDA MUNICIPAL LOAN COUNCIL
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2016

This Instrument Prepared By:

JoLinda Herring, Esquire
Bryant Miller Olive P.A.
SunTrust International Center
1 SE 3rd Avenue, Suite 2200
Miami, Florida 33131

and

Jason M. Breth, Esquire
Bryant Miller Olive P.A.
101 North Monroe Street, Suite 900
Tallahassee, Florida 32301

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LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement"), is dated as of _____ 1, 2016, and entered into by and between the FLORIDA MUNICIPAL LOAN COUNCIL (the "Council"), a separate legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida (the "State"), and the _____, FLORIDA (the "Borrower"), a duly constituted municipality under the laws of the State.

WITNESSETH:

WHEREAS, pursuant to the authority of the Act (as hereinafter defined), the Council desires to loan to the Borrower the amount necessary to enable the Borrower to finance, refinance, or reimburse the cost of the Projects, as hereinafter defined, and the Borrower desires to borrow such amount from the Council subject to the terms and conditions of and for the purposes set forth in this Loan Agreement; and

WHEREAS, the Council is a separate legal entity and public body corporate and politic duly created and existing under the laws of the State organized and existing under and by virtue of that certain Interlocal Agreement by and among, initially, the City of DeLand, Florida, the City of Rockledge, Florida, and the City of Stuart, Florida, as amended and supplemented, together with the additional governmental entities who become members of the Council, in accordance with Chapter 163, Part I, Florida Statutes, as amended (the "Interlocal Act"); and

WHEREAS, the Council has determined that there is substantial need within the State for a financing program (the "Program") which will provide funds for qualifying projects (the "Projects") for the participating Borrowers; and

WHEREAS, the Council is authorized under the Interlocal Act to issue its revenue bonds to provide funds for such purposes; and

WHEREAS, the Council has determined that the public interest will best be served and that the purposes of the Interlocal Act can be more advantageously obtained by the Council's issuance of revenue bonds in order to loan funds to the Borrowers to finance or refinance Projects; and

WHEREAS, the Borrower is authorized under and pursuant to the Act to enter into this Loan Agreement for the purposes set forth herein; and

WHEREAS, the Borrower has determined that a covenant to budget and appropriate non-ad valorem revenues, as described herein, shall be pledged to secure this Loan Agreement; and

WHEREAS, the Borrower has determined that there is a substantial need for the [financing of the Project (as hereinafter defined) and] the refinancing of all or a portion of the Refunded Loan (as hereinafter defined) in order to take advantage of lower interest rates and realize debt service savings; and

WHEREAS, the Council and the Borrower have determined that the lending of funds by the Council to the Borrower pursuant to the terms of this Loan Agreement and that certain Trust Indenture, dated as of _____ 1, 2016, by and between the Council and the Trustee (as hereinafter defined), including any amendments and supplements thereto (the "Indenture"), relating to the issuance of the Bonds (as hereinafter defined), will assist in the development and maintenance of the public welfare of the residents of the State and the areas served by the Borrower, and shall serve a public purpose by improving the health and living conditions, and providing adequate governmental services, facilities, and programs and will promote the most efficient and economical development of such services, facilities, and programs in the State; and

WHEREAS, neither the Council, the Borrower, the State, nor any political subdivision thereof (other than each Borrower to the extent of their obligations under their respective Loan Agreements only), shall in any way be obligated to pay the principal of, premium, if any, or interest on those certain revenue bonds of the Council designated the "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2016" (the "Bonds") as the same shall become due, and the issuance of the Bonds shall not directly, indirectly, or contingently obligate the Council, the Borrower, the State, or any political subdivision or municipal corporation thereof to levy or pledge any form of ad valorem taxation for their payment but shall be payable solely from the funds and revenues pledged under and pursuant to this Loan Agreement and the Indenture.

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context or use indicates another meaning or intent, the following words and terms as used in this Loan Agreement shall have the following meanings, and any other hereinafter defined words and terms, shall have the meanings as therein defined.

"Accountant" or "Accountants" means an independent certified public accountant or a firm of independent certified public accountants.

"Accounts" means the accounts established pursuant to Section 4.02 of the Indenture.

"Act" means, collectively, to the extent applicable to the Borrower, Chapter 163, Part I, Florida Statutes, Chapter 166, Part II, Florida Statutes, and Chapter 125, Part I, as amended, and all other applicable provisions of law.

"Additional Payments" means payments required by Section 5.03 hereof.

"Alternate Surety Bond" means any letter of credit or surety bond obtained to replace the Surety Bond then in effect pursuant to the Indenture.

"Alternate Surety Bond Provider" means any provider of an Alternate Surety Bond.

"Arbitrage Regulations" means the income tax regulations promulgated, proposed or applicable pursuant to Section 148 of the Code as the same may be amended or supplemented or proposed to be amended or supplemented from time to time.

"Authorized Representative" means, when used pertaining to the Council, the Chairman of the Council and such other designated members, agents, or representatives as may hereafter be selected by Council resolution; and, when used with reference to a Borrower which is a municipality, means the person performing the functions of the Mayor or Deputy, Acting, or Vice Mayor of such Borrower thereof or other officer authorized to exercise the powers and performs the duties of the Mayor; and, when used with reference to a Borrower which is a County means the person performing the function of the Chairman or Vice Chairman of the Board of County Commissioners of such Borrower; and, when used with reference to an act or document, also means any other person authorized by resolution or ordinance to perform such act or sign such document.

"Basic Payments" means the payments denominated as such in Section 5.01 hereof.

"Board" means the governing body of the Borrower.

"Bond Counsel" means Bryant Miller Olive P.A., Miami, Florida, or any other nationally recognized bond counsel, selected by the Council.

"Bondholder" or "Holder," "holder of Bonds," "Owner," or "owner of Bonds," whenever used herein with respect to a Bond, means the Person in whose name such Bond is registered.

"Bond Insurance Policy" means the municipal bond insurance policy of the Bond Insurer guaranteeing the scheduled payment when due of the principal of and interest on the Bonds as provided therein.

"Bond Insurance Premium" means the premium payable to the Bond Insurer for the Bond Insurance Policy.

"Bond Insurer" means National Public Finance Guarantee Corporation and any successors thereto.

"Bonds" means the \$_____ Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2016, issued pursuant to Article II of the Indenture.

"Bond Year" means a 12-month period beginning on October 2 and ending on and including the following October 1, except for the first period which begins on September __, 2016.

"Borrower" means the governmental unit which is described in the first paragraph and on the cover page of this Loan Agreement and which is borrowing and using the Loan proceeds to finance, refinance, and/or be reimbursed for, all or a portion of the costs of one or more Projects.

"Borrowers" mean, collectively, the Borrower and the other local governmental units receiving loans from the Council made from proceeds of the Bonds.

"Business Day" means any day of the year which is not a Saturday or Sunday or a day on which banking institutions located in New York City or the State are required or authorized to remain closed or on which the New York Stock Exchange is closed.

"Certificate," "Statement," "Request," "Requisition," or "Order" of the Council mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the Council by its Chairman, Program Administrator, or such other person as may be designated and authorized to sign for the Council; or of the Borrower mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the Borrower by its Mayor or Deputy, Acting, or Vice Mayor, or such other person as may be designated and authorized to sign for the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing" means the closing of a Loan pursuant to the Indenture and this Loan Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code, the applicable

rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions).

"Commencement Date" means the date when the term of this Loan Agreement begins and the obligation of the Borrower to make Loan Repayments accrues.

"Cost" means the purchase price of any project acquired; the cost of improvements; the cost of construction, extension or enlargement; the cost of all lands, properties, rights, easements and franchises acquired; the cost of all machinery and equipment, financing charges, interest during construction; and, if deemed advisable, for one year after completion of construction, cost of investigations, audits, and engineering and legal services; and all other expenses necessary or incident to determining the feasibility or practicability of such acquisition or construction, administrative expense and such other expenses as may be necessary or incident to the financing herein authorized and to the acquisition or construction of a project and the placing of the same in operation. Any obligation or expense incurred by the Borrower prior to the issuance of bonds for engineering studies and for estimates of cost and of revenues, and for other technical, financial, or legal services in connection with the acquisition or construction of any project, may be regarded as a part of the cost of such project..

"Cost of Issuance Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Council" means the Florida Municipal Loan Council.

"Counsel" means an attorney duly admitted to practice law before the highest court of the State and, without limitation, may include legal counsel for either the Council, a Borrower, or the Trustee.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Escrow Account" means the Escrow Account held for the benefit of the holders of the Refunded Bonds by the Escrow Agent under the Escrow Deposit Agreement.

"Escrow Agent" means the current trustee for the Refunded Bonds, which is a qualifying bank or trust company, and which shall execute the Escrow Deposit Agreement with the Council prior to the issuance of the Bonds.

"Escrow Deposit Agreement" means the Escrow Deposit Agreement, which shall be executed and delivered by and between the Council and the Escrow Agent, which agreement shall be in substantially the form approved by the parties thereto.

"Escrow Requirement" shall have the meaning assigned to such term in the Escrow Deposit Agreement.

"Event of Default" shall have the meaning ascribed to such term in Section 8.01 of this Loan Agreement.

"Financial Newspaper" or "Journal" means The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language, customarily published on each Business Day and circulated in New York, New York, and selected by the Trustee, whose decision shall be final and conclusive.

"Fiscal Year" means the fiscal year of the Borrower.

"Funds" means the funds established pursuant to Section 4.02 of the Indenture.

"Governmental Obligations" means:

(a) U.S. Treasury certificates, notes, and bonds (including State and Local Government Series - "SLGS");

(b) direct obligations of the Treasury which have been stripped by the Treasury itself;

(c) only the interest component of Resolution Funding Corp. (REFCORP) strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable;

(d) pre-refunded municipal bonds rated "Aaa" by both Moody's and "AAA" by S&P; and

(e) obligations issued by the following agencies which are backed by the full faith and credit of the United States:

(i) U.S. Export-Import Bank (Eximbank):

(1) Direct obligations or fully guaranteed certificates of beneficial ownership,

(ii) Federal Financing Bank,

(iii) General Services Administration:

(1) Participation certificates,

(iv) U.S. Department of Housing and Urban Development (HUD):

- (1) Project Notes,
- (2) Local Authority Bonds,
- (3) New Communities Debentures - U.S. government guaranteed debentures,
- (4) U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

"Indenture" means the Trust Indenture dated as of _____ 1, 2016, between the Council and the Trustee, including any indentures amendatory or supplemental thereto, pursuant to which (a) the Bonds are authorized to be issued, and (b) the Council's interest in the Trust Estate is pledged as security for the payment of the principal of, premium, if any, and interest on the Bonds.

"Interest Payment Date" means October 1 and April 1 of each year, commencing April 1, 2017.

"Interest Period" means the semi-annual period between Interest Payment Dates.

"Interlocal Act" means Chapter 163, Part I, Florida Statutes.

"Interlocal Agreement" means that certain Interlocal Agreement originally dated as of December 1, 1998, initially among the City of Stuart, Florida, the City of Rockledge, Florida, and the City of DeLand, Florida, together with the additional governmental entities who become members of the Council, all as amended and supplemented from time to time.

"Liquidation Proceeds" means amounts received by the Trustee or the Council in connection with the enforcement of any of the remedies under this Loan Agreement after the occurrence of an "Event of Default" under this Loan Agreement which has not been waived or cured.

"Loan" means the Loan made to the Borrower from proceeds of the Bonds in order to [(a) finance the Project, and (b)] refund the Refunded Bonds attributable to the Refunded Loan and thereby refinance the Costs Projects in the amount specified in Section 3.01 herein.

"Loans" mean all loans made by the Council under the Indenture to the Borrowers.

"Loan Agreement" means this Loan Agreement and any amendments and supplements hereto.

"Loan Repayment Date" means March 20, 2017, and thereafter each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day.

"Loan Repayments" means the payments of principal and interest and other payments payable by the Borrower pursuant to the provisions of this Loan Agreement, including, without limitation, Additional Payments.

"Loan Term" means the term provided for in Article IV of this Loan Agreement.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Non-Ad Valorem Revenues" means all revenues and taxes of the Borrower derived from any source whatsoever other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

"Outstanding Bonds" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

- (a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;
- (b) Bonds deemed paid under Article VIII of the Indenture; and
- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07, or 2.09 of the Indenture.

"Person" means an individual, a corporation, a partnership, an association, a trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Principal Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Principal Payment Date" means the maturity date or mandatory redemption date of any Bond.

"Program" means the Council's program of making Loans under the Act and pursuant to the Indenture.

"Program Administrator" means the Florida League of Cities, Inc., a non-profit Florida corporation.

"Project" or "Projects" means a governmental undertaking approved by the governing body of a Borrower for a public purpose, including the refinancing of any indebtedness, which shall include the Borrower's Project[s] detailed on Exhibit A hereof.

"Project Loan Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Proportionate Share" means, with respect to the Borrower, a fraction the numerator of which is the outstanding principal amount of the Loan of the Borrower made from proceeds of the Bonds and the denominator of which is the outstanding principal amount of all Loans made from proceeds of the Bonds and then outstanding.

"Purchase Price" means the purchase price of one or more items of a Project payable by a Borrower to the seller of such items.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption pursuant to the provisions of such Bond and the Indenture.

"Refunded Bonds" means the Borrower's portion of the Florida Municipal Loan Council Revenue [Refunding] Bonds, Series _____, maturing on and after _____ 1, 20____, and attributable to the principal loan payments as set forth in the Refunded Loan Agreement.

"Refunded Loan" means the loan from the Council to the Borrower funded from the proceeds of the Refunded Bonds and secured by the Refunded Loan Agreement.

"Refunded Loan Agreement" means the Loan Agreement dated as of _____ 1, 20____, by and between the Borrower and the Council.

"Reserve Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Revenue Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Revenues" means all Loan Repayments paid to the Trustee for the respective accounts of the Borrowers for deposit in the Principal Fund and Revenue Fund to pay principal of, premium, if any, and interest on the Bonds upon redemption or acceleration of maturity or at

maturity, or to pay interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of this Loan Agreement.

"S&P" means Standard & Poor's Rating Services, a business of Standard & Poor's Financial Services LLC, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Special Record Date" means the date established pursuant to Section 9.05 of the Indenture as a record date for the payment of defaulted interest, if any, on the Bonds.

"State" means the State of Florida.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Council and the Trustee, supplementing, modifying, or amending the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized in the Indenture.

"Surety Bond" means the surety bond issued by the Surety Bond Provider guaranteeing certain payments into the Reserve Fund with respect to the Bonds and any other series of the Council's bonds, as provided therein, or any Alternate Surety Bond.

"Surety Bond Provider" means National Public Finance Guarantee Corporation and any successors thereto or any Alternate Surety Bond Provider.

"Trust Estate" means the property, rights, Revenues, and other assets pledged and assigned to the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as trustee, or any successor thereto under the Indenture.

SECTION 1.02. Uses of Phrases. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "Bond," "Bondholder," "Owner," and "person" shall include the plural as well as the singular number, and the word "person" shall include corporations and associations, including public bodies, as well as persons. All references herein to specific Sections of the Code refer to such Sections of the Code and all successor or replacement provisions thereto.

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ARTICLE II

REPRESENTATIONS, WARRANTIES, AND COVENANTS OF BORROWER AND COUNCIL

SECTION 2.01. Representations, Warranties, and Covenants. The Borrower represents, warrants, and covenants on the date hereof for the benefit of the Council, the Trustee, the Borrower, the Bond Insurer, and Bondholders, as applicable, as follows:

(a) Organization and Authority. The Borrower:

(1) is a duly organized and validly existing municipality of the State and is a duly organized and validly existing Borrower; and

(2) has all requisite power and authority to own and operate its properties, [to finance the Project,] to refinance the Refunded Loan, to covenant to budget and appropriate the Non-Ad Valorem Revenues and to carry on its activities as now conducted and as presently proposed to be conducted.

(b) Full Disclosure. There is no fact that the Borrower knows of which has not been specifically disclosed in writing to the Council and the Bond Insurer that materially and adversely affects or, except for pending or proposed legislation or regulations that are a matter of general public information affecting the State municipalities generally, that will materially affect adversely the properties, activities, prospects, or condition (financial or otherwise) of the Borrower or the ability of the Borrower to perform its obligations under this Loan Agreement.

The financial statements, including, but not limited to the financial statements for the Borrower's Fiscal Year ended September 30, 2015, balance sheets, and any other written statement furnished by the Borrower to the Council, Wells Fargo Bank, National Association, as underwriter of the Bonds (the "Underwriter"), and the Bond Insurer were prepared in accordance with Generally Accepted Accounting Principles ("GAAP") and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading. There is no fact known to the Borrower which the Borrower has not disclosed to the Council, the Underwriter, and the Bond Insurer in writing which materially affects adversely or is likely to materially affect adversely the financial condition of the Borrower, or its ability to make the payments under this Loan Agreement when and as the same become due and payable.

(c) Pending Litigation. There are no proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower, except as specifically described in writing to the Council, the Underwriter, and the Bond Insurer, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the properties, prospects, or condition (financial or otherwise) of

the Borrower, or the existence or powers or ability of the Borrower to enter into and perform its obligations under this Loan Agreement.

(d) Borrowing Legal and Authorized. The execution and delivery of this Loan Agreement and the consummation of the transactions provided for in this Loan Agreement and compliance by the Borrower with the provisions of this Loan Agreement:

(1) are within the powers of the Borrower and have been duly and effectively authorized by all necessary action on the part of the Borrower; and

(2) do not and will not (i) conflict with or result in any material breach of any of the terms, conditions, or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any property or assets of the Borrower pursuant to any indenture, loan agreement, or other agreement or instrument (other than this Loan Agreement) or restriction to which the Borrower is a party or by which the Borrower, its properties, or operations are bound as of the date of this Loan Agreement, or (ii) with the giving of notice or the passage of time or both, constitute a breach or default or so result in the creation or imposition of any lien, charge, or encumbrance, which breach, default, lien, charge, or encumbrance (described in (i) or (ii)) could materially and adversely affect the validity or the enforceability of this Loan Agreement or the Borrower's ability to perform fully its obligations under this Loan Agreement; nor does such action result in any violation of the provisions of the Act, or any laws, ordinances, governmental rules or regulations, or court orders to which the Borrower, its properties, or operations may be bound.

(e) No Defaults. No event has occurred and no condition exists that constitutes an Event of Default, or which, upon the execution and delivery of this Loan Agreement and/or the passage of time or giving of notice or both, would constitute an Event of Default. The Borrower is not in violation in any material respect, and has not received notice of any claimed violation (except such violations as (i) heretofore have been specifically disclosed in writing to, and have been in writing specifically consented to by the Council and the Bond Insurer, and (ii) do not, and shall not, have any material adverse effect on the transactions herein contemplated and the compliance by the Borrower with the terms hereof), of any terms of any agreement or other instrument to which it is a party or by which it, its properties, or operations may be bound, which may materially adversely affect the ability of the Borrower to perform hereunder.

(f) [Governmental Consent. The Borrower has obtained, or will obtain, all permits, approvals, and findings of non-reviewability required as of the date hereof by any governmental body or officer for the acquisition, construction, installation, and/or equipping of the Project, including, but not limited to, construction and renovation work necessary for such acquisition, construction, installation, and/or equipping, the financing or refinancing thereof, or the reimbursement of the Borrower therefor, or the use of the Project, and, prior to the Loan, the Borrower will obtain all other such permits, approvals, and findings as may be necessary for the

foregoing and for such Loan and the proper application thereof; the Borrower has complied with or will comply with all applicable provisions of law requiring any notification, declaration, filing, or registration with any agency or other governmental body or officer in connection with the acquisition, construction, installation, and/or equipping of the Project, including, but not limited to, construction and renovation work necessary for such acquisition, construction, installation, and/or equipping, financing or refinancing thereof, or reimbursement of the Borrower therefor. Any such action, construction, installation, financing, refinancing or reimbursement contemplated in this Loan Agreement is consistent with, and does not violate or conflict with, the terms of any such agency or other governmental consent, order, or other action which is applicable thereto. No further consent, approval, or authorization of, or filing, registration or qualification with, any governmental authority is required on the part of the Borrower as a condition to the execution and delivery of this Loan Agreement, or to amounts becoming outstanding hereunder.]

(g) Compliance with Law. The Borrower is in compliance with all laws, ordinances, and governmental rules and regulations to which it is subject, and which are material to its properties, operations, finances, or status as a municipal corporation.

(h) Use of Proceeds.

(1) The Borrower has heretofore issued and has presently outstanding and unpaid the Refunded Loan. The Borrower deems it necessary, desirable, and in the best financial interest of the Borrower that the Refunded Loan be refunded in order to effectuate interest cost savings and a reduction in the debt service applicable to bonded indebtedness. The refunding of the Refunded Loan in the manner herein provided is hereby authorized. The Borrower will apply a portion of the proceeds of the Loan from the Council, together with other legally available revenues of the Borrower, for the refinancing of the Refunded Loan and thereby the refinancing of the Projects as set forth in Exhibit A hereto. Simultaneously with the closing of the Loan, a sufficient portion of the proceeds of the Loan will, at the Borrower's request and instruction as provided in Section 3.03 hereof, be transferred by the Underwriter directly to the Escrow Agent for deposit by the Escrow Agent into the Escrow Account established pursuant to the Escrow Deposit Agreement, to effectuate the refunding of the Refunded Loan by providing for the payment of the principal of, premium, if any, and interest on the Refunded Loan as provided in the Escrow Deposit Agreement. If any component of the Refunded Loan to be refunded is not paid for out of the proceeds of the Loan at the Closing of the Loan, the Borrower shall on or before _____, 2016, pay the remaining cost of the Refunded Loan to be refunded directly to the Escrow Agent for deposit by the Escrow Agent into the Escrow Account.

(2) [The Borrower deems it necessary, desirable, and in the best financial interest of the Borrower to finance the acquisition, construction, and/or equipping of the Project. The financing of the Project in the manner herein provided is hereby authorized.

The Borrower will apply the remaining portion of the proceeds of the Loan from the Council for the financing of the Costs of the Projects as set forth in Exhibit A hereto. Simultaneously with the closing of the Loan, a portion of the proceeds of the Loan will, at the Borrower's request and instruction as provided in Section 3.04 hereof, be transferred by the Underwriter directly to the Trustee for deposit by the Trustee into the Project Loan Fund established pursuant to the Indenture. The Borrower will provide the Trustee with a requisition in the form of the requisition attached hereto as Exhibit E for the expenditure of the amounts of the Loan in the Project Loan Fund. If any component of the Project listed in Exhibit A is not paid for out of the proceeds of the Loan at the Closing of the Loan, Borrower shall, as quickly as reasonably possible, with due diligence, and in any event prior to _____, 2019, use the remainder of the proceeds of the Loan listed in Exhibit A and any investment earnings thereon to pay the Costs of the Project, provided that, such time limit may be extended by the written consent of the Council with notice to the Trustee. The Borrower may amend Exhibit A to provide for the financing of different or additional Projects if Borrower, after the date hereof, deems it to not be in the interest of Borrower to acquire or construct any item of the Project or the Costs of the Project prove to be less than the amounts listed on Exhibit A and the investment earnings thereon, without the consent of the Council or the Trustee (but with notice thereto); provided, however, the Borrower must obtain an opinion of Bond Counsel to the effect that such an amendment and the completion of the revised Project will not adversely affect the validity or tax-exempt status of the Bonds regarding the amended Exhibit A. Notwithstanding the foregoing all such proceeds of the Loan shall be expended prior to _____, 2019.]

(3) [Costs of the Project which may be financed include, but are not limited to, all reasonable or necessary direct or indirect costs of or incidental to the acquisition, construction, installation, or equipping of the Project, including operational expenses during the construction period which would qualify for capitalization under GAAP, the incidental costs of placing the same in use, and financing expenses (including the application or origination fees, if any, of the Bond Insurer, the Council, and the Borrower's Counsel fees. Costs of the Project shall not include operating expenses.)]

(4) The Borrower understands that the actual Loan proceeds received by it are less than the sum of the face amount of the Loan Agreement plus the reoffering premium in an amount equal to a discount as described in Section 3.01 hereof. Borrower will accordingly be responsible for repaying, through the Basic Payments portion of its Loan Repayments, the portion of the Bonds issued to fund only its Loan including the portion issued to fund the underwriting discount, net original issue premium, and other fees and costs of issuing the Bonds.

(5) The Borrower covenants that it will make no use of the proceeds of the Bonds which are in its control at any time during the term of the Bonds which would

cause such Bonds to be "Arbitrage Bonds" within the meaning of Section 148 of the Code.

(6) The Borrower, by the Trustee's acceptance of the Indenture, covenants that the Borrower shall neither take any action nor fail to take any action or to the extent that it may do so, permit any other party to take any action which, if either taken or not taken, would adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

(i) Project. All items constituting the Project are permitted to be [financed or] refinanced with the proceeds of the Bonds and the Loan pursuant to the Act.

(j) Compliance with Interlocal Act and Interlocal Agreement. All agreements and transactions provided for herein or contemplated hereby are in full compliance with the terms of the Interlocal Agreement and the Interlocal Act.

SECTION 2.02. Covenants of Borrower. The Borrower makes the following covenants and representations as of the date first above written and such covenants shall continue in full force and effect during the Loan Term:

(a) Security for the Loan and Loan Repayment. Subject to the provisions of Section 2.02(k) hereof, the Borrower covenants and agrees to appropriate in its annual budget, by amendment, if required, and to pay when due under this Loan Agreement as promptly as money becomes available directly to the Trustee for deposit directly into the appropriate Fund or Account established in the Indenture, amounts of Non-Ad Valorem Revenues of the Borrower sufficient to satisfy the Loan Repayment as required under this Loan Agreement. Such covenant is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues heretofore or hereafter entered into. Such covenant and agreement on the part of the Borrower to budget and appropriate such amounts of Non-Ad Valorem Revenues shall be cumulative, and shall continue until such Non-Ad Valorem Revenues or other legally available funds in amounts sufficient to make all required Loan Repayments, including delinquent Loan Repayments, shall have been budgeted, appropriated, and actually paid to the Trustee for deposit into the appropriate Fund or Account. The Borrower further acknowledges and agrees that the Indenture shall be deemed to be entered into for the benefit of the Holders of any of the Bonds and that the obligations of the Borrower to include the amount of any deficiency in Loan Repayments in each of its annual budgets and to pay such deficiencies from Non-Ad Valorem Revenues may be enforced in a court of competent jurisdiction in accordance with the remedies set forth herein and in the Indenture. Notwithstanding the foregoing or any provision of this Loan Agreement to the contrary, the Borrower does not covenant to maintain any services or programs now maintained by the Borrower which generate Non-Ad Valorem Revenues or to maintain the charges it presently collects for any such services or programs.

(b) Delivery of Information to the Council and the Bond Insurer. Borrower shall deliver to the Bond Insurer and the Council as soon as available and in any event within 270 days after the end of each Fiscal Year an audited statement of its financial position as of the end of such Fiscal Year and the related statements of revenues and expenses, fund balances, and changes in fund balances for such Fiscal Year, all reported by an independent certified public accountant, whose report shall state that such financial statements present fairly Borrower's financial position as of the end of such Fiscal Year and the results of operations and changes in financial position for such Fiscal Year.

(c) Information. Borrower's chief financial officer shall, at the reasonable request of the Bond Insurer, discuss Borrower's financial matters with the Bond Insurer or their designee and provide the Bond Insurer with copies of any documents reasonably requested by the Bond Insurer or its designee unless such documents or material are protected or privileged from disclosure under applicable Florida law.

(d) Anti-Dilution Test.

(1) The Borrower may incur additional debt secured by the Non-Ad Valorem Revenues, or a covenant to budget and appropriate the Non-Ad Valorem Revenues, only if: (i) the average annual Net Non-Ad Valorem Revenues Available For Debt Service for the two immediately preceding Fiscal Years for which audited financial statements are available were at least 2.0 times the Proforma Maximum Annual Non-Ad Valorem Debt Service; and (ii) the Proforma Maximum Annual Debt Service does not exceed 20% of the average annual Net Total Governmental Fund Revenues for the two immediately preceding Fiscal Years for which audited financial statements are available. Prior to the issuance of any additional debt of the Borrower secured by Non-Ad Valorem Revenues, or a covenant to budget and appropriate Non-Ad Valorem Revenues, the Borrower shall provide an anti-dilution certificate demonstrating compliance to the Council and the Bond Insurer.

(2) For purposes of calculating the Proforma Maximum Annual Debt Service and the Proforma Maximum Annual Non-Ad Valorem Debt Service, if the terms of the any debt are such that interest thereon for any future period of time is to be calculated at a rate which is not then susceptible of precise determination ("Variable Rate Indebtedness"), interest on such Variable Rate Indebtedness shall be computed based on the average annual interest rate paid over the last three years plus 150 basis points; provided, however, if such Variable Rate Indebtedness shall not have been outstanding for at least three years, the interest on such Variable Rate Indebtedness shall be computed based on the average annual interest rate paid for the period such Variable Rate Indebtedness has been outstanding plus 150 basis points.

(3) For purposes of calculating the Proforma Maximum Annual Debt Service and the Proforma Maximum Annual Non-Ad Valorem Debt Service, if 25% or more of

the principal amount of any existing debt comes due in any one year ("Balloon Indebtedness"), it shall be assumed the Balloon Indebtedness amortizes over the maturity of the debt on a level debt service basis, provided, however, that the Borrower shall not incur any Balloon Indebtedness without consent of the Bond Insurer.

(4) The following words and terms as used in this Section 2.02(d) shall have the following meanings:

(i) "Adjusted Essential Expenditures" means essential expenditures for general government and public safety as shown in the Borrower's audited financial statements less any revenues derived from ad valorem taxation on real and personal property that are legally available to pay for such expenditures.

(ii) "Net Non-Ad Valorem Revenues Available For Debt Service" means the Non-Ad Valorem Revenues minus Adjusted Essential Expenditures.

(iii) "Net Total Governmental Fund Revenues" means Total Governmental Fund Revenues less the proceeds of any debt of the Borrower.

(iv) "Non-Ad Valorem Revenue Obligations" means obligations evidencing indebtedness for borrowed money (A) payable from or secured by a pledge of or lien on one or more sources of Non-Ad Valorem Revenues, or (B) payable, directly or indirectly, from a covenant to budget and appropriate Non-Ad Valorem Revenues, but only if the Borrower reasonably expects to apply Non-Ad Valorem Revenues to the payment of debt service, directly or indirectly, on such obligations and only to the extent that amounts other than Non-Ad Valorem Revenues available and pledged to pay such obligations during the prior Fiscal Year for which audited financial statements are available were less than the maximum annual debt service for such obligations for the then current or any subsequent Fiscal Year.

(v) "Proforma Maximum Annual Debt Service" means the maximum annual debt service on all existing debt and additional debt of the Borrower secured by or payable from the Total Governmental Fund Revenues.

(vi) "Proforma Maximum Annual Non-Ad Valorem Debt Service" means the maximum annual debt service on a consolidated basis of all existing and additional Non-Ad Valorem Revenue Obligations.

(vii) "Total Governmental Fund Revenues" means any revenues allocated to and accounted for in the Borrower's general fund, special funds, debt service funds, capital projects funds, or any other funds described and identified in the audited financial statements of the Borrower as a governmental fund;

provided, however, grants and other one-time items, including, but not limited to, insurance proceeds, do not constitute Total Governmental Fund Revenues.

(5) Notwithstanding anything herein to the contrary, the provisions of this Section 2.02(d) may be amended, supplemented, or waived from time to time only with the written consent of the Council, the Borrower, and the Bond Insurer.

(e) Further Assurance. The Borrower shall execute and deliver to the Trustee all such documents and instruments and do all such other acts and things as may be reasonably necessary to enable the Trustee to exercise and enforce its rights under this Loan Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be reasonably necessary or required by the Trustee to validate, preserve, and protect the position of the Trustee under this Loan Agreement.

(f) Keeping of Records and Books of Account. The Borrower shall keep or cause to be kept proper records and books of account, in which correct and complete entries will be made in accordance with generally accepted accounting principles, consistently applied (except for changes concurred in by the Borrower's independent auditors) reflecting all of its financial transactions.

(g) Payment of Taxes, Etc. The Borrower shall pay all legally contracted obligations when due and shall pay all taxes, assessments, and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims, which, if unpaid, might become a lien or charge upon any of its properties, provided that it shall not be required to pay any such tax, assessment, charge, levy, or claim which is being contested in good faith and by appropriate proceedings, which shall operate to stay the enforcement thereof.

(h) Compliance with Laws, Etc. The Borrower shall comply with the requirements of all applicable laws, the terms of all grants, rules, regulations, and lawful orders of any governmental authority, non-compliance with which would, singularly or in the aggregate, materially adversely affect its business, properties, earnings, prospects, or credit, unless the same shall be contested by it in good faith and by appropriate proceedings which shall operate to stay the enforcement thereof.

(i) Tax-exempt Status of Bonds. The Council and the Borrower understand that it is the intention hereof that the interest on the Bonds be excludable from the gross income of the Holders thereof for federal income tax purposes. In furtherance thereof, the Borrower and the Council each agree that they will take all action within their control which is necessary in order for the interest on the Bonds or this Loan to remain excludable from gross income for federal income taxation purposes and shall refrain from taking any action which results in such interest becoming included in gross income.

The Borrower and the Council further covenant that, to the extent they have control over the proceeds of the Bonds, they will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds, with respect to the payments derived from the Bonds or hereunder or with respect to the issuance of other Council obligations, which action or failure to act may cause the Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder. In furtherance of the covenant contained in the preceding sentence, the Borrower and the Council agree to comply with the Tax Certificate as to Arbitrage and the provisions of Section 141 through 150 of the Internal Revenue Code of 1986, as amended, including the letter of instruction attached as an Exhibit to the Tax Certificate, delivered by Bond Counsel to the Borrower and the Council simultaneously with the issuance of the Bonds, as such letter may be amended from time to time, as a source of guidelines for achieving compliance with the Code.

The covenants of the Council and the Borrower contained in this subsection shall survive the termination of this Loan Agreement.

(j) Information Reports. The Borrower covenants to provide the Council with all materials and information it possesses or has the ability to possess, which is necessary to enable the Council to file all reports required under Section 149(e) of the Code to assure that interest paid by the Council on the Bonds shall, for purposes of the federal income tax, be excluded from gross income.

(k) Limited Obligations.

(1) Anything in this Loan Agreement to the contrary notwithstanding, it is understood and agreed that all obligations of the Borrower hereunder shall be payable only from Non-Ad Valorem Revenues budgeted and appropriated as provided for hereunder and nothing herein shall be deemed to pledge ad valorem taxation revenues or to permit or constitute a mortgage or lien upon any assets or property owned by the Borrower and no Bondholder or any other person, including the Council, the Bond Insurer, or the Trustee, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Borrower. The obligations hereunder do not constitute an indebtedness of the Borrower within the meaning of any constitutional, statutory, or charter provision or limitation, and neither the Trustee, the Council, the Bond Insurer, nor the Bondholders nor any other person shall have the right to compel the exercise of the ad valorem taxing power of the Borrower or taxation of any real or personal property therein for the payment by the Borrower of its obligations hereunder. Except to the extent expressly set forth in this Loan Agreement, this Loan Agreement and the obligations of the Borrower hereunder shall not be construed as a limitation on the ability of the Borrower to pledge or covenant to pledge the Non-Ad Valorem Revenues or any revenues or taxes of the Borrower for other legally permissible purposes. Notwithstanding any provisions of this Loan Agreement, the Indenture or the

Bonds to the contrary, the Borrower shall never be obligated to maintain or continue any of the activities of the Borrower which generate user service charges, regulatory fees, or any Non-Ad Valorem Revenues or the rates for such services or regulatory fees. Neither this Loan Agreement nor the obligations of the Borrower hereunder shall be construed as a pledge of or a lien on all or any legally available Non-Ad Valorem Revenues of the Borrower, but shall be payable solely as provided in Section 2.02(a) hereof and is subject in all respects to the provisions of Section 166.241, Florida Statutes, and is subject, further, to the payment of services and programs which are for essential public purposes affecting the health, welfare, and safety of the inhabitants of the Borrower. The Council, the Borrower, and the Bond Insurer mutually agree and understand that the amounts available to be budgeted and appropriated to make Loan Payments hereunder is subject to the obligation of the Borrower to provide essential services; however, such obligation is cumulative and would carry over from Fiscal Year to Fiscal Year.

(2) It is the intent of the parties hereto and they do hereby covenant and agree, that the liability of the Borrower hereunder is a several liability of the Borrower expressly limited to the Loan Repayments, and the Borrower shall have no joint liability with the other Borrowers or the Council for any of their respective liabilities, except to the extent expressly provided herein.

(l) Reporting Requirements.

(1) The Borrower will file or cause to be filed with the Bond Insurer and with the Council any official statement issued by, or on behalf of, the Borrower in connection with the incurrence of any additional indebtedness by the Borrower secured by Non-Ad Valorem Revenues. Such official statements shall be filed within sixty (60) days after the publication thereof.

(2) The Borrower agrees to provide to the Council and the Bond Insurer, not later than December 31st of each year, a certificate of its Chief Financial Officer stating that to the best of its knowledge the Borrower is in compliance with the terms and conditions of this Loan Agreement, or, specifying the nature of any noncompliance and the remedial action taken or proposed to be taken to cure such noncompliance.

(m) Indemnity. To the full extent permitted under the laws of the State, the Borrower will pay, and will protect, indemnify, save, and hold harmless, the Council, the Trustee, each member, officer, commissioner, employee, and agent of any of the Council, the Trustee, and each other person, if any, who has the power, directly or indirectly, to direct or cause the direction of the management and policies of the Council, harmless from and against, any and all liabilities, losses, damages, costs, and expenses (including reasonable attorneys' fees, costs, and expenses), suits, claims and judgments of whatsoever kind and nature (including those in any manner directly or indirectly arising or resulting from, out of, or in connection with, any injury to, or death of, any person or any damage to property resulting from the use or operation of the

Project) in any manner arising out of or in connection with the acceptance or administration of the trusts established pursuant to the Indenture or the action or failure to act of the Borrower, its successors and assigns, or the agents, contractors, employees, licensees, or otherwise of the Borrower or its successors and assigns in connection with, the Projects refinanced [or financed] with the proceeds of the Loan, or the breach or violation of any agreement, covenant, representation, or warranty of the Borrower set forth in this Loan Agreement or any document delivered pursuant hereto or thereto or in connection herewith or therewith. Such indemnification shall not apply to any actions caused by the gross negligence or willful misconduct of the party seeking such indemnification.

Such indemnity shall not be restricted in any way by any limitation on the amount or type of damages, compensation, or benefits payable under any workers' compensation acts, disability benefit acts, or other employee benefits acts or any other similar laws but may be limited by State law relating to the ability of governmental units to indemnify parties for the actions of such governmental units, including but not limited to Section 768.28, Florida Statutes.

An indemnified person shall promptly notify the Borrower in writing of any claim or action brought against it, in respect of which indemnity may be sought against the Borrower, setting forth, to the extent reasonably practicable under the circumstances, the particulars of such claim or action, and the Borrower will promptly assume the defense thereof with its in-house counsel or, at its election, the employment of competent outside counsel reasonably satisfactory to such indemnified person and the payment of all expenses.

An indemnified person may employ separate counsel with respect to any such claim or action and participate in the defense thereof, but, except as provided herein, the fees and expenses of such separate counsel shall not be payable by the Borrower unless such employment has been specifically authorized by the Borrower, which such authorization shall not be unreasonably withheld, or unless such employment was occasioned by conflicts of interest between and among indemnified persons and/or the Borrower. If the Borrower shall fail to assume the defense of any action as required hereunder, or, within a reasonable time after commencement of such action, to retain outside counsel, if it so elects or if it becomes necessary due to conflict, reasonably satisfactory to the indemnified person, the fees, costs, and expenses of counsel to such indemnified person hereunder shall be paid by the Borrower.

The provisions of this Section 2.03(m) shall survive the termination of this Loan Agreement or the sooner resignation or removal of the Trustee and shall inure to the benefit of the Trustee's successors and assigns.

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ARTICLE III

THE LOAN

SECTION 3.01. The Loan. The Council hereby agrees to loan to the Borrower and the Borrower hereby agrees to borrow from the Council the sum of \$_____, which after adding the net bond premium of \$_____ results in \$_____ of Loan proceeds. This amount includes an amount equal to \$_____, which reflects the Borrower's share of the costs of issuance, the Bond Insurance Premium, and the Underwriter's discount. The amounts advanced to the Borrower net of the costs of the initial issuance are to be used by the Borrower for the purposes of [(a) financing the Costs of the Project, and (b)] refunding the Refunded Bonds attributable to the Refunded Loan and thereby refinancing the costs of the projects, in accordance with the provisions of this Loan Agreement and the Escrow Deposit Agreement.

SECTION 3.02. Evidence of Loan. The Borrower's obligation hereunder to repay amounts advanced pursuant to Section 3.01, together with interest thereon, and other payments required under this Loan Agreement, shall be evidenced by this Loan Agreement.

SECTION 3.03. [Portion of] Loan for Purpose of Refunding. The Borrower acknowledges that the Council, pursuant to the Borrower's request and instruction, is depositing a portion of the proceeds of the Loan in the amount of \$_____, together with \$_____ of other legally available funds of the Borrower, each as set forth and as directed by the terms of the Escrow Deposit Agreement, in order to refund the Refunded Bonds. The Borrower covenants that it will direct no other use of [such portion of] the Loan proceeds, agrees to the disbursement of such portion of the Loan proceeds in such manner, and further acknowledges that such [portion of] the Loan proceeds are to be held irrevocably by the Escrow Agent for such purpose.

[SECTION 3.04. Portion of Loan for Purpose of Financing the Project. The Borrower acknowledges that the Council, pursuant to the Borrower's request and instruction, is depositing a portion of the proceeds of the Loan in the amount of \$_____, as set forth and as directed by the terms of the Indenture, into the Project Loan Fund in order to finance the acquisition, construction, and/or equipping of the Project. The Borrower will provide the Trustee with a requisition in substantially the form of the requisition attached hereto as Exhibit E for the expenditure of the amounts of the Loan in the Project Loan Fund.]

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ARTICLE IV

LOAN TERM AND LOAN CLOSING REQUIREMENTS

SECTION 4.01. Commencement of Loan Term. The Borrower's obligations under this Loan Agreement shall commence on the date hereof unless otherwise provided in this Loan Agreement.

SECTION 4.02. Termination of Loan Term. The Borrower's obligations under this Loan Agreement shall terminate after payment in full of all amounts due under this Loan Agreement and all amounts not theretofore paid shall be due and payable at the times and in the amounts set forth in Exhibit D attached hereto; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations of the Council owed on the Bonds and agreed to by the Borrower pursuant to Section 5.03(b)(7) hereof and any amounts owed to the Bond Insurer) shall survive the termination of this Loan Agreement and the payment in full of principal and interest hereunder. Upon termination of the Loan Term as provided above, the Council and the Trustee shall deliver, or cause to be delivered, to the Borrower an acknowledgment thereof.

SECTION 4.03. Loan Closing Submissions. Concurrently with the execution and delivery of this Loan Agreement, the Council or the Borrower are providing to the Trustee the following documents each dated the date of such execution and delivery, except all opinions and certificates shall be dated the date of Closing:

(a) A certified copy of the [ordinance][resolution] of the Borrower substantially in the form of Exhibit B attached hereto authorizing the Loan and this Loan Agreement;

(b) An opinion of the Borrower's Counsel substantially in the form of Exhibit C attached hereto to the effect that the Loan Agreement is a valid and binding obligation of the Borrower and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel, and the Bond Insurer, and acceptable to Borrower's Counsel;

(c) A certificate of the officials of the Borrower to the effect that the representations and warranties of the Borrower are true and correct;

(d) [A certificate signed by the Authorized Representative of the Borrower, in form and substance satisfactory to Bond Counsel, stating (i) the estimated dates and the amounts of projected expenditures for the Project, and (ii) that it is reasonably anticipated by the Borrower that the Loan proceeds will be fully advanced therefor and expended by the Borrower prior to _____, 2019, and that the projected

expenditures are based on the reasonable expectations of the Borrower having due regard for its capital needs and the revenues available for the repayment thereof.]

(e) This executed Loan Agreement;

(f) An executed Escrow Deposit Agreement;

(g) A standard opinion of Bond Counsel (addressed to the Council, the Trustee, the Bond Insurer, the Underwriter, and the Borrower) to the effect that (i) the resolution of the Council constitutes a valid and binding obligation of the Council enforceable against the Council in accordance with its terms; (ii) the Indenture has been duly executed by the Council and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Council enforceable upon the Council in accordance with its terms; (iii) the Bonds have been duly authorized, executed, and delivered by the Council and are valid and special obligations of the Council enforceable in accordance with their terms, payable solely from the sources provided therefor in the Indenture; and (iv) the interest on the Bonds is excludable from gross income for federal income tax purposes;

(h) An opinion of Bond Counsel (addressed to the Council, the Trustee, the Bond Insurer, the Underwriter, and the Borrower) to the effect that the [financing and] refinancing from the proceeds of the Loan pursuant to this Loan Agreement is permitted under the Act, the Indenture and the [ordinance][resolution] of the Borrower, and will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes, or adversely affect the validity, due authorization for, or legality of the Bonds;

(i) An opinion of Council's Counsel (addressed to the Council, the Trustee, the Bond Insurer, and the Underwriter) to the effect that the Loan Agreement and Indenture are valid and binding obligations of the Council and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel, and the Bond Insurer, and acceptable to Council's Counsel;

(j) An opinion of Disclosure Counsel (addressed to the Council and the Underwriter) to the effect that based upon their participation in the preparation of the official statement, but without having undertaken to determine independently the accuracy, completeness, or fairness of the statements contained therein, they have no reason to believe that the official statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(k) Such other certificates, documents, opinions, and information as the Council, the Bond Insurer, the Trustee, or Bond Counsel may require, such requirement

to be evidenced (in the case of parties other than the Trustee) by written notice of such party to the Trustee of such requirement.

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ARTICLE V

LOAN REPAYMENTS

SECTION 5.01. Payment of Basic Payments. The Borrower shall pay to the order of the Council all Loan Repayments in lawful money of the United States of America to the Trustee. No such Loan Repayment shall be in an amount such that interest on the Loan is in excess of the maximum rate allowed by the laws of the State of Florida or of the United States of America. The Loan shall be repaid in Basic Payments, consisting of:

- (a) principal in the amounts and on the dates set forth in Exhibit D; plus
- (b) interest calculated at the rates, in the amounts and on the dates set forth in Exhibit D.

On or before the fifteenth (15th) day of the month immediately preceding each Interest Payment Date, the Trustee shall give Borrower notice in writing of the total amount of the next Basic Payment due. The Basic Payments shall be due on each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing March 20, 2017, and extending through September 20, 20__, unless the Loan is prepaid pursuant to terms of Section 5.07 hereof or accelerated pursuant to the terms of Section 8.03 hereof.

SECTION 5.02. Payment of Surety Bond Costs; Funding of Reserve Fund. The Borrower recognizes that the Surety Bond Provider has provided to the Council the Surety Bond for deposit to the Reserve Fund in lieu of a cash payment or deposit by the Borrower. The Surety Bond shall secure and satisfy the Reserve Requirement (as defined in the Indenture) and any other reserve requirement of bonds as listed on Annex A to the Surety Bond. The Trustee, on behalf of the Borrower, or any other Borrowers whose loans were funded with proceeds of a bond issue listed on Annex A to the Surety Bond, may draw on the Surety Bond in an amount equal to or less than the limit of the Surety Bond, all in accordance with Section 4.08 of the Indenture. The Borrower hereby agrees to pay to the Trustee an amount equal to the amount drawn by the Trustee, on behalf of the Borrower, on the Surety Bond as set forth in subsection (c) of Section 5.03 hereof. Such Surety Bond may be replaced by an Alternate Surety Bond issued with respect to funding the reserve fund of subsequent bonds issued by the Council whose reserve fund shall be on a parity with the Bonds, all in accordance with Section 4.08 of the Indenture.

SECTION 5.03. Payment of Additional Payments. In addition to Basic Payments, the Borrower agrees to pay on demand of the Council or the Trustee, the following Additional Payments:

(a) (i) the Borrower's Proportionate Share of: the annual fees or expenses of the Council, if any, including the fees of any provider of arbitrage rebate calculations, the Bond Insurance Premium of the Bond Insurer (to the extent not previously paid from the Cost of Issuance Fund), the fees of the Program Administrator and the fees of the rating agencies (to the extent not previously paid from the Cost of Issuance Fund); and (ii) the Borrower's equal share of the annual fees of the Trustee; annual fees of the Registrar and Paying Agent; and the Surety Bond premium of the Surety Bond Provider and any related fees in connection with the Surety Bond (to the extent not previously paid from the Cost of Issuance Fund).

(b) All reasonable fees and expenses of the Council or Trustee relating to this Loan Agreement, including, but not limited to:

(1) the cost of reproducing this Loan Agreement;

(2) the reasonable fees and disbursements of Counsel utilized by the Council, the Trustee, and the Bond Insurer in connection with the Loan, this Loan Agreement and the enforcement thereof;

(3) reasonable extraordinary fees and expenses of the Trustee and the Council following an Event of Default hereunder;

(4) all other reasonable out-of-pocket expenses of the Trustee, the Bond Insurer, and the Council in connection with the Loan, this Loan Agreement and the enforcement thereof, including, but not limited to, all fees and expenses related to the prepayment and defeasance of the Loan and the Bonds;

(5) all taxes (including any recording, documentary stamp taxes, intangible taxes, and filing fees) in connection with the execution and delivery of this Loan Agreement and the pledge and assignment of the Council's right, title, and interest in and to the Loan and the Loan Agreement, pursuant to the Indenture (and with the exceptions noted therein), and all expenses, including reasonable attorneys' fees, costs and expenses, relating to any amendments, waivers, consents, or collection or enforcement proceedings pursuant to the provisions hereof;

(6) all reasonable fees and expenses of the Bond Insurer relating directly to the Loan;

(7) the Borrower's share of any amounts owed to the United States of America as rebate obligations on the Bonds related to the Borrower's Loan, which obligation shall survive the termination of this Loan Agreement;

(8) fees and costs of maintaining a rating on the Loan; and

(9) (i) any and all losses, damages, expenses (including reasonable legal and other fees and expenses), liabilities, or claims (or actions in respect thereof), to which the Council may become subject under any federal or state securities laws, federal or state tax laws, or other statutory law or at common law or otherwise, and (ii) any and all fees and expenses of any inquiries or audits by any regulatory agencies, all as caused by or arising out of or based upon this Loan Agreement, the Loan, the Bonds, the issuance of the Bonds or the use of Bond proceeds.

(c) For repayment of the Surety Bond held by the Trustee an amount equal to any amount drawn by the Trustee, on behalf of the Borrower, from the Surety Bond due to the Borrower's failure to pay its Basic Payments in accordance with Section 5.01 hereof, at the times and in the manner and together with interest and expense due thereon all as provided in Section 4.08(a) of the Indenture undertaken in order to reinstate the Surety Bond. The Borrower shall repay such amount drawn on the Surety Bond due to the Borrower's failure to pay its Basic Payments with the first available funds after payment of the current Loan Repayment. The Borrower shall repay only the amount drawn due to its failure to pay its Basic Payment.

SECTION 5.04. Interest Earnings or Investment Losses and Excess Payments.

(a) On each Interest Payment Date the Trustee shall credit against Borrower's obligation to pay its Loan Repayments, Borrower's share of any interest earnings which were received during the prior Interest Period by the Trustee on the Funds and Accounts (except the Project Loan Fund) held under the Indenture, or shall increase the Borrower's obligation to pay its Loan Repayment, by Borrower's share of any investment losses which were incurred during the prior Interest Period on the Funds and Accounts (except the Project Loan Fund) held under the Indenture.

(b) The credits provided for in (a) shall not be given to the extent the Borrower is in Default in payment of its Loan Repayments. If past-due Loan Repayments are later collected from the Borrower, the amount of the missed credit shall, to the extent of the amount collected, be credited in proportion to the amount of credit missed, to the Borrower from the past-due Loan Repayments.

(c) The credits may be accumulated. If the credit allowable for an Interest Period is more than required on the next ensuing Interest Payment Date to satisfy the current Loan Repayment, it may be used on the following Interest Payment Date.

SECTION 5.05. Obligations of Borrower Unconditional. Subject in all respects to the provisions of this Loan Agreement, including but not limited to Section 2.02(a) hereof, the obligations of the Borrower to make the Loan Repayments required hereunder and to perform and observe the other agreements on its part contained herein, shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed, or otherwise modified in any manner or to any extent whatsoever,

while any Bonds remain outstanding or any Loan Repayments remain unpaid, regardless of any contingency, act of God, event, or cause whatsoever. This Loan Agreement shall be deemed and construed to be a "net contract," and the Borrower shall pay the Loan Repayments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement, or counterclaim that the Borrower might otherwise have against the Council, the Trustee, the Bond Insurer, or any other party or parties.

SECTION 5.06. Refunding Bonds. In the event the Bonds are refunded, all references in this Loan Agreement to Bonds shall be deemed to refer to the refunding bonds or, in the case of a crossover refunding, to the Bonds and the refunding bonds (but the Borrower shall never be responsible for any debt service on or fees relating to crossover refunding bonds which are covered by earnings on the escrow fund established from the proceeds of such bonds). The Council agrees not to issue bonds or other debt obligations to refund the portion of the Bonds allocable to this Loan Agreement without the prior written consent of the Authorized Representative of the Borrower.

SECTION 5.07. Prepayment. The Loan may be prepaid in whole or in part by the Borrower on the dates and in the amounts on which the Bonds are subject to optional redemption and notice provisions pursuant to Section 3.01 of the Indenture. The Borrower shall provide the Council sixty (60) days' notice of any prepayment of its Loan.

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ARTICLE VI

DEFEASANCE

This Loan Agreement shall continue to be obligatory and binding upon the Borrower in the performance of the obligations imposed by this Loan Agreement and the repayment of all sums due by the Borrower under this Loan Agreement shall continue to be secured by this Loan Agreement as provided herein until all of the indebtedness and all of the payments required to be made by the Borrower shall be fully paid to the Council, the Trustee, or the Bond Insurer, as provided herein, including any fees and expenses in connection with such repayment, if any. If, at any time, the Borrower shall have paid, or shall have made provision for payment of, prepayment premium, if any, and interest on the Loan, with respect to the Bonds, and shall have paid all other amounts due under this Loan Agreement, then, and in that event, the covenant regarding the pledge of and the lien on the revenues pledged, if any, to the Council for the benefit of the Holders of the Bonds shall be no longer in effect and all future obligations of the Borrower under this Loan Agreement shall cease; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations owed on the Bonds) shall survive the termination of this Loan Agreement and the payment in full of principal, premium, if any, and interest hereunder. For purposes of the preceding sentence, in order for the Borrower to have made "provision for payment," the Borrower shall have deposited sufficient cash and/or Governmental Obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Council, in respect to which such cash and/or Governmental Obligations, the principal and interest on which, will be sufficient (as reflected in an accountant's verification report provided to the Trustee by the Borrower) to make timely payment of the principal of, prepayment premium, if any, and interest on the Loan. The prepayment premium, if any, shall be calculated based on the prepayment date selected by the Borrower in accordance with Section 5.07 hereof.

If the Borrower determines to prepay all or a portion of the Loan pursuant to Section 5.07 hereof, upon the required timely notice by the Borrower, the Council shall redeem a like amount of Bonds which corresponds in terms of amount and scheduled maturity date to such Loan prepayment pursuant to Section 3.01 of the Indenture.

If the Borrower shall make advance payments to the Council in an amount sufficient to retire the Loan of the Borrower, including redemption premium and accrued interest to the next succeeding redemption date of the Bonds, as provided herein, all future obligations of the Borrower under this Loan Agreement shall cease, including the obligations under Section 5.03 hereof, except for such amounts then outstanding and as provided in Section 4.02 hereof. However, prior to making such payments, the Borrower shall give at least sixty (60) days' notice by mail, with receipt confirmed, to the Council.

ARTICLE VII

ASSIGNMENT AND PAYMENT BY THIRD PARTIES

SECTION 7.01. Assignment by Council. The Borrower expressly acknowledges that this Loan Agreement and the obligations of the Borrower to make payments hereunder (with the exception of certain of the Council rights to indemnification, fees, notices, and expenses), have been pledged and assigned to the Trustee as security for the Bonds under the Indenture, and that the Trustee shall be entitled to act hereunder and thereunder in the place and stead of the Council whether or not the Bonds are in default.

SECTION 7.02. Assignment by Borrower. This Loan Agreement may not be assigned by the Borrower for any reason without the express prior written consent of the Council, the Bond Insurer, and the Trustee.

SECTION 7.03. Payments by the Bond Insurer. The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Bond Insurer do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

SECTION 7.04. Payments by the Surety Bond Provider. The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Surety Bond Provider do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

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ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. Events of Default Defined. The following shall be "Events of Default" under this Loan Agreement and the terms "Event of Default" and "Default" shall mean (except where the context clearly indicates otherwise), whenever they are used in this Loan Agreement, any one or more of the following events:

(a) Failure by the Borrower to timely pay any Loan Repayment, when due, so long as the Bonds are outstanding;

(b) Failure by the Borrower to timely pay any other payment required to be paid hereunder on the date on which it is due and payable, provided the Borrower has prior written notice of any such payments being due;

(c) Failure by the Borrower to observe and perform any covenant, condition, or agreement other than a failure under (a), on its part to be observed or performed under this Loan Agreement, for a period of thirty (30) days after notice of the failure, unless the Council, the Bond Insurer, and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Council, the Bond Insurer, or the Trustee, but cannot be cured within the applicable 30-day period, the Council, the Bond Insurer, and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected;

(d) Any warranty, representation, or other statement by the Borrower or by an officer or agent of the Borrower contained in this Loan Agreement or in any instrument furnished in compliance with or in reference to this Loan Agreement, is false or misleading in any material respect when made;

(e) A petition is filed against the Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within sixty (60) days of such filing;

(f) The Borrower files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction, whether now or hereafter in effect, and consents to the filing of any petition against it under such law;

(g) The Borrower admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator, or trustee) of the Borrower or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than sixty (60) days;

(h) Default under any agreement to which the Borrower is a party evidencing, securing, or otherwise respecting any indebtedness of the Borrower outstanding in the principal amount of \$100,000 or more if, as a result thereof, such indebtedness may be declared immediately due and payable or other remedies may be exercised with respect thereto;

(i) Any material provision of this Loan Agreement shall at any time for any reason cease to be valid and binding on the Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by the Borrower or any governmental agency or authority, or if the Borrower shall deny any further liability or obligation under this Loan Agreement;

(j) Final judgment for the payment of money in the amount of \$250,000 or more is rendered against the Borrower, the payment of which would materially adversely affect the Borrower's ability to meet its obligations hereunder (it being agreed that, if insurance or adequate reserves are available to make such payment, such judgment would not materially affect the Borrower's ability to meet its obligations hereunder) and at any time after ninety (90) days from the entry thereof, unless otherwise provided in the final judgment, (i) such judgment shall not have been discharged, or (ii) the Borrower shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree, or process upon which or pursuant to which such judgment shall have been granted or entered, and have caused the execution of or levy under such judgment, order, decree, or process of the enforcement thereof to have been stayed pending determination of such appeal, provided that such execution and levy would materially adversely affect the Borrower's ability to meet its obligations hereunder; or (iii) it has not been determined by a court of competent jurisdiction from which appeal may not be taken or from which appeal has been taken but has been finally denied that the Borrower is not obligated with respect to such judgment pursuant to the provisions of Chapter 768, Florida Statutes or other applicable law.

SECTION 8.02. Notice of Default. The Borrower agrees to give the Trustee, the Bond Insurer, and the Council prompt written notice if any petition, assignment, appointment, or possession referred to in Section 8.01(e), 8.01(f), and 8.01(g) is filed by or against the Borrower or of the occurrence of any other event or condition which constitutes a Default or an Event of Default, or with the passage of time or the giving of notice would constitute an Event of Default, immediately upon becoming aware of the existence thereof.

SECTION 8.03. Remedies on Default. Whenever any Event of Default referred to in Section 8.01 hereof shall have happened and be continuing, the Council or the Trustee shall, with the written consent of the Bond Insurer or upon the written direction of the Bond Insurer, in addition to any other remedies herein or by law provided, have the right, at its or their option without any further demand or notice, to take such steps and exercise such remedies as provided in Section 9.02 of the Indenture, and, without limitation, one or more of the following:

(a) Declare all Loan Repayments, in an amount equal to 100% of the principal amount thereof plus all accrued interest thereon to the date on which such Loan Repayments shall be used to redeem the Bonds pursuant to Section 3.02 of the Indenture and all other amounts due hereunder, to be due and payable within 180 days, and upon notice to the Borrower the same shall become immediately due and payable by the Borrower within 180 days without further notice or demand.

(b) To take whatever other action at law or in equity which may appear necessary or desirable to collect amounts then due and thereafter to become due hereunder or to enforce any other of its or their rights hereunder.

SECTION 8.04. [Reserved].

SECTION 8.05. No Remedy Exclusive; Waiver, Notice. No remedy herein conferred upon or reserved to the Council or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy, or power shall be construed to be a waiver thereof, but any such right, remedy, or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Council or the Trustee to exercise any remedy reserved to it in this Article VIII, it shall not be necessary to give any notice other than such notice as may be required in this Article VIII.

SECTION 8.06. Application of Moneys. Any moneys collected by the Council or the Trustee pursuant to Section 8.03 hereof shall be applied (a) first, to pay any outstanding fees of the Trustee and Council, and any attorney's fees, costs or expenses, or any other expenses owed by the Borrower pursuant to Section 5.03(b)(3) and (4) hereof; (b) second, to pay interest due on the Loan; (c) third, to pay principal due on the Loan; (d) fourth, to pay any other amounts due hereunder; and (e) fifth, to pay interest and principal on the Loan and other amounts payable hereunder but which are not due, as they become due (in the same order, as to amounts which come due simultaneously, as in (a) through (d) in this Section 8.06).

[Remainder of page intentionally left blank]

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Notices. All notices, certificates, or other communication hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the parties at the following addresses:

Council: Florida Municipal Loan Council
c/o Florida League of Cities
301 South Bronough Street, Suite 300
Tallahassee, Florida 32301

Bond Insurer: National Public Finance Guarantee Corporation
1 Manhattanville Road, Suite 301
Purchase, New York 10577

Trustee: The Bank of New York Mellon Trust Company, N.A.
10161 Centurion Parkway North
Jacksonville, Florida 32256

Borrower: _____, Florida

Attention: _____

Any of the above parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 9.02. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Council and the Borrower and their respective successors and assigns.

SECTION 9.03. Severability. In the event any provision of the Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 9.04. Amendments, Changes and Modifications. This Loan Agreement may be amended by the Council and the Borrower as provided in the Indenture; provided, however, that no such amendment shall be effective unless it shall have been consented to in writing by the Bond Insurer.

SECTION 9.05. Execution in Counterparts. This Loan Agreement may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.06. Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State without regard to conflict of law principles.

SECTION 9.07. Benefit of Bondholders; Compliance with Indenture. This Loan Agreement is executed in part to induce the purchase by others of the Bonds. Accordingly, all covenants, agreements, and representations on the part of the Borrower and the Council, as set forth in this Loan Agreement, are hereby declared to be for the benefit of the holders from time to time of the Bonds and the Bond Insurer. The Borrower covenants and agrees to do all things within its power in order to comply with and to enable the Council to comply with all requirements and to fulfill and to enable the Council to fulfill all covenants of the Indenture. The Borrower also acknowledges that the Council has delegated certain of its duties under the Indenture to its Program Administrator, including the direction to make investments in accordance with Article VII thereof[, including, but not limited to the investment of the Borrower's Project Loan Fund.]

The rights granted to the Bond Insurer under the Indenture or any Bond document to request, consent, to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of the Bond Insurer. The Bond Insurer is recognized as a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

SECTION 9.08. Consents and Approvals. Whenever the written consent or approval of the Council shall be required under the provisions of this Loan Agreement, such consent or approval may be given by an Authorized Representative of the Council or such other additional persons provided by law or by rules, regulations or resolutions of the Council.

SECTION 9.09. Immunity of Officers, Employees, and Members of Council and Borrower. No recourse shall be had for the payment of the principal of, premium, if any, or interest hereunder or for any claim based thereon or upon any representation, obligation, covenant, or agreement in this Loan Agreement against any past, present, or future official officer, member, counsel, employee, director, or agent, as such, of the Council or the Borrower, either directly or through the Council or the Borrower, or respectively, any successor public or private corporation thereto under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such

officers, members, counsels, employees, directors, or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Loan Agreement.

SECTION 9.10. Captions. The captions or headings in this Loan Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions of sections of this Loan Agreement.

SECTION 9.11. No Pecuniary Liability of Council. No provision, covenant, or agreement contained in this Loan Agreement, or any obligation herein imposed upon the Council, or the breach thereof, shall constitute an indebtedness or liability of the State or any political subdivision or municipal corporation of the State or any public corporation or governmental agency existing under the laws thereof other than the Council. In making the agreements, provisions, and covenants set forth in this Loan Agreement, the Council has not obligated itself except with respect to the application of the revenues, income, and all other property as derived herefrom, as hereinabove provided.

SECTION 9.12. Payments Due on Holidays. With the exception of Basic Payments, if the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, shall be other than on a Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Loan Agreement.

SECTION 9.13. Calculations. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 9.14. Time of Payment. Any Loan Repayment or other payment hereunder which is received by the Trustee or Council after 2:00 p.m. (New York time) on any day shall be deemed received on the following Business Day.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Florida Municipal Loan Council has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers and the _____, Florida, has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attached by its duly authorized officers. All of the above occurred as of the date first above written.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: _____
Name: Isaac Salver
Title: Chairman

ATTEST:

By: _____
Name: Michael Sittig
Title: Executive Director

LOAN AGREEMENT

_____, FLORIDA

(SEAL)

By: _____

Name:

Title:

ATTESTED BY:

By: _____

Name:

Title:

Approved as to form and correctness
this ___ day of _____, 2016.

By: _____

Name:

Title:

EXHIBIT A

_____, FLORIDA
USE OF LOAN PROCEEDS

[DESCRIPTION OF PROJECTS TO BE FINANCED]

<u>PROJECT</u>	<u>TOTAL AMOUNT TO BE FINANCED</u>
----------------	------------------------------------

\$ _____

DESCRIPTION OF DEBT TO BE REFINANCED

<u>PROJECT</u>	<u>TOTAL AMOUNT TO BE REFINANCED</u>
----------------	--------------------------------------

Refund the Refunded Bonds attributable to the
Refunded Loan and thereby refinance the
Costs of the capital improvements consisting
of _____

\$ _____

EXHIBIT B

CERTIFIED [ORDINANCE][RESOLUTION] OF THE BORROWER

See Document No. _____

EXHIBIT C

OPINION OF BORROWER'S COUNSEL

[Letterhead of Counsel to Borrower]

_____, 2016

Florida Municipal Loan Council
c/o Florida League of Cities, Inc.
301 Bronough Street, Suite 300
Tallahassee, Florida 32301

The Bank of New York Mellon Trust
Company, N.A.
10161 Centurion Parkway
Jacksonville, Florida 32256

Bryant Miller Olive P.A.
SunTrust International Center
1 SE 3rd Avenue, Suite 2200
Miami, Florida 33131

Wells Fargo Bank, National Association
2363 Gulf-to-Bay Boulevard
Mail Code: WS7517
Clearwater, Florida 33765

National Public Finance Guarantee Corporation
1 Manhattanville Road, Suite 301
Purchase, New York 10577

Ladies and Gentlemen:

We are counsel to the _____, Florida (the "Borrower"), and have been requested by the Borrower to give this opinion in connection with the loan by the Florida Municipal Loan Council (the "Council") to the Borrower of funds to [finance or] refinance all or a portion of the Costs of the Project, as described in Exhibit A of the Loan Agreement, dated as of _____ 1, 2016, by and between the Council and the Borrower (the "Loan Agreement").

In this connection, we have reviewed such records, certificates, and other documents as we have considered necessary or appropriate for the purposes of this opinion, including applicable laws, the Charter of the Borrower, the Loan Agreement, the Trust Indenture dated as of _____ 1, 2016 (the "Indenture"), by and between the Council and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), [Ordinance][Resolution] No. _____ [enacted][adopted] by the Borrower on _____, 2016 (the ["Ordinance"]["Resolution"]), the Continuing Disclosure Agreement, dated as of _____, 2016 (the "Continuing Disclosure Agreement"), by and among the Borrower and the Florida League of Cities, Inc., the final Official Statement with respect to the Bonds dated _____, 2016 (the "Official Statement"), and the Bond Purchase Contract dated _____, 2016, between the Council, Wells Fargo Bank, National Association (the "Underwriter"), and the

Borrowers (the "Bond Purchase Contract"). Based on such review, and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

(a) The Borrower is a municipality duly organized and validly existing under the Constitution and laws of the State of Florida. The Borrower has the legal right and all requisite power and authority to enter into the Loan Agreement, to covenant to budget and appropriate Non-Ad Valorem Revenues to the payment of the Loan, to [enact][adopt] the [Ordinance][Resolution], consummate the transactions contemplated in the Loan Agreement and the [Ordinance][Resolution], and otherwise to carry on its activities and own its property.

(b) The Borrower has duly [enacted][adopted] the [Ordinance][Resolution], and authorized, executed, and delivered the Loan Agreement, the Bond Purchase Contract, and the Continuing Disclosure Agreement, and such instruments are legal and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms, except to the extent that the enforceability hereof may be subject to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity and to the sovereign police powers of the State of Florida and the constitutional powers of the United States of America.

(c) The execution and delivery of the [Ordinance][Resolution], the Continuing Disclosure Agreement, the Bond Purchase Contract, and the Loan Agreement; the consummation of the transactions contemplated thereby; the [acquisition or construction of the Project and the] refinancing of the Refunded Loan; and the fulfillment of or compliance with the terms and conditions of the [Ordinance][Resolution], the Loan Agreement, the Bond Purchase Contract, and the Continuing Disclosure Agreement does not and will not conflict with or result in a material breach of or default under any of the terms, conditions, or provisions of any agreement, contract or other instrument, or law, ordinance, regulation, or judicial or other governmental order, to which the Borrower is now a party or it or its properties is otherwise subject or bound, and the Borrower is not otherwise in violation of any of the foregoing in a manner material to the transactions contemplated by the Loan Agreement.

(d) There is no litigation or legal or governmental action, proceeding, inquiry, or investigation pending or, to the best of our knowledge, threatened by governmental authorities or to which the Borrower is a party or of which any property of the Borrower is subject, which has not been described in the Official Statement or otherwise disclosed in writing to the Council and the Bond Insurer and which, if determined adversely to the Borrower, would individually or in the aggregate materially and adversely affect the validity or the enforceability of the [Ordinance][Resolution], the Loan Agreement, the Bond Purchase Contract, or the Continuing Disclosure Agreement.

(e) The indebtedness being refinanced, directly or indirectly, with the proceeds of the Loan was initially incurred by the Borrower, and the proceeds of such indebtedness have been fully expended, to finance the cost of the Project.

(f) Based upon my review of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the contents of the Official Statement, the statements and information with respect to matters of law relating to the Borrower in the Official Statement under the captions "PURPOSE OF THE BONDS - General", "SECURITY AND SOURCES OF PAYMENT – Limited Obligations; Trust Estate"; "–Security of the Loan Agreement," and "LITIGATION" (in each case only with respect to those matters specific to the Borrower), and "CONTINUING DISCLOSURE" are true and correct in all material respects, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, either as of its date or the date hereof. No opinion is expressed herein with respect to (i) actions or obligations of the Council or any other party other than the Borrower, (ii) documents to which the Borrower is not a party, and (iii) financial, statistical, or tax matters or projections.

We are attorneys admitted to practice law only in the State of Florida and express no opinion as to the laws of any other state and further express no opinion as to (i) the status of interest on the Bonds under either Federal laws or the laws of the State of Florida, or (ii) economic or financial matters described in the Official Statement relating to the Borrower.

Very truly yours,

EXHIBIT D

DEBT SERVICE SCHEDULE

<u>Date</u>	<u>Principal Amounts</u>	<u>Interest Rate</u>	<u>Interest Amounts</u>	<u>Total Amounts</u>
-------------	--------------------------	----------------------	-------------------------	----------------------

[TO COME]

* Loan repayments are due March 20th and April 20th of each year.

[EXHIBIT E TO LOAN AGREEMENT

FORM OF REQUISITION CERTIFICATE

TO: THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS TRUSTEE

FROM: _____, FLORIDA (THE "BORROWER")

SUBJECT: LOAN AGREEMENT DATED AS OF THE 1ST DAY OF _____, 2016

This represents Requisition Certificate No. ___ in the total amount of \$_____ for payment of those Costs of the Project detailed in the schedule attached.

The undersigned does certify that:

1. All of the expenditures for which monies are requested hereby represent proper Costs of the Project, have not been included in a previous Requisition Certificate and have been properly recorded on the Borrower's books as currently due and owing.

2. The monies requested hereby are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for funds actually advanced for Costs of the Project. The monies requested do not include retention or other monies not yet due or earned under construction contracts.

3. This requisition is in compliance with Section 5.03 of the Indenture.

4. After payment of monies hereby requested, to the knowledge of the undersigned, there will remain available to the Borrower sufficient funds to complete the Project substantially in accordance with the plans therefor.

5. The Borrower is not in default under the Loan Agreement and nothing has occurred that would prevent the performance of its obligations under the Loan Agreement.

Executed this ____ day of _____, 20__.

_____, FLORIDA

By: _____

Name: _____

Title: _____]

LIMITED GENERAL OBLIGATION
LOAN AGREEMENT

By and Between

FLORIDA MUNICIPAL LOAN COUNCIL

and

CITY OF ST. AUGUSTINE BEACH, FLORIDA

Dated as of _____ 1, 2016

FLORIDA MUNICIPAL LOAN COUNCIL
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2016

This Instrument Prepared By:

JoLinda Herring, Esquire
Bryant Miller Olive P.A.
SunTrust International Center
1 SE 3rd Avenue, Suite 2200
Miami, Florida 33131

and

Jason M. Breth, Esquire
Bryant Miller Olive P.A.
101 North Monroe Street, Suite 900
Tallahassee, Florida 32301

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LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement"), is dated as of _____ 1, 2016, and entered into by and between the FLORIDA MUNICIPAL LOAN COUNCIL (the "Council"), a separate legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida (the "State"), and the CITY OF ST. AUGUSTINE BEACH, FLORIDA (the "Borrower"), a duly constituted municipality under the laws of the State.

WITNESSETH:

WHEREAS, pursuant to the authority of the Act (as hereinafter defined), the Council desires to loan to the Borrower the amount necessary to enable the Borrower to finance, refinance, or reimburse the cost of the Projects, as hereinafter defined, and the Borrower desires to borrow such amount from the Council subject to the terms and conditions of and for the purposes set forth in this Loan Agreement; and

WHEREAS, the Council is a separate legal entity and public body corporate and politic duly created and existing under the laws of the State organized and existing under and by virtue of that certain Interlocal Agreement by and among, initially, the City of DeLand, Florida, the City of Rockledge, Florida, and the City of Stuart, Florida, as amended and supplemented, together with the additional governmental entities who become members of the Council, in accordance with Chapter 163, Part I, Florida Statutes, as amended (the "Interlocal Act"); and

WHEREAS, the Council has determined that there is substantial need within the State for a financing program (the "Program") which will provide funds for qualifying projects (the "Projects") for the participating Borrowers; and

WHEREAS, the Council is authorized under the Interlocal Act to issue its revenue bonds to provide funds for such purposes; and

WHEREAS, the Council has determined that the public interest will best be served and that the purposes of the Interlocal Act can be more advantageously obtained by the Council's issuance of revenue bonds in order to loan funds to the Borrowers to finance or refinance Projects; and

WHEREAS, the Borrower is authorized under and pursuant to the Act to enter into this Loan Agreement for the purposes set forth herein; and

WHEREAS, the Borrower has determined that the Limited Ad Valorem Revenues (as defined herein) shall be pledged to secure this Loan Agreement; and

WHEREAS, the Borrower has determined that there is a substantial need for the financing of the Project (as hereinafter defined); and

WHEREAS, the Council and the Borrower have determined that the lending of funds by the Council to the Borrower pursuant to the terms of this Loan Agreement and that certain Trust Indenture, dated as of _____ 1, 2016, by and between the Council and the Trustee (as hereinafter defined), including any amendments and supplements thereto (the "Indenture"), relating to the issuance of the Bonds (as hereinafter defined), will assist in the development and maintenance of the public welfare of the residents of the State and the areas served by the Borrower, and shall serve a public purpose by improving the health and living conditions, and providing adequate governmental services, facilities, and programs and will promote the most efficient and economical development of such services, facilities, and programs in the State; and

WHEREAS, neither the Council, the Borrower, the State, nor any political subdivision thereof (other than each Borrower to the extent of their obligations under their respective Loan Agreements only), shall in any way be obligated to pay the principal of, premium, if any, or interest on those certain revenue bonds of the Council designated the "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2016" (the "Bonds") as the same shall become due, and the issuance of the Bonds shall not directly, indirectly, or contingently obligate the Council, the State, or any political subdivision or municipal corporation thereof, other than the Borrower, to levy or pledge any form of ad valorem taxation for their payment, except as provided herein from the Limited Ad Valorem Revenues of the Borrower, and shall be payable solely from the funds and revenues pledged under and pursuant to this Loan Agreement and the Indenture.

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context or use indicates another meaning or intent, the following words and terms as used in this Loan Agreement shall have the following meanings, and any other hereinafter defined words and terms, shall have the meanings as therein defined.

"Accountant" or "Accountants" means an independent certified public accountant or a firm of independent certified public accountants.

"Accounts" means the accounts established pursuant to Section 4.02 of the Indenture.

"Act" means, collectively, to the extent applicable to the Borrower, Chapter 163, Part I, Florida Statutes, Chapter 166, Part II, Florida Statutes, and Chapter 125, Part I, as amended, and all other applicable provisions of law.

"Additional Payments" means payments required by Section 5.03 hereof.

"Alternate Surety Bond" means any letter of credit or surety bond obtained to replace the Surety Bond then in effect pursuant to the Indenture.

"Alternate Surety Bond Provider" means any provider of an Alternate Surety Bond.

"Arbitrage Regulations" means the income tax regulations promulgated, proposed or applicable pursuant to Section 148 of the Code as the same may be amended or supplemented or proposed to be amended or supplemented from time to time.

"Authorized Representative" means, when used pertaining to the Council, the Chairman of the Council and such other designated members, agents, or representatives as may hereafter be selected by Council resolution; and, when used with reference to a Borrower which is a municipality, means the person performing the functions of the Mayor or Deputy, Acting, or Vice Mayor of such Borrower thereof or other officer authorized to exercise the powers and performs the duties of the Mayor; and, when used with reference to a Borrower which is a County means the person performing the function of the Chairman or Vice Chairman of the Board of County Commissioners of such Borrower; and, when used with reference to an act or document, also means any other person authorized by resolution or ordinance to perform such act or sign such document.

"Basic Payments" means the payments denominated as such in Section 5.01 hereof.

"Board" means the governing body of the Borrower.

"Bond Counsel" means Bryant Miller Olive P.A., Miami, Florida, or any other nationally recognized bond counsel, selected by the Council.

"Bondholder" or "Holder," "holder of Bonds," "Owner," or "owner of Bonds," whenever used herein with respect to a Bond, means the Person in whose name such Bond is registered.

"Bond Insurance Policy" means the municipal bond insurance policy of the Bond Insurer guaranteeing the scheduled payment when due of the principal of and interest on the Bonds as provided therein.

"Bond Insurance Premium" means the premium payable to the Bond Insurer for the Bond Insurance Policy.

"Bond Insurer" means National Public Finance Guarantee Corporation and any successors thereto.

"Bonds" means the \$_____ Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2016, issued pursuant to Article II of the Indenture.

"Bond Year" means a 12-month period beginning on October 2 and ending on and including the following October 1, except for the first period which begins on September __, 2016.

"Borrower" means the governmental unit which is described in the first paragraph and on the cover page of this Loan Agreement and which is borrowing and using the Loan proceeds to finance, refinance, and/or be reimbursed for, all or a portion of the costs of one or more Projects.

"Borrowers" mean, collectively, the Borrower and the other local governmental units receiving loans from the Council made from proceeds of the Bonds.

"Business Day" means any day of the year which is not a Saturday or Sunday or a day on which banking institutions located in New York City or the State are required or authorized to remain closed or on which the New York Stock Exchange is closed.

"Certificate," "Statement," "Request," "Requisition," or "Order" of the Council mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the Council by its Chairman, Program Administrator, or such other person as may be designated and authorized to sign for the Council; or of the Borrower mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the Borrower by its Mayor or Deputy, Acting, or Vice Mayor, or such other person as may be designated and authorized to sign for the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing" means the closing of a Loan pursuant to the Indenture and this Loan Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code, the applicable

rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions).

"Commencement Date" means the date when the term of this Loan Agreement begins and the obligation of the Borrower to make Loan Repayments accrues.

"Cost" means the purchase price of any project acquired; the cost of improvements; the cost of construction, extension or enlargement; the cost of all lands, properties, rights, easements and franchises acquired; the cost of all machinery and equipment, financing charges, interest during construction; and, if deemed advisable, for one year after completion of construction, cost of investigations, audits, and engineering and legal services; and all other expenses necessary or incident to determining the feasibility or practicability of such acquisition or construction, administrative expense and such other expenses as may be necessary or incident to the financing herein authorized and to the acquisition or construction of a project and the placing of the same in operation. Any obligation or expense incurred by the Borrower prior to the issuance of bonds for engineering studies and for estimates of cost and of revenues, and for other technical, financial, or legal services in connection with the acquisition or construction of any project, may be regarded as a part of the cost of such project..

"Cost of Issuance Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Council" means the Florida Municipal Loan Council.

"Counsel" means an attorney duly admitted to practice law before the highest court of the State and, without limitation, may include legal counsel for either the Council, a Borrower, or the Trustee.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Event of Default" shall have the meaning ascribed to such term in Section 8.01 of this Loan Agreement.

"Financial Newspaper" or "Journal" means The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language, customarily published on each Business Day and circulated in New York, New York, and selected by the Trustee, whose decision shall be final and conclusive.

"Fiscal Year" means the fiscal year of the Borrower.

"Funds" means the funds established pursuant to Section 4.02 of the Indenture.

"Governmental Obligations" means:

- (a) U.S. Treasury certificates, notes, and bonds (including State and Local Government Series - "SLGS");
- (b) direct obligations of the Treasury which have been stripped by the Treasury itself;
- (c) only the interest component of Resolution Funding Corp. (REFCORP) strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable;
- (d) pre-refunded municipal bonds rated "Aaa" by both Moody's and "AAA" by S&P;
and
- (e) obligations issued by the following agencies which are backed by the full faith and credit of the United States:
 - (i) U.S. Export-Import Bank (Eximbank):
 - (1) Direct obligations or fully guaranteed certificates of beneficial ownership,
 - (ii) Federal Financing Bank,
 - (iii) General Services Administration:
 - (1) Participation certificates,
 - (iv) U.S. Department of Housing and Urban Development (HUD):
 - (1) Project Notes,
 - (2) Local Authority Bonds,
 - (3) New Communities Debentures - U.S. government guaranteed debentures,
 - (4) U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

"Indenture" means the Trust Indenture dated as of _____ 1, 2016, between the Council and the Trustee, including any indentures amendatory or supplemental thereto, pursuant to which (a) the Bonds are authorized to be issued, and (b) the Council's interest in the Trust Estate is pledged as security for the payment of the principal of, premium, if any, and interest on the Bonds.

"Interest Payment Date" means October 1 and April 1 of each year, commencing April 1, 2017.

"Interest Period" means the semi-annual period between Interest Payment Dates.

"Interlocal Act" means Chapter 163, Part I, Florida Statutes.

"Interlocal Agreement" means that certain Interlocal Agreement originally dated as of December 1, 1998, initially among the City of Stuart, Florida, the City of Rockledge, Florida, and the City of DeLand, Florida, together with the additional governmental entities who become members of the Council, all as amended and supplemented from time to time.

"Limited Ad Valorem Revenues" means the ad valorem taxes, in an amount not to exceed 0.50 mills, levied upon the assessed property within the jurisdiction of the Borrower pursuant to the referendum held on August 26, 2008, which was approved by a majority of the votes cast in such bond referendum.

"Liquidation Proceeds" means amounts received by the Trustee or the Council in connection with the enforcement of any of the remedies under this Loan Agreement after the occurrence of an "Event of Default" under this Loan Agreement which has not been waived or cured.

"Loan" means the Loan made to the Borrower from proceeds of the Bonds in order to finance the Project in the amount specified in Section 3.01 herein.

"Loans" mean all loans made by the Council under the Indenture to the Borrowers.

"Loan Agreement" means this Loan Agreement and any amendments and supplements hereto.

"Loan Repayment Date" means March 20, 2017, and thereafter each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day.

"Loan Repayments" means the payments of principal and interest and other payments payable by the Borrower pursuant to the provisions of this Loan Agreement, including, without limitation, Additional Payments.

"Loan Term" means the term provided for in Article IV of this Loan Agreement.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating

agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Non-Ad Valorem Revenues" means all revenues and taxes of the Borrower derived from any source whatsoever other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

"Outstanding Bonds" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

- (a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;
- (b) Bonds deemed paid under Article VIII of the Indenture; and
- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07, or 2.09 of the Indenture.

"Person" means an individual, a corporation, a partnership, an association, a trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Principal Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Principal Payment Date" means the maturity date or mandatory redemption date of any Bond.

"Program" means the Council's program of making Loans under the Act and pursuant to the Indenture.

"Program Administrator" means the Florida League of Cities, Inc., a non-profit Florida corporation.

"Project" or "Projects" means a governmental undertaking approved by the governing body of a Borrower for a public purpose, including the refinancing of any indebtedness, which shall include the Borrower's Projects detailed on Exhibit A hereof.

"Project Loan Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Proportionate Share" means, with respect to the Borrower, a fraction the numerator of which is the outstanding principal amount of the Loan of the Borrower made from proceeds of the Bonds and the denominator of which is the outstanding principal amount of all Loans made from proceeds of the Bonds and then outstanding.

"Purchase Price" means the purchase price of one or more items of a Project payable by a Borrower to the seller of such items.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption pursuant to the provisions of such Bond and the Indenture.

"Reserve Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Revenue Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Revenues" means all Loan Repayments paid to the Trustee for the respective accounts of the Borrowers for deposit in the Principal Fund and Revenue Fund to pay principal of, premium, if any, and interest on the Bonds upon redemption [or acceleration of maturity] or at maturity, or to pay interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of this Loan Agreement.

"S&P" means Standard & Poor's Rating Services, a business of Standard & Poor's Financial Services LLC, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Special Record Date" means the date established pursuant to Section 9.05 of the Indenture as a record date for the payment of defaulted interest, if any, on the Bonds.

"State" means the State of Florida.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Council and the Trustee, supplementing, modifying, or amending the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized in the Indenture.

"Surety Bond" means the surety bond issued by the Surety Bond Provider guaranteeing certain payments into the Reserve Fund with respect to the Bonds and any other series of the Council's bonds, as provided therein, or any Alternate Surety Bond.

"Surety Bond Provider" means National Public Finance Guarantee Corporation and any successors thereto or any Alternate Surety Bond Provider.

"Trust Estate" means the property, rights, Revenues, and other assets pledged and assigned to the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as trustee, or any successor thereto under the Indenture.

SECTION 1.02. Uses of Phrases. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "Bond," "Bondholder," "Owner," and "person" shall include the plural as well as the singular number, and the word "person" shall include corporations and associations, including public bodies, as well as persons. All references herein to specific Sections of the Code refer to such Sections of the Code and all successor or replacement provisions thereto.

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ARTICLE II

REPRESENTATIONS, WARRANTIES, AND COVENANTS OF BORROWER AND COUNCIL

SECTION 2.01. Representations, Warranties, and Covenants. The Borrower represents, warrants, and covenants on the date hereof for the benefit of the Council, the Trustee, the Borrower, the Bond Insurer, and Bondholders, as applicable, as follows:

(a) Organization and Authority. The Borrower:

(1) is a duly organized and validly existing municipality of the State and is a duly organized and validly existing Borrower;

(2) has all requisite power and authority to own and operate its properties, to finance the Project, to levy and pledge the Limited Ad Valorem Revenues and to carry on its activities as now conducted and as presently proposed to be conducted; and

(3) has determined that the Project is evenly distributed throughout the jurisdiction of the Borrower as required by Section 2 of Ordinance No. 03-13, duly enacted by the Borrower on June 2, 2008.

(b) Full Disclosure. There is no fact that the Borrower knows of which has not been specifically disclosed in writing to the Council and the Bond Insurer that materially and adversely affects or, except for pending or proposed legislation or regulations that are a matter of general public information affecting the State municipalities generally, that will materially affect adversely the properties, activities, prospects, or condition (financial or otherwise) of the Borrower or the ability of the Borrower to perform its obligations under this Loan Agreement.

The financial statements, including, but not limited to the financial statements for the Borrower's Fiscal Year ended September 30, 2015, balance sheets, and any other written statement furnished by the Borrower to the Council, Wells Fargo Bank, National Association, as underwriter of the Bonds (the "Underwriter"), and the Bond Insurer were prepared in accordance with Generally Accepted Accounting Principles ("GAAP") and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading. There is no fact known to the Borrower which the Borrower has not disclosed to the Council, the Underwriter, and the Bond Insurer in writing which materially affects adversely or is likely to materially affect adversely the financial condition of the Borrower, or its ability to make the payments under this Loan Agreement when and as the same become due and payable.

(c) Pending Litigation. There are no proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower, except as specifically described in

writing to the Council, the Underwriter, and the Bond Insurer, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the properties, prospects, or condition (financial or otherwise) of the Borrower, or the existence or powers or ability of the Borrower to enter into and perform its obligations under this Loan Agreement.

(d) Borrowing Legal and Authorized. The execution and delivery of this Loan Agreement and the consummation of the transactions provided for in this Loan Agreement and compliance by the Borrower with the provisions of this Loan Agreement:

(1) are within the powers of the Borrower and have been duly and effectively authorized by all necessary action on the part of the Borrower; and

(2) do not and will not (i) conflict with or result in any material breach of any of the terms, conditions, or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any property or assets of the Borrower pursuant to any indenture, loan agreement, or other agreement or instrument (other than this Loan Agreement) or restriction to which the Borrower is a party or by which the Borrower, its properties, or operations are bound as of the date of this Loan Agreement, or (ii) with the giving of notice or the passage of time or both, constitute a breach or default or so result in the creation or imposition of any lien, charge, or encumbrance, which breach, default, lien, charge, or encumbrance (described in (i) or (ii)) could materially and adversely affect the validity or the enforceability of this Loan Agreement or the Borrower's ability to perform fully its obligations under this Loan Agreement; nor does such action result in any violation of the provisions of the Act, or any laws, ordinances, governmental rules or regulations, or court orders to which the Borrower, its properties, or operations may be bound.

(e) No Defaults. No event has occurred and no condition exists that constitutes an Event of Default, or which, upon the execution and delivery of this Loan Agreement and/or the passage of time or giving of notice or both, would constitute an Event of Default. The Borrower is not in violation in any material respect, and has not received notice of any claimed violation (except such violations as (i) heretofore have been specifically disclosed in writing to, and have been in writing specifically consented to by the Council and the Bond Insurer, and (ii) do not, and shall not, have any material adverse effect on the transactions herein contemplated and the compliance by the Borrower with the terms hereof), of any terms of any agreement or other instrument to which it is a party or by which it, its properties, or operations may be bound, which may materially adversely affect the ability of the Borrower to perform hereunder.

(f) Governmental Consent. The Borrower has obtained, or will obtain, all permits, approvals, and findings of non-reviewability required as of the date hereof by any governmental body or officer for the acquisition, construction, installation, and/or equipping of the Project, including, but not limited to, construction and renovation work necessary for such

acquisition, construction, installation, and/or equipping, the financing or refinancing thereof, or the reimbursement of the Borrower therefor, or the use of the Project, and, prior to the Loan, the Borrower will obtain all other such permits, approvals, and findings as may be necessary for the foregoing and for such Loan and the proper application thereof; the Borrower has complied with or will comply with all applicable provisions of law requiring any notification, declaration, filing, or registration with any agency or other governmental body or officer in connection with the acquisition, construction, installation, and/or equipping of the Project, including, but not limited to, construction and renovation work necessary for such acquisition, construction, installation, and/or equipping, financing or refinancing thereof, or reimbursement of the Borrower therefor. Any such action, construction, installation, financing, refinancing or reimbursement contemplated in this Loan Agreement is consistent with, and does not violate or conflict with, the terms of any such agency or other governmental consent, order, or other action which is applicable thereto. No further consent, approval, or authorization of, or filing, registration or qualification with, any governmental authority is required on the part of the Borrower as a condition to the execution and delivery of this Loan Agreement, or to amounts becoming outstanding hereunder.

(g) Compliance with Law. The Borrower is in compliance with all laws, ordinances, and governmental rules and regulations to which it is subject, and which are material to its properties, operations, finances, or status as a municipal corporation.

(h) Use of Proceeds.

(1) The Borrower deems it necessary, desirable, and in the best financial interest of the Borrower to finance the acquisition, construction, and/or equipping of the Project. The financing of the Project in the manner herein provided is hereby authorized. The Borrower will apply the remaining portion of the proceeds of the Loan from the Council for the financing of the Costs of the Projects as set forth in Exhibit A hereto. Simultaneously with the closing of the Loan, a portion of the proceeds of the Loan will, at the Borrower's request and instruction as provided in Section 3.04 hereof, be transferred by the Underwriter directly to the Trustee for deposit by the Trustee into the Project Loan Fund established pursuant to the Indenture. The Borrower will provide the Trustee with a requisition in the form of the requisition attached hereto as Exhibit E for the expenditure of the amounts of the Loan in the Project Loan Fund. If any component of the Project listed in Exhibit A is not paid for out of the proceeds of the Loan at the Closing of the Loan, Borrower shall, as quickly as reasonably possible, with due diligence, and in any event prior to _____, 2019, use the remainder of the proceeds of the Loan listed in Exhibit A and any investment earnings thereon to pay the Costs of the Project, provided that, such time limit may be extended by the written consent of the Council with notice to the Trustee. The Borrower may amend Exhibit A to provide for the financing of different or additional Projects if Borrower, after the date hereof, deems it to not be in the interest of Borrower to acquire or construct any item of the Project or the Costs of the Project prove to be less than the amounts listed on Exhibit A and the

investment earnings thereon, without the consent of the Council or the Trustee (but with notice thereto); provided, however, the Borrower must obtain an opinion of Bond Counsel to the effect that such an amendment and the completion of the revised Project will not adversely affect the validity or tax-exempt status of the Bonds regarding the amended Exhibit A. Notwithstanding the foregoing all such proceeds of the Loan shall be expended prior to _____, 2019.

(2) Costs of the Project which may be financed include, but are not limited to, all reasonable or necessary direct or indirect costs of or incidental to the acquisition, construction, installation, or equipping of the Project, including operational expenses during the construction period which would qualify for capitalization under GAAP, the incidental costs of placing the same in use, and financing expenses (including the application or origination fees, if any, of the Bond Insurer, the Council, and the Borrower's Counsel fees. Costs of the Project shall not include operating expenses.

(3) The Borrower understands that the actual Loan proceeds received by it are less than the sum of the face amount of the Loan Agreement plus the reoffering premium in an amount equal to a discount as described in Section 3.01 hereof. Borrower will accordingly be responsible for repaying, through the Basic Payments portion of its Loan Repayments, the portion of the Bonds issued to fund only its Loan including the portion issued to fund the underwriting discount, net original issue premium, and other fees and costs of issuing the Bonds.

(4) The Borrower covenants that it will make no use of the proceeds of the Bonds which are in its control at any time during the term of the Bonds which would cause such Bonds to be "Arbitrage Bonds" within the meaning of Section 148 of the Code.

(5) The Borrower, by the Trustee's acceptance of the Indenture, covenants that the Borrower shall neither take any action nor fail to take any action or to the extent that it may do so, permit any other party to take any action which, if either taken or not taken, would adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

(i) Project. All items constituting the Project are permitted to be financed or refinanced with the proceeds of the Bonds and the Loan pursuant to the Act.

(j) Compliance with Interlocal Act and Interlocal Agreement. All agreements and transactions provided for herein or contemplated hereby are in full compliance with the terms of the Interlocal Agreement and the Interlocal Act.

SECTION 2.02. Covenants of Borrower. The Borrower makes the following covenants and representations as of the date first above written and such covenants shall continue in full force and effect during the Loan Term:

(a) Security for the Loan and Loan Repayment. For the prompt payment of the Basic Payment as required under this Loan Agreement, Limited Ad Valorem Revenues are irrevocably pledged. In each year while the Loan is outstanding, there shall be levied and collected a tax at a rate not to exceed 0.50 mills on all assessable property within the Borrower, sufficient in amount to pay the Basic Payment, as the same shall become due, after applying any other funds which may be available for such Basic Payment and which shall actually be so applied. For the payment of the Additional Payments, the Borrower agrees to budget and appropriate legally available Non-Ad Valorem Revenues to pay the Additional Payments. Such covenant is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues heretofore or hereinafter entered into.

(b) Delivery of Information to the Council and the Bond Insurer. Borrower shall deliver to the Bond Insurer and the Council as soon as available and in any event within 270 days after the end of each Fiscal Year an audited statement of its financial position as of the end of such Fiscal Year and the related statements of revenues and expenses, fund balances, and changes in fund balances for such Fiscal Year, all reported by an independent certified public accountant, whose report shall state that such financial statements present fairly Borrower's financial position as of the end of such Fiscal Year and the results of operations and changes in financial position for such Fiscal Year.

(c) Information. Borrower's chief financial officer shall, at the reasonable request of the Bond Insurer, discuss Borrower's financial matters with the Bond Insurer or their designee and provide the Bond Insurer with copies of any documents reasonably requested by the Bond Insurer or its designee unless such documents or material are protected or privileged from disclosure under applicable Florida law.

(d) Limited Ad Valorem Revenues.

(1) In each fiscal year while the Loan is outstanding there shall be assessed, levied and collected an ad valorem tax sufficient in amount to pay the principal of and interest on the Loan as the same shall become due, after deducting therefrom any other funds which may be available for such principal and interest payment and which shall actually be so applied; provided, however, in no event shall such ad valorem tax exceed 0.50 mills.

(2) The Borrower will diligently enforce its rights to receive the ad valorem tax as provided by law and will diligently enforce and collect such tax. The Borrower will not take any action that will impair or adversely affect its rights to levy, collect, and

receive the tax, or impair or adversely affect in any manner the pledge made herein, or the rights of the holders of the Bonds.

(e) Further Assurance. The Borrower shall execute and deliver to the Trustee all such documents and instruments and do all such other acts and things as may be reasonably necessary to enable the Trustee to exercise and enforce its rights under this Loan Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be reasonably necessary or required by the Trustee to validate, preserve, and protect the position of the Trustee under this Loan Agreement.

(f) Keeping of Records and Books of Account. The Borrower shall keep or cause to be kept proper records and books of account, in which correct and complete entries will be made in accordance with generally accepted accounting principles, consistently applied (except for changes concurred in by the Borrower's independent auditors) reflecting all of its financial transactions.

(g) Payment of Taxes, Etc. The Borrower shall pay all legally contracted obligations when due and shall pay all taxes, assessments, and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims, which, if unpaid, might become a lien or charge upon any of its properties, provided that it shall not be required to pay any such tax, assessment, charge, levy, or claim which is being contested in good faith and by appropriate proceedings, which shall operate to stay the enforcement thereof.

(h) Compliance with Laws, Etc. The Borrower shall comply with the requirements of all applicable laws, the terms of all grants, rules, regulations, and lawful orders of any governmental authority, non-compliance with which would, singularly or in the aggregate, materially adversely affect its business, properties, earnings, prospects, or credit, unless the same shall be contested by it in good faith and by appropriate proceedings which shall operate to stay the enforcement thereof.

(i) Tax-exempt Status of Bonds. The Council and the Borrower understand that it is the intention hereof that the interest on the Bonds be excludable from the gross income of the Holders thereof for federal income tax purposes. In furtherance thereof, the Borrower and the Council each agree that they will take all action within their control which is necessary in order for the interest on the Bonds or this Loan to remain excludable from gross income for federal income taxation purposes and shall refrain from taking any action which results in such interest becoming included in gross income.

The Borrower and the Council further covenant that, to the extent they have control over the proceeds of the Bonds, they will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds, with respect to the payments derived from the

Bonds or hereunder or with respect to the issuance of other Council obligations, which action or failure to act may cause the Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder. In furtherance of the covenant contained in the preceding sentence, the Borrower and the Council agree to comply with the Tax Certificate as to Arbitrage and the provisions of Section 141 through 150 of the Internal Revenue Code of 1986, as amended, including the letter of instruction attached as an Exhibit to the Tax Certificate, delivered by Bond Counsel to the Borrower and the Council simultaneously with the issuance of the Bonds, as such letter may be amended from time to time, as a source of guidelines for achieving compliance with the Code.

The covenants of the Council and the Borrower contained in this subsection shall survive the termination of this Loan Agreement.

(j) Information Reports. The Borrower covenants to provide the Council with all materials and information it possesses or has the ability to possess, which is necessary to enable the Council to file all reports required under Section 149(e) of the Code to assure that interest paid by the Council on the Bonds shall, for purposes of the federal income tax, be excluded from gross income.

(k) Limited Obligations.

(1) Anything in this Loan Agreement to the contrary notwithstanding, it is understood and agreed that all obligations of the Borrower hereunder with respect to the Additional Payments shall be payable only from Non-Ad Valorem Revenues budgeted and appropriated as provided for hereunder and nothing herein shall be deemed to pledge ad valorem taxation revenues or to permit or constitute a mortgage or lien upon any assets or property owned by the Borrower and no Bondholder or any other person, including the Council, the Bond Insurer, or the Trustee, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Borrower with respect to the Additional Payments. The obligations hereunder do not constitute an indebtedness of the Borrower within the meaning of any constitutional, statutory, or charter provision or limitation, and neither the Trustee, the Council, the Bond Insurer, nor the Bondholders nor any other person shall have the right to compel the exercise of the ad valorem taxing power of the Borrower or taxation of any real or personal property therein for the Additional Payments by the Borrower of its obligations hereunder. Except to the extent expressly set forth in this Loan Agreement, this Loan Agreement and the obligations of the Borrower hereunder shall not be construed as a limitation on the ability of the Borrower to pledge or covenant to pledge the Non-Ad Valorem Revenues or any revenues or taxes of the Borrower for other legally permissible purposes. Notwithstanding any provisions of this Loan Agreement, the Indenture or the Bonds to the contrary, the Borrower shall never be obligated to maintain or continue any of the activities of the Borrower which generate user service charges, regulatory fees, or any Non-Ad Valorem Revenues or the rates for such services or regulatory fees. Neither

this Loan Agreement nor the obligations of the Borrower to make Additional Payments shall be construed as a pledge of or a lien on all or any legally available Non-Ad Valorem Revenues of the Borrower and is subject in all respects to the provisions of Section 166.241, Florida Statutes, and is subject, further, to the payment of services and programs which are for essential public purposes affecting the health, welfare, and safety of the inhabitants of the Borrower. The Council, the Borrower, and the Bond Insurer mutually agree and understand that the amounts available to be budgeted and appropriated to make Additional Payments hereunder is subject to the obligation of the Borrower to provide essential services; however, such obligation is cumulative and would carry over from Fiscal Year to Fiscal Year.

(2) It is the intent of the parties hereto and they do hereby covenant and agree, that the liability of the Borrower hereunder is a several liability of the Borrower expressly limited to the Loan Repayments, and the Borrower shall have no joint liability with the other Borrowers or the Council for any of their respective liabilities, except to the extent expressly provided herein.

(l) Reporting Requirements.

(1) The Borrower will file or cause to be filed with the Bond Insurer and with the Council any official statement issued by, or on behalf of, the Borrower in connection with the incurrence of any additional indebtedness by the Borrower secured by the Limited Ad Valorem Revenues. Such official statements shall be filed within sixty (60) days after the publication thereof.

(2) The Borrower agrees to provide to the Council and the Bond Insurer, not later than December 31st of each year, a certificate of its Chief Financial Officer stating that to the best of its knowledge the Borrower is in compliance with the terms and conditions of this Loan Agreement, or, specifying the nature of any noncompliance and the remedial action taken or proposed to be taken to cure such noncompliance.

(m) Indemnity. To the full extent permitted under the laws of the State, the Borrower will pay, and will protect, indemnify, save, and hold harmless, the Council, the Trustee, each member, officer, commissioner, employee, and agent of any of the Council, the Trustee, and each other person, if any, who has the power, directly or indirectly, to direct or cause the direction of the management and policies of the Council, harmless from and against, any and all liabilities, losses, damages, costs, and expenses (including reasonable attorneys' fees, costs, and expenses), suits, claims and judgments of whatsoever kind and nature (including those in any manner directly or indirectly arising or resulting from, out of, or in connection with, any injury to, or death of, any person or any damage to property resulting from the use or operation of the Project) in any manner arising out of or in connection with the acceptance or administration of the trust established pursuant to the Indenture or the action or failure to act of the Borrower, its successors and assigns, or the agents, contractors, employees, licensees, or otherwise of the

Borrower or its successors and assigns in connection with, the Projects refinanced [or financed] with the proceeds of the Loan, or the breach or violation of any agreement, covenant, representation, or warranty of the Borrower set forth in this Loan Agreement or any document delivered pursuant hereto or thereto or in connection herewith or therewith. Such indemnification shall not apply to any actions caused by the gross negligence or willful misconduct of the party seeking such indemnification.

Such indemnity shall not be restricted in any way by any limitation on the amount or type of damages, compensation, or benefits payable under any workers' compensation acts, disability benefit acts, or other employee benefits acts or any other similar laws but may be limited by State law relating to the ability of governmental units to indemnify parties for the actions of such governmental units, including but not limited to Section 768.28, Florida Statutes.

An indemnified person shall promptly notify the Borrower in writing of any claim or action brought against it, in respect of which indemnity may be sought against the Borrower, setting forth, to the extent reasonably practicable under the circumstances, the particulars of such claim or action, and the Borrower will promptly assume the defense thereof with its in-house counsel or, at its election, the employment of competent outside counsel reasonably satisfactory to such indemnified person and the payment of all expenses.

An indemnified person may employ separate counsel with respect to any such claim or action and participate in the defense thereof, but, except as provided herein, the fees and expenses of such separate counsel shall not be payable by the Borrower unless such employment has been specifically authorized by the Borrower, which such authorization shall not be unreasonably withheld, or unless such employment was occasioned by conflicts of interest between and among indemnified persons and/or the Borrower. If the Borrower shall fail to assume the defense of any action as required hereunder, or, within a reasonable time after commencement of such action, to retain outside counsel, if it so elects or if it becomes necessary due to conflict, reasonably satisfactory to the indemnified person, the fees, costs, and expenses of counsel to such indemnified person hereunder shall be paid by the Borrower.

The provisions of this Section 2.03(m) shall survive the termination of this Loan Agreement or the sooner resignation or removal of the Trustee and shall inure to the benefit of the Trustee's successors and assigns.

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ARTICLE III

THE LOAN

SECTION 3.01. The Loan. The Council hereby agrees to loan to the Borrower and the Borrower hereby agrees to borrow from the Council the sum of \$_____, which after adding the net bond premium of \$_____ results in \$_____ of Loan proceeds. This amount includes an amount equal to \$_____, which reflects the Borrower's share of the costs of issuance, the Bond Insurance Premium, and the Underwriter's discount. The amounts advanced to the Borrower net of the costs of the initial issuance are to be used by the Borrower for the purposes of financing the Costs of the Project.

SECTION 3.02. Evidence of Loan. The Borrower's obligation hereunder to repay amounts advanced pursuant to Section 3.01, together with interest thereon, and other payments required under this Loan Agreement, shall be evidenced by this Loan Agreement.

SECTION 3.04. Portion of Loan for Purpose of Financing the Project. The Borrower acknowledges that the Council, pursuant to the Borrower's request and instruction, is depositing a portion of the proceeds of the Loan in the amount of \$_____, as set forth and as directed by the terms of the Indenture, into the Project Loan Fund in order to finance the acquisition, construction, and/or equipping of the Project. The Borrower will provide the Trustee with a requisition in substantially the form of the requisition attached hereto as Exhibit E for the expenditure of the amounts of the Loan in the Project Loan Fund.

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ARTICLE IV

LOAN TERM AND LOAN CLOSING REQUIREMENTS

SECTION 4.01. Commencement of Loan Term. The Borrower's obligations under this Loan Agreement shall commence on the date hereof unless otherwise provided in this Loan Agreement.

SECTION 4.02. Termination of Loan Term. The Borrower's obligations under this Loan Agreement shall terminate after payment in full of all amounts due under this Loan Agreement and all amounts not theretofore paid shall be due and payable at the times and in the amounts set forth in Exhibit D attached hereto; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations of the Council owed on the Bonds and agreed to by the Borrower pursuant to Section 5.03(b)(7) hereof and any amounts owed to the Bond Insurer) shall survive the termination of this Loan Agreement and the payment in full of principal and interest hereunder. Upon termination of the Loan Term as provided above, the Council and the Trustee shall deliver, or cause to be delivered, to the Borrower an acknowledgment thereof.

SECTION 4.03. Loan Closing Submissions. Concurrently with the execution and delivery of this Loan Agreement, the Council or the Borrower are providing to the Trustee the following documents each dated the date of such execution and delivery, except all opinions and certificates shall be dated the date of Closing:

(a) A certified copy of the resolution of the Borrower substantially in the form of Exhibit B attached hereto authorizing the Loan and this Loan Agreement;

(b) An opinion of the Borrower's Counsel substantially in the form of Exhibit C attached hereto to the effect that the Loan Agreement is a valid and binding obligation of the Borrower and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel, and the Bond Insurer, and acceptable to Borrower's Counsel;

(c) A certificate of the officials of the Borrower to the effect that the representations and warranties of the Borrower are true and correct;

(d) A certificate signed by the Authorized Representative of the Borrower, in form and substance satisfactory to Bond Counsel, stating (i) the estimated dates and the amounts of projected expenditures for the Project, and (ii) that it is reasonably anticipated by the Borrower that the Loan proceeds will be fully advanced therefor and expended by the Borrower prior to _____, 2019, and that the projected expenditures are based on the reasonable expectations of the Borrower having due regard for its capital needs and the revenues available for the repayment thereof.

(e) This executed Loan Agreement;

(f) A standard opinion of Bond Counsel (addressed to the Council, the Trustee, the Bond Insurer, the Underwriter, and the Borrower) to the effect that (i) the resolution of the Council constitutes a valid and binding obligation of the Council enforceable against the Council in accordance with its terms; (ii) the Indenture has been duly executed by the Council and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Council enforceable upon the Council in accordance with its terms; (iii) the Bonds have been duly authorized, executed, and delivered by the Council and are valid and special obligations of the Council enforceable in accordance with their terms, payable solely from the sources provided therefor in the Indenture; and (iv) the interest on the Bonds is excludable from gross income for federal income tax purposes;

(g) An opinion of Bond Counsel (addressed to the Council, the Trustee, the Bond Insurer, the Underwriter, and the Borrower) to the effect that the financing and refinancing from the proceeds of the Loan pursuant to this Loan Agreement is permitted under the Act, the Indenture and the resolution of the Borrower, and will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes, or adversely affect the validity, due authorization for, or legality of the Bonds;

(h) An opinion of Council's Counsel (addressed to the Council, the Trustee, the Bond Insurer, and the Underwriter) to the effect that the Loan Agreement and Indenture are valid and binding obligations of the Council and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel, and the Bond Insurer, and acceptable to Council's Counsel;

(i) An opinion of Disclosure Counsel (addressed to the Council and the Underwriter) to the effect that based upon their participation in the preparation of the official statement, but without having undertaken to determine independently the accuracy, completeness, or fairness of the statements contained therein, they have no reason to believe that the official statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(j) Such other certificates, documents, opinions, and information as the Council, the Bond Insurer, the Trustee, or Bond Counsel may require, such requirement to be evidenced (in the case of parties other than the Trustee) by written notice of such party to the Trustee of such requirement.

ARTICLE V

LOAN REPAYMENTS

SECTION 5.01. Payment of Basic Payments. The Borrower shall pay to the order of the Council all Loan Repayments in lawful money of the United States of America to the Trustee. No such Loan Repayment shall be in an amount such that interest on the Loan is in excess of the maximum rate allowed by the laws of the State of Florida or of the United States of America. The Loan shall be repaid in Basic Payments, consisting of:

- (a) principal in the amounts and on the dates set forth in Exhibit D; plus
- (b) interest calculated at the rates, in the amounts and on the dates set forth in Exhibit D.

On or before the fifteenth (15th) day of the month immediately preceding each Interest Payment Date, the Trustee shall give Borrower notice in writing of the total amount of the next Basic Payment due. The Basic Payments shall be due on each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing March 20, 2017, and extending through September 20, 20__, unless the Loan is prepaid pursuant to terms of Section 5.07 hereof [or accelerated pursuant to the terms of Section 8.03 hereof].

SECTION 5.02. Payment of Surety Bond Costs; Funding of Reserve Fund. The Borrower recognizes that the Surety Bond Provider has provided to the Council the Surety Bond for deposit to the Reserve Fund in lieu of a cash payment or deposit by the Borrower. The Surety Bond shall secure and satisfy the Reserve Requirement (as defined in the Indenture) and any other reserve requirement of bonds as listed on Annex A to the Surety Bond. The Trustee, on behalf of the Borrower, or any other Borrowers whose loans were funded with proceeds of a bond issue listed on Annex A to the Surety Bond, may draw on the Surety Bond in an amount equal to or less than the limit of the Surety Bond, all in accordance with Section 4.08 of the Indenture. The Borrower hereby agrees to pay to the Trustee an amount equal to the amount drawn by the Trustee, on behalf of the Borrower, on the Surety Bond as set forth in subsection (c) of Section 5.03 hereof. Such Surety Bond may be replaced by an Alternate Surety Bond issued with respect to funding the reserve fund of subsequent bonds issued by the Council whose reserve fund shall be on a parity with the Bonds, all in accordance with Section 4.08 of the Indenture.

SECTION 5.03. Payment of Additional Payments. In addition to Basic Payments, the Borrower agrees to pay on demand of the Council or the Trustee, the following Additional Payments:

(a) (i) the Borrower's Proportionate Share of: the annual fees or expenses of the Council, if any, including the fees of any provider of arbitrage rebate calculations, the Bond Insurance Premium of the Bond Insurer (to the extent not previously paid from the Cost of Issuance Fund), the fees of the Program Administrator and the fees of the rating agencies (to the extent not previously paid from the Cost of Issuance Fund); and (ii) the Borrower's equal share of the annual fees of the Trustee; annual fees of the Registrar and Paying Agent; [and the Surety Bond premium of the Surety Bond Provider and any related fees in connection with the Surety Bond (to the extent not previously paid from the Cost of Issuance Fund)].

(b) All reasonable fees and expenses of the Council or Trustee relating to this Loan Agreement, including, but not limited to:

(1) the cost of reproducing this Loan Agreement;

(2) the reasonable fees and disbursements of Counsel utilized by the Council, the Trustee, and the Bond Insurer in connection with the Loan, this Loan Agreement and the enforcement thereof;

(3) reasonable extraordinary fees and expenses of the Trustee and the Council following an Event of Default hereunder;

(4) all other reasonable out-of-pocket expenses of the Trustee, the Bond Insurer, and the Council in connection with the Loan, this Loan Agreement and the enforcement thereof, including, but not limited to, all fees and expenses related to the prepayment and defeasance of the Loan and the Bonds;

(5) all taxes (including any recording, documentary stamp taxes, intangible taxes, and filing fees) in connection with the execution and delivery of this Loan Agreement and the pledge and assignment of the Council's right, title, and interest in and to the Loan and the Loan Agreement, pursuant to the Indenture (and with the exceptions noted therein), and all expenses, including reasonable attorneys' fees, costs and expenses, relating to any amendments, waivers, consents, or collection or enforcement proceedings pursuant to the provisions hereof;

(6) all reasonable fees and expenses of the Bond Insurer relating directly to the Loan;

(7) the Borrower's share of any amounts owed to the United States of America as rebate obligations on the Bonds related to the Borrower's Loan, which obligation shall survive the termination of this Loan Agreement;

(8) fees and costs of maintaining a rating on the Loan; and

(9) (i) any and all losses, damages, expenses (including reasonable legal and other fees and expenses), liabilities, or claims (or actions in respect thereof), to which the Council may become subject under any federal or state securities laws, federal or state tax laws, or other statutory law or at common law or otherwise, and (ii) any and all fees and expenses of any inquiries or audits by any regulatory agencies, all as caused by or arising out of or based upon this Loan Agreement, the Loan, the Bonds, the issuance of the Bonds or the use of Bond proceeds.

(c) For repayment of the Surety Bond held by the Trustee an amount equal to any amount drawn by the Trustee, on behalf of the Borrower, from the Surety Bond due to the Borrower's failure to pay its Basic Payments in accordance with Section 5.01 hereof, at the times and in the manner and together with interest and expense due thereon all as provided in Section 4.08(a) of the Indenture undertaken in order to reinstate the Surety Bond. The Borrower shall repay such amount drawn on the Surety Bond due to the Borrower's failure to pay its Basic Payments with the first available funds after payment of the current Loan Repayment. The Borrower shall repay only the amount drawn due to its failure to pay its Basic Payment.

SECTION 5.04. Interest Earnings or Investment Losses and Excess Payments.

(a) On each Interest Payment Date the Trustee shall credit against Borrower's obligation to pay its Loan Repayments, Borrower's share of any interest earnings which were received during the prior Interest Period by the Trustee on the Funds and Accounts (except the Project Loan Fund) held under the Indenture, or shall increase the Borrower's obligation to pay its Loan Repayment, by Borrower's share of any investment losses which were incurred during the prior Interest Period on the Funds and Accounts (except the Project Loan Fund) held under the Indenture.

(b) The credits provided for in (a) shall not be given to the extent the Borrower is in Default in payment of its Loan Repayments. If past-due Loan Repayments are later collected from the Borrower, the amount of the missed credit shall, to the extent of the amount collected, be credited in proportion to the amount of credit missed, to the Borrower from the past-due Loan Repayments.

(c) The credits may be accumulated. If the credit allowable for an Interest Period is more than required on the next ensuing Interest Payment Date to satisfy the current Loan Repayment, it may be used on the following Interest Payment Date.

SECTION 5.05. Obligations of Borrower Unconditional. Subject in all respects to the provisions of this Loan Agreement, including but not limited to Section 2.02(a) hereof, the obligations of the Borrower to make the Loan Repayments required hereunder and to perform and observe the other agreements on its part contained herein, shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed, or otherwise modified in any manner or to any extent whatsoever,

while any Bonds remain outstanding or any Loan Repayments remain unpaid, regardless of any contingency, act of God, event, or cause whatsoever. This Loan Agreement shall be deemed and construed to be a "net contract," and the Borrower shall pay the Loan Repayments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement, or counterclaim that the Borrower might otherwise have against the Council, the Trustee, the Bond Insurer, or any other party or parties.

SECTION 5.06. Refunding Bonds. In the event the Bonds are refunded, all references in this Loan Agreement to Bonds shall be deemed to refer to the refunding bonds or, in the case of a crossover refunding, to the Bonds and the refunding bonds (but the Borrower shall never be responsible for any debt service on or fees relating to crossover refunding bonds which are covered by earnings on the escrow fund established from the proceeds of such bonds). The Council agrees not to issue bonds or other debt obligations to refund the portion of the Bonds allocable to this Loan Agreement without the prior written consent of the Authorized Representative of the Borrower.

SECTION 5.07. Prepayment. The Loan may be prepaid in whole or in part by the Borrower on the dates and in the amounts on which the Bonds are subject to optional redemption and notice provisions pursuant to Section 3.01 of the Indenture. The Borrower shall provide the Council sixty (60) days' notice of any prepayment of its Loan.

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ARTICLE VI

DEFEASANCE

This Loan Agreement shall continue to be obligatory and binding upon the Borrower in the performance of the obligations imposed by this Loan Agreement and the repayment of all sums due by the Borrower under this Loan Agreement shall continue to be secured by this Loan Agreement as provided herein until all of the indebtedness and all of the payments required to be made by the Borrower shall be fully paid to the Council, the Trustee, or the Bond Insurer, as provided herein, including any fees and expenses in connection with such repayment, if any. If, at any time, the Borrower shall have paid, or shall have made provision for payment of, prepayment premium, if any, and interest on the Loan, with respect to the Bonds, and shall have paid all other amounts due under this Loan Agreement, then, and in that event, the covenant regarding the pledge of and the lien on the revenues pledged, if any, to the Council for the benefit of the Holders of the Bonds shall be no longer in effect and all future obligations of the Borrower under this Loan Agreement shall cease; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations owed on the Bonds) shall survive the termination of this Loan Agreement and the payment in full of principal, premium, if any, and interest hereunder. For purposes of the preceding sentence, in order for the Borrower to have made "provision for payment," the Borrower shall have deposited sufficient cash and/or Governmental Obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Council, in respect to which such cash and/or Governmental Obligations, the principal and interest on which, will be sufficient (as reflected in an accountant's verification report provided to the Trustee by the Borrower) to make timely payment of the principal of, prepayment premium, if any, and interest on the Loan. The prepayment premium, if any, shall be calculated based on the prepayment date selected by the Borrower in accordance with Section 5.07 hereof.

If the Borrower determines to prepay all or a portion of the Loan pursuant to Section 5.07 hereof, upon the required timely notice by the Borrower, the Council shall redeem a like amount of Bonds which corresponds in terms of amount and scheduled maturity date to such Loan prepayment pursuant to Section 3.01 of the Indenture.

If the Borrower shall make advance payments to the Council in an amount sufficient to retire the Loan of the Borrower, including redemption premium and accrued interest to the next succeeding redemption date of the Bonds, as provided herein, all future obligations of the Borrower under this Loan Agreement shall cease, including the obligations under Section 5.03 hereof, except for such amounts then outstanding and as provided in Section 4.02 hereof. However, prior to making such payments, the Borrower shall give at least sixty (60) days' notice by mail, with receipt confirmed, to the Council.

ARTICLE VII

ASSIGNMENT AND PAYMENT BY THIRD PARTIES

SECTION 7.01. Assignment by Council. The Borrower expressly acknowledges that this Loan Agreement and the obligations of the Borrower to make payments hereunder (with the exception of certain of the Council rights to indemnification, fees, notices, and expenses), have been pledged and assigned to the Trustee as security for the Bonds under the Indenture, and that the Trustee shall be entitled to act hereunder and thereunder in the place and stead of the Council whether or not the Bonds are in default.

SECTION 7.02. Assignment by Borrower. This Loan Agreement may not be assigned by the Borrower for any reason without the express prior written consent of the Council, the Bond Insurer, and the Trustee.

SECTION 7.03. Payments by the Bond Insurer. The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Bond Insurer do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

SECTION 7.04. Payments by the Surety Bond Provider. The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Surety Bond Provider do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

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ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. Events of Default Defined. The following shall be "Events of Default" under this Loan Agreement and the terms "Event of Default" and "Default" shall mean (except where the context clearly indicates otherwise), whenever they are used in this Loan Agreement, any one or more of the following events:

(a) Failure by the Borrower to timely pay any Loan Repayment, when due, so long as the Bonds are outstanding;

(b) Failure by the Borrower to timely pay any other payment required to be paid hereunder on the date on which it is due and payable, provided the Borrower has prior written notice of any such payments being due;

(c) Failure by the Borrower to observe and perform any covenant, condition, or agreement other than a failure under (a), on its part to be observed or performed under this Loan Agreement, for a period of thirty (30) days after notice of the failure, unless the Council, the Bond Insurer, and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Council, the Bond Insurer, or the Trustee, but cannot be cured within the applicable 30-day period, the Council, the Bond Insurer, and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected;

(d) Any warranty, representation, or other statement by the Borrower or by an officer or agent of the Borrower contained in this Loan Agreement or in any instrument furnished in compliance with or in reference to this Loan Agreement, is false or misleading in any material respect when made;

(e) A petition is filed against the Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within sixty (60) days of such filing;

(f) The Borrower files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction, whether now or hereafter in effect, and consents to the filing of any petition against it under such law;

(g) The Borrower admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator, or trustee) of the Borrower or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than sixty (60) days;

(h) Default under any agreement to which the Borrower is a party evidencing, securing, or otherwise respecting any indebtedness of the Borrower outstanding in the principal amount of \$100,000 or more if, as a result thereof, such indebtedness may be declared immediately due and payable or other remedies may be exercised with respect thereto;

(i) Any material provision of this Loan Agreement shall at any time for any reason cease to be valid and binding on the Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by the Borrower or any governmental agency or authority, or if the Borrower shall deny any further liability or obligation under this Loan Agreement;

(j) Final judgment for the payment of money in the amount of \$250,000 or more is rendered against the Borrower, the payment of which would materially adversely affect the Borrower's ability to meet its obligations hereunder (it being agreed that, if insurance or adequate reserves are available to make such payment, such judgment would not materially affect the Borrower's ability to meet its obligations hereunder) and at any time after ninety (90) days from the entry thereof, unless otherwise provided in the final judgment, (i) such judgment shall not have been discharged, or (ii) the Borrower shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree, or process upon which or pursuant to which such judgment shall have been granted or entered, and have caused the execution of or levy under such judgment, order, decree, or process of the enforcement thereof to have been stayed pending determination of such appeal, provided that such execution and levy would materially adversely affect the Borrower's ability to meet its obligations hereunder; or (iii) it has not been determined by a court of competent jurisdiction from which appeal may not be taken or from which appeal has been taken but has been finally denied that the Borrower is not obligated with respect to such judgment pursuant to the provisions of Chapter 768, Florida Statutes or other applicable law.

SECTION 8.02. Notice of Default. The Borrower agrees to give the Trustee, the Bond Insurer, and the Council prompt written notice if any petition, assignment, appointment, or possession referred to in Section 8.01(e), 8.01(f), and 8.01(g) is filed by or against the Borrower or of the occurrence of any other event or condition which constitutes a Default or an Event of Default, or with the passage of time or the giving of notice would constitute an Event of Default, immediately upon becoming aware of the existence thereof.

SECTION 8.03. Remedies on Default. Whenever any Event of Default referred to in Section 8.01 hereof shall have happened and be continuing, the Council or the Trustee shall, with the written consent of the Bond Insurer or upon the written direction of the Bond Insurer, in addition to any other remedies herein or by law provided, have the right, at its or their option without any further demand or notice, to take such steps and exercise such remedies as provided in Section 9.02 of the Indenture, and, without limitation, one or more of the following:

(a) Declare all Loan Repayments, in an amount equal to 100% of the principal amount thereof plus all accrued interest thereon to the date on which such Loan Repayments shall be used to redeem the Bonds pursuant to Section 3.02 of the Indenture and all other amounts due hereunder, to be due and payable within 180 days, and upon notice to the Borrower the same shall become immediately due and payable by the Borrower within 180 days without further notice or demand.

(b) To take whatever other action at law or in equity which may appear necessary or desirable to collect amounts then due and thereafter to become due hereunder or to enforce any other of its or their rights hereunder.

SECTION 8.04. [Reserved].

SECTION 8.05. No Remedy Exclusive; Waiver, Notice. No remedy herein conferred upon or reserved to the Council or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy, or power shall be construed to be a waiver thereof, but any such right, remedy, or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Council or the Trustee to exercise any remedy reserved to it in this Article VIII, it shall not be necessary to give any notice other than such notice as may be required in this Article VIII.

SECTION 8.06. Application of Moneys. Any moneys collected by the Council or the Trustee pursuant to Section 8.03 hereof shall be applied (a) first, to pay any outstanding fees of the Trustee and Council, and any attorney's fees, costs or expenses, or any other expenses owed by the Borrower pursuant to Section 5.03(b)(3) and (4) hereof; (b) second, to pay interest due on the Loan; (c) third, to pay principal due on the Loan; (d) fourth, to pay any other amounts due hereunder; and (e) fifth, to pay interest and principal on the Loan and other amounts payable hereunder but which are not due, as they become due (in the same order, as to amounts which come due simultaneously, as in (a) through (d) in this Section 8.06).

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ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Notices. All notices, certificates, or other communication hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the parties at the following addresses:

Council:	Florida Municipal Loan Council c/o Florida League of Cities 301 South Bronough Street, Suite 300 Tallahassee, Florida 32301
Bond Insurer:	National Public Finance Guarantee Corporation 1 Manhattanville Road, Suite 301 Purchase, New York 10577
Trustee:	The Bank of New York Mellon Trust Company, N.A. 10161 Centurion Parkway North Jacksonville, Florida 32256
Borrower:	City of St. Augustine Beach, Florida 2200 A1A South St. Augustine Beach, Florida 32080 Attention: City Manager

Any of the above parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 9.02. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Council and the Borrower and their respective successors and assigns.

SECTION 9.03. Severability. In the event any provision of the Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 9.04. Amendments, Changes and Modifications. This Loan Agreement may be amended by the Council and the Borrower as provided in the Indenture; provided, however, that no such amendment shall be effective unless it shall have been consented to in writing by the Bond Insurer.

SECTION 9.05. Execution in Counterparts. This Loan Agreement may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.06. Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State without regard to conflict of law principles.

SECTION 9.07. Benefit of Bondholders; Compliance with Indenture. This Loan Agreement is executed in part to induce the purchase by others of the Bonds. Accordingly, all covenants, agreements, and representations on the part of the Borrower and the Council, as set forth in this Loan Agreement, are hereby declared to be for the benefit of the holders from time to time of the Bonds and the Bond Insurer. The Borrower covenants and agrees to do all things within its power in order to comply with and to enable the Council to comply with all requirements and to fulfill and to enable the Council to fulfill all covenants of the Indenture. The Borrower also acknowledges that the Council has delegated certain of its duties under the Indenture to its Program Administrator, including the direction to make investments in accordance with Article VII thereof, including, but not limited to the investment of the Borrower's Project Loan Fund.

The rights granted to the Bond Insurer under the Indenture or any Bond document to request, consent, to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of the Bond Insurer. The Bond Insurer is recognized as a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

SECTION 9.08. Consents and Approvals. Whenever the written consent or approval of the Council shall be required under the provisions of this Loan Agreement, such consent or approval may be given by an Authorized Representative of the Council or such other additional persons provided by law or by rules, regulations or resolutions of the Council.

SECTION 9.09. Immunity of Officers, Employees, and Members of Council and Borrower. No recourse shall be had for the payment of the principal of, premium, if any, or interest hereunder or for any claim based thereon or upon any representation, obligation, covenant, or agreement in this Loan Agreement against any past, present, or future official officer, member, counsel, employee, director, or agent, as such, of the Council or the Borrower, either directly or through the Council or the Borrower, or respectively, any successor public or private corporation thereto under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such

officers, members, counsels, employees, directors, or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Loan Agreement.

SECTION 9.10. Captions. The captions or headings in this Loan Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions of sections of this Loan Agreement.

SECTION 9.11. No Pecuniary Liability of Council. No provision, covenant, or agreement contained in this Loan Agreement, or any obligation herein imposed upon the Council, or the breach thereof, shall constitute an indebtedness or liability of the State or any political subdivision or municipal corporation of the State or any public corporation or governmental agency existing under the laws thereof other than the Council. In making the agreements, provisions, and covenants set forth in this Loan Agreement, the Council has not obligated itself except with respect to the application of the revenues, income, and all other property as derived herefrom, as hereinabove provided.

SECTION 9.12. Payments Due on Holidays. With the exception of Basic Payments, if the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, shall be other than on a Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Loan Agreement.

SECTION 9.13. Calculations. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 9.14. Time of Payment. Any Loan Repayment or other payment hereunder which is received by the Trustee or Council after 2:00 p.m. (New York time) on any day shall be deemed received on the following Business Day.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Florida Municipal Loan Council has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers and the City of St. Augustine Beach, Florida, has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attached by its duly authorized officers. All of the above occurred as of the date first above written.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: _____
Name: Isaac Salver
Title: Chairman

ATTEST:

By: _____
Name: Michael Sittig
Title: Executive Director

LOAN AGREEMENT

CITY OF ST. AUGUSTINE BEACH,
FLORIDA

(SEAL)

By: _____
Name:
Title:

ATTESTED BY:

By: _____
Name:
Title:

Approved as to form and correctness
this ___ day of _____, 2016.

By: _____
Name:
Title:

EXHIBIT A

CITY OF ST. AUGUSTINE BEACH, FLORIDA
USE OF LOAN PROCEEDS

DESCRIPTION OF PROJECTS TO BE FINANCED

<u>PROJECT</u>	<u>TOTAL AMOUNT TO BE FINANCED</u>
Acquisition of land to be used for park and recreational purposes	\$_____

EXHIBIT B

CERTIFIED RESOLUTION OF THE BORROWER

See Document No. _____

EXHIBIT C

OPINION OF BORROWER'S COUNSEL

[Letterhead of Counsel to Borrower]

_____, 2016

Florida Municipal Loan Council
c/o Florida League of Cities, Inc.
301 Bronough Street, Suite 300
Tallahassee, Florida 32301

The Bank of New York Mellon Trust
Company, N.A.
10161 Centurion Parkway
Jacksonville, Florida 32256

Bryant Miller Olive P.A.
SunTrust International Center
1 SE 3rd Avenue, Suite 2200
Miami, Florida 33131

Wells Fargo Bank, National Association
2363 Gulf-to-Bay Boulevard
Mail Code: WS7517
Clearwater, Florida 33765

National Public Finance Guarantee Corporation
1 Manhattanville Road, Suite 301
Purchase, New York 10577

Ladies and Gentlemen:

We are counsel to the City of St. Augustine Beach, Florida (the "Borrower"), and have been requested by the Borrower to give this opinion in connection with the loan by the Florida Municipal Loan Council (the "Council") to the Borrower of funds to finance or refinance all or a portion of the Costs of the Project, as described in Exhibit A of the Loan Agreement, dated as of _____ 1, 2016, by and between the Council and the Borrower (the "Loan Agreement").

In this connection, we have reviewed such records, certificates, and other documents as we have considered necessary or appropriate for the purposes of this opinion, including applicable laws, the Charter of the Borrower, the Loan Agreement, the Trust Indenture dated as of _____ 1, 2016 (the "Indenture"), by and between the Council and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), Resolution No. _____ adopted by the Borrower on _____, 2016 (the "Resolution"), the Continuing Disclosure Agreement, dated as of _____, 2016 (the "Continuing Disclosure Agreement"), by and among the Borrower and the Florida League of Cities, Inc., the final Official Statement with respect to the Bonds dated _____, 2016 (the "Official Statement"), and the Bond Purchase Contract dated _____, 2016, between the Council, Wells Fargo Bank, National Association (the "Underwriter"), and the Borrowers (the "Bond Purchase Contract"). Based on such review, and

such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

(a) The Borrower is a municipality duly organized and validly existing under the Constitution and laws of the State of Florida. The Borrower has the legal right and all requisite power and authority to enter into the Loan Agreement, to levy and pledge the Limited Ad Valorem Revenues to the payment of the Loan, to adopt the Resolution, consummate the transactions contemplated in the Loan Agreement and the Resolution, and otherwise to carry on its activities and own its property.

(b) The Borrower has duly adopted the Resolution, and authorized, executed, and delivered the Loan Agreement, the Bond Purchase Contract, and the Continuing Disclosure Agreement, and such instruments are legal and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms, except to the extent that the enforceability hereof may be subject to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity and to the sovereign police powers of the State of Florida and the constitutional powers of the United States of America.

(c) The execution and delivery of the Resolution, the Continuing Disclosure Agreement, the Bond Purchase Contract, and the Loan Agreement; the consummation of the transactions contemplated thereby; the acquisition or construction of the Project; and the fulfillment of or compliance with the terms and conditions of the Resolution, the Loan Agreement, the Bond Purchase Contract, and the Continuing Disclosure Agreement does not and will not conflict with or result in a material breach of or default under any of the terms, conditions, or provisions of any agreement, contract or other instrument, or law, ordinance, regulation, or judicial or other governmental order, to which the Borrower is now a party or it or its properties is otherwise subject or bound, and the Borrower is not otherwise in violation of any of the foregoing in a manner material to the transactions contemplated by the Loan Agreement.

(d) There is no litigation or legal or governmental action, proceeding, inquiry, or investigation pending or, to the best of our knowledge, threatened by governmental authorities or to which the Borrower is a party or of which any property of the Borrower is subject, which has not been described in the Official Statement or otherwise disclosed in writing to the Council and the Bond Insurer and which, if determined adversely to the Borrower, would individually or in the aggregate materially and adversely affect the validity or the enforceability of the Resolution, the Loan Agreement, the Bond Purchase Contract, or the Continuing Disclosure Agreement.

(e) Based upon my review of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the contents of the Official Statement, the statements and information with respect to matters of law relating to the Borrower in the Official Statement under the captions "PURPOSE OF THE BONDS - General", "SECURITY AND SOURCES OF PAYMENT – Limited Obligations; Trust Estate"; "—Security of the Loan Agreement," and "LITIGATION" (in each case only with respect to those matters specific to the Borrower), and "CONTINUING DISCLOSURE" are true and correct in all material respects, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, either as of its date or the date hereof. No opinion is expressed herein with respect to (i) actions or obligations of the Council or any other party other than the Borrower, (ii) documents to which the Borrower is not a party, and (iii) financial, statistical, or tax matters or projections.

We are attorneys admitted to practice law only in the State of Florida and express no opinion as to the laws of any other state and further express no opinion as to (i) the status of interest on the Bonds under either Federal laws or the laws of the State of Florida, or (ii) economic or financial matters described in the Official Statement relating to the Borrower.

Very truly yours,

EXHIBIT D

DEBT SERVICE SCHEDULE

<u>Date</u>	<u>Principal Amounts</u>	<u>Interest Rate</u>	<u>Interest Amounts</u>	<u>Total Amounts</u>
-------------	--------------------------	----------------------	-------------------------	----------------------

[TO COME]

* Loan repayments are due March 20th and April 20th of each year.

EXHIBIT E TO LOAN AGREEMENT
FORM OF REQUISITION CERTIFICATE

TO: THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS TRUSTEE
FROM: CITY OF ST. AUGUSTINE BEACH, FLORIDA (THE "BORROWER")
SUBJECT: LOAN AGREEMENT DATED AS OF THE 1ST DAY OF _____, 2016

This represents Requisition Certificate No. ___ in the total amount of \$_____ for payment of those Costs of the Project detailed in the schedule attached.

The undersigned does certify that:

1. All of the expenditures for which monies are requested hereby represent proper Costs of the Project, have not been included in a previous Requisition Certificate and have been properly recorded on the Borrower's books as currently due and owing.

2. The monies requested hereby are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for funds actually advanced for Costs of the Project. The monies requested do not include retention or other monies not yet due or earned under construction contracts.

3. This requisition is in compliance with Section 5.03 of the Indenture.

4. After payment of monies hereby requested, to the knowledge of the undersigned, there will remain available to the Borrower sufficient funds to complete the Project substantially in accordance with the plans therefor.

5. The Borrower is not in default under the Loan Agreement and nothing has occurred that would prevent the performance of its obligations under the Loan Agreement.

Executed this ____ day of _____, 20__.

CITY OF ST. AUGUSTINE BEACH, FLORIDA

By: _____
Name: _____
Title: _____

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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Upon delivery of the Bonds in definite form, Bryant Miller Olive P.A., Bond Counsel, proposes to render its opinion with respect to the Bonds in substantially the following form:

_____, 2016

Florida Municipal Loan Council
Tallahassee, Florida

\$24,520,000
Florida Municipal Loan Council
Refunding and Improvement Revenue Bonds, Series 2016

Ladies and Gentlemen:

We have acted as bond counsel to the Florida Municipal Loan Council (the "Council") in connection with the issuance by the Issuer of its \$24,520,000 Refunding and Improvement Revenue Bonds, Series 2016 (the "Bonds"), pursuant to and under the authority of the Constitution of the State of Florida, Chapter 163, Part I, Florida Statutes, Chapter 166, Part II, Florida Statutes and, each as amended, and other applicable provisions of law, a Trust Indenture dated as of September 1, 2016 (the "Indenture"), by and between the Council and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and Resolution No. 2016-01, adopted by the Council on August 19, 2016 (the "Resolution"). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion. Any capitalized undefined terms used herein shall have the meanings set forth in the Indenture.

The proceeds of the Bonds will be loaned to the City of Belle Isle, Florida, City of North Miami, Florida, City of Port Richey, Florida, City of St. Augustine Beach, Florida, City of Valparaiso, Florida, Town of Bay Harbor Islands, Florida, Town of Eatonville, Florida, Town of Lake Park, Florida, and Town of Oakland, Florida (collectively, the "Borrowers") for the purpose of financing, refinancing, or reimbursing the cost of qualified projects of such Borrowers, and to pay certain costs of issuing the Bonds pursuant to separate Loan Agreements, each dated as of September 1, 2016, by and between the Council and each such Borrower.

As to questions of fact material to our opinion, we have relied upon representations of the Council contained in the Indenture and representations of the Borrowers contained in the Loan Agreements and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Kraig A. Conn, Esquire, Counsel to the Council, as to the due creation and valid existence of the Council, the due adoption of the Resolution, the due execution and delivery of the Bonds and the compliance by the Council with all conditions contained in the resolutions of the Council precedent to the issuance of the Bonds. We have assumed the proper authorization, execution, and delivery of the Loan Agreements by each Borrower and the validity of such Loan Agreements, and in rendering this opinion are not passing upon such matters.

The Bonds are payable from Revenues, which consist primarily of the payments of principal and interest and other payments payable by the Borrowers pursuant to the provisions of each respective Loan Agreement, and are secured by a pledge and assignment of said Revenues and of amounts held in certain Funds and Accounts established pursuant to the Indenture (including proceeds of the sale of the Bonds until applied as set forth therein), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are further secured by an assignment of the right, title, and interest of the Council in the Loan Agreements to the Trustee, to the extent and as more particularly described in the Indenture.

The Bonds do not constitute a general obligation or indebtedness of the Council or the Borrowers within the meaning of any constitutional, statutory, or other limitation of indebtedness and the holders thereof shall never have the right to compel the exercise of any ad valorem taxing power of the Council or the Borrowers (except the City of St. Augustine Beach, Florida, with respect to the Loan payable from the Limited Ad Valorem Revenues) or taxation in any form of any real or personal property for the payment of the principal of or interest on the Bonds.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based on our examination, we are of the opinion, that, under existing law:

1. The Resolution constitutes a valid and binding obligation of the Council enforceable against the Council in accordance with its terms.
2. The Indenture has been duly executed by the Council and, assuming due authorization, execution, and delivery by the Trustee, constitutes a valid and binding obligation of the Council enforceable upon the Council in accordance with its terms.

3. The Bonds are valid and binding limited obligations of the Council enforceable in accordance with their terms, and payable solely from the sources and in the manner and to the extent provided for in the Indenture.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The opinions set forth in this paragraph 4. are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Council has covenanted in the Indenture and the Borrowers have covenanted in the Loan Agreements to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

For purposes of this opinion, we have not been engaged or undertaken to review and, therefore, express no opinion herein regarding the accuracy, completeness or adequacy of the Official Statement or any other offering material relating to the Bonds. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Bonds. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP numbers appearing on the Bonds. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the Council or the underwriter with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds or regarding the perfection or priority of the lien on the Revenues pledged and created by the Indenture. Further, we express no opinion regarding federal income tax consequences arising with respect to the Bonds other than as expressly set forth herein.

Florida Municipal Loan Council

_____, 2016

Page 4

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Respectfully submitted,

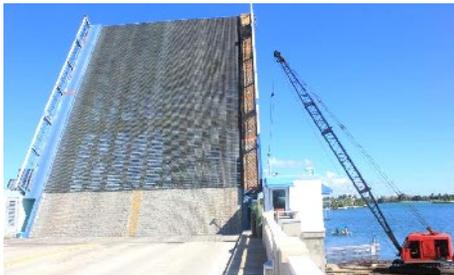
BRYANT MILLER OLIVE P.A.

APPENDIX F

FINANCIAL INFORMATION REGARDING TOWN OF BAY HARBOR ISLANDS

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THE TOWN OF BAY HARBOR ISLANDS, FLORIDA



**FOR
THE
YEAR
ENDED
SEPTEMBER 30,
2015**

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

TOWN OF BAY HARBOR ISLANDS, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Prepared by the Finance Department

TOWN OF BAY HARBOR ISLANDS, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

TOWN OF BAY HARBOR ISLANDS, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

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Town Council
Jordan W. Leonard
Mayor

Sophronia Straker
Vice Mayor

Robert D. Fale
Council Member

Doris Mariano
Council Member

Kathy Field
Council Member

James Salter
Council Member

Robert Hall
Council Member

Town Officials

Brenda J. Walker
Town Manager

Marlene M. Segal
Town Clerk

Greg R. Silberman
Town Attorney

March 21, 2016

To the Honorable Mayor Jordan W. Leonard, members of the Town Council, and citizens of the Town of Bay Harbor Islands:

State law requires that all general purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards and government auditing standards by licensed certified public accountants. In addition, Section 31 of the Town Charter requires that qualified public accountants shall make an independent audit of accounts for submission to the Town Council. In fulfillment of these requirements, the Town's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015 is presented for your consideration and review.

Responsibility for the accuracy and fairness of the presentation, including all disclosures, rests with the Town. We believe the information as presented is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town, and that all disclosures necessary to enable the reader to gain general understanding of the Town's financial activity have been included. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Bay Harbor Islands' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

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MAJOR JOSEPH L. GARDNER GOVERNMENT CENTER

1000 Bay Harbor Islands • Bay Harbor Islands, FL 33174 • Tel: (305) 867-2441 • Fax: (305) 867-6700 • www.townofbayharbor.com

INTRODUCTORY SECTION

Marcum LLP, a licensed certified public accounting firm, has audited the Town's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Bay Harbor Islands for the fiscal year ended September 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering unmodified opinions that the Town's financial statements for the fiscal year ended September 30, 2015 are fairly presented in accordance with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) is a narrative introduction, overview, and analysis provided by management accompanying the basic financial statements. This letter of transmittal is complementary to the MD&A and should be read in conjunction with it. The Town of Bay Harbor Islands' MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Bay Harbor Islands has 6,007 residents according to the latest available data from the U.S. Census Bureau. Located in northeastern Miami-Dade County, it is comprised of two islands in the Intracoastal Waterway. The Broad Causeway provides access from the Town to the mainland and to the beaches of the barrier island.

The Town was incorporated in 1947 and operates under a council-manager form of government. The seven-member Town Council establishes policy, enacts legislation, and adopts budgets. The Town provides a full range of services: public safety (police, building and zoning), transportation and the construction and maintenance of roads, infrastructure, and recreation facilities, operation and maintenance of a causeway, water and sewer utilities, sanitation (refuse collection), operation and maintenance of parking facilities, and general government and administrative services. Fire protection, education, and welfare services are provided by units of other local governments whose activities are not included in the accompanying financial statements.

The annual budget serves as the foundation for the Town's financial planning and control. The Town Manager presents a proposed budget to the Town Council, after having reviewed and revised budget requests from all departments. The Council holds two public hearings to receive public comment prior to adopting the final budget and tax millage. The budget must be adopted prior to September 30th. The department is the legal level of budgetary control. The Town Council must approve all supplemental appropriations and any transfers of appropriations between departments. Budget-to-actual comparisons are provided for the General Fund in the Required Supplementary Information section following the notes to the financial statements.

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Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the Town of Bay Harbor Islands operates.

Local Economy

The Town has a convenient location within easy driving distance of the cities of Miami, Miami Beach, and Fort Lauderdale, with all their commercial and employment opportunities and cultural, recreational and other amenities. The Miami and Fort Lauderdale airports, Port Everglades, and the Port of Miami are all easily accessible.

Property values have increased for four years in a row following three consecutive years of decline, though total taxable value has not yet regained its 2007 high. Extensive redevelopment of older properties continues to occur which will substantially increase the Town's tax base as redeveloped properties come onto the market. Continuing improvement in property values and in the economy is expected to have a positive impact on the Town's ability to generate revenues.

Long-term Financial Planning

Since the Town of Bay Harbor Islands is almost completely built out, its primary focus related to economic growth continues to be the redevelopment of commercial and residential properties. Many redevelopment projects are currently underway or in varying stages of the approval process including commercial, single-family and multi-family residential construction. Continued sales of transferable development rights show that higher-density and thus higher value projects are being planned and undertaken.

The comprehensive rehabilitation of the causeway corridor and bridges is well underway and will be completed within the next year. The conversion to open road tolling (from manned toll booths) has been very successful. Expenses have declined and revenues from electronic tolling and toll-by-plate billing are expected to improve when the causeway rehabilitation project is completed and the free flow of traffic is restored.

Major Initiatives

The causeway rehabilitation project is nearing completion. The conversion to Sunpass will enhance traffic flow, improve revenues, and generate substantial cost savings which can be used for debt service on the causeway borrowing and other causeway corridor projects.

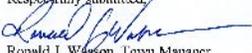
iii

Planning for the Town's Community Center has been completed and construction has begun. The Community Center will be a major addition to the Town's recreational facilities, possibly including a branch Miami-Dade County library along with meeting and recreational space.

Awards and Acknowledgements

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its comprehensive annual financial report for the fiscal year ended September 30, 2014. This was the nineteenth consecutive year the Town received the award. In order to earn the award, the Town published an easily readable and efficiently organized report that conformed to program standards, generally accepted accounting principles, and applicable legal requirements. The Certificate of Achievement is the highest form of recognition for excellence in financial reporting by state and local governments and is valid for a period of one year only. We believe the current report continues to meet the standards of the Certificate of Achievement program and we are submitting it for review by the GFOA.

As always, we would like to thank the Mayor and members of the Town Council for their support and endorsement of sound accounting, financial management, and financial reporting practices and to express our appreciation to our independent certified public accountants, Marcum LLP, for their cooperation, assistance, and professionalism. We would also like to express our appreciation to everyone on the Finance Department team for their dedication and hard work.

Respectfully submitted,

 Ronald J. Wasson, Town Manager

 Alan K. Short, CGFO, Finance Director

TOWN OF BAY HARBOR ISLANDS, FLORIDA

TOWN OFFICIALS

AS OF SEPTEMBER 30, 2015

COUNCIL-MANAGER FORM OF GOVERNMENT

TOWN COUNCIL

Jordan W. Leonard, Mayor

Stephanie Bruder, Vice Mayor

Joshua D. Fuller
 Doris Marano
 Kelly Reid
 Isaac Salver
 Robert H. Yaffe

TOWN MANAGER

Ronald J. Wasson

TOWN CLERK

Marlene M. Siegel

TOWN ATTORNEY

Sherman & Sherman, PA
 Craig B. Sherman, Esquire

TOWN FINANCE DIRECTOR

Alan K. Short, CGFO

INDEPENDENT AUDITORS

Marcum LLP



Government Finance Officers Association

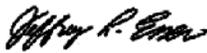
**Certificate of
 Achievement
 for Excellence
 in Financial
 Reporting**

Presented to

**Town of Bay Harbor Islands
 Florida**

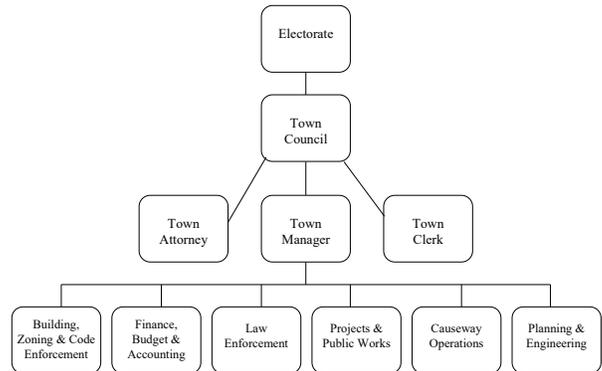
For its Comprehensive Annual
 Financial Report
 for the Fiscal Year Ended

September 30, 2014


 Executive Director/CEO

TOWN OF BAY HARBOR ISLANDS, FLORIDA

ORGANIZATIONAL CHART



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Town Council and Town Manager
Town of Bay Harbor Islands, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Bay Harbor Islands, Florida, (the Town), as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town'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.

Auditors' 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 from 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 auditors' 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 Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of a Matter

As described in Note 1 and Note 12 to the financial statements, the Town changed its method for accounting and financial reporting for pensions as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent To the Measurement Date - an Amendment of GASB Statement No. 68*, both effective October 1, 2014, which resulted in the Town restating net position for recognition of the Town's pension related activity incurred prior to October 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, the budgetary comparison schedule on pages 59 and 60, and the required supplementary information for the pensions and OPEB on pages 61 to 63, 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Town's internal control over financial reporting and compliance.

Marduck LLP

Miami, FL
March 21, 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS
MD&A**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Bay Harbor Islands (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$49,193,317 (net position). Of this amount, \$18,321,131 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$5,664,260 before a negative prior period adjustment of \$514,131 related to the implementation of GASB Statements No. 68 and 71.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,204,420, an increase of \$2,612,192 in comparison with the prior year. Approximately 95%, or \$7,813,864, is available in the Town's general fund for spending at the government's discretion (unassigned fund balance). The \$354,577 assigned fund balance of the general capital projects fund is intended to provide resources for planned infrastructure capital projects and is not available for general discretionary spending.
- The Town's total debt decreased by \$1,399,025 (5.4%) during the current fiscal year due to scheduled repayment of existing debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Bay Harbor Islands' basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town'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 items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town of Bay Harbor Islands that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety (law enforcement, building inspections and code enforcement), transportation (street maintenance and bus service), support for the local library, and parks and recreation. The business-type activities of the Town include operation of a causeway and toll facility, as well as sewer, water, parking, solid waste disposal, and stormwater management systems.

The government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Bay Harbor Islands, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Bay Harbor Islands can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The Town of Bay Harbor Islands maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund (both major funds).

The Town of Bay Harbor Islands adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget (page 59).

The governmental fund financial statements can be found on pages 18-19 of this report.

Proprietary Funds. The Town of Bay Harbor Islands maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its causeway and toll facility, as well as its sewer, water, parking, solid waste, and stormwater management operations.

The proprietary fund financial statements can be found on pages 21-24 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Pension Trust Fund is the Town's only fiduciary fund.

The basic fiduciary fund financial statements can be found on pages 25-26 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-58 of this report.

Other Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information including the budgetary comparison for the general fund, information concerning the Town's contributions to provide pension benefits to its employees, and the funding status of the pension and OPEB plans.

Required supplementary information can be found on pages 59-63 of this report.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Bay Harbor Islands, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$49,193,317 at the close of the most recent fiscal year.

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 8,730,603	\$ 6,291,290	\$ 16,102,780	\$ 19,915,368	\$ 24,833,383	\$ 26,206,658
Capital assets	20,500,259	20,306,334	32,412,366	26,921,207	52,912,625	47,227,541
Total assets	29,230,862	26,597,624	48,515,146	46,836,575	77,746,008	73,434,199
Total deferred outflows	505,608	--	169,015	--	674,623	--
Long-term liabilities	7,859,593	8,122,664	17,254,155	18,366,934	25,113,748	26,489,598
Other liabilities	606,728	363,022	2,863,099	1,650,084	3,469,827	2,013,106
Total liabilities	8,466,321	8,485,686	20,117,254	20,017,018	28,583,575	28,502,704
Total deferred inflows	233,478	34,873	410,261	853,434	643,739	888,307
Net position:						
Net investment in capital assets	12,948,529	12,455,881	17,833,029	18,598,260	30,781,558	31,054,141
Restricted	7,486	511,416	83,142	80,192	90,628	591,608
Unrestricted	8,080,656	5,109,768	10,240,475	7,287,671	18,321,131	12,397,439
Total net position	\$ 21,036,671	\$ 18,077,065	\$ 28,156,646	\$ 25,966,123	\$ 49,193,317	\$ 44,043,188

62.6% of the Town's reported net position is composed of its net investment in capital assets (e.g. land, building, and equipment) less any related debt and any deferred inflows/outflows used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Only 0.2% of the Town's net position is subject to external restrictions on use.

37% of the Town's net position (\$18,321,131) may be used to meet the Town's ongoing obligations to citizens and creditors.

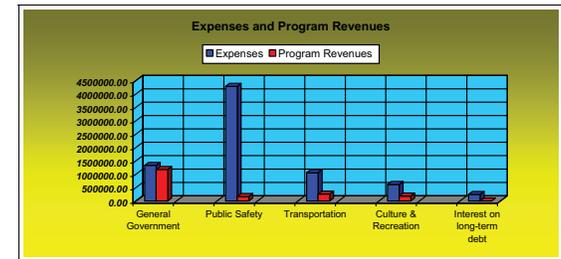
At the end of the current fiscal year, the Town of Bay Harbor Islands is able to report positive balances in all reported categories of net position, for the Town as a whole, as well as for its separate governmental and business-type activities.

Summary of Changes in Net Position

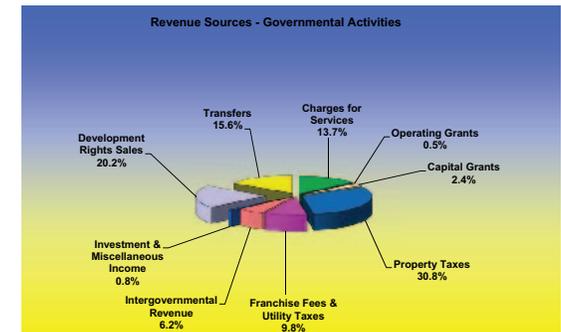
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,490,659	\$ 751,045	\$ 10,498,629	\$ 10,217,249	\$ 11,989,288	\$ 10,968,294
Operating grants and contributions	45,552	44,615	--	--	45,552	44,615
Capital grants and contributions	258,583	553,794	485,012	--	743,595	553,794
General revenues:						
Property taxes	3,332,606	3,054,392	--	--	3,332,606	3,054,392
Franchise fees utility taxes	1,085,275	1,105,166	--	--	1,085,275	1,105,166
Asset sales (development rights)	2,186,000	637,500	--	--	2,186,000	637,500
Intergovernmental revenue	670,021	630,453	--	--	670,021	630,453
Investment earnings	39,064	12,555	45,508	13,737	84,572	26,292
Miscellaneous	50,830	82,892	254,094	466,329	304,924	549,221
Total revenues	9,138,590	6,872,412	11,283,243	10,697,315	20,421,833	17,569,727
Expenses:						
General government	1,333,314	969,146	--	--	1,333,314	969,146
Public safety	4,285,979	4,247,292	--	--	4,285,979	4,247,292
Transportation	1,058,239	1,031,567	--	--	1,058,239	1,031,567
Culture and recreation	620,285	303,531	--	--	620,285	303,531
Interest on long-term debt	248,602	255,835	--	--	248,602	255,835
Causeway	--	--	3,423,522	5,041,852	3,423,522	5,041,852
Sewer	--	--	1,251,842	1,220,829	1,251,842	1,220,829
Water	--	--	1,062,721	963,031	1,062,721	963,031
Parking	--	--	554,897	578,007	554,897	578,007
Solid Waste	--	--	764,182	754,366	764,182	754,366
Stormwater	--	--	153,990	118,290	153,990	118,290
Total expenses	7,546,419	6,807,371	7,211,154	8,676,375	14,757,573	15,483,746
Increase in net assets before transfers	1,592,171	65,041	4,072,089	2,020,940	5,664,260	2,085,981
Transfers	1,692,655	1,672,950	(1,692,655)	(1,672,950)	--	--
Change in net position	3,284,826	1,737,991	2,379,434	347,990	5,664,260	2,085,981
Net position, beginning, previously reported	18,077,065	16,339,074	25,966,123	25,618,133	44,043,188	41,957,207
Prior period adjustment	(325,220)	--	(188,911)	--	(514,131)	--
Net position, beginning	17,751,845	16,339,074	25,777,212	25,618,133	43,529,057	41,957,207
Net position, ending	\$ 21,036,671	\$ 18,077,065	\$ 28,156,646	\$ 25,966,123	\$ 49,193,317	\$ 44,043,188

Governmental Activities

The Town's governmental activities net position increased by \$2,959,606 (16.4%), to \$21,036,671 at the end of the year. The increase was net of a negative prior period adjustment in the amount of \$325,220 due to the implementation of GASB Statements No. 68 and 71 related to accounting for pension liabilities. Increased receipts from building permits and fees, development rights sales, and recreation program charges account for most of the revenue increase from the previous year. Expanded recreation program activity accounts for almost half of the increase in expenses.



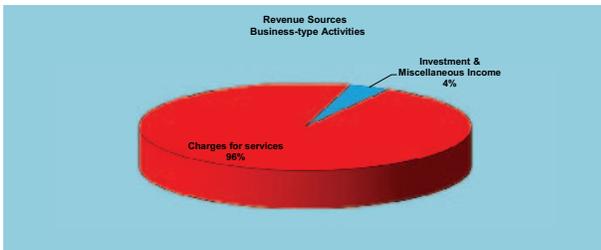
- Program revenues, comprised of charges for services, operating grants and contributions, and capital grants and contributions, were 16.6% of total governmental activities revenues (including transfers). Property taxes, 30.8% of total revenues for governmental activities, are non-program specific and are used to fund all activities not covered by program revenues.



Business-type Activities

Business-type activities increased the Town of Bay Harbor Islands' net position by \$2,190,523. That increase was net of a negative prior period adjustment in the amount of \$188,911 due to the implementation of GASB Statements No. 68 and 71. The causeway, sewer, water, parking and stormwater funds generated substantial operating income. The solid waste fund continued to operate at a loss due to increased disposal costs with customer charges unchanged since the year 2000. Including non-operating revenues and expenses, all enterprise funds except the solid waste fund generated income before transfers. Net transfers from the Town's business-type activities to its governmental activities increased by about 1.2% to \$1,692,655, including planned transfers to fund debt service on the bonds issued to fund the Community Enhancements Project.

- Causeway fund revenues decreased 3.3%, while expenses declined by over 34%, due to bridge rehabilitation construction and the elimination of manned toll booths.
- Sewer fund and water fund revenues increased due to rate increases; both water and sewer fund expenses increased slightly.
- Parking fund revenues decreased due to lower parking trust receipts.
- Solid waste disposal costs continued to increase while revenues declined because of temporary losses of apartment and condominium units due to redevelopment. Stormwater fund revenues were little changed from previous years; costs increased due to additional maintenance and repair of outfalls.



Financial Analysis of the Government's Funds

As noted earlier, the Town of Bay Harbor Islands uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Bay Harbor Islands' governmental funds reported combined ending fund balances of \$8,204,420, an increase of \$2,612,192 in comparison with the prior year. Revenues increased substantially, mostly due to higher property tax receipts, license and permit fees, and most significantly, increased sales of transferable development rights. Total transfers from the Town's proprietary funds increased by 1.2% to just less than \$1.7 million. General fund expenses increased, with the bulk of the increase due to renovation of town hall bathrooms and elevators, increased expenditures for recreation programming, and costs associated with the new community center. Of total fund balance, 95%, or \$7,813,864, is general fund *unassigned fund balance*, which is available for spending at the Town's discretion. The remainder of fund balance is either *non-spendable* to indicate that it is not available for new spending because it is associated with inventory or prepaid items (\$28,493), *restricted* for specific uses by law or contract (\$7,486), or is *assigned* such as the fund balance of the general capital projects fund intended to fund capital projects (\$354,577).

General Fund

The general fund is the main operating fund of the Town of Bay Harbor Islands. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,813,864 while total fund balance was \$7,849,843. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 96.9% of total general fund expenditures, while total fund balance represents 97.4% of that same amount.

Fund balance of the Town of Bay Harbor Islands' general fund increased by \$2,769,005 during the current fiscal year. Property taxes, sales of transferable development rights, recreation program fees, and license and permit fees all increased. Expenditures also increased (town hall renovations, community center planning, and recreation programming), but to a lesser degree.

The amount of General Fund revenues by type, their percent of the total and the amount of change compared to last fiscal year are shown in the following schedule:

	2015 Amount	Percent of Total	2014 Amount	Percent of Total	Increase (Decrease) from 2014	Percent of Increase (Decrease)
Revenues:						
Property taxes	\$3,332,606	36.5%	\$3,054,392	44.4%	\$278,214	9.1%
Utility taxes	452,355	5.0%	461,351	6.7%	(8,996)	-1.9%
Communications taxes	249,333	2.7%	270,719	3.9%	(21,386)	-7.9%
Franchise fees	363,587	4.0%	373,096	5.5%	(9,509)	-2.5%
Licenses and permits	1,180,257	12.9%	826,335	12.0%	353,922	42.8%
Intergovernmental	970,463	10.6%	913,702	13.3%	56,761	6.2%
Transferable development rights sales	2,186,000	23.9%	637,500	9.3%	1,548,500	242.9%
Charges for services	188,524	2.1%	119,252	1.7%	69,272	58.1%
Fines and forfeitures	119,988	1.3%	118,454	1.7%	1,534	1.3%
Investment earnings	39,064	0.4%	12,555	0.3%	26,509	211.1%
Grants	3,693	0.0%	2,163	0.0%	1,530	70.7%
Miscellaneous	50,830	0.6%	82,891	1.2%	(32,061)	-38.7%
Total revenues	\$9,136,700	100.0%	\$6,872,410	100.0%	\$2,264,290	32.9%

- Property taxes increased due to higher property values.
- Licenses and permits gained due to increased construction and remodeling activity.
- Development rights sales represent a sale of limited assets rather than a permanent income stream.

Expenditures in the General Fund are shown in the following schedule:

	2015 Amount	Percent of Total	2014 Amount	Percent of Total	Increase (Decrease) from 2014	Percent of Increase (Decrease)
Expenditures						
General government	\$1,146,798	14.2%	\$992,855	13.9%	\$153,943	15.5%
Public safety	4,401,701	54.6%	4,219,057	58.8%	182,644	4.3%
Transportation	707,624	8.8%	677,439	9.5%	30,185	4.5%
Culture and recreation	520,597	6.5%	229,475	3.2%	291,122	126.9%
Capital outlay	743,909	9.2%	508,423	7.1%	235,486	46.3%
Debt service	541,611	6.7%	537,950	7.5%	3,661	0.7%
Total expenditures	\$8,062,240	100.0%	\$7,165,199	100.0%	\$897,041	12.5%

While there were general cost increases due to contractual and budgeted salary increases, most of the increased expenditures were due to renovations of town hall public restrooms and elevators, spending for the new community center, and increased costs for expanded recreation programming.

Capital Projects Fund

- Fund balance in the capital projects fund decreased by \$156,813 due to expenditures for the community infrastructure rehabilitation and enhancement project. That project is substantially complete except for lighting and utility pole enhancements.

Proprietary Funds

Statements for the Town's proprietary funds provide the same type of information found in the business-type activities sections of the government-wide financial statements but in more detail. As noted above in the discussion of business-type activities, all of the Town's enterprise funds except the solid waste fund generated income before transfers. Costs for solid waste disposal increased with no corresponding increase in user charges resulting in the operating loss.

For the proprietary funds as a whole, net position increased by \$2,379,434 during the fiscal year, which was partially offset by a prior period adjustment related to the implementation of GASB Statements No. 68 and 71 relating to accounting for pension costs and liabilities in the amount of (\$188,911), for a net increase of \$2,190,523.

General Fund Budgetary Highlights

During the past year, the budget was modified several times, increasing the total budget amount by \$740,787. The major elements of this increase are as follows:

- \$282,160 for the Officer Scott A. Winters Park.
- \$210,297 for the Community Center.
- \$81,741 for the license plate reader system.
- \$150,000 for the renovation and rehabilitation of the Town Hall elevators.

For total revenues, there was a favorable budget variance of \$2,634,073, almost completely due to unbudgeted sales of transferable development rights owned by the Town.

Total expenditures were \$1,897,229 less than budgeted due to unspent appropriations for capital improvements and equipment mostly related to the community center.

Capital Assets and Debt Administration

Capital Assets

The Town of Bay Harbor Islands' investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$52,912,625 (net of accumulated depreciation). This investment in capital assets includes intangible and tangible assets including land, buildings and improvements, furniture and equipment, causeway, toll collection, water, and sewer systems, as well as construction in progress. Capital assets do not include governmental infrastructure assets prior to 2004, as GASB 34 did not require Phase III governments to report infrastructure retroactively. The Town's investment in capital assets for the current fiscal year increased by \$5,685,084.

Additions to capital assets for governmental activities before depreciation and net of transfers from construction in progress were \$799,235, while disposals amounted to \$56,991, for net additions of \$742,244.

Business-type activities' capital asset additions before depreciation and net of transfers from construction in progress totaled \$6,871,922, while disposals amounted to \$14,672, for net additions of \$6,857,250.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Capital assets:						
Land	\$ 3,806,254	\$ 3,806,254	\$ 671,273	\$ 671,273	\$ 4,477,527	\$ 4,477,527
Construction in progress	379,995	423,565	7,076,823	2,305,372	7,456,818	2,728,937
Buildings	410,916	442,571	--	--	410,916	442,571
Improvements other than buildings	15,600,768	15,278,383	9,327,808	8,390,429	24,928,576	23,668,812
Furniture and equipment	302,326	355,561	400,451	447,447	702,777	803,008
Toll collection system	--	--	1,742,332	1,932,424	1,742,332	1,932,424
Sewer system	--	--	3,042,392	3,068,905	3,042,392	3,068,905
Water system	--	--	1,221,493	972,737	1,221,493	972,737
Parking garage	--	--	8,929,794	9,132,620	8,929,794	9,132,620
Total	<u>\$20,500,259</u>	<u>\$20,306,334</u>	<u>\$32,412,366</u>	<u>\$26,921,207</u>	<u>\$52,912,625</u>	<u>\$47,227,541</u>

Additional information on the Town's capital assets can be found in note 7 on pages 42-43 of this report.

BASIC FINANCIAL STATEMENTS

Long-Term Debt

At the end of the current fiscal year, the Town of Bay Harbor Islands had long-term debt outstanding of \$24,565,555.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue Bonds, Series 2003B	\$ 3,201,730	\$ 3,209,453	\$ --	\$ --	\$ 3,201,730	\$ 3,209,453
Refunding Note, Series 2012	4,350,000	4,641,000	--	--	4,350,000	4,641,000
Causeway Promissory Note, 2012	--	--	12,286,000	13,076,000	12,286,000	13,076,000
Parking Refunding Note, 2012	--	--	4,318,000	4,567,000	4,318,000	4,567,000
State Revolving Loan	--	--	409,825	471,128	409,825	471,128
Total	<u>\$ 7,551,730</u>	<u>\$ 7,850,453</u>	<u>\$ 17,013,825</u>	<u>\$ 18,114,128</u>	<u>\$ 24,565,555</u>	<u>\$ 25,964,581</u>

The Town of Bay Harbor Islands' total debt decreased \$1,399,026 as a result of scheduled repayments. Additional information on the Town's long-term debt can be found in note 8 on pages 44-48 of this report.

Economic Factors and Next Year's Budgets and Rates

The following are major considerations included in the preparation of the Town of Bay Harbor Islands' budget for the 2016 fiscal year.

- The Town's millage was reduced from 4.9 to 4.55. Since taxable values increased, a modest increase in tax revenues is anticipated.
- Water rates were held constant and it is expected wholesale water rates paid by the Town will remain flat throughout the year.
- Sewage rates were increased in anticipation of higher wholesale sewage rates being charged to the Town.
- Solid waste rates were raised for the first time in many years. Rates were raised 3% in the first of three planned annual increases in the aggregate amount of 10%.

Requests for Information

This financial report is designed to provide a general overview of the Town of Bay Harbor Islands' finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Bay Harbor Islands, 9665 Bay Harbor Terrace, Bay Harbor Islands, Florida 33154.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,145,682	\$ 7,586,377	\$ 12,732,059
Investments	2,825,592	3,288,219	6,113,811
Receivables, net	162,044	961,485	1,123,529
Internal balances	248,185	(248,185)	--
Due from other governments	223,336	814,299	1,037,635
Inventory	20,945	36,895	57,840
Prepaid items	7,548	165,015	172,563
Restricted assets:			
Cash and cash equivalents	97,271	3,415,533	3,512,804
Loan reserves	--	83,142	83,142
Capital assets not being depreciated	4,186,249	7,748,096	11,934,345
Capital assets being depreciated, net	<u>16,314,010</u>	<u>24,664,270</u>	<u>40,978,280</u>
Total assets	<u>29,230,862</u>	<u>48,515,146</u>	<u>77,746,008</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	505,608	169,015	674,623
LIABILITIES			
Accounts payable and accrued liabilities	427,336	2,023,754	2,451,090
Due to other governments	--	256,152	256,152
Due to pension fund	41,859	--	41,859
Unearned revenue	40,748	209,510	250,258
Customer deposits	96,785	373,683	470,468
Noncurrent liabilities:			
Due within one year	317,502	80,874	398,376
Due in more than one year	7,459,246	17,109,672	24,568,918
Net pension liability	26,573	8,881	35,454
Net OPEB obligation	56,272	54,728	111,000
Total liabilities	<u>8,466,321</u>	<u>20,117,254</u>	<u>28,583,575</u>
DEFERRED INFLOWS OF RESOURCES			
Parking trust receipts	--	332,227	332,227
Pension	233,478	78,034	311,512
Total deferred inflows of resources	<u>233,478</u>	<u>410,261</u>	<u>643,739</u>
NET POSITION			
Net investment in capital assets	12,948,529	17,833,029	30,781,558
Restricted for:			
Law enforcement	7,486	--	7,486
Loan reserve	--	83,142	83,142
Unrestricted	<u>8,080,656</u>	<u>10,240,475</u>	<u>18,321,131</u>
Total net position	<u>\$ 21,036,671</u>	<u>\$ 28,156,646</u>	<u>\$ 49,193,317</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

TOWN OF BAY HARBOR ISLANDS, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	EXPENSES	Charges for SERVICES	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
					Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 1,333,314	\$ 1,180,307	\$ --	\$ --	\$ (153,007)	\$ (153,007)
Public safety	4,285,979	123,346	4,552	--	(4,117,081)	(4,117,081)
Transportation	1,058,239	1,890	258,583	--	(797,766)	(797,766)
Culture and recreation	620,285	185,116	--	--	(435,169)	(435,169)
Interest on long-term debt	5,469,602	--	--	--	(5,469,602)	(5,469,602)
Total governmental activities	7,467,417	1,490,659	45,532	258,583	(5,723,025)	(5,723,025)
Business-type activities:						
Cableway	3,425,522	5,640,616	--	485,012	--	2,702,106
Sewer	1,251,842	1,981,206	--	--	--	729,364
Water	1,062,721	1,226,305	--	--	--	163,584
Parking	554,897	733,488	--	--	--	178,591
Solid waste	164,182	711,977	--	--	--	(547,795)
Street maintenance	2,211,154	10,408,629	--	485,012	--	3,772,487
Total business-type activities	14,752,517	11,989,281	45,532	743,595	(5,751,025)	(1,979,138)
Total	\$ 22,219,934	\$ 12,479,940	\$ 90,064	\$ 1,002,178	\$ (10,588,983)	\$ (11,686,813)
General revenues:						
Property taxes based on gross receipts	3,332,606	--	--	--	3,332,606	3,332,606
Utility taxes	452,355	--	--	--	452,355	452,355
Communications services tax	249,333	--	--	--	249,333	249,333
Transfer development right fees	2,186,000	--	--	--	2,186,000	2,186,000
Unrestricted intergovernmental revenue	670,021	--	--	--	670,021	670,021
Unrestricted investment earnings	39,064	--	--	--	39,064	39,064
Transfers	1,692,655	--	--	--	1,692,655	1,692,655
Total general revenues and transfers	9,036,451	--	--	--	9,036,451	9,036,451
Change in net position	3,284,826	2,379,434	--	--	5,664,260	5,664,260
Net position, beginning as previously reported	18,977,065	25,866,173	--	--	44,843,238	44,843,238
Net position, beginning as restated	(188,841)	(88,841)	--	--	(377,682)	(377,682)
Net position, beginning, as restated	17,788,224	25,777,332	--	--	43,565,556	43,565,556
Net position, ending	\$ 18,973,050	\$ 28,156,766	--	--	\$ 47,129,816	\$ 47,129,816

Expenses/Programs: Governmental activities: General government, Public safety, Transportation, Culture and recreation, Interest on long-term debt, Total governmental activities. Business-type activities: Cableway, Sewer, Water, Parking, Solid waste, Street maintenance, Total business-type activities, Total.

Net (Expense) Revenue and Changes in Net Position: Governmental Activities, Business-type Activities, Total.

See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	General	Capital Projects	Total Governmental Funds
Revenues:			
Property taxes	\$ 3,332,606	\$ --	\$ 3,332,606
Utility taxes	452,355	--	452,355
Communications services tax	249,333	--	249,333
Franchise fees	363,587	--	363,587
Licenses and permits	1,180,257	--	1,180,257
Intergovernmental	970,463	--	970,463
Transfer development right fees	2,186,000	--	2,186,000
Charges for services	188,524	--	188,524
Fines and forfeitures	119,988	--	119,988
Investment earnings	39,064	--	39,064
Grants	3,693	--	3,693
Miscellaneous	50,830	--	50,830
Total revenues	9,136,700	--	9,136,700
Expenditures:			
Current:			
General government	1,146,798	--	1,146,798
Public safety	4,401,701	--	4,401,701
Transportation	707,624	--	707,624
Culture and recreation	520,597	--	520,597
Capital outlay	743,909	156,813	900,722
Debt service:			
Principal payments	291,000	--	291,000
Interest and fiscal charges	250,611	--	250,611
Total expenditures	8,062,240	156,813	8,219,053
(Excess) deficiency of revenues over expenditures	1,074,460	(156,813)	917,647
Other financing sources:			
Sale of capital assets	1,890	--	1,890
Transfers in	1,692,655	--	1,692,655
Total other financing sources	1,694,545	--	1,694,545
Net change in fund balances	2,769,005	(156,813)	2,612,192
Fund balances, beginning	5,080,838	511,390	5,592,228
Fund balances, ending	\$ 7,849,843	\$ 354,577	\$ 8,204,420

See notes to basic financial statements.
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TOWN OF BAY HARBOR ISLANDS, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	General	Capital Projects	Total Governmental Funds
Amounts reported for governmental activities in the statement of activities (Page 17) are different because:			
Net change in fund balances - total governmental funds (Page 19)			\$ 2,612,192
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.			
The details of the difference are as follows:			
Capital outlay	\$ 799,235		
Depreciation expense	(605,310)		193,925
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.			
The details of the difference are as follows:			
2003B Bonds principal payment	291,000		
Issuance premium amortization	(7,723)		298,723
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.			
The details of the difference are as follows:			
Accrued interest payable	2,010		
Compensated absences payable	(5,792)		
Net pension liability	187,055		
Net OPEB obligation	(3,287)		179,986
Change in net position of governmental activities (Page 17)			\$ 3,284,826

See notes to basic financial statements.
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TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

ASSETS	Business-type Activities - Enterprise Funds					Stormwater (a Nonmajor Fund)	Totals
	Causeway	Sewer	Water	Parking	Solid Waste		
Current assets:							
Cash and cash equivalents	\$ 3,572,882	\$ 1,372,471	\$ 1,263,429	\$ 510,041	\$ 867,554	\$ --	\$ 7,586,377
Investments	1,592,623	--	1,695,596	--	--	--	3,288,219
Receivables, net	--	--	612,426	286,538	--	--	898,964
Interest receivable	8,084	--	8,748	45,689	--	--	62,521
Due from other funds	600,411	15,936	403,586	54,192	450	1,315,256	2,390,031
Due from other governments	814,299	--	--	--	--	--	814,299
Inventory	--	--	36,895	--	--	--	36,895
Prepaid items	160,445	--	--	4,570	--	--	165,015
Restricted assets:							
Cash and cash equivalents	3,052,489	175,015	133,758	--	54,271	--	3,415,533
Loan reserves	--	83,142	--	--	--	--	83,142
Total current assets	9,801,433	1,646,564	4,154,438	901,030	922,275	1,315,256	18,740,996
Noncurrent assets:							
Capital assets not being depreciated	7,067,487	--	--	680,609	--	--	7,748,096
Capital assets being depreciated, net	10,809,118	3,070,393	1,578,675	8,933,838	--	272,246	24,664,270
Total noncurrent assets	17,876,605	3,070,393	1,578,675	9,614,447	--	272,246	32,413,366
Total assets	27,678,038	4,716,957	5,733,113	10,515,477	922,275	1,587,502	51,153,362
DEFERRED OUTFLOWS OF RESOURCES							
Pension	119,393	19,591	18,321	7,987	--	3,723	169,015
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	1,602,871	155,656	141,376	12,214	63,011	48,626	2,023,754
Due to other funds	--	110,596	1,525,573	103,324	376,524	522,199	2,638,216
Due to other governments	--	--	256,152	--	--	--	256,152
Unearned revenue	209,510	--	--	--	--	--	209,510
Customer deposits (payable from restricted assets)	10,639	175,015	133,758	--	54,271	--	373,683
Current portion of notes payable	--	63,202	--	--	--	--	63,202
Current portion of compensated absences	12,276	2,128	1,984	1,045	--	239	17,672
Total current liabilities	1,835,296	506,597	2,058,843	116,583	493,806	571,064	5,582,189
Noncurrent liabilities:							
Notes payable	12,286,000	346,623	--	4,318,000	--	--	16,950,623
Net OPEB obligation	41,447	5,116	5,500	2,260	--	405	54,728
Compensated absences	110,480	19,157	17,857	9,408	--	2,147	159,049
Net pension liability	6,276	1,028	964	418	--	195	8,881
Total noncurrent liabilities	12,444,203	371,924	24,321	4,330,086	--	2,747	17,173,281
Total liabilities	14,279,499	878,521	2,083,164	4,446,669	493,806	573,811	22,755,470
DEFERRED INFLOWS OF RESOURCES							
Parking trust receipts	--	--	--	332,227	--	--	332,227
Pensions	55,138	9,034	8,473	3,676	--	1,713	78,034
Total deferred inflows of resources	55,138	9,034	8,473	335,903	--	1,713	410,261
NET POSITION							
Net investment in capital assets	8,033,675	2,658,322	1,578,675	5,296,447	--	265,910	17,833,029
Restricted for loan reserve	--	83,142	--	--	--	--	83,142
Unrestricted	5,429,119	1,107,529	2,081,122	444,445	428,469	749,701	10,240,475
Total net position	\$ 13,462,794	\$ 3,848,993	\$ 3,659,797	\$ 5,740,892	\$ 428,469	\$ 1,015,701	\$ 28,156,646

See notes to basic financial statements.
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TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Operating revenues:	Business-type Activities - Enterprise Funds					Stormwater (a Nonmajor Fund)	Totals
	Causeway	Sewer	Water	Parking	Solid Waste		
Charges for services	\$ 5,639,041	\$ 1,981,206	\$ 1,226,305	\$ 733,488	\$ 711,977	\$ 205,037	\$ 10,497,054
Miscellaneous revenue	882	69,825	88,652	330	128	--	1,591,171
Total operating revenues	6,639,923	2,051,031	1,314,957	733,818	712,105	205,037	10,656,871
Operating expenses:							
Operation and maintenance	2,159,010	1,096,990	975,159	250,946	764,182	140,553	5,386,840
Depreciation expense	933,689	141,228	87,562	204,847	--	13,437	1,380,763
Total operating expenses	3,092,699	1,238,218	1,062,721	455,793	764,182	153,990	6,767,603
Operating income (loss)	2,547,224	812,813	252,236	278,025	(52,077)	51,047	3,889,268
Nonoperating revenues (expenses):							
Investment income	21,841	--	23,667	--	--	--	45,508
Rental income	94,277	--	--	--	--	--	94,277
Gain on disposal of capital assets	1,575	--	--	--	--	--	1,575
Interest expense and other debt costs	(330,823)	(13,624)	--	(99,104)	--	--	(443,551)
Total nonoperating revenues (expenses)	(213,130)	(13,624)	23,667	(99,104)	--	--	(302,191)
Income (loss) before contributions and transfers	2,334,094	799,189	275,903	178,921	(52,077)	51,047	3,587,077
Capital contributions	485,012	--	--	--	--	--	485,012
Transfers	(1,065,000)	(442,655)	(170,000)	--	--	(15,000)	(1,692,655)
Change in net position	1,754,106	356,534	105,903	178,921	(52,077)	36,047	2,379,434
Net position, beginning, as previously reported	11,860,274	3,510,489	3,566,983	5,566,224	480,546	981,607	25,966,123
Prior period adjustment	(15,586)	(18,030)	(13,889)	(4,253)	--	--	(1,953)
Net position, beginning, as restated	11,708,688	3,492,459	3,553,094	5,561,971	480,546	979,654	25,772,112
Net position, ending	\$ 13,462,794	\$ 3,848,993	\$ 3,659,797	\$ 5,740,892	\$ 428,469	\$ 1,015,701	\$ 28,156,646

See notes to basic financial statements.
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TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Business-type Activities - Enterprise Funds	Stormwater (a Nonmajor Fund)	Totals					
			Causeway	Sewer	Water	Parking	Solid Waste
Cash flows from operating activities:							
Cash received from customers	\$ 5,048,439	\$ 1,960,480	\$ 784,472	\$ 768,276	\$ 98,058	\$ 9,816,747	
Cash received from other operations	882	69,825	88,652	330	128	1,591,817	
Cash payments to employees for services	(1,258,666)	(271,075)	(322,204)	(136,145)	--	(49,387)	(2,037,477)
Cash payments to suppliers for goods and services	(153,436)	(762,718)	(504,546)	(111,027)	(715,937)	--	(2,247,664)
Net cash provided by operating activities	3,637,219	996,512	418,924	537,630	52,467	48,671	5,691,423
Cash flows from noncapital financing activities:							
Transfers out	(1,065,000)	(442,655)	(170,000)	--	--	(15,000)	(1,692,655)
Net cash used by noncapital financing activities	(1,065,000)	(442,655)	(170,000)	--	--	(15,000)	(1,692,655)
Cash flows from capital and related financing activities:							
Proceeds from capital contributions	69,014	--	--	--	--	--	69,014
Proceeds from sale of capital assets	1,575	--	--	--	--	--	1,575
Acquisition of capital assets	(6,636,910)	(97,650)	(94,353)	(9,336)	(33,671)	(6,871,920)	
Principal paid on capital debt	(790,000)	(61,303)	--	(249,000)	--	--	(1,100,303)
Interest paid on capital debt	(330,823)	(14,016)	--	(99,104)	--	--	(443,943)
Net cash used by capital and related financing activities	(7,687,144)	(172,969)	(94,353)	(357,440)	--	(33,671)	(8,345,577)
Cash flows from investing activities:							
Sales and maturities of investments	794,835	--	953,951	--	--	--	1,748,786
Purchases of investments	(841,258)	--	(997,794)	--	--	--	(1,839,052)
Rental income received	94,277	--	--	--	--	--	94,277
Investment earnings received	20,913	--	21,956	--	--	--	42,869
Net cash provided (used) by investing activities	68,767	--	(21,887)	--	--	--	46,880
Net increase (decrease) in cash and cash equivalents	(5,046,158)	380,888	132,684	180,190	52,467	--	(4,299,929)
Cash and cash equivalents, beginning (including restricted assets)	11,671,529	1,249,740	1,264,503	329,851	869,358	--	15,384,981
Cash and cash equivalents, ending (including restricted assets)	\$ 6,625,371	\$ 1,630,628	\$ 1,397,187	\$ 510,041	\$ 921,825	\$ --	\$ 11,085,052

See notes to basic financial statements.
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TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Business-type Activities - Enterprise Funds	Stormwater (a Nonmajor Fund)	Totals					
			Causeway	Sewer	Water	Parking	Solid Waste
Reconciliation of cash and cash equivalents to the statement of net position:							
Cash and cash equivalents	\$ 3,572,882	\$ 1,372,471	\$ 1,263,429	\$ 510,041	\$ 867,554	--	\$ 7,586,377
Restricted cash and cash equivalents	3,052,489	258,157	133,758	--	54,271	--	3,498,675
Total	\$ 6,625,371	\$ 1,630,628	\$ 1,397,187	\$ 510,041	\$ 921,825	\$ --	\$ 11,085,052
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 2,547,224	\$ 812,813	\$ 252,236	\$ 278,025	\$ (52,077)	\$ 51,047	\$ 3,889,268
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	933,689	141,228	87,562	204,847	--	13,437	1,380,763
Changes in assets, liabilities and deferred inflows:							
(Increase) decrease in:							
Receivable	--	--	(29,584)	133,462	61,115	--	164,993
Interest receivable	--	--	--	10,745	--	--	10,745
Due from other funds	(24,811)	(14,711)	(45,993)	50,984	--	(106,979)	(141,510)
Due from other governments	(398,301)	--	--	--	--	--	(398,301)
Inventory	--	--	6,981	--	--	--	6,981
Prepaid items	(59,820)	--	--	--	--	--	(59,820)
Deferred outflows - pension	57,577	7,964	7,316	3,104	--	1,662	77,623
Increase (decrease) in:							
Accounts payable and accrued liabilities	864,115	80,543	(14,784)	3,884	1,576	41,113	976,447
Due to other governments	--	--	31,981	--	--	--	31,981
Due to other funds	--	(15,118)	127,057	--	46,669	50,686	209,294
Customer deposits	--	(6,015)	6,294	--	(4,816)	--	(4,537)
Parking trust receipts	--	--	--	(144,207)	--	--	(144,207)
Net pension liability	(139,542)	(22,863)	(21,444)	(9,303)	--	(4,336)	(197,488)
Net OPEB obligation	--	126	378	190	--	25	719
Compensated absences	(30,560)	3,511	2,451	2,223	--	303	(22,072)
Deferred outflows - pension	55,138	9,034	8,473	3,676	--	1,713	78,034
Unearned revenues	(167,490)	--	--	--	--	--	(167,490)
Total adjustments	1,089,995	183,699	166,688	259,605	104,544	(2,376)	1,802,155
Net cash provided by operating activities	\$ 3,637,219	\$ 996,512	\$ 418,924	\$ 537,630	\$ 52,467	\$ 48,671	\$ 5,691,423
Noncash investing and financing activities:							
Decrease in fair value of investments	\$ (2,098)	\$ --	\$ 1,639	\$ --	\$ --	\$ --	\$ (459)

See notes to basic financial statements.
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TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND

SEPTEMBER 30, 2015

<u>ASSETS</u>	
Cash and cash equivalents	\$ 372,759
Investments:	
U.S. Government and agencies bonds and notes	4,918,245
Corporate bonds	1,217,592
Common stock and equity funds	<u>8,911,292</u>
Total investments	<u>15,047,129</u>
Receivables:	
Due from broker	78,304
Due from Town	41,859
Accrued interest and dividends	<u>34,895</u>
Total receivables	<u>155,058</u>
Prepaid expenses	<u>5,020</u>
Total assets	15,579,966
<u>LIABILITIES</u>	
Accounts payable	13,549
Due to broker	<u>129,307</u>
	<u>142,856</u>
<u>NET POSITION</u>	
Net position restricted for pension benefits	<u>\$15,437,110</u>

See notes to basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

ADDITIONS	
Contributions:	
Town (including State)	\$ 699,736
Employees	<u>271,897</u>
Total contributions	<u>971,633</u>
Investment income (loss):	
Net depreciation in fair value of investments	(522,961)
Interest	223,193
Dividends	<u>104,420</u>
	(195,348)
Less investment expense	<u>53,508</u>
Net investment loss	<u>(248,856)</u>
Total additions	<u>722,777</u>
DEDUCTIONS	
Benefits paid and refunds	671,862
Administrative expenses	<u>31,590</u>
Total deductions	<u>703,452</u>
Net increase	19,325
Net position, beginning	<u>15,417,785</u>
Net position, ending	<u>\$15,437,110</u>

See notes to basic financial statements.

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town is a municipal corporation which was incorporated in 1947 and adopted its first charter June 15, 1953, under the provisions of the Laws of Florida Acts of 1953, Chapter 2889. The Town operates under a "Council-Manager" form of government with the Town's Mayor serving as the head of the Town government and the Town's Manager serving as the chief administrative official.

The Town provides the following services: public safety (police) building and zoning, transportation and maintenance of roads and streets, recreation facilities, operation and maintenance of a causeway, water and sewer utilities, physical environment (refuse collection), parking facilities, and general government and administrative services. Fire protection, education, and welfare services are provided by units of other local governments whose activities are not included in the accompanying financial statements.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental 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 Town's accounting policies are described below:

A. Financial Reporting Entity

The financial statements were prepared in accordance with GASB Statements related to *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Town, organizations for which the Town is financially accountable, and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town or has operational responsibility. Based upon the application of these criteria, there were no organizations that met the criteria described above.

B. Government-wide and Fund 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 Town. 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 to a significant extent on fees and charges for support.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Town reports only one nonmajor proprietary fund (the Stormwater Fund).

C. 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees and other taxes, licenses, and interest 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. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred. All other revenue items are considered to be measurable and available only when cash is received by the Town.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for the acquisition or construction of various major capital projects.

The Town reports the following major proprietary funds:

The Causeway Fund accounts for the collection of tolls and the operation and maintenance of the causeway, including the bascule bridge over the Intercoastal Waterway and the entire traffic corridor.

The Sewer Fund accounts for the provision of sewer services to Town residents and businesses.

The Water Fund accounts for the distribution of water to Town residents and businesses.

The Parking Fund accounts for the collection of parking fees and the operation and maintenance of lots and meters.

The Solid Waste Fund accounts for the provision of solid waste disposal services to Town residents and businesses.

The Town also reports the following nonmajor proprietary fund:

The Stormwater Fund accounts for the provision of a stormwater management system.

Additionally, the Town reports the following fund type:

The Pension Trust Fund is used to account for the Town's single-employer defined benefit pension plan covering substantially all of its employees.

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 Town's various utility functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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. The principal operating revenues of the Town's funds are charges to customers for services. Operating expenses for enterprise funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Implementation of Governmental Accounting Standards Board Statements

The Town implemented the following GASB Statements during the fiscal year ended September 30, 2015:

GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The Town's cash and cash equivalents include cash on hand, time and demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Short-term investments are reported at cost, which approximates fair value. All other investments are carried at fair value as determined by quoted market prices.

Investments of the Town are governed by the provisions of Florida Statutes Section 218.415. Investments in the Town's retirement plan are governed by the Plan's investment policy and Florida Statutes Section 112.661.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

3. Capital Assets

Capital assets, which include property, plant and equipment, infrastructure assets (e.g., utility plant, roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The Town has not retroactively reported infrastructure assets acquired prior to the implementation of GASB Statement No. 34. The Town did not retroactively record their intangible assets with the implementation of GASB Statement No. 51, with the exception of computer software which was capitalized when purchased. The Town's capitalization threshold for intangible assets is \$25,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

3. Capital Assets (Continued)

Capital assets of the Town are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	25-50
Improvements other than buildings	5-10
Furniture, fixtures and equipment	5
Utility system	10-50

4. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Upon separation from service, employees are paid the value of their accumulated vacation, plus one half the value of unused sick leave up to 45 days. All vacation and sick leave pay 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, for example, as a result of employee resignations or retirements. Compensated absences of governmental funds are typically liquidated from the general fund.

5. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issue costs are expensed as incurred. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line amortization method. The results of using this method do not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as another financing source. Premiums received on debt issuances are reported as another financing source while discounts on debt issuances are reported as another financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports within its government-wide statement of net position as deferred outflows amounts contributed during fiscal year 2015 into the Town of Bay Harbor Islands Employees' Retirement System. The net pension liabilities associated with the Plan were measured as of September 30, 2014. The amounts paid during fiscal year 2015 to the Plan will be reflected within the Town's pension expense and related liability when the net pension liability is measured for the next fiscal year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category. The proprietary funds statement of net position includes deferred Parking Trust receipts. These amounts are deferred and recognized as an inflow of resources in the period that they are earned. Also, within the government-wide statement of net position the Town reports as deferred inflows amounts representing the net difference between differences between expected and actual results, changes in assumptions and projected and actual earnings of its pension plan. The amounts will be amortized over a five year long period beginning in the year in which the difference occurred or over the remaining service live of employees, as applicable.

7. Fund Equity

The Town reports the following classifications:

Nonspendable fund balance. Nonspendable fund balances are amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance. Restricted fund balances are amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

7. Fund Equity (Continued)

Committed fund balance. These amounts can only be used for the specific purposes determined by a formal action (Ordinance/Resolution which are equally binding) of the Town Council, the Town's highest level of decision making authority. Commitments may be changed or lifted only by the Town Council taking the same formal action (Ordinance/Resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance. Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is established by the Town Manager to which the Town Council has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. This balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose as assigned by management. Specific amounts that are not restricted or committed in a special revenue or capital projects fund are assigned for the purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Town itself.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

8. Net Position

Net position of the government-wide and proprietary funds is categorized as net investment in capital assets; restricted or unrestricted. Net investment in capital assets is that portion of net position that relates to the Town's capital assets reduced by accumulated depreciation and by any outstanding debt and deferred inflows or outflows, incurred to acquire, construct or improve those assets, excluding unexpended proceeds.

Restricted net position is that portion of net position that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of all net position that does not meet the definition of either of the other two components.

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

9. Flow Assumptions

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$7,940,138 difference are as follows:

Bonds payable	\$ 7,405,000
Issuance premium	146,730
Compensated absences	225,018
Net pension liability	26,573
Net OPEB obligation	56,272
Accrued interest payable	80,545
	<u>\$ 7,940,138</u>

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Deposits include cash on hand. 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 another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments

The Town's investment policy follows the requirements of Florida Statutes Chapter 218.415, and attempts to promote, in order of priority, safety of principal, adequate liquidity, and maximization of total return. The Town's investment policy authorizes investments in obligations of the U.S. Treasury, U.S. Government Agency securities, including FNMA, FHLMC, and GNMA, and securities guaranteed by these Agency issues, certificates of deposit, savings certificates, time deposits, banker's acceptances, repurchase agreements of domestic commercial banks and savings and loan associations fully collateralized with U.S. Government or Agency securities, commercial paper rated A1/P1 or the equivalent by a major rating service, money market funds exclusively comprised of the above securities, the State of Florida Local Government Surplus Funds Trust Fund, the FMIVT, and corporate bonds rated A or better. The investment policy defined in the statutes attempts to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed. The Town maintains a separate investment policy for its pension plan.

For the Town's pension plan, a Master Custodian Agreement is maintained whereby the investment securities are held in the Plan's name by a financial institution acting as the Plan's agent except for its shares in several pooled domestic equity index funds.

Investments – Town

The Town's investment policy limits the maturity of fixed-income holdings to ten years. As of September 30, 2015, the Town had the following investments and its corresponding maturities in its portfolio:

Investments	Investment Maturities (In Years)			
	Fair Value	Less than 1	1-5	6-10
U.S. agency securities	\$ 83,485	\$ --	\$ 83,485	\$ --
U.S. Treasury Notes	2,966,139	--	2,634,097	332,042
Local Government Bonds	192,787	60,468	132,319	--
Corporate bonds	<u>2,871,400</u>	<u>93,096</u>	<u>2,131,443</u>	<u>646,861</u>
	<u>\$ 6,113,811</u>	<u>\$ 153,564</u>	<u>\$ 4,981,344</u>	<u>\$ 978,903</u>

Interest Rate Risk

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Town's investment policy limits investment maturities to ten years in order to control its exposure to market value losses arising from increasing interest rates.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments – Town (Continued)

Credit Risk

State law and the Town's investment policy limits investments in bonds, U.S. treasuries and agency obligations, or other evidences of indebtedness to the top ratings issued by nationally recognized statistical rating organizations of the United States. The Town's corporate bonds and agency bonds were all rated "A" or better under Standard & Poor's ratings and "A" or better under Moody's ratings.

Concentration of Credit Risk

The Town's investment policy does not stipulate any limit on the percentage that can be invested in any one issuing company. As of September 30, 2015, the value of each position held in the Town's portfolio comprised less than 5% of the Town's investment assets.

Investments – Pension Plan

The Plan's investment practices are governed by the Florida Statutes and the Plan's adopted investment policy. Florida Statutes and Plan policy authorize the Board of Trustees to invest in domestic stocks, domestic bonds, international stock and tactical assets allocation equities. In addition to complying with Plan policy, the Plan applies the "Prudent Man Rule" when executing investment strategies. Investments are made with judgment and care, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income derived.

To diversify plan assets so as to minimize the risk associated with dependence on the success on one enterprise, the Board of Trustees has decided to employ a multi-manager team approach to investing plan assets. Asset managers are employed to utilize individual expertise within their assigned area of responsibility. Each manager is governed by individual investment guidelines. The Plan's investment consultant oversees the investment managers and the entire portfolio.

The Plan's asset management structure established by the policy is as follows:

Type	Available Range %	Target
Domestic equity	30%-50%	40%
Domestic bonds (fixed income)	25%-60%	35%
International equity	0%-15%	10%
Diversified assets	0%-15%	10%
Emerging markets (foreign equity)	0%-7.5%	5%

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments – Pension Plan (Continued)

As of September 30, 2015, the Plan had the following debt securities and its corresponding maturities in its portfolio:

Investments	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1-5	6-10	Over 10
U.S. Treasury Notes	\$ 1,989,203	\$ --	\$ --	\$ 331,653	\$ 1,657,550
U.S. agency securities	2,929,042	181,225	418,208	1,219,185	1,110,424
Corporate bonds	<u>1,217,592</u>	<u>--</u>	<u>--</u>	<u>1,217,592</u>	<u>--</u>
	<u>\$ 6,135,837</u>	<u>\$ 181,225</u>	<u>\$ 418,208</u>	<u>\$ 2,768,430</u>	<u>\$ 2,767,974</u>

Interest Rate Risk

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to market value losses arising from increasing interest rates.

Credit Risk

State law and the Plan's investment policy limits investments in bonds, stocks, or other evidences of indebtedness to the top ratings issued by nationally recognized statistical rating organizations of the United States. The Plan's investment policy limits fixed income investments to a rating no lower than Baa/BBB or equivalent.

The Plan's corporate bonds and agency bonds were all rated "A" or better under Standard & Poor's ratings and at least "A" under Moody's ratings.

Concentration of Credit Risk

The Plan's investment policy prohibits fixed income concentrations greater than 5% in any one issuer with the exception of U.S. government or agency issues. As of September 30, 2015, the value of each position held in the Plan's portfolio comprised less than 5% of Plan net position.

Rate of Return

For the fiscal year ended September 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -1.56%. The money-weighted rate of return expresses investment performance, net of investment manager and consultant expenses adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Risks and Uncertainties

The Town and the Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. The Town and the Plan, through its investment advisor, monitors the investments and the risks associated therewith on a regular basis which the Town and the Plan believes minimizes these risks.

NOTE 4. RECEIVABLES

Receivables as of September 30, 2015 for the Town's individual major funds and fiduciary funds including the allowances for uncollectible accounts, are as follows:

	General	Water	Parking	Pension Trust Fund	Total
Customers billed	\$ --	\$ 778,287	\$ --	\$ --	\$ 778,287
Property taxes	4,144	--	--	--	4,144
Franchise fees	70,461	--	--	--	70,461
Utility taxes	46,566	--	--	--	46,566
Rental income	7,229	--	--	--	7,229
Parking Trust receipts	--	--	286,538	--	286,538
Due from broker	--	--	--	78,304	78,304
Due from Town	--	--	--	41,859	41,859
Other	19,235	--	--	--	19,235
Gross receivables	147,635	778,287	286,538	120,163	1,332,623
Less allowance for uncollectibles	--	(165,861)	--	--	(165,861)
Net total receivables	\$ 147,635	\$ 612,426	\$ 286,538	\$ 120,163	\$ 1,166,762

NOTE 5. PROPERTY TAXES

Property values are assessed on a county-wide basis by the Miami-Dade County Property Appraiser as of January 1, the lien date, of each year and are due the following November 1. Taxable value of property within the Town is certified by the Property Appraiser and the Town levies a tax millage rate upon the taxable value, which will provide revenue required for the fiscal year beginning October 1.

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 5. PROPERTY TAXES (Continued)

Property taxes levied each November 1, by the Town and all other taxing authorities within the County, are centrally billed and collected by Miami-Dade County, with remittances to the Town of their proportionate share of collected taxes. Taxes for the fiscal year beginning October 1 are billed in the month of November, subject to a 1% per month discount for the period November through February, and are due no later than March 31. On April 1, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1, tax certificates representing delinquent taxes with interest and penalties are sold by Miami-Dade County, with remittance to the Town for its share of those receipts. At September 30, 2015, there were no material delinquent taxes.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Due from/to Other Funds

Receivable Fund	Payable Fund						Nonmajor Business-type	Total
	General	Capital Projects	Sewer	Water	Parking	Solid Waste		
General	\$ --	\$ --	\$ 14,465	\$ 12,269	\$ --	\$ 480	\$ 522,199	\$ 549,413
Capital Projects	74,280	--	88,992	--	--	--	--	163,272
Causeway	308,486	--	4,331	184,470	103,324	--	--	600,611
Sewer	--	--	--	15,936	--	--	--	15,936
Water	--	27,542	--	--	--	376,044	--	403,586
Parking	54,192	--	--	--	--	--	--	54,192
Solid waste	--	--	450	--	--	--	--	450
Nonmajor: Stormwater	--	--	2,358	1,312,898	--	--	--	1,315,256
	\$ 436,958	\$ 27,542	\$ 110,596	\$ 1,525,573	\$ 103,324	\$ 376,524	\$ 522,199	\$ 3,102,716

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund Transfers

	Transfers In General Fund
Transfers out:	
Causeway Fund	\$ 1,065,000
Sewer Fund	442,655
Water Fund	170,000
Stormwater Fund	15,000
	\$ 1,692,655

Transfers are used to move Causeway Fund revenues to the General Fund to pay for expenses related to police officers providing security for the causeway. Other transfers are used to fund debt service.

NOTE 7. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,806,254	\$ --	\$ --	\$ 3,806,254
Construction in progress	423,565	357,341	(400,911)	379,995
Total capital assets, not being depreciated	4,229,819	357,341	(400,911)	4,186,249
Capital assets, being depreciated:				
Buildings	2,001,490	34,126	--	2,035,616
Improvements other than buildings	19,135,497	780,803	--	19,916,300
Furniture, fixtures and equipment	1,862,947	27,876	(56,991)	1,833,832
Total capital assets, being depreciated	22,999,934	842,805	(56,991)	23,785,748
Less accumulated depreciation for:				
Buildings	(1,558,919)	(65,781)	--	(1,624,700)
Improvements other than buildings	(3,857,114)	(458,418)	--	(4,315,532)
Furniture, fixtures and equipment	(1,507,386)	(81,111)	56,991	(1,531,506)
Total accumulated depreciation	(6,923,419)	(605,310)	56,991	(7,471,738)
Total capital assets, being depreciated, net	16,076,515	237,495	--	16,314,010
Governmental activities capital assets, net	\$ 20,306,334	\$ 594,836	\$ (400,911)	\$ 20,500,259

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 7. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 671,273	\$ --	\$ --	\$ 671,273
Construction in progress	(1) 1,805,626	7,231,582	(1,960,385)	7,076,823
Total capital assets, not being depreciated	2,476,899	7,231,582	(1,960,385)	7,748,096
Capital assets, being depreciated:				
Causeway system	2,549,328	--	--	2,549,328
Toll collection system	1,932,424	3,500	--	1,935,924
Sewer system	5,263,844	97,650	--	5,361,494
Water system	2,247,104	300,261	--	2,547,365
Parking garage	10,141,279	--	--	10,141,279
Improvements other than buildings	16,215,498	1,690,298	--	17,905,796
Equipment	1,301,915	8,762	(14,672)	1,296,005
Total capital assets, being depreciated	39,651,392	2,100,471	(14,672)	41,737,191
Less accumulated depreciation for:				
Causeway system	(2,549,328)	--	--	(2,549,328)
Toll collection system	--	(193,592)	--	(193,592)
Sewer system	(2,194,939)	(124,163)	--	(2,319,102)
Water system	(1,274,367)	(51,505)	--	(1,325,872)
Parking garage	(1,008,659)	(202,826)	--	(1,211,485)
Improvements other than buildings	(7,825,069)	(752,919)	--	(8,577,988)
Equipment	(854,468)	(55,758)	14,672	(895,554)
Total accumulated depreciation	(15,706,830)	(1,380,763)	14,672	(17,072,921)
Total capital assets, being depreciated, net	23,944,562	719,708	--	24,664,270
Business-type activities capital assets, net	\$ 26,421,461	\$ 7,951,290	\$ (1,960,385)	\$ 32,412,366

(1) Prior year beginning balance of \$2,099,466 was restated due to correction of a classification error for a Town deposit in the amount of \$499,746. No prior period adjustment to Net Position was necessary.

Depreciation expense was charged as functions/programs as follows:

Governmental activities:		
General government	\$ 92,569	
Public safety	55,283	
Transportation	357,770	
Culture and recreation	99,688	
Total depreciation expense - governmental activities	\$ 605,310	
Business-type activities:		
Causeway	\$ 933,689	
Sewer	141,228	
Water	87,562	
Parking	204,847	
Stormwater	13,437	
Total depreciation expense - business-type activities	\$ 1,380,763	

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 8. LONG-TERM DEBT

The following is a summary of changes in long-term liabilities of the Town for governmental activities for the fiscal year ended September 30, 2015:

	Beginning			Ending		Due Within One Year
	Balance	Additions	Reductions	Balance	One Year	
Governmental Activities						
Bonds payable:						
Revenue bonds, Series 2003B	\$ 3,055,000	\$ --	\$ --	\$ 3,055,000	\$ --	
Refunding Note, Series 2012	4,641,000	--	(291,000)	4,350,000	295,000	
Add deferred amounts:						
Issuance premium	<u>154,453</u>	--	<u>(7,723)</u>	<u>146,730</u>	--	
Total bonds payable	7,850,453	--	(298,723)	7,551,730	295,000	
Compensated absences	219,226	354,341	(348,549)	225,018	22,502	
Net pension liability (restated)	617,459	514,826	(1,105,712)	26,573	--	
Net OPEB obligation	<u>52,985</u>	<u>17,868</u>	<u>(14,581)</u>	<u>56,272</u>	--	
Governmental activities long-term liabilities	<u>\$ 8,740,123</u>	<u>\$ 887,035</u>	<u>\$ (1,767,565)</u>	<u>\$ 7,859,593</u>	<u>\$ 317,502</u>	

All long-term obligations of governmental activities are generally liquidated through the General Fund.

Revenue Bonds – Series 2003B

On December 17, 2003, the Town issued \$9,360,000 of bonds to finance various capital expenditures that comprise a portion of a program of community enhancements to include roads, drainage, lighting, landscaping and improvements to the Town's business district and causeway corridor. The bonds are collateralized by a pledge of the Town's half-cent sales tax, franchise fees, and utility taxes. On December 3, 2012, the Town advance refunded \$4,445,000 of the bonds with proceeds of the Promissory Refunding Note, Series 2012 (Sales Tax), as described below. There was no deferred amount on refunding. The total principal and interest remaining on the Series 2003B bonds is \$5,520,875. For the current year, debt service and pledged revenues were \$152,750 and \$1,250,934, respectively. The interest rates on the remaining bonds range from 5% to 5.25% and the final maturity date is December 1, 2033.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 8. LONG-TERM DEBT

Debt service requirements to maturity are as follows:

Fiscal year ending September 30:	Principal			Interest			Total		
2016	\$ --		\$ 152,750	\$ --		\$ 152,750			\$ 152,750
2017	--		152,750	--		152,750			152,750
2018	--		152,750	--		152,750			152,750
2019	--		152,750	--		152,750			152,750
2020	--		152,750	--		152,750			152,750
2021-2025	--		763,750	--		763,750			763,750
2026-2030		920,000			718,250		1,638,250		
2031-2034		<u>2,135,000</u>			<u>220,125</u>		<u>2,355,125</u>		
		<u>\$ 3,055,000</u>			<u>\$ 2,465,875</u>		<u>\$ 5,520,875</u>		

Refunding Note – Series 2012

On December 3, 2012, the Town borrowed \$4,709,000 (Promissory Refunding Note, Series 2012 (Sales Tax)) from a financial institution and used the proceeds to refund a portion (\$4,445,000) of its Revenue Bonds, Series 2003B. There was no deferred amount on refunding. The note, including the payment of interest is secured by a pledge of the Town's half-cent sales tax, franchise fees, and utility taxes. The total principal and interest remaining on the note is \$4,966,467. For the current year, pledged revenues were \$1,250,934 and debt service on the note was \$388,861. The note bears interest at 2.09%, with annual principal payments and semi-annual interest payments due through December 1, 2027.

Fiscal year ending September 30:	Principal			Interest			Total		
2016	\$ 295,000		\$ 87,832	\$ 304,000		\$ 81,573	\$ 382,832		\$ 382,832
2017	304,000		81,573	307,000		75,188	382,188		382,188
2018	314,000		68,698	314,000		68,698	382,698		382,698
2019	314,000		68,698	314,000		68,698	382,698		382,698
2020	321,000		62,063	321,000		62,063	383,063		383,063
2021-2025	1,700,000		206,032	1,700,000		206,032	1,906,032		1,906,032
2026-2028	1,109,000		35,081	1,109,000		35,081	1,144,081		1,144,081
	<u>\$ 4,350,000</u>		<u>\$ 616,467</u>	<u>\$ 4,966,467</u>		<u>\$ 616,467</u>	<u>\$ 4,966,467</u>		<u>\$ 4,966,467</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 8. LONG-TERM DEBT (Continued)

Refunding Note – Series 2012 (Continued)

The following is a summary of changes in long-term liabilities of the Town for business-type activities for the fiscal year ended September 30, 2015:

	Beginning			Ending		Due Within One Year
	Balance	Additions	Reductions	Balance	One Year	
Business-type Activities						
Notes and loan payable:						
Broad Causeway Promissory Note,						
Series 2012	\$ 13,076,000	\$ --	\$ (790,000)	\$ 12,286,000	\$ --	
State Revolving Fund Loan	471,128	--	(61,303)	409,825	63,202	
Parking Refunding Note, Series 2012	<u>4,567,000</u>	--	<u>(249,000)</u>	<u>4,318,000</u>	--	
Total notes and loan payable	18,114,128	--	(1,100,303)	17,015,825	63,202	
Compensated absences	198,793	278,286	(300,358)	176,721	17,672	
Net pension liability (restated)	206,369	172,067	(369,555)	8,881	--	
Net OPEB obligation	<u>54,013</u>	<u>12,132</u>	<u>(11,417)</u>	<u>54,728</u>	--	
Business-type activities long-term liabilities	<u>\$ 18,573,303</u>	<u>\$ 462,485</u>	<u>\$ (1,781,633)</u>	<u>\$ 17,254,155</u>	<u>\$ 80,874</u>	

Broad Causeway Promissory Note, Series 2012

On November 14, 2012, the Town issued the Broad Causeway Promissory Note, Series 2012 in the amount of \$14,642,000 in order to secure funding for a comprehensive rehabilitation of the causeway corridor and bridges to be completed over the next several years, and in order to refund the prior Broad Causeway Revenue Notes Series 2003A and 2003B.

The note, including the payment of interest is secured by the gross revenues from the operation of the Causeway and a pledge by the Town to budget and appropriate an amount from non-ad valorem revenues if needed. The total principal and interest remaining on the note is \$14,570,312. For the current year, pledged revenues were \$5,757,614 and debt service on the note was \$1,120,823. The note bears interest at 2.53%, with annual principal payments and semi-annual interest payments due through December 1, 2028.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 8. LONG-TERM DEBT (Continued)

Refunding Note – Series 2012 (Continued)

Fiscal year ending September 30:	Principal			Interest			Total		
2016	\$ --		\$ 155,418	\$ 810,000		\$ 300,589	\$ 1,110,589		\$ 1,110,589
2017	--		155,418	831,000		279,831	1,110,831		1,110,831
2018	--		155,418	851,000		258,553	1,109,553		1,109,553
2019	--		155,418	873,000		236,745	1,109,745		1,109,745
2020	--		155,418	4,708,000		836,671	5,544,671		5,544,671
2021-2025	--		155,418	<u>4,213,000</u>		<u>216,505</u>	<u>4,429,505</u>		<u>4,429,505</u>
			<u>\$ 12,286,000</u>	<u>\$ 2,284,312</u>		<u>\$ 14,570,312</u>			<u>\$ 14,570,312</u>

State Revolving Fund Loan

In April 1998, the Town entered into a revolving loan agreement with the State of Florida Department of Environmental Protection. Through September 30, 2015, the Town has borrowed \$1,105,855 under the agreement to finance the planning and design of a sewer rehabilitation and replacement project. Debt service payments pursuant to the agreement are collateralized by net revenues of the sewer system. The total principal and interest remaining on the note is \$451,920. For the current year, pledged revenues were \$954,041 and debt service on the note was \$75,320. The combined interest and grant allocation rate (interest) ranges from 3.07% to 3.08%, depending upon the date the funds were approved. Principal and interest payments of \$37,660 are due semi-annually for a period of 20 years. The semi-annual payment is calculated based upon the full amount of principal approved, which is \$1,155,900. Utilization of any additional revolving loan funding beyond the presently approved amount will be at the then current interest and grant allocation rate as determined by the Department of Environmental Protection.

Fiscal year ending September 30:	Principal			Interest			Total		
2016	\$ 63,202		\$ 12,118	\$ 67,179		\$ 8,141	\$ 75,320		\$ 75,320
2017	65,160		10,160	67,179		8,141	75,320		75,320
2018	67,179		8,141	69,260		6,060	75,320		75,320
2019	69,260		6,060	71,406		3,914	75,320		75,320
2020	71,406		3,914	73,618		1,702	75,320		75,320
2021				<u>409,825</u>		<u>42,095</u>	<u>451,920</u>		<u>451,920</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 8. LONG-TERM DEBT (Continued)

Parking Promissory Refunding Note, Series 2012

On November 14, 2012, the Town issued the Parking Promissory Refunding Note, Series 2012 in the amount of \$4,923,000 in order to refinance the Series 2008 note. The note, including the payment of interest is secured by a pledge by the Town to budget and appropriate an amount from non-ad valorem revenues if needed. The total principal and interest remaining on the note is \$4,977,138. The note bears interest at 2.17%, with annual principal payments and semi-annual interest payments due through December 1, 2027.

Fiscal year ending September 30:	Principal	Interest	Total
2016	\$ --	\$ 46,850	\$ 46,850
2017	262,000	90,858	352,858
2018	270,000	85,086	355,086
2019	278,000	79,140	357,140
2020	351,000	72,315	423,315
2021-2025	1,887,000	243,138	2,130,138
2026-2028	1,270,000	41,751	1,311,751
	<u>\$4,318,000</u>	<u>\$ 659,138</u>	<u>\$4,977,138</u>

NOTE 9. COMMITMENTS AND CONTINGENCIES

Litigation

At times during the year, the Town is involved in lawsuits or other legal matters incidental to its operations, the outcome of which, in the opinion of management and legal counsel, would not have a material adverse effect on the financial condition of the Town.

Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, workers compensation, and natural disasters for which the Town carries commercial insurance. There was no reduction in insurance coverage from coverages in the prior year and there were no settlements that exceeded insurance coverage for each of the past three years.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description

The Town has a single-employer defined benefit pension plan covering all full time general employees and police officers with one year of service. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The Plan's fiduciary net position has been determined on the same basis that is used by the Plan. This report may be obtained by contacting the Town's Finance Director or visiting the Town's website.

The Town of Bay Harbor Islands Employees' Retirement System was established by the Town's Ordinance 226 effective January 12, 1970. The Plan is considered part of the Town's financial reporting entity and is included in the Town's financial statements as a pension trust fund. All full-time general employees and police officers with one year of service are eligible. The latest actuarial valuation is as of October 1, 2014 (beginning year of valuation date). Benefit and contribution provisions are established by Chapter 16 of the Town Code and may be amended only by the Board of Trustees, subject to approval of the Town Council. Administrative costs of the Plan are funded through investment earnings.

The Plan is administered by a Board of Trustees comprised of:

- The Town Manager (a permanent member of the Board by Ordinance)
- Two members of the Town Council elected by the Town Council
- A police officer elected by his fellow officers
- A general employee elected by his fellow general employees

Membership in the Plan as of October 1, 2014, was as follows:

Inactive plan members and beneficiaries currently receiving benefits	37
Inactive plan members entitled but not yet receiving benefits	7
Active plan members	<u>60</u>
Total members	<u>104</u>

General employees become fully vested after 5 years of credited service. Police officers become partially vested (50%) after 5 years of credited service, increasing 10% annually, with full vesting after 10 years.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Pension Benefits

Normal retirement is as follows:

- General employees who retire at the earlier of age 52 with twenty years of credited service, age 55 with ten years of credited service or at age 65 regardless of time of service.
- Police officers who retire at the earlier of age 50 with twenty years of credited service, age 55 with ten years of credited service or at age 65 regardless of time of service.

Under special circumstances, the Plan also provides for delayed retirement benefits and disability retirement benefits. A member may elect to receive a lump sum at retirement for an amount which is the actuarial equivalent of the benefits otherwise payable under the Plan.

Normal retirement benefits for general employees are based on 1.25% of average final compensation. For police, the multiplier is 1.75% for service before October 1, 2005, 3% after that date and before October 1, 2006, and 3.25% thereafter. For general employees and for police service before October 1, 2005, the multiplier may increase depending upon the members' contribution rate.

A terminating member with less than five years creditable service shall receive his/her contribution plus accrued interest accumulated since initial employment.

Contributions and Funding Policy

General employees are required to contribute 2% of their compensation, and may elect to make additional voluntary contributions up to 10%. Effective October 1, 2006, the mandatory contribution for police is 8% and no additional voluntary contributions are permitted. Employer contributions for fiscal year ended September 30, 2015 and 2014 were 17.7% and 25.4%, respectively, of covered payroll. The contribution requirements of the Town for the fiscal year ended September 30, 2015 were determined by the October 1, 2013 actuarial valuation. Pursuant to Chapter 185 of the Florida Statutes, a premium tax on certain property and casualty insurance contracts, written on Town of Bay Harbor Islands properties, is collected by the state and is remitted to the Town. The State of Florida also distributes money to local governments meeting certain eligibility requirements which is intended to purchase supplemental pension benefits for police officers.

In the fiscal year 2015, \$41,859 was received by the Town from the State and recorded in the general fund as revenue and as a contribution (expenditure) to the Plan. Of that amount received from the State, \$16,746 goes towards funding the actuarially determined annual required contribution for the Plan and \$25,113 goes towards the purchased supplemental benefits.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Contributions and Funding Policy (Continued)

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due. The actuarial cost method used for determining the contribution requirements of the Plan is the entry age normal cost method.

Share Plan / Supplemental Benefits

The Town participates in the State of Florida Chapter 185 program. As a participant in the program, the Town is eligible to receive annual distributions of state premium tax collections on property and casualty insurance policies written within the Town limits. Chapter 185 levies a 0.85 percent tax on all casualty insurance premiums written within the Town limits. The monies received by the Town are for the purpose of providing benefits to or for the exclusive use of police officers. A portion of the amounts received as noted above (\$25,113) goes towards the supplemental benefits. The aggregate investment balance of these funds at September 30, 2015 is \$223,769, which is accounted for in the pension trust fund.

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. Fair value is 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. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. Net appreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Purchases and sales of securities are recorded on the trade-date basis. Interest and dividends are recorded as earned on the accrual basis.

Within certain limitations as specified in the Plan, the investment policy is determined by the Board of Trustees and is implemented by the Plan's investment managers.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability of the Town

In accordance with Government Accounting Standards Board Statement No. 68, the net pension liability of the Town using a measurement date of September 30, 2014 was as follows:

Total pension liability	\$ 15,254,583
Plan fiduciary net position *	(15,219,129)
Net pension liability	<u>\$ 35,454</u>

Plan fiduciary net position as a percentage of the total pension liability 99.77%

* Excludes \$198,656 of Share Plan net position.

The above net pension liability is recorded within the government-wide statement of net position as of September 30, 2015.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2013	\$ 14,074,961	\$ 13,251,133	\$ 823,828
Changes for the year:			
Service cost	686,893	--	686,893
Expected interest growth	851,757	796,383	55,374
Unexpected investment income	--	389,390	(389,390)
Contributions - employer	--	922,599	(922,599)
Contributions - employee	--	275,817	(275,817)
Benefit payments, including refunds of employee contributions	(359,028)	(384,382)	384,382
	(1,179,622)	(31,811)	(327,217)
Net changes	1,179,622	1,967,996	(788,374)
Balances at September 30, 2014	<u>\$ 15,254,583</u>	<u>\$ 15,219,129</u>	<u>\$ 35,454</u>

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 5.84%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	1% Decrease (4.84%)	Current Discount Rate (5.84%)	1% Increase (6.84%)
Net pension liability (asset)	\$ 539,121	\$ 35,454	\$ (416,990)

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

At September 30, 2015, the Town reported a net pension liability of \$35,454 (September 30, 2014, measurement date). The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2013. For the fiscal year ended September 30, 2015, the Town recognized pension expense of \$674,623. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Unexpected investment income	\$ --	\$ 311,512
Town contributions subsequent to the measurement date	674,623	--
Total	<u>\$ 674,623</u>	<u>\$ 311,512</u>

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Significant Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	5.84%
Inflation	3.00%
Salary increases	4.00% per annum
Measurement Date	September 30, 2014, based on a valuation date of October 1, 2013
Ad-hoc Cost of Living Increases	None
Mortality Rates	Sex-distinct rates set forth in the RP-2000 Mortality

Table for annuitants, projected to 2007 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430: future generational improvements in mortality have not been reflected.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Expected Long-Term Real Return
Large cap (domestic equity)	8.1%
Mid cap (domestic equity)	10.2%
Small cap (domestic equity)	8.1%
Fixed Income	2.9%
Foreign Equity (international equity)	5.2%
Diversified assets	6.5%

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

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

The deferred outflows of resources totaling \$674,623, resulting from Town contributions to the pension subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. The amount reported as a deferred inflow of resources related to the pension will be recognized in pension expense over the four (4) remaining years as follows:

Fiscal Year Ending September 30	Amount
2016	\$ 77,878
2017	77,878
2018	77,878
2019	77,878
Total	<u>\$ 311,512</u>

Payable to the Pension Plan

At September 30, 2015, the Town reported a payable of \$41,859 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2015.

NOTE 11. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The Town provides an optional single employer defined-benefit post-employment healthcare plan to all regular employees of the Town who retire from active service and receive retirement benefits under the Town's pension plan. The plan allows its employees and their beneficiaries, at their own cost, to continue to obtain health, dental and other insurance benefits upon retirement. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 11. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy and Annual OPEB Cost

The Town 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 Town for active employees by its healthcare provider. However, the Town'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 Town 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.

The annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The annual OPEB cost for the Town for the current year and the related information is as follows (all amounts rounded):

Required contribution rates:	
Employer	Pay-as-you-go
Plan members	N/A
Normal cost	\$ 8,000
Interest on net OPEB obligation	4,000
Adjustment to ARC	(13,000)
Amortization	22,000
Annual OPEB cost	21,000
Contributions made	(17,000)
Increase in net OPEB obligation	4,000
Net OPEB obligation, beginning of year	107,000
Net OPEB obligation, end of year	\$ 111,000

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 11. OTHER POST EMPLOYMENT BENEFITS (Continued)

Three-Year Trend Information

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is as follows:

	Fiscal Year Ended September 30,		
	2015	2014	2013
Annual OPEB cost	\$ 21,000	\$ 22,000	\$ 30,000
Percentage of OPEB cost contributed	81%	105%	60%
Net OPEB obligation	\$ 111,000	\$ 107,000	\$ 108,000

Funded Status and Funding Progress

The funded status of the plan as of October 1, 2013, the date of the latest actuarial valuation, was as follows:

Actuarial Valuation Date	Value of Assets (a)	Actuarial Liability (AAL)* (b)	Unfunded AAL (UAA) (b) - (a)	Funded Ratio (a) ÷ (b)	Covered Payroll (c)	UAAAL as a % of Covered Payroll ((b - a) ÷ c)
10/1/2013	\$ --	\$ 182,000	\$182,000	0.0%	\$3,470,000	5.2%

The actuarial valuation for the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in 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 to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the Town has not contributed assets to the plan at this time.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 11. OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town 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:

Valuation date	October 1, 2013
Actuarial cost method	Project unit credit
Amortization method	10-year open period; level-dollar payment
Actuarial assumptions:	
Investment rate of return*	4.0% compounded annually
*Includes inflation at	2.75% per year
Healthcare cost trend rate(s):	Insurance Premiums
Select rates	7.0% for 2013/14 graded to 5.50% for 2016/17
Ultimate rate	5% per annum

REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)

NOTE 12. PRIOR PERIOD ADJUSTMENT

Due to the implementation of GASB Statement No. 68 and 71, the Town recorded a prior period adjustment to eliminate the net pension asset, to record the net pension liability and related deferred inflows and outflows of resources as of September 30, 2014, for a measurement period of September 30, 2013.

Governmental Activities	Business-Type Activities						Total Business-Type Activities	Totals	
	Canseway	Sewer	Water	Parking	Solid Waste	Stormwater			
Net position, beginning, as previously reported.	\$ 18,077,065	\$ 11,860,274	\$ 3,510,489	\$ 3,566,983	\$ 5,566,224	\$ 480,546	\$ 981,607	\$ 25,066,122	\$ 44,043,188
Prior period adjustment:									
Eliminate net pension asset, per GASB 27	(383,722)	(182,738)	(21,694)	(16,318)	(5,623)	--	(2,807)	(229,180)	(612,902)
Net pension liability (measurement date as of September 30, 2013)	(617,459)	(145,818)	(23,891)	(22,408)	(9,721)	--	(4,531)	(206,369)	(823,828)
Deferred outflow of resources for Town contributions made during fiscal year 2014	678,961	176,970	27,855	25,637	11,091	--	5,385	246,638	927,599
Total prior period adjustment	(1325,220)	(151,586)	(18,030)	(13,089)	(4,253)	--	(1,953)	(188,911)	(514,131)
Net position, beginning, as restated.	\$ 17,751,845	\$ 11,708,688	\$ 3,492,459	\$ 3,553,894	\$ 5,561,971	\$ 480,546	\$ 979,654	\$ 25,777,212	\$ 43,529,057

TOWN OF BAY HARBOR ISLANDS, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 3,253,507	\$ 3,253,507	\$ 3,332,606	\$ 79,099
Utility taxes	427,000	427,000	452,355	25,355
Communications services tax	290,000	290,000	249,333	(40,667)
Franchise fees	348,000	348,000	363,587	15,587
Licenses and permits	386,500	386,500	1,180,257	793,757
Intergovernmental	815,000	815,000	970,463	155,463
Transfer development right fees	--	--	2,186,000	2,186,000
Charges for services	262,820	262,820	188,524	(74,296)
Fines and forfeitures	109,800	109,800	119,988	10,188
Investment technology	50,000	50,000	39,064	(10,936)
Grants	500,000	500,000	3,693	(496,307)
Miscellaneous	60,000	60,000	50,830	(9,170)
Total revenues	6,502,627	6,502,627	9,136,700	2,634,073
Expenditures:				
General government:				
Legislative	80,021	87,710	96,253	(8,543)
Executive	332,313	332,313	352,571	(20,258)
Clerk	174,961	174,961	152,449	22,512
Finance and administration	165,261	165,261	150,958	14,303
Information technology	110,582	110,582	101,914	8,668
Legal	120,000	120,000	164,335	(44,335)
Total general government	983,138	990,827	1,018,480	(27,653)
Public buildings	182,387	332,387	251,009	81,378
Public safety:				
Law enforcement	3,776,579	3,858,320	3,837,680	20,640
Protective inspections	470,562	470,562	494,747	(24,185)
Code enforcement	98,600	98,600	88,589	10,011
Other public safety	52,441	52,441	37,574	14,867
Total public safety	4,398,182	4,479,923	4,458,590	21,333
Transportation:				
Streets and parkways	951,450	951,450	609,853	341,597
Public transit	95,800	95,800	97,771	(1,971)
Total transportation	1,047,250	1,047,250	707,624	339,626
Culture and recreation:				
Public library	20,000	28,900	11,800	17,100
Parks and recreation	2,044,019	2,536,476	1,073,126	1,463,350
Total culture and recreation	2,064,019	2,565,376	1,084,926	1,480,450
Debt service:				
Principal, interest and fiscal charges	543,706	543,706	541,611	2,095
Total expenditures	9,218,682	9,959,469	8,062,240	1,897,229
Excess (deficiency) of revenues over expenditures	(2,716,055)	(3,456,842)	1,074,460	4,531,302
Other financing sources (uses):				
Appropriation of prior year fund balance	1,023,400	1,764,187	--	(1,764,187)
Sale of capital assets	--	--	1,890	1,890
Transfers in	1,692,655	1,692,655	1,692,655	--
Total other financing sources (uses)	2,716,055	3,456,842	1,694,545	(1,762,297)
Net change in fund balance	\$ --	\$ --	\$ 2,769,005	\$ 2,769,005

See note to budgetary comparison schedule
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TOWN OF BAY HARBOR ISLANDS, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTE TO BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

- An annual appropriated budget is prepared for the General Fund.
- The Town follows these procedures in establishing the budgetary data reflected in the financial statements:
- The Town Manager submits to the Council a proposed operating budget for the ensuing fiscal year. The operating budget includes appropriations and the means of financing them with an explanation regarding each expenditure that is not of a routine nature.
 - Public hearings are conducted to obtain taxpayer comments.
 - Prior to October 1, the budget is legally enacted through passage of an ordinance.
 - The Town Council, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated or from available fund balance. During fiscal year ended September 30, 2015, there were supplemental appropriations of approximately \$740,800.
 - Formal budgetary integration is employed as a management control device for the General Fund. Budget amendments were not material in relation to the original appropriation.
 - The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
 - The Town Manager is authorized to transfer part or all of an encumbered appropriation balance within departments within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the Town Council. Therefore, the legal level of control is at the department level.

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TOWN OF BAY HARBOR ISLANDS, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS*
 OTHER POST EMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) ÷ (b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) ÷ c)
October 1, 2009	\$ --	\$260,000	\$260,000	0.0%	\$3,019,000	8.6%
October 1, 2011	--	173,000	173,000	0.0%	4,008,000	4.3%
October 1, 2013	--	182,000	182,000	0.0%	3,470,000	5.2%

*GASB Statement No. 45, Other Post Employment Benefits, was implemented for the fiscal year ended September 30, 2010. The latest actuarial valuation is dated October 1, 2013.

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TOWN OF BAY HARBOR ISLANDS, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

	2015	2014
Total Pension Liability		
Service cost	\$ 758,824	\$ 686,893
Interest	923,439	851,757
Demographic experience	(100,632)	--
Benefit payments, including refunds of member contributions	(671,862)	(359,028)
Net Change in Total Pension Liability	909,769	1,179,622
Total Pension Liability - Beginning	<u>15,254,583</u>	<u>14,074,961</u>
Total Pension Liability - Ending (a)	<u>\$ 16,164,352</u>	<u>\$ 15,254,583</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 674,623	\$ 922,599
Contributions - employee	271,897	275,817
Net Investment income	(248,856)	1,185,773
Benefit payments, including refunds of member contributions	(671,862)	(384,382)
Administrative expense	(31,590)	(31,811)
Net Change in Plan Fiduciary Net Position	(5,788)	1,967,996
Plan Fiduciary Net Position - Beginning	<u>15,219,129</u>	<u>13,251,133</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 15,213,341</u>	<u>\$ 15,219,129</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 951,011</u>	<u>\$ 35,454</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	94.12%	99.77%
Covered Payroll	\$ 3,822,792	\$ 3,633,983
Net Pension Liability as a Percentage of Covered Payroll	24.88%	0.98%

Note: Plan Fiduciary Net Position for 2014 and 2015 excludes \$198,656 and \$223,769, respectively, of Share Plan net position.

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

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TOWN OF BAY HARBOR ISLANDS, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN CONTRIBUTIONS

STATISTICAL SECTION

This part of the Town of Bay Harbor Island's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 672,518	\$ 674,623	\$(2,105)	\$ 3,822,792	17.65%
2014	922,599	922,599	--	3,633,983	25.39%
2013	1,145,749	1,145,749	--	3,633,983	31.53%
2012	1,108,878	1,108,878	--	4,161,089	26.65%
2011	1,148,812	1,148,812	--	4,008,381	28.66%
2010	1,039,093	1,039,093	--	4,337,725	23.95%
2009	1,012,913	1,012,913	--	3,019,480	33.55%
2008	806,700	806,700	--	2,787,281	28.94%
2007	875,363	875,363	--	2,778,255	31.51%
2006	639,813	639,813	--	2,625,725	24.37%

Contents	Page(s)
Financial Trends	64-69
Revenue Capacity	70-74
Debt Capacity	75-78
Demographic and Economic Information	79
Operating Information	80-82

The following table provides detailed descriptions of the content in each section:

- Financial Trends**: These schedules contain information to help the reader understand how the Town's financial performance and well-being have changed over time.
- Revenue Capacity**: These schedules contain information to help the reader assess the Town's most significant revenue sources, the property tax and the causeway toll.
- Debt Capacity**: These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.
- Demographic and Economic Information**: These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.
- Operating Information**: These schedules contain service and infrastructural data to help the reader understand the information in the Town's financial report relates to the services and activities of the Town.

Sources: Unless otherwise noted, information is derived from the comprehensive annual financial report for the relevant year.

Methods and Assumptions Used to Determine Contribution Rates for Year Ending September 30, 2015:

Valuation Date: October 1, 2013
 Note: Actuarially determined contribution rates are calculated as of October 1, which is 24 months prior to the end of the fiscal year which contributions are reported.

Actuarial Cost Method: Entry-Age Normal
 Amortization Method: Level Dollar
 Remaining Amortization Period: 10 years
 Asset Valuation Method: Market Value
 Inflation and Other General Increases: 3.50%
 Salary Increases: 4.00%
 Discount Rate of Return: 6.00%
 Retirement Age: Retirement is assumed to occur at normal retirement age.
 Mortality: RP-2000 Combined Healthy Mortality Table for males and females, projected to 2007 by Scale AA.

Town of Bay Harbor Islands, Florida
 NET POSITION BY COMPONENT
 LAST TEN FISCAL YEARS
 (Accrual Basis of Accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ 5,276,276	\$ 9,344,345	\$ 9,286,311	\$ 9,247,653	\$ 9,143,121	\$ 9,964,403	\$ 12,424,702	\$ 12,105,253	\$ 12,455,491	\$ 12,948,529
Restricted	1,044,116	2,871,354	2,764,844	2,693,594	2,721,441	2,808,809	2,749,152	2,820,479	2,813,782	2,857,541
Unrestricted	6,264,378	3,602,228	4,095,266	3,961,218	3,302,290	3,605,226	3,178,473	3,499,739	5,109,758	8,080,656
Total governmental activities net position	\$ 13,586,759	\$ 15,023,947	\$ 15,710,672	\$ 15,966,927	\$ 15,966,927	\$ 15,966,927	\$ 18,252,696	\$ 16,339,074	\$ 18,077,065	\$ 21,036,671
Business-type activities:										
Net investment in capital assets	\$ 8,389,274	\$ 11,015,599	\$ 12,900,256	\$ 17,151,887	\$ 17,659,866	\$ 17,836,883	\$ 18,112,444	\$ 18,077,105	\$ 18,998,260	\$ 17,833,029
Restricted	52,278	57,223	62,432	66,441	71,441	74,292	77,242	78,675	80,192	83,142
Unrestricted	7,985,191	8,503,569	8,117,892	5,155,475	5,989,395	5,992,431	6,881,914	7,405,786	7,287,671	10,240,475
Total business-type activities net position	\$ 16,346,743	\$ 19,577,742	\$ 21,080,200	\$ 22,373,203	\$ 23,311,652	\$ 23,900,655	\$ 25,074,350	\$ 25,618,133	\$ 25,966,123	\$ 28,156,646
Primary government	\$ 29,933,502	\$ 34,601,689	\$ 36,790,872	\$ 38,339,393	\$ 39,283,579	\$ 39,991,983	\$ 41,331,346	\$ 41,957,207	\$ 44,043,188	\$ 49,193,317
Net investment in capital assets	13,665,550	20,800,324	22,198,387	26,409,839	27,098,087	28,001,276	30,336,846	30,272,828	31,054,441	30,791,558
Restricted	1,096,394	2,928,577	2,829,286	2,759,135	2,792,882	2,811,610	2,741,400	2,820,979	2,813,782	2,880,683
Unrestricted	14,669,569	12,106,188	12,122,883	9,117,613	8,895,685	9,997,537	10,066,387	11,065,325	12,397,439	18,321,131
Total primary government net position	\$ 29,861,502	\$ 34,601,689	\$ 36,790,852	\$ 38,372,393	\$ 39,283,574	\$ 39,991,983	\$ 41,331,346	\$ 41,957,207	\$ 44,043,188	\$ 49,193,317

Town of Bay Harbor Islands, Florida
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (Accrual Basis of Accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
General government	\$ 1,569,308	\$ 1,329,830	\$ 1,550,655	\$ 1,331,103	\$ 1,386,924	\$ 1,213,232	\$ 1,172,207	\$ 1,069,206	\$ 969,146	\$ 1,333,214
Public safety	3,764,913	4,083,764	4,132,207	4,278,321	4,197,264	4,240,046	4,410,403	4,247,282	4,247,282	4,284,979
Transportation	1,075,628	955,609	986,410	891,109	933,471	1,011,529	1,087,658	1,198,230	1,091,567	1,058,239
Culture and recreation	210,037	77,993	135,373	135,373	92,717	124,854	124,506	162,244	303,531	620,285
Interest on long-term debt	452,175	431,951	427,641	424,764	418,319	412,328	407,945	552,546	253,536	248,601
Debt services	672,974	672,974	672,974	672,974	672,974	672,974	672,974	672,974	672,974	672,974
Business-type activities	3,022,314	3,135,780	3,339,312	3,647,587	3,787,489	4,011,938	3,878,069	4,157,983	5,041,852	3,423,522
Sewer	1,330,245	1,313,851	1,128,393	1,067,918	1,210,764	1,245,975	1,284,691	1,334,271	1,220,829	1,251,842
Water	148,208	158,409	168,679	164,386	175,446	164,967	166,670	165,208	159,511	161,112
Public works	142,700	146,769	231,273	183,760	191,260	679,215	642,801	812,426	578,007	554,987
Solid waste	682,264	677,231	652,640	625,189	653,092	670,688	668,603	696,765	754,366	764,182
Stormwater	88,528	156,547	92,196	112,155	114,794	113,974	94,893	120,114	118,290	153,990
Total business-type activities expenses	5,104,883	6,252,278	6,252,278	6,252,257	6,574,670	7,411,970	7,653,191	7,332,064	8,034,357	8,676,375
Total primary government expenses	\$ 12,668,084	\$ 13,117,294	\$ 12,802,923	\$ 13,133,723	\$ 14,448,118	\$ 15,680,009	\$ 14,742,471	\$ 15,394,528	\$ 16,603,146	\$ 14,717,219
Program revenues:										
Charges for services:										
General government	399,245	345,182	275,841	205,640	178,880	153,466	191,668	509,994	826,365	1,180,307
Public safety	191,220	196,192	187,961	203,641	163,720	144,116	148,623	188,158	119,949	123,346
Transportation	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Culture and recreation	--	--	--	--	--	--	--	--	--	--
Interest on long-term debt	--	--	--	--	--	--	--	--	--	--
Business-type activities	228,624	199,661	194,029	194,029	194,029	291,657	846,742	226,878	240,798	258,583
Total charges for services	817,089	1,098,699	1,039,457	1,020,643	1,011,108	627,182	1,226,742	1,010,827	1,439,454	1,792,906
Capital grants and contributions	3,598,426	5,442,942	5,417,919	5,045,818	4,931,778	5,234,106	5,474,246	5,582,204	5,832,200	5,639,041
Other revenues	1,366,147	1,275,297	1,418,561	1,527,512	1,724,939	1,747,443	2,001,681	1,934,067	1,857,448	1,981,206
Total program revenues	5,781,662	8,026,848	8,069,935	8,093,970	8,167,815	8,608,731	9,131,695	9,629,853	9,129,102	9,413,153
Change in net position	\$ 2,713,418	\$ 4,484,395	\$ 4,484,395	\$ 4,484,395	\$ 4,484,395	\$ 4,484,395	\$ 4,484,395	\$ 4,484,395	\$ 4,484,395	\$ 4,484,395
Total primary government net position	\$ 29,933,502	\$ 34,601,689	\$ 36,790,872	\$ 38,372,393	\$ 39,283,574	\$ 39,991,983	\$ 41,331,346	\$ 41,957,207	\$ 44,043,188	\$ 49,193,317

Town of Bay Harbor Islands, Florida

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

Table with columns for years 2006-2015 and rows for Revenue and Expenditures. Revenue includes Taxes, Franchise fees, Licenses and permits, Intergovernmental, Transfer development right fees, Charges for services, Fines and forfeitures, Investment earnings, Grants, and Miscellaneous. Expenditures include General government, Public safety, Transportation, Culture and recreation, Capital outlay, Debt service, Principal payments, Interest and fiscal charges, Total expenditures, Excess of revenues over (under) expenditures, Other financing sources (uses), Net change in fund balances, and Debt service as a percentage of noncapital expenditures.

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Town of Bay Harbor Islands, Florida

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(continued)

Table with columns for years 2006-2015 and rows for Net (expense) revenue, Governmental activities, Business-type activities, General revenues and other changes in net position, Governmental activities, Business-type activities, Total governmental activities, Business-type activities, Change in net position, Governmental activities, Business-type activities.

Town of Bay Harbor Islands, Florida

PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

Table with columns for years 2006-2015 and rows for Governmental activities (General government, Public safety, Transportation, Culture and recreation, Total governmental activities), Business-type activities (Causeway, Sewer, Water, Parking, Solid waste, Stormwater, Total business-type activities), and Total primary government.

Town of Bay Harbor Islands, Florida

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

Table with columns for years 2006-2015 and rows for General Fund (Reserved, Unreserved, Non-spendable, Restricted, Unassigned, Total General Fund), All other governmental funds (Unreserved, reported in: Capital Projects Fund), Assigned to: Capital Projects Fund, and Total Capital Projects Fund.

(1) In fiscal 2007, a grant in the amount of \$1,200,000 was received in connection with the replacement of the West Relief Bridge.

Note: Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented for the fiscal year ended September 30, 2011.

Town of Bay Harbor Islands, Florida
 ASSESSED VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Year*	Real Property	Personal Property	Exemptions		Net Taxable Value	Direct Millage	Total Direct & Overlapping Millage
			Real	Personal			
2006	\$ 826,689,570	\$ 12,869,688	\$ 231,020,158	\$ 352,981	\$ 608,186,119	4.9000	23.2833
2007	1,070,971,539	13,992,732	339,303,966	318,441	745,341,864	4.7500	22.5638
2008	1,231,775,774	13,752,659	404,261,939	192,952	841,073,542	3.6565	19.7986
2009	1,235,947,508	14,727,388	387,574,044	2,811,084	860,289,768	3.9750	20.2017
2010	1,037,375,579	15,588,658	286,640,237	2,524,662	763,799,338	4.4120	20.9155
2011	786,125,345	15,066,967	193,998,319	2,548,463	604,645,530	5.2971	23.1724
2012	774,573,967	15,719,441	195,261,493	2,212,422	592,819,493	5.2971	21.8256
2013	749,459,838	15,472,810	182,892,469	2,174,864	579,865,315	5.2971	21.7097
2014	845,128,556	15,304,530	255,862,099	2,407,807	602,162,980	5.2971	21.7097
2015	1,063,287,591	15,600,448	377,286,535	2,674,099	698,927,405	4.9000	21.3417

*Year refers to the fiscal year which is funded by taxes levied upon the listed assessments. Each fiscal year's tax roll is as of January 1 of the previous year.

SOURCE: Miami-Dade County Property Appraiser's Office

Town of Bay Harbor Islands, Florida

Property Tax Rates (per \$1,000)
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Year*	Direct Rate	Overlapping Rates					Total
		Bay Harbor Islands Operating	Miami-Dade County	Miami-Dade County Schools	County Districts**	State Special Districts Florida Inland Navigation South Florida Water Management	
2006	4.9000	6.1200	8.4380	3.0898	0.0385	0.6970	23.2833
2007	4.7500	5.9000	8.1050	3.0733	0.0385	0.6970	22.5638
2008	3.6565	4.8646	7.9480	2.6710	0.0345	0.6240	19.7986
2009	3.9750	5.1229	7.7970	2.6483	0.0345	0.6240	20.2017
2010	4.4120	5.1229	7.9950	2.7271	0.0345	0.6240	20.9155
2011	5.2971	5.8725	8.2490	3.0953	0.0345	0.6240	23.1724
2012	5.2971	5.0900	8.0050	2.9627	0.0345	0.4363	21.8256
2013	5.2971	4.9885	7.9980	2.9627	0.0345	0.4289	21.7097
2014	5.2500	5.1255	7.9770	2.9623	0.0345	0.4110	21.7603
2015	4.9000	5.1169	7.9740	2.9321	0.0345	0.3842	21.3417

SOURCE: Miami-Dade County Property Appraiser's Office

*Year refers to the fiscal year which is funded by taxes levied upon properties as assessed effective January 1 of the previous year.

** This represents Fire and Rescue and the Children's Trust.

Town of Bay Harbor Islands, Florida

PRINCIPAL PROPERTY TAXPAYERS
 REAL ESTATE AD VALOREM TAXES
 CURRENT AND NINE YEARS AGO

Year: 2015

Parcel Owner	Taxable Valuation	Percentage of Total Taxable Valuation*	Fiscal Year Ended September 30,	Taxes Levied	Collected within the Fiscal Year of the Levy Amount Percentage of Levy	Collections of Previous Years' Levies	Total Collections
1170 LLC	\$ 5,685,493	0.83%	2006	\$ 3,038,353	\$ 2,817,893 92.7%	\$ 94,592	\$ 2,912,485
Sawmill LLC	4,866,918	0.71%	2007	3,723,914	3,250,427 87.3%	165,618	3,416,045
Spencer Merinoff	4,257,002	0.62%	2008	3,220,214	2,831,311 87.9%	217,023	3,048,334
Jose Cojab	4,224,700	0.62%	2009	3,413,429	3,074,594 90.1%	75,496	3,150,090
9800 Broadview LLC	4,161,392	0.61%	2010	3,365,035	2,895,470 86.0%	109,498	3,004,968
Robert and Carole Saland	4,105,952	0.60%	2011	3,213,462	2,835,472 88.2%	205,261	3,040,733
Lotus Units LLC	3,924,113	0.57%	2012	3,056,957	2,886,789 94.4%	105,456	2,992,245
1108 Concourse LC	3,861,007	0.56%	2013	3,071,604	2,805,412 91.3%	195,590	3,001,002
Alfonso and Mariana Karam	3,825,937	0.56%	2014	3,161,356	2,954,498 93.5%	99,894	3,054,392
Ocean Cadillac Inc.	3,783,387	0.55%	2015	3,424,744	3,122,365 91.2%	210,241	3,332,606
	<u>\$ 42,695,901</u>	<u>6.22%</u>					

*Based on Appraisers 2014 Municipal Tax Roll

Year: 2006

Parcel Owner	Taxable Valuation	Percentage of Total Taxable Valuation**
1108 Concourse LLC	\$ 3,088,521	0.51%
Mark and Janice Revitz	3,037,973	0.50%
Herman DeCarli	3,005,641	0.49%
Jean C. Pettetier	2,911,507	0.48%
Breakstone Homes, Inc.	2,760,558	0.45%
Baytown Corporation	2,671,710	0.44%
Vendome Advisors Corporation	2,574,634	0.42%
Michael B. Wittels	2,371,320	0.39%
Kingsley Arms Apartments Inc.	2,362,500	0.39%
Bay Harbor Professional Center	2,289,164	0.38%
	<u>\$ 27,073,528</u>	<u>4.45%</u>

**Based on January 1, 2005 Appraiser's certification of taxable value.

SOURCE: Miami-Dade County Property Appraiser's Office

Town of Bay Harbor Islands, Florida

Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year Ended September 30,	Taxes Levied	Collected within the Fiscal Year of the Levy Amount Percentage of Levy	Collections of Previous Years' Levies	Total Collections
2006	\$ 3,038,353	\$ 2,817,893 92.7%	\$ 94,592	\$ 2,912,485
2007	3,723,914	3,250,427 87.3%	165,618	3,416,045
2008	3,220,214	2,831,311 87.9%	217,023	3,048,334
2009	3,413,429	3,074,594 90.1%	75,496	3,150,090
2010	3,365,035	2,895,470 86.0%	109,498	3,004,968
2011	3,213,462	2,835,472 88.2%	205,261	3,040,733
2012	3,056,957	2,886,789 94.4%	105,456	2,992,245
2013	3,071,604	2,805,412 91.3%	195,590	3,001,002
2014	3,161,356	2,954,498 93.5%	99,894	3,054,392
2015	3,424,744	3,122,365 91.2%	210,241	3,332,606

Source: Miami-Dade County Property Appraiser's Office, except for Taxes Levied from Town Finance Department.

Town of Bay Harbor Islands, Florida
CAUSEWAY TOLL REVENUE
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total traffic	7,473,895	6,686,886	6,221,629	5,950,509	5,853,952	6,204,622	6,484,193	6,611,424	6,729,408	7,488,382
Toll revenues:										
Cash tolls	\$ 2,960,564	\$ 4,574,780	\$ 4,118,577	\$ 3,752,773	\$ 3,661,057	\$ 3,849,802	\$ 4,087,159	\$ 4,110,787	\$ 4,400,704	\$ 5,146,478
Commuter/annual pass	609,782	1,227,816	1,299,342	1,293,045	1,272,721	1,384,304	1,387,087	1,471,417	1,431,496	492,563
Total toll revenue	\$ 3,570,346	\$ 5,802,596	\$ 5,417,919	\$ 5,045,818	\$ 4,933,778	\$ 5,234,106	\$ 5,474,246	\$ 5,582,204	\$ 5,832,200	\$ 5,639,041
Average yield per vehicle	\$ 0.47%	\$ 0.86%	\$ 0.87%	\$ 0.84%	\$ 0.84%	\$ 0.84%	\$ 0.84%	\$ 0.84%	\$ 0.84%	\$ 0.75%
Toll rates:										
Cash toll (Class 1)	\$ 0.50	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Annual pass	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00

Town of Bay Harbor Islands, Florida

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2015

Jurisdiction	Debt Outstanding	Estimated Percentage Applicable to Town of Bay Harbor Islands (1)	Estimated Share of Direct & Overlapping Debt
Direct:			
Bay Harbor Islands	\$ 7,551,730	100.00%	\$ 7,551,730
Overlapping:			
Miami-Dade Board of County Commissioners (2)	1,508,197,341	0.23%	3,468,854
Miami-Dade County School Board (3)	349,151,000	0.23%	803,047
Total direct and overlapping	\$ 1,864,900,071		\$ 11,823,631

Notes:

- (1) The percentage of overlapping debt payable is estimated by dividing the Town's population of 6,007 by the County's population of 2,653,934 obtained from the Miami Dade County, Florida Finance Department.
- (2) Source: Miami-Dade County, Florida, Finance Department.
- (3) Information obtained from Miami-Dade County School Board CAFR for fiscal year ended June 30, 2015.

Town of Bay Harbor Islands, Florida
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Promissory Notes	Business-Type Activities		Governmental Activities		Total Primary Government	Percentage of Actual Property Value (1)	Per Capita (2)
		State Revolving Loan	Capital Lease	Revenue Bonds Series 2003B	Refunding Note Series 2012			
2006	\$ 3,126,855	\$ 899,681	\$ 398,840	\$ 9,246,232	\$ -	\$ 13,455,376	2.21%	\$ 2,584
2007	2,772,723	851,655	134,590	9,063,509	-	12,613,968	1.69%	2,422
2008	7,353,391	802,141	--	8,875,788	--	16,830,732	2.00%	3,232
2009	6,974,460	751,093	--	8,683,065	--	16,215,553	1.88%	3,158
2010	6,605,329	698,464	--	8,498,065	--	15,118,220	1.98%	2,967
2011	6,181,197	644,204	--	8,292,619	--	14,420,225	2.38%	2,562
2012	5,747,065	588,263	--	8,084,897	--	22,550,764	3.80%	3,914
2013	18,593,000	530,589	--	3,427,175	\$ 4,709,000	27,259,764	4.70%	4,683
2014	17,643,000	471,128	--	3,209,453	4,641,000	25,964,581	4.31%	4,435
2015	16,604,000	409,825	--	3,201,730	4,350,000	24,565,555	3.51%	4,089

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

- (1) See the Schedule of Assessed Value of Taxable Property for the property value data.
- (2) See the Schedule of Demographic and Economic Statistics. Data on personal income for the Town distinct from larger statistical units is not available so a meaningful comparison of total debt to personal income cannot be computed.

Town of Bay Harbor Islands, Florida
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed values (1):										
Taxable value of real property	\$ 596,668,412	\$ 731,667,573	\$ 827,513,853	\$ 848,373,464	\$ 790,735,342	\$ 921,277,026	\$ 579,312,474	\$ 566,567,369	\$ 589,266,237	\$ 686,001,036
Add: Exempt real property	231,020,158	339,530,596	404,261,039	387,874,044	286,649,237	193,988,319	192,261,493	182,892,469	255,862,699	377,286,535
Total assessed value of real property	\$ 826,688,570	\$ 1,071,198,169	\$ 1,231,774,892	\$ 1,236,247,508	\$ 1,077,384,579	\$ 1,115,265,345	\$ 771,573,967	\$ 749,459,838	\$ 845,128,936	\$ 1,063,287,571
Legal debt margin:										
Debt limitation (25% of assessed value)	\$ 206,672,143	\$ 267,799,542	\$ 307,943,723	\$ 309,061,877	\$ 269,346,143	\$ 196,511,336	\$ 193,645,493	\$ 187,364,969	\$ 211,282,609	\$ 266,571,638
Total bonded debt	\$ 197,642,393	\$ 255,875,858	\$ 299,268,944	\$ 300,896,837	\$ 251,038,895	\$ 184,463,336	\$ 182,728,692	\$ 179,300,960	\$ 203,586,609	\$ 248,270,108
Legal debt margin	4.37%	3.31%	2.82%	2.78%	3.20%	4.13%	4.09%	4.26%	3.64%	2.84%
Total net debt applicable to the limit as a percentage of debt limit										

Note: The Town may incur bonded debt up to 25% of the assessed valuation of real estate within its boundaries per section 45 of the Town Charter.
(1) See the Schedule of Assessed Value of Taxable Property for the property value data.

Town of Bay Harbor Islands, Florida

PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Broad Causeway Revenue Bonds and Notes				
	Gross Revenues	Operating Expenses	Net Available Revenue	Debt Service Amount	Coverage
2006	\$ 3,887,365	\$ 2,408,770	\$ 1,478,595	\$ 430,795	3.43
2007	6,020,754	2,458,490	3,562,264	430,795	8.27
2008	5,551,909	2,569,856	2,982,053	430,795	6.92
2009	5,249,367	2,630,811	2,618,556	430,795	6.08
2010	5,076,927	2,764,852	2,312,075	430,795	5.37
2011	5,337,434	3,033,597	2,303,837	430,795	5.35
2012	5,595,731	3,019,397	2,576,334	430,795	5.98
2013	5,625,617	2,909,660	2,715,957	1,125,563	2.41
2014	5,941,008	3,885,577	2,055,431	1,121,329	1.83
2015	5,757,614	2,159,010	3,598,604	1,120,823	3.21

Sewer Fund State Revolving Loan

Fiscal Year	Sewer Fund State Revolving Loan				
	Gross Revenues	Operating Expenses	Net Available Revenue	Debt Service Amount	Coverage
2006	\$ 1,461,835	\$ 1,191,588	\$ 270,247	\$ 76,795	3.52
2007	1,359,036	1,176,777	182,259	75,320	2.42
2008	1,455,384	988,822	466,562	75,320	6.19
2009	1,528,157	932,829	595,328	75,320	7.90
2010	1,725,139	1,065,022	660,117	75,320	8.76
2011	1,747,443	1,103,346	644,097	75,320	8.55
2012	2,001,681	1,144,369	857,312	75,320	11.38
2013	1,972,067	1,179,264	792,803	75,320	10.53
2014	1,943,998	1,071,444	872,554	75,320	11.58
2015	2,051,031	1,096,990	954,041	75,320	12.67

Revenue Bonds and Refunding Note

Fiscal Year	Revenue Bonds and Refunding Note					Coverage
	Sales Tax	Franchise Fees	Utility Tax	Total Revenues	Debt Service Amount	
2006	\$ 348,212	\$ 353,728	\$ 355,245	\$ 1,057,185	\$ 608,308	1.74
2007	345,574	379,221	344,613	1,069,408	609,295	1.76
2008	330,552	343,972	359,065	1,033,589	608,950	1.70
2009	292,861	367,179	351,358	1,011,398	611,293	1.65
2010	305,951	339,581	387,399	1,032,931	606,531	1.70
2011	319,564	359,930	390,796	1,070,290	605,924	1.77
2012	336,947	347,020	399,923	1,083,890	609,903	1.78
2013	388,606	350,569	422,974	1,162,149	540,971	2.15
2014	413,855	373,096	461,351	1,248,302	537,960	2.32
2015	434,991	363,587	452,355	1,250,933	541,611	2.31

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Town of Bay Harbor Islands, Florida

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Year	Bay Harbor Islands Population *	Miami-Dade County **				
		Personal Income	Per Capita Personal Income	Unemployment Rate	Civilian Labor Force	Median Age
2006	5,208	\$ 80,112,340	\$ 33,712	3.8%	1,158,801	37
2007	5,148	85,978,571	35,791	3.6%	1,192,231	38
2008	5,135	88,954,732	37,264	5.3%	1,205,913	39
2009	5,095	90,915,774	37,909	8.9%	1,218,871	39
2010	5,628	92,227,399	36,846	12.0%	1,257,324	38
2011	5,762	96,657,710	37,834	12.7%	1,300,030	38
2012	5,821	100,688,604	39,466	9.7%	1,290,751	39
2013	5,854	104,373,301	40,680	8.9%	1,289,617	39
2014	6,007	N/A	N/A	7.2%	1,282,854	N/A
2015	N/A	N/A	N/A	N/A	1,314,494	N/A

Note: Except for population, demographic statistics on the county level were the most specific available.

* Source for 2006 to 2009: University of Florida, Bureau of Economic and Business Research (BEBR) Source for 2010 to 2014: U.S. Census Bureau

** Source: Miami-Dade County Finance Department, and, U.S. Department of Commerce, Economic and Statistics Administration, Bureau of Economic Analysis/Regional Economic Information System, Florida Agency for Workforce Innovation, Labor Market Statistics, Miami-Dade County, Department of Planning and Zoning, Research Section, University of Florida Bureau of Economic and Business Research

N/A Information unavailable as of the date of the date of this report.

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Town of Bay Harbor Islands, Florida
FULL TIME TOWN EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
General government	14	14	14	14	14	15	15	16	18	18
Public safety	35	36	35	35	35	39	39	35	36	26
Transportation	12	12	11	11	12	12	10	8	7	7
Culture and recreation								6		4
Total governmental activities	61	62	60	60	61	66	64	59	67	55
Business-type activities:										
Causeway	31	32	31	29	30	28	27	32	25	5
Sewer	3	3	2	3	3	2	2	1	1	1
Water	2	2	2	2	2	2	2	2	2	2
Parking	1	1	1	1	1	1	1	1	1	1
Solid waste										
Stormwater										
Total business-type activities	37	38	36	35	36	33	32	36	29	9
Total primary government	98	100	96	95	97	99	96	95	96	64

Source: Town Finance Department

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Town of Bay Harbor Islands, Florida
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
General government	1	1	2	1	1	1	2	1	1	2
Public safety	12	12	12	12	12	12	12	12	10	10
Transportation	12	12	12	12	12	12	11	11	10	10
Planning & Zoning Board Meetings	23	23	19	14	13	12	10	17	13	17
Public safety	2,671	2,579	1,006	943	688	647	870	584	626	831
Awards	126	141	86	164	189	192	171	121	84	73
Calls for service	--	--	7,024	13,884	13,396	13,798	17,782	14,366	17,900	16,813
Business-type activities:										
Causeway	7,473,895	6,666,886	6,221,429	5,950,509	5,855,952	6,204,622	6,484,193	6,611,424	6,729,408	7,488,382
Traffic Count (vehicles)										
Sewer	27,747	27,680	19,725	22,514	19,356	19,200	24,066	21,397	20,242	19,676
Average Monthly Sewage Volume (thousands of gallons)										
Water	32,832	30,466	29,829	27,387	26,387	25,130	25,863	25,763	26,534	26,576
Average Monthly Gallons Purchased (thousands)										
Average Monthly Gallons Sold (thousands)	28,641	23,859	22,200	22,621	21,263	21,761	23,974	23,617	23,534	26,534
Parking Citations	3,628	2,179	3,752	4,425	3,322	2,031	1,635	2,431	1,465	2,592

Source: Town Finance Department

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Town of Bay Harbor Islands, Florida
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Public safety										
Patrol Cars/SUV	8	8	18	18	18	18	18	18	18	18
Police Boat	1	1	1	1	1	1	1	1	1	1
Transportation	47,396	47,396	47,396	47,396	47,396	47,396	47,396	47,396	47,396	47,396
Streets and roads (feet)										
Culture and recreation	1	1	1	1	2	2	2	2	3	3
Parks										
Business-type activities:										
Causeway	1	1	1	1	1	1	1	1	1	1
Bascule Bridges	3	3	3	3	3	3	3	3	3	3
Fixed Span Bridges										
Sewer										
Pump Stations	1	1	1	1	1	1	1	1	1	1
Lift Stations	5	5	5	5	5	5	5	5	5	5
Sanitary Sewers (feet)	43,296	43,296	43,296	43,296	43,296	43,296	43,296	43,296	43,296	43,296
Water										
Water Mains (feet)	44,725	44,725	44,725	44,725	44,725	44,725	44,725	44,725	44,725	44,725
Stormwater										
Valley igniters (feet)	86,592	86,592	86,592	86,592	86,592	86,592	86,592	86,592	86,592	86,592
Outfalls	53	53	53	53	53	53	53	53	53	53

Note: Capital asset indicators not available for general government, parking, solid waste, or prior to 2006.
Source: Town Finance Department

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REPORTING SECTION



INDEPENDENT AUDITORS' 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

Honorable Mayor, Town Council and Town Manager
Town of Bay Harbor Islands, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Bay Harbor Islands, Florida (the Town), as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Miami, FL
March 21, 2016

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

Honorable Mayor, Town Council and Town Manager
Town of Bay Harbor Islands, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Bay Harbor Islands, Florida (the Town), Florida, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated March 21, 2016.

Auditors' Responsibility

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

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 21, 2016, 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. There were no findings or recommendations made in the preceding annual financial audit report.

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. As more fully described in Note 1, the Town of Bay Harbor Islands was incorporated by the Laws of Florida Chapter 2889. There are no component units related to the Town.



Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not the Town 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 Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town'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. This assessment was done as of the fiscal year end.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

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, State and other granting agencies, the Honorable Mayor, Town Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Miami, FL
March 21, 2016

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE PURSUANT TO
SECTION 218.415 FLORIDA STATUTES**

Honorable Mayor, Town Council and Town Manager
Town of Bay Harbor Islands, Florida

We have examined the Town of Bay Harbor Islands, Florida's (the Town) compliance with Section 218.415 Florida Statutes for the fiscal year ended September 30, 2015. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

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

In our opinion, the Town of Bay Harbor Islands, Florida complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2015.

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This report is intended solely for the information and use of management, Town Council, others within Town and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Miami, FL
March 21, 2016

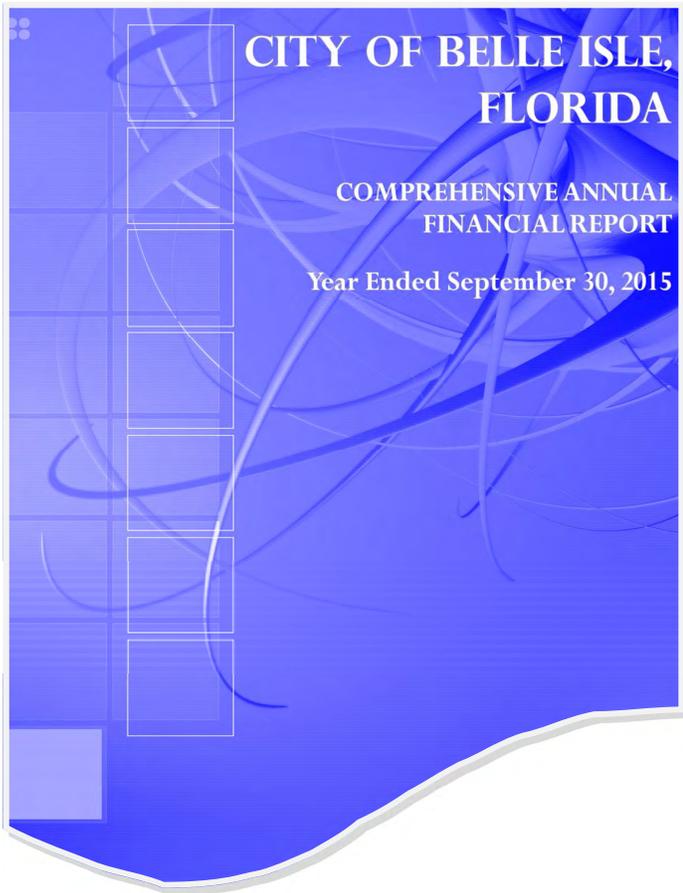


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APPENDIX G

FINANCIAL INFORMATION REGARDING CITY OF BELLE ISLE

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CITY OF BELLE ISLE, FLORIDA

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- This section contains the following subsections:
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 - Letter of Transmittal
 - List of Principal Officials
 - Organizational Chart
 - Certificate of Achievement

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**CITY OF BELLE ISLE,
FLORIDA**

1600 Nela Avenue
Belle Isle, Florida 32809
(407) 851-7730 • FAX 240-2222
www.cityofbelleislefl.org

January 3, 2016

Honorable Mayor, Members of the City Commission
and Citizens of the *City of Belle Isle, Florida*

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the *City of Belle Isle, Florida* for the fiscal year ended September 30, 2015.

This report consists of management's representations concerning the finances of the *City of Belle Isle, Florida*. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the *City of Belle Isle* has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the *City of Belle Isle*'s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the *City of Belle Isle*'s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The *City of Belle Isle*'s financial statements have been audited by McDermitt Davis & Company, LLC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the *City of Belle Isle* for the fiscal year ended September 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the *City of Belle Isle*'s financial statements for the fiscal year ended September 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The *City of Belle Isle*'s MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The *City of Belle Isle*, incorporated in 1924, is located in Central Florida. The *City of Belle Isle* is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing commission.

The *City of Belle Isle* has operated under a mayor-commissioner form of government since 1924. However, in November 2003, a charter referendum was passed that changed the City to a commission/manager form of government, with an appointed City Manager, seven elected City Commissioners and a separately elected Mayor. The governing body is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager, clerk and attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing commission, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The Commission is elected on a non-partisan basis. Commission members serve three-year staggered terms and the mayor is elected to serve a three-year term.

The *City of Belle Isle* provides a full range of services, including general government, police, fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities.

The annual budget serves as the foundation for the *City of Belle Isle*'s financial planning and control. The Commission is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the *City of Belle Isle*'s fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager can make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City Commission. Budget-to-actual comparisons are provided in this report for all funds.

City Highlights

The *City of Belle Isle* is a residential community located in the heart of Central Florida and surrounding beautiful Lake Conway. The City was formed by area residents in 1924 to protect Lake Conway and the beautiful, natural environment of the area. The City is 5.12 square miles in area with an estimated population of 6,464 residents based on the BEBR Bureau of Economic and Business Research.

The goal of the City is to be Central Florida's premier community where residents and business can thrive in a healthy environment centered on Lake Conway with the support of a responsive city government.

The mission of the City is to preserve the quality of life and community identity and to provide needed services to our residents through careful and meaningful growth management and sound fiscal control.

Planned growth for the City includes those areas contiguous to the current city boundaries including the areas south and west of the City. Conservative fiscal management and growth has resulted in the *City of Belle Isle* becoming one of Orange County's most desirable communities.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the *City of Belle Isle* operates.

Local Economy - The *City of Belle Isle* remains in good and stable financial condition; however the City continues to have concerns relative to the actions of the Federal and State Governments. Federal and State unfunded mandates continue to be forced on the smaller local governments which can have a detrimental effect on funding and in some cases require funding to be allocated from reserve funds. This is a dangerous precedent and one that cities are most concerned about. The City of Belle Isle continues to be vigilant and is committed to slowing this trend while balancing the needs of our infrastructure and service provision.

As a result of the desirability of lakefront living and our unique location, we are experiencing a significant influx of newer residents with substantial financial resources. The city has seen significant growth in residential and commercial construction and anticipates its continuance in the future. The property and resale values have stabilized or increased compared to property and resale values in the surrounding area.

Long-Term Financial Planning - Stormwater, drainage and paving projects continue to be among the City's highest priorities with a substantial portion of the five year Capital Improvements Program being designated towards improvements in those areas.

Parks beautification and barrier free accessibility is also being implemented through the City's community beautification program for enhancements to parks and open space within the City.

Relevant Financial Policies - Along with the annual budget, the City provides a comprehensive five- year projection. This plan details estimated personnel operating and capital costs for continuing operations and expansion plans for all City functions. We are proud to say that we continue to transfer money back into the City's general fund reserve balance.

Major Initiatives - Despite the challenges related to the economy, the City has continued to work on various projects. In addition, the City completed a number of miscellaneous concrete sidewalk repairs and street resurfacing during 2015. The City plans to continue sidewalk repairs and resurfacing in 2016.

Awards and Acknowledgements

The Government of Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the *City of Belle Isle* for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2014. This was the fifteenth consecutive year that the government received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement's Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing commission for their unfailing support for maintaining the highest standards of professionalism in the management of the *City of Belle Isle's* finances.

Respectfully submitted,

Richard Anderson
Richard Anderson
Interim City Manager

Tracey Richardson
Tracey Richardson
Finance Manager

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CITY OF BELLE ISLE, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2015

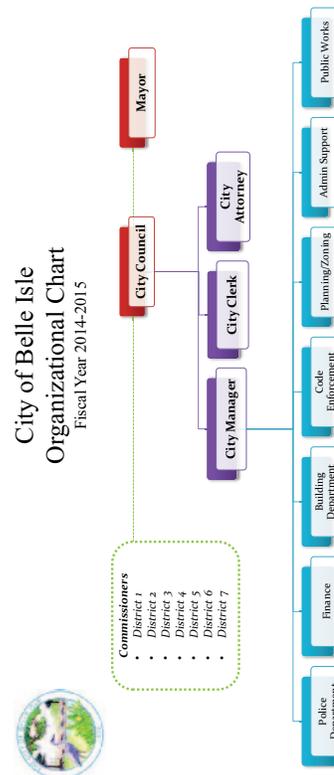
ELECTED OFFICIALS

Mayor	Honorable Bill Brooks
District #1 City Commissioner	Ed Gold Jr.
District #2 City Commissioner	Keith Van Dyke
District #3 City Commissioner	Karl Shuck
District #4 City Commissioner	Laurence I. Ady
District #5 City Commissioner	Harvey Readey
District #6 City Commissioner	Lydia Pisano
District #7 City Commissioner	Sue Nielsen

CITY OFFICIALS

Interim City Manager	Richard Anderson
City Attorney	Frank Kruppenbacher
City Clerk	Yolanda Quiceno
Finance Manager	Tracey Richardson

City of Belle Isle
Organizational Chart
Fiscal Year 2014-2015



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Updated February 2015

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Belle Isle
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Jeffrey R. Egan
Executive Director/CEO

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FINANCIAL SECTION

This section contains the following subsections:

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund
Financial Statements and Schedules



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Belle Isle, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Belle Isle, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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 the 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 did not audit the financial statements of the Cornerstone Charter High School or the Cornerstone Charter Academy (the "Charter Schools"), which are both blended component units of the City and major funds. These two major funds are 20 percent, 33 percent, and 60 percent, respectively, of the assets, net position, and revenues of the governmental activities. The Charter Schools' financial statements as of June 30, 2015 were audited by other auditors, whose reports thereon have been furnished to us and our opinions, insofar as they relate to the amounts included for the Charter Schools, are based solely on the reports of other auditors. 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

MCDIRMIT DAVIS & COMPANY, LLC
934 NORTH MAGNOLIA AVENUE, SUITE 100, ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5466 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

MEMBER PRIVATE COMPANIES PRACTICE SECTION AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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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.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Belle Isle, Florida, as of September 30, 2015, and the respective changes in financial position 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 management's discussion and analysis and budgetary comparison information on pages 4 to 10 and 32 to 35 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 and other auditors 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belle Isle's financial statements as a whole. The introductory section, combining and individual fund financial statements and budgetary comparison schedules, as listed in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditor, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 3, 2016 on our consideration of the City of Belle Isle, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McDirmit Davis & Company, LLC

Orlando, Florida
January 3, 2016

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As management of the City of Belle Isle, Florida we offer readers of the City of Belle Isle's financial statements this narrative overview and analysis of the financial activities of the City of Belle Isle for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the City of Belle Isle exceeded its liabilities at the close of the most recent fiscal year by \$12,992,552 (net position). Of this amount, \$2,092,715 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,549,777.
- As of the close of the current fiscal year, the City of Belle Isle's governmental funds reported combined ending fund balances of \$6,461,332, an increase of \$1,277,210 in comparison with the prior year. The general fund had an ending unassigned fund balance of \$2,130,542, which is 45% of total general fund expenditures.
- The City of Belle Isle's total debt is \$10,460,653 at September 30, 2015. This includes Charter School Lease Revenue Bonds, Series 2012, which are payable solely from the pledged lease revenue and neither the property, nor the full faith and credit nor the taxing power of the City, is pledged as security for the payment of the Bonds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Belle Isle's (the City) basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Belle Isle's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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 items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Since the *City of Belle Isle* has no business-type activities such as water and sewer systems, the government-wide financial statements include only governmental activities. The governmental activities of the *City of Belle Isle* include general government, public safety and physical environment.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The *City of Belle Isle*, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The *City of Belle Isle* has five governmental funds - the General Fund, the Debt Service Fund, and three special revenue funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The *City of Belle Isle* adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the general fund, debt service fund and special revenue funds to demonstrate compliance with this budget. Also, the Charter Schools adopt annual an appropriated budget for each school. The budget for each school is included in the Required Supplementary Information section after the Notes to the Financial Statements since both Charter Schools are major special revenue funds of the City. Separately issued audited financial statements for the Charter Schools are available from Ms. Ana Martinez at Academia Dade, LLC, 6340 Sunset Drive, Miami, Florida 33143.

The basic governmental fund financial statements can be found on pages 13-15 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Government-Wide Financial Analysis

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the *City of Belle Isle*, assets exceeded liabilities by \$12,992,552 at the close of the most recent fiscal year.

City of Belle Isle Statement of Net Position		
	Governmental Activities	
	2015	2014
Current and Other Assets	\$ 7,493,509	\$ 6,096,846
Capital Assets	16,992,362	16,935,731
Total assets	24,485,871	23,032,577
Long-term Liabilities Outstanding	10,460,653	10,676,129
Other Liabilities	1,032,666	913,673
Total liabilities	11,493,319	11,589,802
Net Position:		
Net investment in capital assets	7,530,107	7,244,583
Restricted	3,369,730	2,579,822
Unrestricted	2,092,715	1,618,370
Total net position	\$ 12,992,552	\$ 11,442,775

Fifty-eight percent (58%) of the City's net position is net investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position, \$3,369,730 (26%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net position, \$2,092,715 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the *City of Belle Isle* is able to report positive balances in all categories of net position.

The City's net position increased by \$1,549,777 during the current fiscal year, as shown on the following page.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

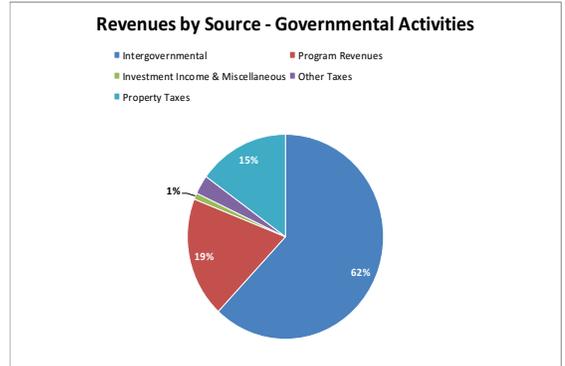
Statement of Activities

Governmental activities increased the *City of Belle Isle*'s net position by \$1,549,777. Key elements of this increase are as follows:

City of Belle Isle Changes in Net Position			
	Governmental Activities		
	2015	2014	
Revenues:			
Program revenues:			
Charges for services	\$ 2,020,909	\$ 1,938,080	
Operating grants and contributions	384,248	436,178	
Capital grants and contributions	619,626	608,518	
	3,024,783	2,982,776	
General revenues:			
Property taxes	2,506,520	2,479,107	
Franchise and utility taxes	405,135	410,408	
Intergovernmental	9,784,811	8,995,459	
Investment income and miscellaneous	91,701	155,053	
	12,788,167	12,040,027	
Total revenues	15,812,950	15,022,803	
Expenses:			
General government	1,181,293	1,184,379	
Public safety	2,623,288	2,544,994	
Physical environment	1,262,891	1,268,403	
Human services	8,579,049	8,307,234	
Interest on long-term debt	616,652	628,992	
Total expenses	14,263,173	13,934,002	
Increase in Net Position	1,549,777	1,088,801	
Net Position- beginning	11,442,775	10,353,974	
Net Position- ending	\$ 12,992,552	\$ 11,442,775	

Increase in revenue of around \$750,000 primarily relates to an approximately \$583,000 increase in revenues at the Schools, which was driven by increased enrollment.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED



Financial Analysis of the Government's Funds

As noted earlier, the *City of Belle Isle* used fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the *City of Belle Isle*'s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the largest fund of the *City of Belle Isle, Florida*. The general fund balance increased by \$487,386 primarily because of improved funding from property tax and intergovernmental sources and reduced debt service requirements from retiring debt in the prior year.

The Cornerstone Charter High School fund balance increased \$111,560 and the Cornerstone Charter Academy fund balance increased \$395,564. Both schools experienced increased revenues due to increased enrollment, but the increases were offset by capital outlay.

The debt service fund balance increased \$230,587 due to rental income from the charter schools in excess of debt service requirements.

General Fund Budgetary Highlights

During the fiscal 2015 year, actual revenues were more than budgeted revenues in the General Fund by approximately \$159,000. Also, expenditures were less than budgeted by approximately \$273,000 mainly due to less capital outlay than planned.

Capital Asset and Debt Administration

Capital Assets - The *City of Belle Isle*'s investment in capital assets for its governmental activities as of September 30, 2015, amounts to \$16,992,362 (net of accumulated depreciation), as detailed below. The greatest increase was in land and buildings due to the purchase of the Charter Schools property.

**City of Belle Isle
Capital Assets
(Net of Depreciation)**

	Governmental Activities	
	2015	2014
Land	\$ 1,385,823	\$ 1,385,823
Construction in Progress	-	28,002
Buildings	6,893,516	7,088,712
Improvements	722,770	796,554
Machinery and Equipment	254,922	324,736
Equipment and Textbooks - Charter Schools	2,361,640	1,959,321
Intangibles	19,195	29,183
Infrastructure	5,354,496	5,323,400
Total	\$ 16,992,362	\$ 16,935,731

Additional information on the *City of Belle Isle*'s capital assets can be found in Note 7 of this report.

Long-Term Debt - At the end of the current fiscal year, the *City of Belle Isle* had total debt outstanding of \$10,414,755. This debt includes leases on the acquisition of equipment, bonds payable to the Florida Municipal Loan Council, and Charter School Lease Revenue Bonds, which are nonrecourse. Additional information on long-term debt can be found in Note 10 of this report.

**City of Belle Isle
Long-Term Debt**

	Governmental Activities	
	2015	2014
Capital Lease Payable	\$ 64,755	\$ 92,966
Bonds Payable	10,350,000	10,550,000
	\$ 10,414,755	\$ 10,642,966

Next Year's Budget and Rates

During the current fiscal year, the fund balance in the general fund increased to \$2,130,542 and management did not appropriate any of this balance for spending in 2016.

Requests for Information

This financial report is designed to provide a general overview of the *City of Belle Isle*'s finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the office of the Finance Manager, *City of Belle Isle*, 1600 Nela Avenue, Belle Isle, FL 32809.

BASIC FINANCIAL STATEMENTS



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CITY OF BELLE ISLE, FLORIDA
STATEMENT OF NET POSITION

September 30, 2015

	Governmental Activities
Assets:	
Cash	\$ 7,032,079
Investments	33,286
Due from other governments	303,645
Prepaid items	124,499
Capital assets:	
Not being depreciated	1,305,823
Being depreciated, net	142,499
Total assets	<u>24,438,871</u>
Liabilities:	
Accounts payable	102,206
Accrued liabilities	437,394
Accrued interest payable	489
Matured bonds and interest payable	4,16,762
Unearned revenue	75,815
Noncurrent liabilities:	
Due within one year	280,086
Due in more than one year	<u>10,780,597</u>
Total liabilities	<u>11,453,379</u>
Net Position:	
Net investment in capital assets	7,530,107
Restricted for:	
Debt service	762,048
Stormwater	500,623
Charter Schools	1,989,263
Other purposes	137,796
Unrestricted	<u>2,092,715</u>
Total net position	<u>\$ 12,992,552</u>



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CITY OF BELLE ISLE, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

Functions/Programs	Program Revenue			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Charges For Services	Operating and Contributions	Capital Grants and Contributions		
Primary Government:					
Governmental activities:					
General Government	\$ 1,181,293	\$ -	\$ -	\$ -	\$ (1,181,293)
Public Safety	2,623,288	54,125	7,562	53,698	(2,507,903)
Physical Environment	1,262,891	847,737	216,239	-	(198,915)
Human Services	8,579,049	190,147	160,447	565,928	(7,662,527)
Interest on Long-term debt	616,652	928,300	-	-	312,248
Total governmental activities	<u>\$ 14,263,173</u>	<u>\$ 2,020,909</u>	<u>\$ 384,248</u>	<u>\$ 619,626</u>	<u>(11,238,390)</u>
General Revenues:					
Taxes:					
Property taxes				2,506,520	
Franchise and utility taxes				405,135	
Intergovernmental- unrestricted				9,784,811	
Unrestricted investment earnings				4,267	
Miscellaneous				87,434	
Total general revenues				<u>12,788,167</u>	
Change in net position				1,549,777	
Net Position - beginning				11,442,775	
Net Position - ending				<u>\$ 12,992,552</u>	

The accompanying Notes to Financial Statements are an integral part of this statement.



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The accompanying Notes to Financial Statements are an integral part of this statement.
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CITY OF BELLE ISLE, FLORIDA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2015

	General Fund	Debt Service Fund	Cornerstone Charter High School *	Cornerstone Charter Academy *	Total Nonmajor Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 2,038,820	\$ 1,987,991	\$ 402,276	\$ 1,773,255	\$ 638,269	\$ 6,840,611
Investments	33,286	-	-	-	-	33,286
Due from other funds	-	1,113	7,500	-	-	8,613
Due from other governments	160,566	35,113	41,866	66,100	-	303,645
Cash with fiscal agent	-	191,468	-	-	-	191,468
Prepaid items	520	-	48,196	75,633	150	124,499
Total assets	\$ 2,233,192	\$ 2,215,685	\$ 499,838	\$ 1,914,988	\$ 638,419	\$ 7,502,122
Liabilities:						
Accounts payable	\$ 79,973	\$ -	\$ -	\$ 22,233	\$ -	\$ 102,206
Due to other funds	1,113	-	-	7,500	-	8,613
Matured bonds payable	-	135,000	-	-	-	135,000
Matured interest payable	-	281,762	-	-	-	281,762
Accrued liabilities	21,564	-	101,594	314,236	-	437,394
Unearned revenue	-	75,815	-	-	-	75,815
Total liabilities	102,650	492,577	101,594	343,969	-	1,040,790
Fund Balances:						
Nonspendable	520	-	48,196	75,633	150	124,499
Restricted	-	1,723,108	350,048	1,495,386	638,269	4,206,811
Unassigned	2,130,022	-	-	-	-	2,130,022
Total fund balances	2,130,542	1,723,108	398,244	1,571,019	638,419	6,461,332
Total Liabilities and Fund Balances	\$ 2,233,192	\$ 2,215,685	\$ 499,838	\$ 1,914,988	\$ 638,419	

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

Capital assets used in governmental activities are not fund resources and, therefore, are not reported in the funds	16,992,362
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(10,461,142)
Net position of governmental activities	\$ 12,992,552

* As of June 30, 2015

The accompanying Notes to Financial Statements are an integral part of this statement.



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CITY OF BELLE ISLE, FLORIDA

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year Ended September 30, 2015

	General Fund	Debt Service Fund	Cornerstone Charter High School *	Cornerstone Charter Academy *	Total Nonmajor Funds	Total Governmental Funds
Revenues:						
Taxes:						
Property taxes	\$ 2,506,520	\$ -	\$ -	\$ -	\$ -	\$ 2,506,520
Franchise and utility	405,135	-	-	-	-	405,135
Licenses and permits	158,170	-	-	-	-	158,170
Intergovernmental	1,524,448	-	2,523,334	6,718,904	-	10,766,686
Charges for services	547,058	12,000	-	190,147	144,194	893,399
Impact fees	6,925	-	-	-	7,150	14,075
Fines and forfeitures	24,992	-	-	-	1,373	26,365
Investment income	2,530	213	-	-	1,524	4,267
Miscellaneous	47,427	928,900	25,330	30,777	-	1,032,434
Total revenues	5,223,205	941,113	2,548,664	6,939,828	154,241	15,807,051
Expenditures:						
Current:						
General government	991,080	-	-	-	-	991,080
Public safety	2,530,193	-	-	-	1,654	2,531,847
Physical environment	1,066,983	12,000	-	-	100,474	1,179,457
Human Services	-	-	2,437,104	6,544,264	-	8,981,368
Debt services:						
Principal	115,210	135,000	-	-	-	250,210
Interest and other charges	54,352	563,526	-	-	-	617,878
Total expenditures	4,757,818	710,526	2,437,104	6,544,264	102,128	14,551,840
Excess (deficiency) of revenues over expenditures	465,387	230,587	111,560	395,564	52,113	1,255,211
Other Financing Sources(Uses):						
Capital leases	21,999	-	-	-	-	21,999
Total other financing sources	21,999	-	-	-	-	21,999
Net change in fund balances	487,366	230,587	111,560	395,564	52,113	1,277,210
Fund Balances - beginning	1,643,156	1,492,521	286,684	1,175,455	586,306	5,184,122
Fund Balances - ending	\$ 2,130,542	\$ 1,723,108	\$ 398,244	\$ 1,571,019	\$ 638,419	\$ 6,461,332

* As of June 30, 2015

The accompanying Notes to Financial Statements are an integral part of this statement.



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CITY OF BELLE ISLE, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Year Ended September 30, 2015

Net Change in Fund Balances - total governmental funds	\$ 1,277,210
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays of \$1,428,465 was more than depreciation of \$1,334,683 in the current period.	91,782
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net position.	(35,151)
Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments of \$250,210 exceeded proceeds of \$21,999 in the current period.	228,211
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	(12,275)
Change in Net Position of Governmental Activities	\$ 1,549,777



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The accompanying Notes to Financial Statements are an integral part of this statement.
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NOTES TO FINANCIAL STATEMENTS



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NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2015

Note 1 - Summary of Significant Accounting Policies:

The *City of Belle Isle, Florida* (the "City") was incorporated April 25, 1924 under the Laws of Florida 75-329. The City operates under a commission/manager form of government, with an appointed City Manager, seven elected City Commissioners, and a separately elected Mayor. The City provides the following services as authorized by its charter: public safety (fire and law enforcement), highways and streets, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services. The City also provides to its residents educational facilities with the two (2) Charter Schools that it owns and operates. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The more significant of the City's accounting policies are described below.

Financial Reporting Entity - The City's financial reporting entity comprises the City of Belle Isle as the primary government with two blended component units. Blended component units are separate legal entities that meet component unit criteria described by the Government Accounting Standards Board (GASB). Cornerstone Charter High School and Cornerstone Charter Academy are considered blended component units since their governing body is substantially the same as the City's elected commission and there is a financial burden relationship between them. The Charter Agreement with the School Board of Orange County indicates that the charter is between the School Board and the City of Belle Isle. The City of Belle Isle established The City of Belle Isle Charter Schools, Inc., a not-for-profit organization under the laws of Florida, to execute and hold the Charter and operate the Charter Schools on behalf of the City. Both Charter Schools were audited by other auditors who issued audit reports for the year ended June 30, 2015. These audited financial statements may be obtained from the management company Academia.

Government-Wide and Fund 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 City. Since the City has no business-type activities, only governmental activities are reported on the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance

Deposits and Investments - The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Investments for the City are reported at fair value. The City's investments consist of investments authorized per their investment policy adopted in accordance with section 218.415, Florida Statutes.

Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased.

Capital assets - Capital assets, which include property, plant equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. The Charter Schools capitalize assets with a cost of \$2,000 or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Land and construction in progress are not depreciated. The other property, plant, equipment and infrastructure of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	5 - 15
Infrastructure	25 - 40
Machinery & Equipment	5 - 15
Equipment & Textbooks-Charter Schools	3 - 5
Intangibles	3 - 5

Compensated Absences - The City's personnel policies permit full time employees to accrue personal leave time based upon length of service with the City. This paid time off (PTO) may be used for vacation, sick leave, or doctor appointments. Unused PTO will be paid to employees upon separation from City service at 50% after completion of one year of service. For governmental activities, compensated absences are generally liquidated by the General Fund. A liability for these amounts is reported in the general fund only if they have matured, for example, as a result of employee retirements.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

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. For this purpose, the government considers revenues to be available if they are collected with 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the City's primary operating fund, and is always classified as a major fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the lease revenue received from the Charter Schools included as blended component units. The lease revenue is used to pay the debt service on the Series 2012 Lease Revenue Bonds issued by the City in October 2012 as well as repairs and maintenance to the Schools as required by the lease agreement.

Cornerstone Charter High School special revenue fund accounts for revenues received from Orange County School District through the Florida Education Finance Program (FEFP) restricted to operation of the charter high school.

Cornerstone Charter Academy special revenue fund accounts for revenues received from Orange County School through the FEFP restricted to operation of the charter academy.

The government reports the following nonmajor governmental funds:

Transportation impact fee special revenue fund is used to account for collected impact fees on new development which are restricted for transportation related improvements.

Stormwater special revenue fund is used to account for stormwater management operations and related capital improvements.

Law enforcement education special revenue fund is used to account for revenues received pursuant to Florida Statutes, which imposes a \$2.00 court cost against persons convicted for violations of criminal statutes. Funds must be used to educate and train law enforcement personnel.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance (Continued) -

Long Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any item that qualifies for reporting in this category for the year ended September 30, 2015.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any item that qualifies for reporting in this category for the year ended September 30, 2015.

Net Position Flow Assumption - Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions - Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance (Continued) -

Fund Balance Policies - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Commission is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Commission is authorized to assign fund balance. The commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements:

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$10,461,142 difference are as follows:

Bonds Payable	\$ 10,350,000
Add: Issuance premium (to be amortized over life of debt)	8,560
Accrued Interest Payable	489
Capital Lease Payable	64,755
Compensated Absences	<u>37,338</u>
	<u>\$ 10,461,142</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 3 - Stewardship, Compliance and Accountability (Continued):

A. Budgetary Information (Continued):

- Formal budgetary integration is employed as a management control device during the year for all of the City's funds.
- Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budget during the year. Encumbrance accounting is not employed. Unexpended and unencumbered appropriations lapse at the end of the fiscal year and are reappropriated in the ensuing year.

B. Excess Expenditures Over Appropriations:

The Cornerstone Charter Academy had excess expenditures over appropriations of \$34,316 for the year ended June 30, 2015.

Note 4 - Cash and Investments:

Following are the components of the City's cash and investments at September 30, 2015:

Cash	\$ 7,032,079
Investments	<u>33,286</u>
	<u>\$ 7,065,365</u>

Deposits - All of the City's deposits are at institutions which are Qualified Public Depositories pursuant to Florida Statutes. Therefore, all bank deposits are entirely insured or collateralized by the Federal Depository Insurance Corporation and the Bureau of Collateral Securities, Division of Treasury.

Investments - Since the Charter Schools are not-for-profit corporations, they are not required by Florida Statutes to have an investment policy like the City. They have no Investments at September 30, 2015.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued):

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation states that "The effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position." The details of this \$35,151 difference are as follows:

Net Book Value of Capital Assets Disposed	(\$57,150)
Donation of Capital Assets	<u>\$21,999</u>
	<u>\$ (35,151)</u>

Another element of that reconciliation states that "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." The details of this \$12,275 difference are as follows:

Compensated Absences	\$ (13,501)
Accrued Interest	460
Amortization of Premium	766
Net Adjustment to Decrease Net Changes in Fund Balances	<u>\$ (12,275)</u>

Note 3 - Stewardship, Compliance and Accountability:

A. Budgetary Information

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

- On or before the first Commission meeting in August, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for all of the City's funds.
- Public hearings are conducted at the City Hall to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage of a resolution.
- The City cannot legally exceed the budget; however, the City Manager is authorized to transfer budgeted amounts within a department. Any revisions that change the total expenditures of any department must be approved by the City Commission. The legal level of budgetary control is the department level.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 4 - Cash and Investments (Continued):

Investments (Continued) - The City's investment policies are governed by State Statutes and City ordinances. City ordinance allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized investments are:

- The State Board of Administration Local Government Investment Pool (SBA);
- Securities and Exchange Commission Registered Money Market Funds;
- Savings accounts and certificates of deposit in state-certified qualified public depositories;
- The Florida Municipal Investment Trust, administered by the Florida League of Cities, Inc.
- U.S. Government Agency Securities and U.S. Treasury Bills, Notes and Bonds;
- Overnight bank sweep accounts.

The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the State of Florida does provide regulatory oversight. The Board has adopted operating procedures consistent with the requirements for a 2a-7 fund for the Florida Prime Fund; therefore, the pool net asset value per share can be used as fair value for financial reporting.

Investments made by the City of Belle Isle at September 30, 2015 are summarized below. In accordance with GASB 31, investments are reported at fair value.

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity
Florida PRIME	\$ 33,286	AAAm	29 days

Credit Risk:

The City's investment policy limits credit risk by restricting authorized investments to those described above.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 4 - Cash and Investments (Continued):

Custodial Credit Risk:

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2015, all of the City's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2015, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

The City's investment policy requires diversification, but does not specify limits on types of investments.

Interest Rate Risk:

The City's investment policy does not specifically address interest rate risk; however the general investment policy is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The City manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

Note 5 - Property Tax:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by March 31. The County bills and collects property taxes. Collections of the property taxes by the county and remittance of them to the City are accounted for in the general fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 7 - Capital Assets:

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets, not being depreciated:				
Land	\$ 1,385,823	\$ -	\$ -	\$ 1,385,823
Construction in progress	28,002	-	(28,002)	-
Total capital assets, not being depreciated	1,413,825	-	(28,002)	1,385,823
Capital Assets, being depreciated:				
Buildings	7,776,250	-	-	7,776,250
Improvements	1,268,107	-	-	1,268,107
Machinery & equipment	1,303,829	99,056	(64,745)	1,338,140
Equipment & textbooks-Charter schools	3,190,149	977,680	(105,370)	4,062,459
Intangibles	48,858	-	-	48,858
Infrastructure	7,647,662	371,728	-	8,019,390
Total capital assets being depreciated	21,234,855	1,448,464	(170,115)	22,513,204
Less Accumulated Depreciation for:				
Buildings	(687,538)	(195,196)	-	(882,734)
Improvements	(471,553)	(73,784)	-	(545,337)
Machinery & equipment	(979,093)	(139,722)	35,597	(1,083,218)
Equipment & textbooks-Charter schools	(1,230,828)	(575,361)	105,370	(1,700,819)
Intangibles	(19,875)	(9,988)	-	(29,863)
Infrastructure	(2,324,262)	(340,632)	-	(2,664,894)
Total accumulated depreciation	(5,712,949)	(1,334,683)	140,967	(6,906,665)
Total capital assets being depreciated, net	15,521,906	113,781	(29,148)	15,606,539
Governmental activities capital assets, net	\$ 16,935,731	\$ 113,781	\$ (57,150)	\$ 16,992,362

Depreciation expenses were charged to functions/programs of the City as follows:

General Government	\$ 192,949
Public Safety	140,320
Physical Environment	426,053
Human Services	575,361
	<u>\$ 1,334,683</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 5 - Property Tax (Continued):

The City is permitted by the Municipal Finance Law of the State to levy taxes up to \$10 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended September 30, 2015, was 4.4018 per \$1,000 which means the City has a tax margin of 5.5982 per \$1,000 and could raise up to \$3,374,886 before discount, additional each year from the present assessed valuation of \$602,852,043 before the limit is reached.

Note 6 - Charter School Management Agreements:

Both Cornerstone Charter High School and Cornerstone Charter Academy have entered into a management agreement with Academia Central Florida, LLC, a professional charter school management company. Academia provides management and administrative services to the Charter Schools including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting, and financial reporting.

The agreements between the Schools and Academia calls for a fee of \$450 per full time equivalent (FTE) student per year. The agreement is for a period of five years, through June 30, 2020, and unless terminated by the Board of Directors shall be renewed along with any renewals to the Charter Agreement. The Charter Agreement with The School Board of Orange County, Florida expires on June 30, 2027.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 8 - Retirement Plans:

Employees Defined Contribution Plans - The City is a participant in the Florida Municipal Pension Trust Fund, a multiple employer 401(a) defined contribution plan. The plan is established and administered by and can be amended under the authority of the Florida League of Cities, Inc. All full-time employees not employed by the Charter Schools are eligible to participate in the plan after one year of service. As soon as an employee is eligible to participate in the plan, contributions are made by the City. Under this plan, the City contributes 4% of the employees' eligible wages. The contribution rate is established by the City Commission. Employees do not participate in the plan funding. Employees are 100% vested upon completion of five years of service. No fixed benefits are paid or payable upon retirement. At September 30, 2015, there were 17 active participants in the plan.

During the year ended September 30, 2015, the City contributed \$37,795 to the plan. The total contribution is approximately 4% of the current year's covered payroll. The City has no unfunded liability under this plan.

Both of the Charter Schools included in these financial statements participate in the ADP Total Source Retirement Savings Plan, which is established and can be amended by the plan sponsor, ADP Total Source Group, Inc. The plan is a multiple employer 401(k) plan and all full-time Charter School employees who have been employed for at least one year are eligible. This plan permits voluntary contributions from employees, based on a salary reduction agreement, and provide for discretionary employer matching contributions up to 4% of employees' compensation. At September 30, 2015, there were 35 active participants in the plan. Employer contributions for the year ended June 30, 2015 totaled \$11,111 and \$43,977 for the Charter High School and Charter Academy, respectively.

Deferred Compensation Plan - The City also participates in the Florida Municipal Pension Trust Fund 457(b) Deferred Compensation Plan, a multiple employer plan created in accordance with Internal Revenue Code Section 457 (the 457 Plan). The 457 Plan, available to all full-time employees immediately upon employment, permits participants to defer a portion of their current salary until future years. The plan is established and administered by, and can be amended under the authority of the Florida League of Cities, Inc. The City is not required and does not contribute to the 457 Plan. At September 30, 2015, there were 7 active plan participants. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All assets of these plans are held in trust for the exclusive benefit of plan participants and their beneficiaries, and are not accounted for in the City's financial statements.

Note 9 - Other Postemployment Benefits:

Pursuant to Resolution 10-15, the City has elected not to make continuation of group health insurance through the City's current provider available to retirees and eligible dependents.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 10 - Long-Term Debt:

Long-term debt activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Capital Leases	\$ 92,966	\$ 21,999	\$ 50,210	\$ 64,755	\$ 53,732
Revenue Bonds	10,550,000	-	200,000	10,350,000	210,000
Unamortized Premium	9,326	-	766	8,560	-
Compensated Absences	23,837	60,625	47,124	37,338	16,354
	<u>\$ 10,676,129</u>	<u>\$ 82,624</u>	<u>\$ 298,100</u>	<u>\$ 10,460,653</u>	<u>\$ 280,086</u>

Capital Lease - The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes, and therefore have been recorded at the present value of the minimum lease payments of the inception date. A summary of equipment acquired through capital lease is as follows:

	Governmental Activities
Equipment	\$ 229,388
Less: Accumulated depreciation	(142,103)
	<u>\$ 87,285</u>

The future minimum lease obligations of the minimum lease payments at September 30, 2015 are as follows:

Year Ending September 30,	Governmental Activities
2015	\$ 39,723
2016	27,597
2017	671
Total Minimum Lease Payments	67,991
Less: amount representing interest	(3,236)
Present Value of Minimum Lease Payments	<u>\$ 64,755</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 10 - Long-Term Debt (Continued):

Annual debt service requirements to maturity are as follows:

Year Ending September, 30	Governmental Activities Principal	Interest
2016	\$ 210,000	\$ 598,600
2017	220,000	587,400
2018	235,000	575,675
2019	245,000	563,150
2020	260,000	550,875
2021 - 2025	1,515,000	2,539,776
2026 - 2030	1,480,000	2,115,938
2031 - 2035	1,830,000	1,648,500
2036 - 2040	2,455,000	1,029,300
2041 - 2042	1,900,000	193,200
	<u>\$ 10,350,000</u>	<u>\$ 10,402,414</u>

Note 11 - Line of Credit:

The City entered into a revolving line of credit agreement with a financial institution on July 19, 2012 for the amount of \$750,000. The interest rate is the Wall Street Journal prime rate plus 50% floating with a floor of 4.5%. Repayment terms are interest only due monthly with maturity date of 12 months. The line of credit is unsecured. At September 30, 2015, the City had \$750,000 available on the line of credit to draw down.

Note 12 - 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; job-related illnesses or injuries to employees; and natural disasters. Risk of loss from the above is transferred by the City to various commercial insurers through the purchase of insurance. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

Note 13 - Contingencies:

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. In addition, although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and legal counsel, these matters are not anticipated to have a material financial impact on the City.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 10 - Long-Term Debt (Continued):

Revenue Bonds - The City has entered into a loan agreement with the Florida Municipal Loan Council (FMLC), whereby the FMLC issued Revenue Bonds and made loans to several cities including Belle Isle. The purpose of this loan was to provide funds for various capital improvements.

The Series 2006 loan is secured by a covenant to appropriate in the annual budget the amount of non-ad valorem revenues to satisfy repayment. Total principal and interest remaining on the Series 2006 loan as of September 30, 2015 is \$1,249,739.

In October 2012, the City of Belle Isle issued Charter School Lease Revenue Bonds, Series 2012, in the amount of \$9,625,000. The proceeds of the Bonds were used to finance the costs of acquisition of charter school facilities located within the City of Belle Isle. The City is leasing these facilities to the City of Belle Isle Charter Schools, Inc. pursuant to the Lease Agreement dated October 1, 2012. The Charter Schools are obligated to make base rent payments under the Lease in a total amount sufficient to pay all sinking fund installments of the 2012 Bonds until maturity in 2042. Under the Lease, all Charter School revenues are pledged to the payment of base rent to the City. See Note 14 for further discussion of Lease. The average annual debt service on these Bonds is \$700,000 per year. These Series 2012 Bonds are limited obligations of the City of Belle Isle payable solely out of the pledged revenues and neither the property, the full faith and credit, nor the taxing power of the City, is pledged as security for the payment of the Bonds.

Total principal and interest remaining on the Series 2012 Bonds as of September 30, 2015 is \$19,502,675. For the year ended September 30, 2015 interest paid was \$563,525 and total pledged revenue for the year was \$928,900.

Revenue bonds outstanding at year end are as follows:

Governmental Activities	Interest Rates and Dates	Maturity	Original Amount	Balance September 30, 2015
Charter School Lease Revenue Bonds, Series 2012	5.50% - 6.00% (4/1 & 10/1)	10/1/2042	<u>\$ 9,625,000</u>	\$ 9,365,000
Florida Municipal Loan Council-Series 2006	4.00% - 5.00% (4/1 & 10/1)	10/1/2026	<u>\$ 1,480,000</u>	985,000
Total				<u>\$ 10,350,000</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2015

Note 14 - Lease Agreement

On October 1, 2012, the City of Belle Isle Charters Schools Inc. (the "Schools") entered into an educational facilities lease agreement with the City of Belle Isle. Pursuant to the Lease, the Schools are obligated to make payments of "Incremental Rent" to the City. Annual incremental rent shall equal \$700 multiplied by the total enrolled students for the schools, with minimum rent equaling the debt service requirements for the year. The Schools must also meet certain requirements and covenants under the lease agreement, including maintaining a "Debt Service Coverage Ratio" of at least 1.20 and maintaining 45 days cash and unrestricted available funds on hand. These covenants were met during the year ended September 30, 2015. The City received rent of \$928,900 during the year ended September 30, 2015. The City's budget for FYE 2016 includes annual rent to be received of \$840,000 based on an estimated student count of 1200. The estimated future minimum payments to be received by the City are as follows:

Fiscal Year Ending	Amount
2016	\$ 840,000
2017	840,000
2018	840,000
2019	840,000
2020	840,000
2021 - 2025	4,200,000
2026 - 2030	4,200,000
2031 - 2035	4,200,000
2036 - 2040	4,200,000
2041 - 2042	1,680,000

Following is a schedule of cost and accumulated depreciation of capital assets under the operating lease:

Land and Buildings	\$ 7,946,512
Accumulated Depreciation	(509,738)
Capital Assets Held for Lease	<u>\$ 7,436,774</u>

Note 15 - Evaluation of Subsequent Events:

The City has evaluated subsequent events through the date of the independent auditor's report, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF BELLE ISLE, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND**

Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget -
				Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$ 2,521,886	\$ 2,521,886	\$ 2,506,520	\$ (15,366)
Franchise fees and utility taxes	374,121	374,121	405,135	31,014
Licenses and permits	58,220	58,220	158,170	99,950
Intergovernmental	1,479,791	1,500,290	1,524,448	24,158
Fines and forfeitures	36,800	36,800	24,992	(11,808)
Charges for services	540,550	540,550	547,058	6,508
Impact fees	-	-	6,925	6,925
Investment income	400	400	2,530	2,130
Miscellaneous	14,000	32,100	47,427	15,327
Total revenues	5,025,768	5,064,367	5,223,205	158,838
Expenditures:				
Current:				
General government:				
Legislative	56,135	56,135	38,367	17,768
Executive	7,600	7,600	411	7,189
Finance and administrative	485,476	485,476	480,536	4,940
Other general government	557,110	557,110	471,766	85,344
Total general government	1,106,321	1,106,321	991,080	115,241
Public safety:				
Law enforcement	1,398,039	1,390,676	1,293,886	96,790
Fire control	1,214,777	1,214,777	1,214,308	469
Total public safety	2,612,816	2,605,453	2,508,194	97,259
Physical environment:				
Roads and streets	668,645	668,645	612,520	56,125
Solid waste disposal	457,491	457,491	454,463	3,028
Total physical environment	1,126,136	1,126,136	1,066,983	59,153
Debt service:				
Principal	65,000	115,210	115,210	-
Interest	50,000	55,752	54,352	1,400
Total debt service	115,000	170,962	169,562	1,400
Total expenditures	4,960,273	5,008,872	4,735,819	273,053
Excess (deficiency) of revenues over expenditures	65,495	55,495	487,386	431,891
Net change in fund balance*	65,495	55,495	487,386	431,891
Fund Balance - beginning	1,643,156	1,643,156	1,643,156	-
Fund Balance - ending	\$ 1,708,651	\$ 1,698,651	\$ 2,130,542	\$ 431,891

* The net change in fund balance was included in the budget as an appropriation of fund balance.

CITY OF BELLE ISLE, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CORNERSTONE CHARTER HIGH SCHOOL**

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget -
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 2,511,200	\$ 2,522,000	\$ 2,523,334	\$ 1,334
Miscellaneous	20,000	23,000	25,330	2,330
Total revenues	2,531,200	2,545,000	2,548,664	3,664
Expenditures:				
Current:				
Human services	2,465,800	2,455,650	2,437,104	18,546
Total expenditures	2,465,800	2,455,650	2,437,104	18,546
Excess (deficiency) of revenues over expenditures	65,400	89,350	111,560	22,210
Net change in fund balance	65,400	89,350	111,560	22,210
Fund Balance - beginning	286,684	286,684	286,684	-
Fund Balance - ending	\$ 352,084	\$ 376,034	\$ 398,244	\$ 22,210

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CORNERSTONE CHARTER ACADEMY**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 6,641,367	\$ 6,618,000	\$ 6,718,904	\$ 100,904
Charges for services	141,000	185,000	190,147	5,147
Miscellaneous	30,000	30,000	30,777	777
Total revenues	<u>6,812,367</u>	<u>6,833,000</u>	<u>6,939,828</u>	<u>106,828</u>
Expenditures:				
Current:				
Human services	6,400,438	6,509,948	6,544,264	(34,316)
Total expenditures	<u>6,400,438</u>	<u>6,509,948</u>	<u>6,544,264</u>	<u>(34,316)</u>
Excess (deficiency) of revenues over expenditures	411,929	323,052	395,564	72,512
Net change in fund balance	411,929	323,052	395,564	72,512
Fund Balance - beginning	1,175,455	1,175,455	1,175,455	-
Fund Balance - ending	<u>\$ 1,587,384</u>	<u>\$ 1,498,507</u>	<u>\$ 1,571,019</u>	<u>\$ 72,512</u>

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2015

The governmental funds' budgets are prepared on a budgetary basis, whereby the City may include a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as a budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior periods' excess of revenues over expenditures. Also, the City does not budget for capital outlay expenditures and other financing sources related to the acquisition of assets through capital leases.

For the 2015 fiscal year, the following adjustments were necessary to convert General Fund expenditures on the GAAP basis to the budgetary basis:

	Expenditures	Other Financing Sources (Uses)
GAAP Basis	\$ 4,757,818	\$ 21,999
Nonbudgeted Capital Lease Transactions	(21,999)	(21,999)
Budgetary Basis	<u>\$ 4,735,819</u>	<u>\$ -</u>

The Cornerstone Charter Academy had excess expenditures over appropriations of \$34,316 for the year ended June 30, 2015.



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MAJOR GOVERNMENTAL FUNDS

Debt Service Fund

Debt Service Fund

- This fund was established to account for the lease revenue received from the Charter Schools included as blended component units. The lease revenue is used to pay the debt service on the Series 2012 Lease Revenue Bonds issued by the City in October 2012, as well as to provide common area maintenance and improvements for the leased properties.



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CITY OF BELLE ISLE, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND**

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ -	\$ -	\$ 213	\$ 213
Charges for services	-	-	12,000	12,000
Miscellaneous	910,000	910,000	928,900	18,900
Total revenues	910,000	910,000	941,113	31,113
Expenditures:				
Current:				
Physical environment	100,000	100,000	12,000	88,000
Debt service:				
Principal	135,000	135,000	135,000	-
Interest	563,526	563,526	563,526	-
Total expenditures	798,526	798,526	710,526	88,000
Excess (deficiency) of revenues over expenditures	-	111,474	230,587	119,113
Fund Balance - beginning	1,492,521	1,492,521	1,492,521	-
Fund Balance - ending	\$ 1,492,521	\$ 1,603,995	\$ 1,723,108	\$ 119,113



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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

- Transportation Impact Fee Special Revenue Fund** - This fund is used to account for collected impact fees on new development which are restricted for use in funding road construction directly related to new growth.
- Stormwater Special Revenue Fund** - This fund is used to account for stormwater management operations and related capital improvements.
- Law Enforcement Education Special Revenue Fund** - This fund is used to account for revenues received pursuant to Florida Statutes which imposes a \$2.00 court cost against persons convicted for violations of criminal statutes. Funds must be used to educate and train law enforcement personnel.



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CITY OF BELLE ISLE, FLORIDA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2015

	<u>Special Revenue Funds</u>			
	<u>Transportation Impact Fee</u>	<u>Stormwater</u>	<u>Law Enforcement Education</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 122,974	\$ 500,623	\$ 14,672	\$ 638,269
Prepaid items	-	-	150	150
Total assets	<u>\$ 122,974</u>	<u>\$ 500,623</u>	<u>\$ 14,822</u>	<u>\$ 638,419</u>
Liabilities:				
Accounts payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	-	150	150
Restricted	122,974	500,623	14,672	638,269
Total fund balances	<u>122,974</u>	<u>500,623</u>	<u>14,822</u>	<u>638,419</u>
Total Liabilities and Fund Balances	<u>\$ 122,974</u>	<u>\$ 500,623</u>	<u>\$ 14,822</u>	<u>\$ 638,419</u>



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CITY OF BELLE ISLE, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Transportation Impact Fee	Stormwater	Law Enforcement Education	
Revenues:				
Charges for services	\$ -	\$ 144,194	\$ -	\$ 144,194
Impact fees	7,150	-	-	7,150
Fines and forfeitures	-	-	1,373	1,373
Investment earnings	508	508	508	1,524
Total revenues	7,658	144,702	1,881	154,241
Expenditures:				
Current:				
Public Safety	-	-	1,654	1,654
Physical environment	-	100,474	-	100,474
Total expenditures	-	100,474	1,654	102,128
Excess (deficiency) of revenues over expenditures	7,658	44,228	227	52,113
Net change in fund balances	7,658	44,228	227	52,113
Fund Balances - beginning	115,316	456,395	14,595	586,306
Fund Balances - ending	\$ 122,974	\$ 500,623	\$ 14,822	\$ 638,419



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CITY OF BELLE ISLE, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TRANSPORTATION IMPACT FEE FUND**

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Impact fees	\$ 4,290	\$ 4,290	\$ 7,150	\$ 2,860
Investment income	400	400	508	108
Total revenues	4,690	4,690	7,658	2,968
Expenditures:				
Current:				
Physical environment:				
Roads and streets	20,200	20,200	-	20,200
Total expenditures	20,200	20,200	-	20,200
Excess (deficiency) of revenues over expenditures	(15,510)	(15,510)	7,658	23,168
Net change in fund balance	(15,510)	(15,510)	7,658	23,168
Fund Balance - beginning	115,316	115,316	115,316	-
Fund Balance - ending	\$ 99,806	\$ 99,806	\$ 122,974	\$ 23,168



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CITY OF BELLE ISLE, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STORMWATER FUND**

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 141,451	\$ 141,451	\$ 144,194	\$ 2,743
Investment income	400	400	508	108
Total revenues	141,851	141,851	144,702	2,851
Expenditures:				
Current:				
Physical environment:				
Roads and streets	190,200	190,200	100,474	89,726
Total expenditures	190,200	190,200	100,474	89,726
Excess (deficiency) of revenues over expenditures	(48,349)	(48,349)	44,228	92,577
Net change in fund balance	(48,349)	(48,349)	44,228	92,577
Fund Balance - beginning	456,395	456,395	456,395	-
Fund Balance - ending	\$ 408,046	\$ 408,046	\$ 500,623	\$ 92,577



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CITY OF BELLE ISLE, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LAW ENFORCEMENT EDUCATION FUND**

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 3,000	\$ 3,000	\$ 1,373	\$ (1,627)
Investment income	400	400	508	108
Total revenues	3,400	3,400	1,881	(1,519)
Expenditures:				
Current:				
Public Safety:				
Law enforcement	5,200	5,200	1,654	3,546
Total expenditures	5,200	5,200	1,654	3,546
Excess (deficiency) of revenues over expenditures	(1,800)	(1,800)	227	2,027
Net change in fund balance	(1,800)	(1,800)	227	2,027
Fund Balance - beginning	14,595	14,595	14,595	-
Fund Balance - ending	\$ 12,795	\$ 12,795	\$ 14,822	\$ 2,027



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STATISTICAL SECTION



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STATISTICAL SECTION

This part of the *City of Belle Isle's* comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall health.

<u>Contents</u>	<u>Page</u>
Financial Trends	43
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	48
These schedules contain formation to help the reader asses the government's most significant local revenue source, the property tax.	
Debt Capacity	52
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
There are no limitations placed upon the amount of debt the <i>City of Belle Isle</i> may issue by either the City Charter or the City's Code of Ordinances or by Florida Statutes.	
The <i>City of Belle Isle</i> has no general obligation bonds outstanding.	
Demographic and Economic Information	54
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	56
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	



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CITY OF BELLE ISLE, FLORIDA

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net investment in capital assets	\$ 2,407,645	\$ 2,841,770	\$ 4,588,012	\$ 5,645,520	\$ 5,832,855	\$ 7,118,248	\$ 7,312,195	\$ 6,040,624	\$ 7,244,583	\$ 7,530,107
Restricted	899,538	1,099,267	778,479	378,961	254,287	442,964	951,727	3,166,639	2,579,822	3,369,730
Unrestricted	2,097,127	3,287,910	1,979,832	911,654	770,409	807,189	1,072,755	1,146,711	1,618,370	2,092,715
Total Governmental Activities Net Position	\$ 5,404,310	\$ 7,228,947	\$ 7,346,323	\$ 6,936,135	\$ 6,857,551	\$ 8,368,401	\$ 9,336,677	\$ 10,353,974	\$ 11,442,775	\$ 12,992,552
Total Governmental Activities Expense										

CITY OF BELLE ISLE, FLORIDA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Property Tax	1,749,543	2,088,933	2,102,260	2,121,051	2,152,842	2,397,747	2,382,619	2,392,537	2,489,914	2,501,320
Franchise Fees and Utility Fees	372,236	385,482	412,874	439,093	438,427	408,488	408,916	429,409	405,135	405,135
Total	2,121,779	2,474,415	2,515,134	2,560,144	2,591,269	2,771,897	2,802,235	2,831,946	2,911,856	2,911,856

Source: Orange County Tax Collector

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CITY OF BELLE ISLE, FLORIDA

CHANGES IN NET POSITION

Last Ten Fiscal Years
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities										
General government	\$ 959,373	\$ 1,004,664	\$ 995,667	\$ 992,184	\$ 1,037,331	\$ 1,003,552	\$ 836,317	\$ 1,425,899	\$ 1,184,379	\$ 1,181,293
Public safety	1,509,411	1,799,649	1,979,104	1,983,858	2,108,568	2,214,034	2,262,930	2,425,114	2,544,994	2,623,288
Physical environment	899,384	1,004,728	1,159,891	1,317,831	1,246,290	1,287,319	1,240,441	1,294,967	1,268,403	1,262,891
Total Governmental Activities Net Position	3,268,168	3,809,041	3,134,662	3,293,873	3,392,189	3,504,905	3,339,687	4,945,970	4,997,185	4,997,185
Interest on long-term debt	56,248	98,314	106,354	97,978	94,615	83,098	82,149	594,659	628,992	616,652
Total Governmental Activities Expense	\$ 3,414,416	\$ 3,907,355	\$ 4,239,816	\$ 4,391,851	\$ 4,486,794	\$ 4,996,028	\$ 10,360,400	\$ 12,319,777	\$ 13,934,002	\$ 14,263,173
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ -	\$ -	\$ -	\$ 94,515	\$ -	\$ -	\$ 18,978	\$ -	\$ -	\$ -
Public safety	52,841	82,202	150,089	94,515	19,798	22,065	20,800	38,077	40,943	54,125
Physical environment	178,492	185,990	168,283	167,983	626,175	814,619	750,586	822,231	853,785	847,737
Human services	-	-	-	-	-	-	126,182	143,114	152,388	180,380
Interest on long-term debt	-	-	-	-	-	-	-	698,135	862,972	928,900
Operating grants and contributions	348,406	252,390	210,139	194,172	194,615	689,780	560,001	771,226	436,178	384,248
Capital grants and contributions	945,121	1,199,787	226,727	22,500	36,485	415,585	377,504	304,156	608,518	619,626
Total Governmental Activities Program Revenues	\$ 1,524,860	\$ 1,720,369	\$ 755,238	\$ 479,170	\$ 877,073	\$ 2,068,231	\$ 1,870,983	\$ 2,786,213	\$ 2,982,776	\$ 3,024,783
Total Governmental Activities Net Expense	\$ (1,889,556)	\$ (2,186,986)	\$ (3,484,578)	\$ (3,912,681)	\$ (3,809,721)	\$ (7,027,797)	\$ (8,489,417)	\$ (8,333,564)	\$ (10,351,226)	\$ (11,238,390)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property taxes	\$ 1,749,543	\$ 2,088,933	\$ 2,102,260	\$ 2,122,775	\$ 2,152,842	\$ 2,397,747	\$ 2,386,130	\$ 2,392,537	\$ 2,479,107	\$ 2,506,520
Franchise and utility taxes	372,236	385,482	395,482	435,928	439,093	438,427	395,910	409,916	410,408	405,135
Intergovernmental-unrestricted	1,165,581	1,104,420	1,017,572	921,409	921,752	6,390,668	6,647,812	7,725,730	8,995,459	9,784,811
Investment income and Miscellaneous	191,588	431,644	86,640	22,381	17,450	211,805	27,841	49,285	155,053	91,701
Total Governmental Activities	\$ 3,478,928	\$ 4,011,621	\$ 3,601,954	\$ 3,502,493	\$ 3,531,137	\$ 9,438,647	\$ 9,457,693	\$ 10,577,268	\$ 12,040,027	\$ 12,788,167
Change in Net Position										
Governmental Activities	\$ 1,589,372	\$ 1,824,635	\$ 117,376	\$ (410,188)	\$ (78,584)	\$ 1,510,850	\$ 968,276	\$ 1,043,704	\$ 1,088,801	\$ 1,549,777

CITY OF BELLE ISLE, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Governmental Activities	\$ 899,538	\$ 382,227	\$ 385,653	\$ -	\$ -					
Unreserved	2,903,480	2,134,491	1,574,689	943,699	785,854					
Total General Fund	\$ 3,803,018	\$ 2,516,718	\$ 1,960,342	\$ 943,699	\$ 785,854					
Total Governmental Activities Net Position										
All Other Governmental Funds										
Total Governmental Activities Expense	\$ -	\$ 717,040	\$ 392,826	\$ -	\$ -					
Unreserved, reported in:										
Special Revenue funds	134,721	170,834	430,538	378,961	254,287					
Governmental Activities:	\$ 134,721	\$ 887,874	\$ 823,364	\$ 378,961	\$ 254,287					
General Fund										
Nonspendable					\$ 171,605	\$ 1,815	\$ 1,353	\$ 520		
Assigned					822,976	719,039	532,657	-		
Unassigned					224,677	543,735	1,641,803	2,130,022		
Total General Fund					\$ 822,976	\$ 1,115,321	\$ 1,078,207	\$ 1,843,156	\$ 2,130,542	
Total Governmental Activities Program										
Revenues					\$ -	\$ 61,250	\$ 277,303	\$ 153,226	\$ 123,979	
Assigned					-	-	-	-	-	
Total Governmental Activities Net Expense					692,964	895,277	2,889,336	3,387,740	4,206,811	
Total All Other Governmental Funds					\$ 692,964	\$ 956,527	\$ 3,166,639	\$ 3,540,966	\$ 4,330,790	
Governmental Activities:										

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PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Fiscal Year	Direct(1)		Overlapping(2)				Total Direct & Overlapping Rates
	City of Belle Isle	Orange County	School Board	County Library	St. Johns WMD	Lake Conway MSTU	
2006	3.6655	5.1639	8.0635	0.4325	0.4620	0.4729	18.2803
2007	3.6655	5.1639	7.1690	0.4325	0.4620	0.4729	17.3658
2008	3.4068	4.4347	7.1500	0.3748	0.4158	0.4107	16.1928
2009	3.5378	4.4347	7.1500	0.3748	0.4158	0.4107	16.3238
2010	3.7432	4.4347	7.6730	0.3748	0.4158	0.4107	17.0522
2011	4.4018	4.4347	7.8940	0.3748	0.4158	0.4107	17.9318
2012	4.4018	4.4347	8.5450	0.3748	0.3313	0.4107	18.4983
2013	4.4018	4.4347	8.4780	0.3748	0.3313	0.4107	18.4313
2014	4.4018	4.4347	8.3620	0.3748	0.3263	0.4107	18.3123
2015	4.4018	4.4347	8.4740	0.3748	0.3164	0.4107	18.4124

Millage Rates (\$1 per \$1,000 of taxable value)

- (1) The direct rate is for operating millage. There is no debt service millage.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City of Belle Isle.

Source: Orange County Tax Collector

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes:										
Property	\$ 1,749,543	\$ 2,088,933	\$ 2,102,260	\$ 2,122,775	\$ 2,152,842	\$ 2,397,747	\$ 2,386,130	\$ 2,392,337	\$ 2,479,107	\$ 2,506,520
Franchise and utility	372,236	386,624	395,482	435,928	439,093	438,427	395,910	409,916	410,408	405,135
Licenses and permits	42,374	39,604	25,522	8,235	40,366	151,377	114,745	119,342	134,284	158,170
Intergovernmental revenues	2,367,395	2,556,597	1,454,438	1,136,081	1,152,852	7,823,267	7,585,317	8,692,337	10,028,321	10,766,696
Charges for services	130,266	142,098	134,016	146,988	591,417	629,298	772,144	826,483	889,467	893,399
Impact fees	4,455	4,290	8,745	12,760	24,255	34,045	7,315	29,138	4,394	14,075
Fines and forfeitures	52,841	82,202	150,089	94,515	19,935	21,611	20,296	37,733	47,943	26,365
Investment Income	159,258	217,601	83,174	9,396	12,487	3,646	6,359	4,739	1,725	4,267
Miscellaneous	244,025	214,043	13,233	12,985	4,963	7,460	40,460	742,956	1,038,364	1,032,434
Total revenues	5,122,393	5,731,990	4,366,959	3,981,663	4,408,210	11,506,878	11,328,676	13,254,981	15,033,033	15,807,051
Expenditures:										
General government	1,052,145	3,616,583	1,378,561	1,484,293	1,032,000	1,006,852	879,717	8,815,568	988,079	991,080
Public safety	1,509,411	1,799,649	1,979,104	2,189,801	2,136,974	2,221,937	2,273,447	2,453,318	2,547,179	2,531,847
Physical environment	1,698,898	1,990,489	1,260,211	1,547,861	1,154,566	1,290,521	860,574	1,251,898	862,239	1,179,457
Human services	-	-	-	-	-	6,354,123	6,092,366	6,852,622	8,913,168	8,981,368
Debt Service:										
Principal	209,831	259,915	272,780	287,512	284,324	315,127	575,355	298,326	339,634	250,210
Interest	63,466	106,270	114,785	106,387	103,865	92,519	91,309	600,563	630,970	617,878
Bond issuance costs	-	32,818	-	-	-	-	-	-	-	434,688
Total expenditures	4,533,751	7,805,724	5,005,441	5,615,854	4,711,729	11,281,079	10,772,768	20,706,983	14,281,289	14,551,840
Excess Revenues Over Expenditures	588,642	(2,073,734)	(638,482)	(1,634,191)	(303,519)	225,799	555,908	(7,452,002)	751,764	1,255,211
Other Financing Sources:										
Capital lease	-	45,261	17,596	173,145	21,000	-	-	-	87,512	21,999
Bonds/Notes issued	-	1,480,000	-	-	-	250,000	-	9,625,000	100,000	-
Premium on bonds	-	15,326	-	-	-	-	-	-	-	-
Total other financing sources	-	1,540,587	17,596	173,145	21,000	250,000	-	9,625,000	187,512	21,999
Net change in fund balance	\$ 588,642	\$ (533,147)	\$ (620,886)	\$ (1,461,046)	\$ (282,519)	\$ 475,799	\$ 555,908	\$ 2,172,998	\$ 939,276	\$ 1,277,210
Debt service as a % of noncapital expenditures	8.58%	11.13%	9.13%	9.19%	8.99%	3.78%	6.52%	11.54%	7.47%	5.97%

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total * Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2006	482,682,718	13,865,998	496,548,716	3.6655	908,326,364	54.67%
2007	569,227,451	15,679,104	584,906,555	3.6655	941,699,554	62.11%
2008	620,697,374	16,023,977	636,721,351	3.4068	629,330,040	98.84%
2009	615,305,721	17,587,224	632,892,945	3.5378	687,514,038	92.06%
2010	576,519,592	18,456,856	594,976,448	3.7432	618,183,229	96.25%
2011	547,396,958	18,999,294	566,396,252	4.4018	591,737,558	95.72%
2012	541,210,654	18,248,983	559,459,637	4.4018	561,857,096	99.57%
2013	543,214,623	18,057,560	561,272,183	4.4018	562,034,022	99.86%
2014	562,918,210	18,467,610	581,385,820	4.4018	584,568,215	99.46%
2015	585,089,524	17,762,519	602,852,043	4.4018	603,075,188	99.96%

Source: Orange County Property Appraiser
* Breakdown between residential & commercial not available

**CITY OF BELLE ISLE, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago**

Taxpayer	2015		2006	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Belle Isle Commons	\$ 7,213,127	1.20%	\$ 8,349,303	1.72%
Legacy Holdings	6,166,060	1.02%	-	0
Duke Energy Florida	5,896,935	0.98%	-	0
Regist Marine	5,146,338	0.85%	-	0
Stl Bballl Homes	4,308,602	0.71%	-	0
Emerald Eagles	3,471,800	0.58%	3,248,037	0.67%
Crudl Lupo	3,279,701	0.54%	-	0
Marketing Business Associates	2,598,627	0.43%	-	0
McCoy Enterprises Group	2,382,700	0.40%	-	0
Harrell Roberts	2,359,999	0.39%	-	0
Mill Homes of Orlando, LLC	-	-	9,282,882	1.91%
Lae Leo	-	-	6,395,353	1.32%
McCoy Condo Investments, LLC	-	-	3,545,514	0.73%
Elison Properties, Inc.	-	-	3,463,851	0.71%
Tandona Ferry	-	-	3,454,537	0.71%
EZ Rent A Car, Inc.	-	-	2,630,988	0.57%
Orange County Development, LLC	-	-	2,627,512	0.54%
Ontario, Inc.	-	-	2,607,512	0.54%
	\$ 42,571,169	7.05%	\$ 46,721,512	9.42%

Source: Orange County Property Appraiser
2006 City of Belle Isle CAFR

CITY OF BELLE ISLE, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

CITY OF BELLE ISLE, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		
	Amount	Percentage of Levy		Amount	Percentage of Levy	
2006	1,820,099	1,699,855	93.39%	-	1,699,855	93.39%
2007	2,146,612	2,088,933	97.31%	1,232	2,090,165	97.37%
2008	2,169,182	2,102,260	96.91%	1,576	2,103,836	96.99%
2009	2,239,049	2,119,584	94.66%	2,576	2,122,190	94.78%
2010	2,227,116	2,144,861	96.31%	-	2,144,861	96.99%
2011	2,493,163	2,390,974	95.90%	1,454	2,392,428	95.96%
2012	2,462,629	2,386,130	96.89%	-	2,386,130	96.89%
2013	2,471,814	2,392,337	96.78%	-	2,392,337	96.78%
2014	2,566,675	2,479,107	96.59%	-	2,479,107	96.78%
2015	2,653,634	2,506,520	94.46%	-	2,506,520	94.46%

	Governmental Activities		Total Primary Government	Percentage of Personal Income ¹	Per Capita
	Revenue Bonds	Capital Leases			
2006	1,515,000	61,425	1,576,425	0.73%	259
2007	2,775,000	66,771	2,841,771	1.36%	483
2008	2,540,000	46,587	2,586,587	1.24%	440
2009	2,300,000	172,220	2,472,220	1.33%	435
2010	2,045,000	163,896	2,208,896	0.87%	337
2011	1,785,000	108,769	1,893,769	0.77%	316
2012	1,510,000	58,414	1,568,414	0.54%	257
2013	10,860,328	45,088	10,905,416	4.24%	1703
2014	10,559,326	92,966	10,652,292	3.89%	1659
2015	10,358,560	64,755	10,423,315	3.63%	1613

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements

1 See Demographic and Economic Statistics for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

CITY OF BELLE ISLE, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 As of September 30, 2015

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping General Obligation Debt:			
Orange County Board of County Commissioners	\$ -		\$ -
Orange County School Board	-		-
St. John's River Management District	-		-
Direct debt	1,058,315	100%	1,058,315
Total direct and overlapping debt	<u>\$ 1,058,315</u>		<u>\$ 1,058,315</u>

Note:
 (1) Ratio of assessed valuation of taxable property in overlapping unit to that within the City of Belle Isle.

CITY OF BELLE ISLE, FLORIDA
PLEDGE - REVENUE COVERAGE
 Last Ten Fiscal Years

Fiscal Year Ended Sept 30,	2009C Revenue Bonds			2009B Revenue Bonds			2012 Lease Revenue Bonds		
	Half-Cent Sales Tax	Debt Service Principal	Coverage Interest	Communication Service Taxes	Debt Service Principal	Coverage Interest	Lease Revenue	Debt Service Principal	Coverage Interest
2006	875,861	85,000	30,481	247,459	90,000	26,521	-	-	-
2007	828,086	90,000	29,082	259,064	95,000	26,034	-	-	-
2008	779,290	90,000	24,546	259,206	95,000	22,262	-	-	-
2009	686,189	95,000	22,600	300,757	95,000	21,472	-	-	-
2010	718,516	100,000	21,825	276,180	100,000	19,966	-	-	-
2011	751,306	105,000	11,625	255,377	100,000	18,966	-	-	-
2012	776,498	110,000	6,800	252,981	105,000	11,816	-	-	-
2013	833,187	115,000	2,300	266,822	110,000	12,788	698,135	126,000	532,373
2014	-	-	-	248,568	110,000	2,888	862,972	570,400	1,24
2015	-	-	-	-	-	-	928,500	136,000	963,526

Notes:
 The City made last payment on 2009C debt in 2013.
 The City made last payment on 2009B debt in 2014.

CITY OF BELLE ISLE, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

	Population	Personal Income ¹	Per Capita Personal Income ¹	Median Age ¹	Education Level		Unemployment Rate ¹
					In Years of Formal Schooling ¹		
2006	6,087	214,877,187	35,301	42.7	14.5		3.00%
2007	5,881	208,328,544	35,424	43.0	14.3		4.50%
2008	5,881	208,328,544	35,424	43.0	14.3		4.50%
2009	5,678	185,295,852	32,634	44.8	10,697.0		6.77%
2010	6,553	254,236,741	38,797	43.8	14.4		12.0%
2011	5,988	245,831,352	41,054	43.7	13.4		1.80%
2012	6,111	289,673,622	47,402	32.8	14.2		9.80%
2013	6,404	257,402,376	40,194	46.1	14.3		9.90%
2014	6,422	274,090,960	42,680	47.5	14.7		7.70%
2015	6,464	286,865,856	44,379	47.3	14.8		4.80%

¹ Metro Orlando Economic Development Commission or U.S. Census Bureau

CITY OF BELLE ISLE, FLORIDA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Regal Boats	453	1	7.05%	-	-	-
Cornerstone Charter	105	2	1.64%	-	-	-
La Petite	17	3	0.26%	-	-	-
CVS	17	4	0.26%	17	4	5.00%
Starbucks	17	5	0.26%	20	3	0.06%
Quality Inn	15	6	0.23%	-	-	-
RaceTrac	15	7	0.23%	12	5	0.03%
Travel Lodge	14	8	0.22%	-	-	-
Wendys	13	9	0.20%	25	2	0.07%
Comfort Suites	12	10	0.19%	-	-	-
Ramada Inn & Suites	-	-	-	40	1	0.11%
Sunshine Fitness Centers	-	-	-	12	6	0.03%
Corway's BBQ	-	-	-	10	7	0.03%
Specialist of Orlando	-	-	-	8	8	0.02%
Sunflower Chinese Kitchen	-	-	-	7	9	0.02%
Simply Unforgettable	-	-	-	6	10	0.02%
Total	678		10.56%	157		5.39%

Source: Field inspection

2015 The City of Belle Isle has a population of 6464

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CITY OF BELLE ISLE, FLORIDA
FULL - TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	5	5	5	5	5	5	4	6	5	5
Public Safety	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
Public Works	5	5	4	3	2	2	2	2	2	2
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Police Department	-	-	-	12	12	20	14	16	16	16
Total	10	10	9	20	19	27	20	24	23	23

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CITY OF BELLE ISLE, FLORIDA

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	645	795	501	807	575	1170	1450	1105	1325	764
Public Safety	59	70	64	99	30	27	39	41	41	178
Employee paid	14	170	237	131	99	56	48	24	34	40
Parking violations	23.5	23.5	24	24	22	25	25	25	25	18
Highways & Streets	25	25	7085	194	282	282	1200	2200	2200	25
Streets paved (miles)										7.5
Streets resurfaced (concrete/asphalt)										7.5
Sidewalks/pavement joints repaired (feet)										474

* Data not available

Source: City of Belle Isle Finance Dept.

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CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Highways & Streets										
Streets - paved (miles)	23.3	24	24	24	22	25	25	25	25	25
Streets - unpaved (miles)	0.3	0.3	0.3	0.3	0.3	0.03	0.03	0.03	0.03	0.03
Street lights	660	667	671	671	671	740	740	740	740	740
Parks and Recreation										
Parks	2	2	2	2	2	2	3	3	3	3

* Data not available
 Source: City of Belle Isle Public Works Dept.

INTERNAL CONTROL AND COMPLIANCE SECTION



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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 City Commissioners
City of Belle Isle, Florida

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *City of Belle Isle, Florida*, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 3, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *City of Belle Isle, 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 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 over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

MCDIRMIT DAVIS & COMPANY, LLC
934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

MEMBERS: PRIVATE COMPANIES PRACTICE SECTION AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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MANAGEMENT LETTER

Honorable Mayor and City Commission
City of Belle Isle, Florida

Report on the Financial Statements

We have audited the financial statements of the *City of Belle Isle, Florida*, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated January 3, 2016.

Auditor's Responsibility

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; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor's Report on an examination conducted in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 3, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no such findings or recommendations made in the preceding annual financial audit report.

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 has been disclosed in the notes to the financial statements.

MCDIRMIT DAVIS & COMPANY, LLC
934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *City of Belle Isle, Florida* financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the 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.

McDirmit Davis & Company, LLC

Orlando, Florida
January 3, 2016

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the *City of Belle Isle, 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 Belle Isle, Florida* did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the *City of Belle Isle, 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the *City of Belle Isle, Florida* for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. See Appendix A.

Purpose of this Letter

Our management letter is intended solely for the information of the *Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City Council, and applicable management*, and is not intended to be and should not be used by anyone other than these specified parties.

McDirmit Davis & Company, LLC

Orlando, Florida
January 3, 2016

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**APPENDIX A - NONCOMPLIANCE WITH PROVISIONS OF
CONTRACTS OR GRANT AGREEMENTS**

For the Fiscal Year Ended September 30, 2015

2015-01 Investment Policy

Criteria - The City has established an investment policy requiring continuing education pursuant to Florida Statutes 218.415.

Condition - During our audit, we noted that the required continuing education courses were not properly taken and documented.

Cause - Due to various staffing issues and time limitations the courses were not taken during the fiscal year ended September 30, 2015.

Effect - The City is not in compliance with FS 218.415 related to the investment of public funds.

Recommendation - We recommend the City ensure that the required personnel are authorized to complete the required training as required by Florida Statutes.



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**CITY OF BELLE ISLE,
FLORIDA**

1600 Nela Avenue
Belle Isle, Florida 32808
(407) 851-7730 • FAX 240-2222
www.cityofbelleislefl.org

January 3, 2016

McDermitt Davis & Company, LLC
934 North Magnolia Avenue
Suite 100
Orlando, FL 32803

Re: City of Belle Isle FYE September 30, 2015

Dear McDermitt Davis & Company,

Your management comments related to fiscal year ending September 30, 2015 were received by both the Interim City Manager and Finance Manager. The comments represent an opportunity for improvement, which will be pursued in Fiscal Year Ending 2016.

2015-01 Investment Policy

Response: This was an oversight by the previous administration. Corrective action has already been taken as we are scheduled for the course at the next offered time.

Sincerely,

Richard Anderson
Interim City Manager


Tracey Richardson
Finance Manager



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES

The Honorable Mayor and City Commissioners
City of Belle Isle, Florida

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

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

In our opinion, City of Belle Isle, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015, except for the noncompliance noted in Appendix A on page 64.

McDirmit Davis & Company, LLC

Orlando, Florida
January 3, 2016



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MCDIRMIT DAVIS & COMPANY, LLC
934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

MEMBERS PRIVATE COMPANIES PRACTICE SECTION AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
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Honorable Mayor and City Commission
City of Belle Isle, Florida, Florida

We have audited the financial statements of the *City of Belle Isle, Florida, Florida* for the year ended September 30, 2015, and have issued our report thereon dated January 3, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 31, 2014, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

MCDIRMIT DAVIS & COMPANY, LLC
934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

MEMBERS PRIVATE COMPANIES PRACTICE SECTION AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of significant accounting policies adopted by the City are described in Note 1 to the financial statements. There have been no changes in significant accounting policies or their application during 2015. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate for the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of our audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain representations from management that are included in the management representation letter dated January 3, 2016.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

This report is intended solely for the information and use of the Commission and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

McDermitt Davis & Company, LLC

Orlando, Florida
January 3, 2016



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**CITY OF BELLE ISLE,
FLORIDA**

1000 Nela Avenue
Belle Isle, Florida 32809
(407) 851-7730 • FAX 240-2222
www.cityofbelleislefl.org

The City of Belle Isle, Florida has complied with Section 163.31801 of Florida Statutes regarding an accounting reporting of impact fee collections and expenditures.


Richard Anderson
Interim City Manager

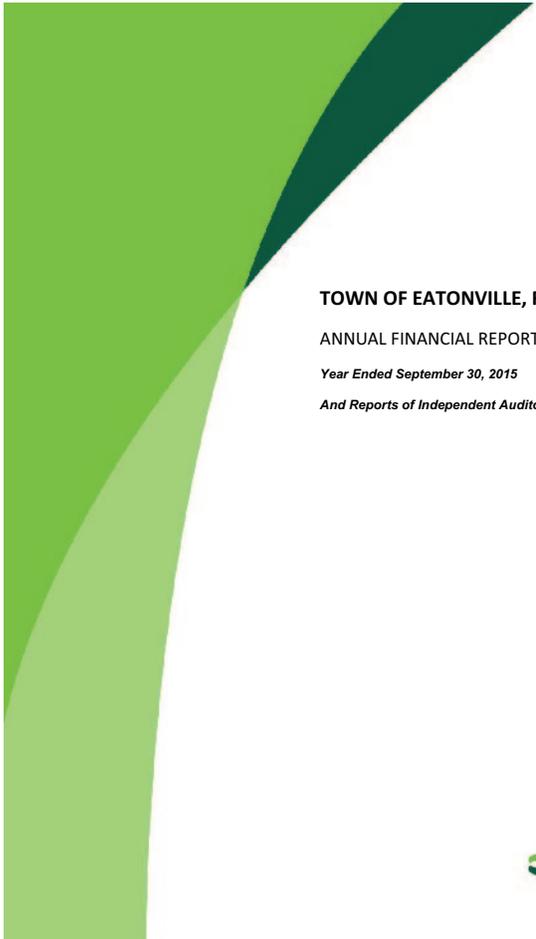


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APPENDIX H

FINANCIAL INFORMATION REGARDING TOWN OF EATONVILLE

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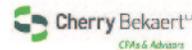
TOWN OF EATONVILLE, FLORIDA
ANNUAL FINANCIAL REPORT
 Year Ended September 30, 2015
 And Reports of Independent Auditor



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Report of Independent Auditor

Honorable Mayor and Town Council
 Town of Eatonville, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eatonville, Florida (the "Town"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town'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 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 controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note 1.d.14 to the basic financial statements, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, effective October 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the required supplementary information as listed in the table of contents 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 Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016 on our consideration of the Town’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the 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 Town’s internal control over financial reporting and compliance.

Chang Robert

Orlando, Florida
June 21, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS



MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the Town of Eatonville, (the “Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2015. Please read our discussion and analysis of the Town’s financial activities for the year ended September 30, 2015 in conjunction with the Town’s basic financial statements which immediately follow the discussion.

Financial Highlights

1. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$9,709,993 (*net position*), \$62,312 of which was an unrestricted deficit.
2. The Town’s total net position increased by \$17,992 during fiscal 2015, including a \$213,258 decrease in business-type activities and a \$231,250 increase in governmental activities.
3. As of the close of the current fiscal year, the Town’s governmental funds reported a combined ending fund balance of \$1,730,839, which represents an increase of \$433,066 in comparison with the prior year.
4. At the end of the current fiscal year, the Town’s General Fund reported a positive fund balance of \$647,707, which represents an increase of \$206,926 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town’s basic financial statements. The Town’s basic financial statements are comprised of three components:

- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Eatonville’s assets and liabilities, with the difference between the two being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information that demonstrates 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 items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

MANAGEMENT’S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, human services, public safety, community redevelopment, physical environment, economic development, and culture and recreation. The business-type activities of the Town include Water and Sewer, Solid Waste and Stormwater operations.

The government-wide financial statements include not only the Town of Eatonville itself (known as the *primary government*), but also a legally separate Community Redevelopment Agency (CRA), for which the Town is financially accountable. The Community Development Agency, although a legally separate entity, functions for all practical purposes as a department of the Town, and therefore has been included as an integral part of the primary government.

These government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories:

1. Governmental funds,
2. Proprietary funds, and
3. Fiduciary funds.

Governmental Fund: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town’s near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains the following two individual governmental funds: General Fund and Community Redevelopment Agency Fund. Information is presented separately in the governmental fund balance sheet, and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds.

The Town adopts an annual appropriated budget for its enterprise funds and its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Proprietary Funds: The Town maintains three enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer, Solid Waste, and Stormwater operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Solid Waste, and Stormwater operations. The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements are for the Police Pension Trust Fund and can be found on pages 19-20 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Town's General Fund and Community Redevelopment Agency Fund budget compliance and schedules of changes in the net pension asset and schedules of contributions related to the Police Officers' Pension Plan. Required supplementary information can be found on pages 46-50 of this report.

Additional budgetary information is presented immediately following the required supplementary information and can be found on pages 51-53 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets plus deferred outflows of resources exceeded liabilities by \$9,709,993 at the close of the most recent fiscal year.

By far the largest portion of the Town of Eatonville's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets. The Town of Eatonville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$1,085,015 of the Town's net position represents resources that are subject to external restrictions on how they may be used.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 2,564,432	\$ 1,793,982	\$ (727,004)	\$ (595,257)	\$ 1,837,428	\$ 1,198,725
Capital assets	7,565,513	7,490,353	2,414,690	2,495,196	9,980,203	9,985,549
Total assets	10,129,945	9,284,335	1,687,686	1,899,939	11,817,631	11,184,274
Deferred outflows of resources:						
	64,098	-	-	-	64,098	-
Liabilities:						
Other liabilities	438,548	482,999	341,207	341,042	779,755	824,041
Long-term liabilities	1,321,687	1,069,588	70,294	69,454	1,391,981	1,139,042
Total liabilities	1,760,235	1,552,587	411,501	410,496	2,171,736	1,963,083
Net Position:						
Net investment in capital assets	6,338,479	6,505,219	2,348,811	2,429,317	8,687,290	8,934,536
Restricted for debt service and CRA	1,085,015	853,418	-	-	1,085,015	853,418
Unrestricted (deficit)	1,010,314	373,111	(1,072,626)	(939,874)	(62,312)	(566,763)
Total net position	\$ 8,433,808	\$ 7,731,748	\$ 1,276,185	\$ 1,489,443	\$ 9,709,993	\$ 9,221,191

Governmental Activities: Governmental activities resulted in a decrease in net position before transfers of \$63,750. In fiscal year 2014 governmental activities had an increase in net position of \$45,363 before transfers. The Town had a cash transfer of \$295,000 from business-type activities to governmental activities in fiscal year 2015. After considering transfers, governmental activities reflect an increase in net position of \$231,250, as compared to an increase of \$196,363 in fiscal year 2014. Governmental Activities include a restatement of \$470,810 for the net effect of implementing GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27.

Business-type Activities: Revenues for business-type activities increased \$44,054 for the year, and expenses for business-type activities decreased by \$82,914. During fiscal year 2015, \$295,000 in cash transfers were made from the Water and Sewer Fund to the General Fund, an increase of \$14,000 from that of fiscal year 2014. In total, business-type activities net position decreased \$213,258 in fiscal year 2015, as compared to a decrease of \$196,226 in fiscal year 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 205,341	\$ 263,442	\$ 1,184,953	\$ 1,140,899	\$ 1,390,294	\$ 1,404,341
Operating grants and contributions	583,917	170,942	-	-	583,917	170,942
Capital grants and contributions	11,528	7,800	-	-	11,528	7,800
General revenues:						
Property taxes	1,655,576	1,491,222	-	-	1,655,576	1,491,222
Other taxes	1,362,721	1,431,959	-	-	1,362,721	1,431,959
Other revenue	76,034	69,042	-	-	76,034	69,042
Total revenue	3,895,117	3,434,407	1,184,953	1,140,899	5,080,070	4,675,306
Expenses:						
General government	1,205,612	1,017,864	-	-	1,205,612	1,017,864
Public safety	1,597,104	1,508,729	-	-	1,597,104	1,508,729
Physical environment	340,415	308,021	-	-	340,415	308,021
Human services	52,636	44,673	-	-	52,636	44,673
Economic environment	50,613	108,058	-	-	50,613	108,058
Culture and recreation	264,836	331,812	-	-	264,836	331,812
Interest on long-term debt	447,651	69,887	-	-	447,651	69,887
Water and sewer	-	-	695,493	764,702	695,493	764,702
Solid waste	-	-	305,175	307,729	305,175	307,729
Stormwater	-	-	102,543	113,694	102,543	113,694
Total expenses	3,958,867	3,389,044	1,103,211	1,188,125	5,062,078	4,575,169
Increase (decrease) in net position before transfers	(63,750)	45,363	81,742	(45,226)	17,992	137
Transfers	295,000	151,000	(295,000)	(151,000)	-	-
Change in net position	231,250	196,363	(213,258)	(196,226)	17,992	137
Net position - beginning	7,731,748	7,535,385	1,489,443	1,685,669	9,221,191	9,221,054
Restatement of beginning net position	470,810	-	-	-	470,810	-
Net position - beginning as restated	8,202,558	7,535,385	1,489,443	1,685,669	9,692,001	9,221,054
Net position - end	\$ 8,433,808	\$ 7,731,748	\$ 1,276,185	\$ 1,489,443	\$ 9,709,993	\$ 9,221,191

Financial Analysis of the Town of Eatonville's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with the legal requirements for financially related matters.

Governmental Funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Eatonville's financing requirements. In particular, the fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town reported a positive fund balance of \$647,707 for the General Fund. This compares to a fund balance of \$440,781 at September 30, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of the end of the current fiscal year, the Town reported a combined ending fund balance of \$1,730,839 for governmental funds, including a fund balance of \$1,083,132 in the Community Redevelopment Agency Fund. This compares to \$1,297,773 of fund balance for governmental funds at September 30, 2014, including \$856,992 in the Community Redevelopment Agency Fund.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net deficit of the Water and Sewer, Solid Waste and Stormwater Funds at the end of the year amounted to \$1,072,626, with an unrestricted \$2,370,433 deficit in the Water and Sewer Fund offsetting positive balances in the other funds. The Solid Waste Fund and Stormwater Fund increased net positions by \$64,396 and \$72,209, respectively, while the Water and Sewer Fund experienced a net deficit increase of \$349,863.

The Town intends to rebuild the fund balance of the Water and Sewer fund through future operations. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights:

	Budget		Actual Amounts	Positive/ (Negative)
	Original	Final		
General government	\$ 1,180,300	\$ 1,156,481	\$ 1,086,735	\$ 69,746
Public safety	1,581,129	1,604,394	1,391,829	212,565
Physical environment	208,470	209,373	208,747	626
Economic environment	541	25,315	25,315	-
Human services	45,765	52,636	52,636	-
Culture and recreation	223,720	256,277	203,880	52,397
Debt service				
Debt service interest			48,190	(4,558)
Debt service principal			105,000	(49,579)
Capital improvements			5,000	(55,379)
Total expenditures	\$ 3,398,115	\$ 3,483,843	\$ 3,258,025	\$ 225,818

The Town experienced generally favorable budget variances during the fiscal year.

Capital Asset and Debt Administration

Long-term Debt: At the end of the current fiscal year, the Town had \$1,391,981 in total long-term debt outstanding. Of this amount, \$875,000 consists of a loan through the Florida Municipal Loan Council, \$65,879 consists of a State Revolving Fund loan, \$352,034 consists of capital leases and the remainder consists of compensated absences obligations. The State Revolving Fund loan with the State of Florida Department of Environmental Protection is for wastewater facilities improvement projects, with initial draws occurring in fiscal 2013. Additional information on The Town's long-term debt can be found in Note 6, pages 35 - 37 of this report.

Capital Assets: The Town's net investment in capital assets for its governmental and business-type activities as of September 30, 2015 amounts to \$9,980,203 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, improvements, machinery and equipment, and recreational facilities. Additional information on the Town's capital assets can be found in Note 5 on pages 34 - 35 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors

General economic conditions have recently stabilized, although considerably below what had been experienced prior to the recent recession. Corresponding reductions in appraised property values and lack of development continue to have a significant effect on property tax revenue and the overall economic growth of the Town. Corresponding fund balances and cash flows have been compromised and have reached minimal levels. The Town is assessing various means by which to stabilize its fund balances and cash flows.

Requests for Information

This financial report is designed to provide a general overview of the Town of Eatonville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Town of Eatonville, 307 Kennedy Blvd., Eatonville, Florida, 32751.

FINANCIAL STATEMENTS



TOWN OF EATONVILLE, FLORIDA
STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total Primary Government
Assets			
Cash and cash equivalents	\$ 825,828	\$ 122,996	\$ 948,824
Accounts receivable, net	99,255	212,975	312,230
Due from other governments	117,481	-	117,481
Prepaid items and other assets	41,998	3,808	45,806
Internal balances	1,066,783	(1,066,783)	-
Net pension asset	413,087	-	413,087
Capital assets net of accumulated depreciation:			
Nondepreciable	674,943	221,979	896,922
Depreciable	6,890,570	2,192,711	9,083,281
Total assets	10,129,945	1,687,686	11,817,631
Deferred outflows of resources			
Deferred outflows related to pensions	64,098	-	64,098
Total deferred outflows of resources	64,098	-	64,098
Liabilities			
Accounts payable	66,730	70,132	136,862
Due to other governments	219,129	-	219,129
Accrued liabilities	78,117	216,020	294,137
Due to pension trust fund	1,054	-	1,054
Unearned revenue	34,160	-	34,160
Customer deposits	-	55,055	55,055
Accrued interest	18,042	-	18,042
Other liabilities	21,316	-	21,316
Long-term liabilities:			
Due within one year	201,391	4,415	205,806
Due in more than one year	1,120,296	65,879	1,186,175
Total liabilities	1,760,235	411,501	2,171,736
Net position			
Net investment in capital assets	6,338,479	2,348,811	8,687,290
Restricted for:			
Economic environment	1,083,132	-	1,083,132
Special events	1,883	-	1,883
Unrestricted (deficit)	1,010,314	(1,072,626)	(62,312)
Total net position	\$ 8,433,808	\$ 1,276,185	\$ 9,709,993

See notes to financial statements.

TOWN OF EATONVILLE, FLORIDA
STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2015

Function/Program	Program Revenues		Capital Grants and Contributions		Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	Governmental Activities	Total
Primary government:						
General government:						
Public safety	\$ 1,205,612	\$ 96,889	\$ 1,528	\$ (889,383)	\$ -	\$ (893,383)
Police	1,597,104	8,050	-	(1,174,211)	-	(1,174,211)
Fire	2,210	44,863	-	(42,923)	-	(42,923)
Economic environment	50,613	-	-	(50,613)	-	(50,613)
Human services	82,838	-	82,837	-	-	-
Human resources	77,392	-	-	(178,681)	-	(178,681)
Interest on long term debt	447,631	-	-	(447,631)	-	(447,631)
Total governmental activities	3,958,867	203,241	589,317	(3,150,053)	-	(3,150,053)
Business-type activities:						
Water and sewer	685,483	640,820	-	(64,883)	(64,883)	(64,883)
Stormwater	102,543	174,752	-	72,209	72,209	72,209
Total business-type activities	1,102,211	1,199,952	-	(92,674)	72,209	(20,465)
Total	\$ 5,061,078	\$ 3,999,224	\$ 589,317	\$ (3,193,051)	\$ 21,742	\$ (3,171,309)
General revenues:						
Property taxes	1,925,782	-	1,925,782	-	1,925,782	1,925,782
Based on gross receipts	375,278	-	375,278	-	375,278	375,278
Sales taxes	327,545	-	327,545	-	327,545	327,545
Local business tax	73,298	-	73,298	-	73,298	73,298
Miscellaneous and other taxes	75,105	-	75,105	-	75,105	75,105
Transfers	479	-	479	-	479	479
State of capital assets	295,000	(295,000)	-	-	-	-
Total general revenues and transfers	3,389,331	(295,000)	3,094,331	-	3,094,331	3,094,331
Change in net position			211,250	(213,258)	17,992	17,992
Net position - beginning, as previously reported			7,717,748	1,489,443	9,207,191	9,207,191
Restatement of beginning net position			470,810	1,489,443	9,687,001	9,687,001
Net position - beginning, restated			8,188,558	2,978,886	11,167,444	11,167,444
Net position - ending			8,433,808	1,276,185	9,709,993	9,709,993

See notes to financial statements.

TOWN OF EATONVILLE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	General Fund	Community Redevelopment Agency	Total
Assets			
Cash and cash equivalents	\$ 11,884	\$ 813,944	\$ 825,828
Accounts receivable, net	99,255	-	99,255
Due from other funds	1,066,783	269,497	1,336,280
Due from other governments	117,481	-	117,481
Prepaid items	41,998	-	41,998
Total assets	\$ 1,337,401	\$ 1,083,441	\$ 2,420,842
Liabilities and fund balances			
Liabilities:			
Accounts payable	66,549	181	\$ 66,730
Due to other governments	219,129	-	219,129
Accrued liabilities	77,989	128	78,117
Unearned revenue	34,160	-	34,160
Due to other funds	270,551	-	270,551
Other liabilities	21,316	-	21,316
Total liabilities	689,694	309	690,003
Fund balances:			
Nonspendable:			
Prepaid items	41,998	-	41,998
Restricted for:			
Special Events	1,883	-	1,883
Community Redevelopment Agency	-	1,083,132	1,083,132
Unassigned	603,826	-	603,826
Total fund balances	647,707	1,083,132	1,730,839
Total liabilities and fund balances	\$ 1,337,401	\$ 1,083,441	\$ 2,420,842

See notes to financial statements.

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TOWN OF EATONVILLE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

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

Ending fund balance - governmental funds	\$ 1,730,839
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:	
Land	\$ 674,943
Buildings and improvements, net of \$1,244,583 accumulated depreciation	2,048,185
Improvements other than buildings, net of \$609,512 accumulated depreciation	100,999
Equipment, net of \$1,567,836 accumulated depreciation	348,896
Infrastructure, net of \$786,926 accumulated depreciation	4,392,490
Total capital assets, net	7,565,513
Net pension asset included in total assets is not available to pay current expenditures and, therefore, is not reported in the funds.	413,087
Long-term liabilities, including a note payable and capital leases, are not due and payable in the current period and, therefore, are not reported in the funds. Interest expense on long-term debt is not accrued in the governmental funds, but rather is recognized when due. Compensated absences are not accrued in the governmental funds, but rather are recognized when paid. These liabilities, both current and long-term, consist of:	
Note payable	(875,000)
Capital leases	(352,034)
Compensated absences	(94,653)
Accrued interest on long-term debt	(18,042)
Total liabilities	(1,339,729)
Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	64,098
Net position of governmental activities	\$ 8,433,808

See notes to financial statements.

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TOWN OF EATONVILLE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Community Redevelopment Agency	Total
Revenues			
Ad valorem taxes	\$ 1,355,582	\$ 299,994	\$ 1,655,576
Utility taxes	657,018	-	657,018
Franchise fees	378,158	-	378,158
Sales tax	327,545	-	327,545
Intergovernmental revenues	200,842	-	200,842
Licenses and permits	60,200	-	60,200
Charges for services	37,928	-	37,928
Fines and forfeitures	35,255	-	35,255
Interest income	34	445	479
Rental and other income	140,809	4,377	145,186
Total revenues	3,193,371	304,816	3,498,187
Expenditures			
General government	1,086,735	53,378	1,140,113
Public safety	1,391,829	-	1,391,829
Physical environment	208,747	-	208,747
Economic environment	25,315	25,298	50,613
Human services	52,636	-	52,636
Culture/recreation	227,750	-	227,750
Capital outlay	478,036	-	478,036
Debt service:			
Principal	154,579	-	154,579
Interest	52,748	-	52,748
Total expenditures	3,678,375	78,676	3,757,051
Excess (deficiency) of revenues under expenditures	(485,004)	226,140	(258,864)
Other Financing Sources			
Proceeds from capital leases	396,480	-	396,480
Gain on sale	450	-	450
Transfers in	295,000	-	295,000
Total other financing sources	691,930	-	691,930
Net change in fund balances	206,926	226,140	433,066
Fund balance - beginning	440,781	856,992	1,297,773
Fund balance - ending	\$ 647,707	\$ 1,083,132	\$ 1,730,839

See notes to financial statements.

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TOWN OF EATONVILLE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2015

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

Net change in fund balances - total governmental funds	\$ 433,066
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capitalized capital outlay in the current period.	
Capitalized capital outlay	\$ 478,036
Depreciation	(402,876)
	75,160
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes resources of the governmental funds. However, neither transaction has any effect on net position.	
New debt	(396,480)
Principal paid	154,580
	(241,900)
Some expenses reported in the statement of activities do not provide (or do not require) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Increase in compensated absences payable	(10,199)
Decrease in accrued interest on long-term debt	1,576
Pension expense	(26,452)
	(35,075)
Change in net position of governmental activities	\$ 231,251

See notes to financial statements.

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TOWN OF EATONVILLE, FLORIDA
BALANCE SHEET
PROPRIETARY FUNDS

SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 121,259	\$ -	\$ 1,737	\$ 122,996
Accounts receivable, net	115,682	66,433	30,860	212,975
Prepaid items	2,308	-	1,500	3,808
Total current assets	<u>239,249</u>	<u>66,433</u>	<u>34,097</u>	<u>339,779</u>
Noncurrent assets				
Due from other funds	-	656,694	755,105	1,411,799
Capital assets				
Capital assets not being depreciated				
Land	2,500	-	-	2,500
Construction in progress	219,479	-	-	219,479
Total non-depreciable assets	<u>221,979</u>	<u>-</u>	<u>-</u>	<u>221,979</u>
Capital assets being depreciated				
Buildings and improvements	4,499,448	-	-	4,499,448
Equipment	251,975	-	160,427	412,402
Total depreciable assets	<u>4,751,423</u>	<u>-</u>	<u>160,427</u>	<u>4,911,850</u>
Less accumulated depreciation	(2,582,799)	-	(136,340)	(2,719,139)
Total depreciable capital assets, net of accumulated depreciation	<u>2,168,624</u>	<u>-</u>	<u>24,087</u>	<u>2,192,711</u>
Total noncurrent assets	<u>2,390,603</u>	<u>656,694</u>	<u>779,192</u>	<u>3,826,489</u>
Total assets	<u>\$ 2,629,852</u>	<u>\$ 723,127</u>	<u>\$ 813,289</u>	<u>\$ 4,166,268</u>
Liabilities and net position				
Current liabilities payable from current assets				
Accounts payable	69,631	-	501	70,132
Accrued liabilities	4,258	184,325	27,437	216,020
Current portion of compensated absences	2,156	-	2,259	4,415
Payable from restricted assets:				
Customer deposits	55,055	-	-	55,055
Total current liabilities	<u>131,100</u>	<u>184,325</u>	<u>30,197</u>	<u>345,622</u>
Noncurrent liabilities				
Due to other funds	2,478,582	-	-	2,478,582
Loans payable	65,879	-	-	65,879
Total noncurrent liabilities	<u>2,544,461</u>	<u>-</u>	<u>-</u>	<u>2,544,461</u>
Total liabilities	<u>2,675,561</u>	<u>184,325</u>	<u>30,197</u>	<u>2,890,083</u>
Net position				
Net investment in capital assets	2,324,724	-	24,087	2,348,811
Unrestricted (deficit)	(2,370,433)	538,802	759,005	(1,072,626)
Total net position	<u>(45,709)</u>	<u>538,802</u>	<u>783,092</u>	<u>1,276,185</u>
Total liabilities and net position	<u>\$ 2,629,852</u>	<u>\$ 723,127</u>	<u>\$ 813,289</u>	<u>\$ 4,166,268</u>

See notes to financial statements.

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TOWN OF EATONVILLE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total
Operating revenues				
Charges for services	\$ 640,630	\$ 369,571	\$ 174,752	\$ 1,184,953
Total operating revenues	<u>640,630</u>	<u>369,571</u>	<u>174,752</u>	<u>1,184,953</u>
Operating expenses				
Personnel services	154,108	-	83,870	237,978
Operating	397,987	305,175	16,956	720,118
Depreciation expense	143,398	-	1,717	145,115
Total operating expenses	<u>695,493</u>	<u>305,175</u>	<u>102,543</u>	<u>1,103,211</u>
Income before transfers	<u>(54,863)</u>	<u>64,396</u>	<u>72,209</u>	<u>81,742</u>
Transfers out	(295,000)	-	-	(295,000)
Change in net position	<u>(349,863)</u>	<u>64,396</u>	<u>72,209</u>	<u>(213,258)</u>
Net position - beginning				
	304,154	474,406	710,883	1,489,443
Net position - ending	<u>\$ (45,709)</u>	<u>\$ 538,802</u>	<u>\$ 783,092</u>	<u>\$ 1,276,185</u>

See notes to financial statements.

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TOWN OF EATONVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total
Operating activities				
Cash received from customers	\$ 638,785	\$ 367,433	\$ 175,150	\$ 1,181,368
Cash payments to suppliers for goods and services	(398,682)	(305,176)	(17,464)	(721,322)
Cash payments to employees for services	(152,094)	-	(63,790)	(235,884)
Net cash provided by operating activities	<u>88,019</u>	<u>62,257</u>	<u>73,906</u>	<u>224,182</u>
Noncapital financing activities				
Borrowings from other funds	348,516	-	-	348,516
Loans and reimbursements to other funds	-	(62,257)	(72,169)	(134,426)
Transfers out to other funds	(295,000)	-	-	(295,000)
Net cash used in noncapital financing activities	<u>53,516</u>	<u>(62,257)</u>	<u>(72,169)</u>	<u>(80,910)</u>
Capital and related financing activities				
Acquisition and construction of capital assets	(64,609)	-	-	(64,609)
Net cash used in capital and related financing activities	<u>(64,609)</u>	<u>-</u>	<u>-</u>	<u>(64,609)</u>
Net increase in cash and cash equivalents	<u>76,926</u>	<u>-</u>	<u>1,737</u>	<u>78,663</u>
Cash and cash equivalents - beginning of year	<u>44,333</u>	<u>-</u>	<u>-</u>	<u>44,333</u>
Cash and cash equivalents - end of year	<u>\$ 121,259</u>	<u>\$ -</u>	<u>\$ 1,737</u>	<u>\$ 122,996</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ (54,863)	\$ 64,396	\$ 72,209	\$ 81,742
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	143,398	-	1,717	145,115
Change in assets and liabilities				
Accounts receivable	(5,308)	(2,139)	398	(7,049)
Prepaid expenses	2,895	-	673	3,568
Accounts payable	(3,390)	-	(1,181)	(4,571)
Accrued liabilities	1,294	-	(20)	1,274
Customer deposits	3,463	-	-	3,463
Compensated absences	730	-	110	840
Total adjustments	<u>142,882</u>	<u>(2,139)</u>	<u>1,697</u>	<u>142,440</u>
Net cash provided by operating activities	<u>\$ 88,019</u>	<u>\$ 62,257</u>	<u>\$ 73,906</u>	<u>\$ 224,182</u>

See notes to financial statements.

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TOWN OF EATONVILLE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

SEPTEMBER 30, 2015

		Assets
Investments, at fair value:		
Money market funds	\$	51,942
Treasury bonds and notes		11,950
U.S. government agencies		122,731
Asset backed securities and municipal bonds		20,788
Corporate bonds and notes		443,054
Equities		737,790
Total investments		<u>1,388,255</u>
Accrued interest and dividends		
Due from the Town		4,933
Due from other government		1,054
Total assets	<u>\$</u>	<u>1,414,640</u>
Net Position		
Restricted for pension benefits	<u>\$</u>	<u>1,414,640</u>

See notes to financial statements.

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TOWN OF EATONVILLE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

YEAR ENDED SEPTEMBER 30, 2015

Additions	
Contributions:	
State of Florida	\$ 10,398
Plan members	28,874
Investment earnings:	
Interest	30,390
Net decrease in fair value of investments	(10,524)
Total additions	<u>59,138</u>
Deductions	
Benefit payments including refunds of contributions	6,670
Administrative expenses	10,650
Total deductions	<u>17,320</u>
Change in net position	41,818
Net position restricted for pension benefits - beginning	1,372,822
Net position restricted for pension benefits - ending	<u>\$ 1,414,640</u>

See notes to financial statements.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

c. 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the government considers property tax revenue to be available if collected within sixty days of the end of the current fiscal period and all other revenues to be available if collected within ninety days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds in the basic financial statements:

General Fund – The General Fund is the operating fund of the Town. This fund is used to account for all financial resources not required to be accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Community Redevelopment Agency – The CRA is a special revenue fund that is used to account for all sources and uses of financial resources provided by increased ad valorem tax value in the geographically designated area. Resources are consumed in operations and improvements specifically designated by the CRA.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 1 – Summary of Significant Accounting Policies

The Town of Eatonville (the "Town") was first incorporated on August 18, 1887. The Town was subsequently abolished and simultaneously recreated on June 14, 1967 under the Laws of Florida Chapter 67-1361 House Bill No. 876. Situated on the northeast corner of Orange County, approximately 10 miles north of Orlando, Eatonville is popularly known as "The first municipality in the United States of America incorporated by persons of African-American descent." The Town operates under a Mayor and Council form of government and provides the following services as authorized by its charter: general government, public safety, public works, culture, recreation, and water works.

The accounting and reporting policies of the Town of Eatonville relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"). The more significant accounting policies of the Town are described below.

a. Financial Reporting Entity

The Town of Eatonville is a municipal corporation with a five-member Town Council comprised of the Mayor and four Council persons. As required by accounting principles generally accepted in the United States of America, these financial statements represent the Town of Eatonville (the "primary government") and the Town of Eatonville Community Redevelopment Agency ("CRA"), a component unit, for which the Town of Eatonville is considered to be financially accountable. The CRA is presented as a blended component unit, although a legally separate entity, because it is in substance part of the Town of Eatonville's operations and the Town of Eatonville's Council is its governing body. Therefore, data from the CRA is combined with data of the primary government and is presented as a special revenue fund. The Town of Eatonville has no component units that require discrete presentation.

Pursuant to the requirements of Chapter 163, Part III of Florida Statutes, the Town of Eatonville, with the consent of Orange County, and through a Town ordinance, created the CRA to foster improvement activities in the Town of Eatonville. The CRA uses future tax increment revenues to fund a variety of improvement projects.

b. Government-wide and Fund 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 non-fiduciary activities of the Town and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the Town's Water and Sewer, Solid Waste and Stormwater funds are charges to customers for services. Operating expenses for the enterprise funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Town reports the following major proprietary funds in the basic financial statements:

Water and Sewer Fund – The Water and Sewer Fund accounts for the operating activities related to providing water treatment and distribution services, and sewage treatment to all areas within the Town limits.

Solid Waste Fund – The Solid Waste Fund accounts for the Town's garbage and recycling pick up and disposal activities.

Stormwater Fund – The Stormwater Fund accounts for the construction and maintenance of the Town's stormwater systems and pollution from stormwater runoff.

The Town reports the following fiduciary fund in the basic financial statements:

Police Pension Trust Fund – The Police Pension Trust Fund is accounted for in the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The trust fund accounts for the assets of the police officers' pension plan. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

d. Assets, Liabilities, Deferred Inflows/Outflows, and Net Assets or Equity

1. Cash and Cash Equivalents

For the purpose of the reporting of cash flows, all highly liquid investments with maturity dates within three months from the date of purchase are considered to be cash equivalents. Cash and cash equivalents consist of amounts held by qualified public depositories.

2. Investments

Investments are stated at fair value using quoted market prices.

3. Interfund Receivables/Payables

During the year, transactions occurred between individual funds for goods provided, services rendered, and loans. The receivables and payables are classified as "Due to/from Other Funds" on the fund balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances."

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

4. Unearned Revenue

Unearned revenue consists of advance receipts for occupational licenses and building permits.

5. Inventories and Prepaid Items

Inventories purchased with governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial individual cost of more than \$1,000, and an estimated useful life in excess of one year. Infrastructure assets acquired prior to October 1, 2003 are not reported, as permitted by accounting standards. Infrastructure assets acquired on or after October 1, 2003 are capitalized and reported in the government-wide financial statements regardless of their amount.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives:

Assets	Depreciable Life
Infrastructure	50 years
Buildings	40 years
Signs	30 years
Building improvements	10 - 15 years
Vehicles	3 - 5 years
Office and computer equipment	3 years

7. Compensated Absences

It is the Town of Eatonville's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

12. Fund Balance/Net Position Classification

Governmental funds report fund balances as either nonspendable or spendable. Spendable fund balances are further classified as restricted, committed, assigned or unassigned, based on the extent to which there are external or internal constraints on the spending of these fund balances.

Nonspendable fund balances include amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The Town considers inventories and prepaid items as part of this category, as well as long-term receivables from which proceeds are not restricted, committed, or assigned.

Spendable Fund Balances:

Restricted Fund Balance: Amounts that are restricted to specific purposes, and are restricted through enabling legislation and are legally enforceable. The legislation that creates the revenue stream must also stipulate the purposes for which that revenue can be used.

Committed Fund Balance: Amounts that are committed for specific purposes by formal action of the government's highest level of decision making authority, the Town Council. These amounts are not subject to legal enforceability as are restricted; however, those amounts cannot be used for any other purpose unless the government removes or changes the limitation by taking the same form of action it employed to previously impose the limitation (ordinance or resolution). The Town does not have any committed fund balances.

Assigned Fund Balance: Amounts that are intended by the government to be used for specific purposes but are neither restricted nor limited. Intent should be expressed by (a) the governing body itself, or (b) a subordinate high-level body or official possessing the authority to assign amount to be used for specific purposes. The Town has not granted any specific individual the authority to assign amounts, thus assignments may be only made by the Town Council. The Town does not have any assigned fund balances.

Unassigned Fund Balance: Is 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, limited, or assigned to specific purposes within the general fund.

The Town uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the Town first uses committed, then assigned, and then unassigned amounts of unrestricted fund balance when expenditures are made.

Government-wide statements and proprietary fund statements utilize an economic resources measurement focus and categorize net assets among the following components:

Net Investment in Capital Assets: Indicates that portion of net position which represents the Town's equity in capital assets, less the amount of related debt.

Restricted Net Position: Indicates that portion of net position which are segregated due to external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: Indicates that portion of net position which is available for general operations.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

8. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets of the government-wide financial statements and the proprietary fund financial statements. In the governmental fund type fund financial statements, the face amount of debt issued is reported as another financing source.

9. Deferred Outflows

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. In the government-wide financial statements a deferred outflow related to pensions is recorded to account for certain differences between projected and actual actuarial results, and certain differences between projected and actual investment earnings.

10. Property Taxes

The Town of Eatonville levied a millage rate of \$7.2938 per \$1,000 of assessed value for the fiscal year ended September 30, 2015. Orange County, Florida bills and receives payment for all ad valorem taxes levied by the Town of Eatonville. Payments are then remitted to the Town of Eatonville.

All property is assessed according to its fair market value on January 1 of each year, and at that time a lien is placed on the property for the taxes. The tax levy of the Town of Eatonville is established by the Town Council prior to October 1 of each year. The Orange County Property Appraiser incorporates the Town of Eatonville's millage into the total tax levy; which also includes Orange County, the Orange County School Board, and the St. John Water Management District's tax requirement.

All taxes are billed on November 1 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 1 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 not discounted.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

11. Utility Billings

Utility customers are billed monthly on a cycle basis. Unbilled revenue is recognized in the accompanying financial statements based upon estimates of revenue for services rendered between billing cycle dates and fiscal year end.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

13. Use of Estimates

The preparation of financial statements, in accordance with the modified accrual or accrual basis of accounting described in the previous paragraphs, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets or liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

14. Budget and Budgetary Accounting

All governmental funds budgets are prepared on a modified accrual basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that capital lease proceeds and related capital outlay are not budgeted. The budgets for the enterprise funds are prepared on an accrual basis and are consistent with GAAP, except that depreciation, amortization, and gain/losses on the disposal of assets are not budgeted. A budget for the fiduciary fund is not legally required or adopted. The procedures for establishing budgetary data reflected in the budgetary comparison schedule are as follows:

- The Town Chief Administrative Officer submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget is restricted to proposed expenditures and the means of financing them by means of appropriated revenues, other financing sources and appropriations of fund balances.
- Two public hearings are conducted to obtain taxpayer comments as required by Truth in Millage (TRIM) legislation.
- Prior to October 1, the budget is legally enacted through passage of an ordinance.
- Budgeted amounts are as originally adopted or as amended. There were several supplemental appropriations during fiscal year ended September 30, 2015.
- The level of control (level at which expenditures may not exceed budget) is at the fund level. Unexpended balances of appropriations lapse at year end.
- Formal budgetary integration is employed as a management control device during the year for all funds which have a legally adopted budget.
- Encumbrances - Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation in each fund. Encumbrances outstanding at year-end are reported as assigned fund balance for construction and long-term contracts and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

15. New Accounting Pronouncement

Effective October 1, 2014, the Town adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*. Accordingly, beginning net position was restated to reflect the recording of the net pension asset as follows:

	Governmental Activities
Net position, as previously reported	\$ 7,731,748
Adjustments:	
Beginning net pension asset	503,637
Removal of beginning net pension asset, as previously reported	(32,827)
Beginning net position, as restated	<u>\$ 8,202,558</u>

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 2 – Cash, Cash Equivalents, and Investments (continued)

b. Investments

Florida Statutes, the Town's Charter, and its Investment Policy authorize the investment of funds in the following:

- the Florida Local Government Surplus Funds Trust;
- direct obligations of the U.S. Government;
- direct obligations of any bank or savings and loan association certified as a Qualified public depository by the State of Florida including: interest-bearing savings accounts, money market accounts, certificates of deposit, money market certificates or time deposits; and
- obligations of the Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank or its district banks, Government National Mortgage Association, and Federal National Mortgage Association.

The Police Officers' Pension Trust Fund has a broader investment policy. The authorized investments include bonds, stocks, savings and time deposits, obligations of the United States Government (and its agencies) including instruments guaranteed as to principal and interest by the U.S. Government, and others. The Pension Fund is prohibited from investing more than five percent (5%) of its assets in common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the outstanding stock of that company. Additionally, the aggregate of investments in the common stock or capital stock of companies at market shall not exceed sixty-five percent (65%) of the fund's assets.

c. Credit Risk

In compliance with the Town's investment policy, the Town minimizes credit risk losses due to default of a security issue or backer by:

- limiting investments to the safest types of securities;
- limiting bank certificates of deposit to institutions designated as qualified public depositories in compliance with Florida Statute 290.02; and
- diversifying the investment portfolio so that potential losses on individual securities are minimized.

The Pension Fund minimizes credit risk by:

- limiting investment in debt securities to those corporations that hold a rating in one of the three highest classifications by a major bond rating service; and
- prohibiting investment of more than five (5) percent of its assets in the common or capital stock of one company.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 2 – Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments at September 30, 2015 are classified in the accompanying financial statements as follows:

	Carrying Amount
Pension Fund:	
Money market funds	\$ 51,942
Treasury bonds and notes	11,950
U.S. government agencies	122,731
Asset backed securities and municipal bonds	20,788
Corporate bonds and notes	443,054
Common stock	737,790
Total pension fund	<u>1,388,255</u>
Demand deposits	<u>948,824</u>
Total Primary-Government	<u>\$ 2,337,079</u>
Reconciliation of cash, cash equivalents, and investments	
Statement of Net Assets:	
Cash and cash equivalents - Governmental	\$ 825,828
Cash and cash equivalents - Business	122,996
Total - Primary Government	<u>948,824</u>
Statement of Fiduciary Net Assets:	
Investments - Fiduciary	<u>1,388,255</u>
Total	<u>\$ 2,337,079</u>

a. Deposits

Deposits consist of demand accounts with financial institutions. Deposits are insured by the Federal Depository Insurance Corporation or by collateral 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 a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the Town or its agent in the Town's name.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 2 – Cash, Cash Equivalents, and Investments (continued)

The Town's pension investments categorized by credit risk as of September 30, 2015 are:

Investment Type	Type	Credit Quality	Fair Value	Maturities (in Years)			
				Less Than 1	1 to 5	5 to 10	More Than 10
Money Market Funds	Money Market	NR*	\$ 51,942	\$ 51,942	\$ -	\$ -	\$ -
U.S. treasury bonds							
and notes	Fixed income	AA+	38,516	-	15,129	11,098	12,289
Certificates of deposit	Fixed income	NR*	5,082	-	5,082	-	-
FFCB	Fixed income	AA+	9,990	-	-	4,995	4,995
FGCI	Fixed income	AA+	955	-	400	555	-
FGLMC	Fixed income	AA+	1,386	-	-	-	1,386
FNCI	Fixed income	AA+	2,360	-	2,360	-	-
FNCL	Fixed income	AA+	588	-	-	-	588
FNMA	Fixed income	AA+	13,389	-	10,008	-	3,381
G2 Pool	Fixed income	AA+	7,655	-	-	-	7,655
GNSF	Fixed Income	AA+	1,943	-	-	-	1,943
Federal Home Loan	Fixed Income	AA+	19,844	-	19,844	-	-
Government Bonds							
-Freddie Mac	Fixed Income	AA+	4,967	-	4,967	-	-
Government Bonds							
-Fannie Mae	Fixed Income	AA+	20,895	-	10,042	-	10,853
Municipal bonds	Fixed income	AAA	6,368	-	-	-	6,368
Municipal bonds	Fixed income	AA	5,580	-	-	-	5,580
Corporate bonds	Fixed income	AAA	8,866	-	-	-	8,866
Corporate bonds	Fixed income	AA+	23,408	-	12,997	-	10,411
Corporate bonds	Fixed income	AA	10,820	-	-	10,820	-
Corporate bonds	Fixed income	AA-	61,083	-	22,118	20,334	18,631
Corporate bonds	Fixed income	A+	37,014	5,026	17,950	14,038	-
Corporate bonds	Fixed income	A	121,819	-	25,129	91,443	5,247
Corporate bonds	Fixed income	A-	59,313	-	6,053	36,937	16,323
Corporate bonds	Fixed income	BBB+	73,621	-	35,987	28,001	9,633
Corporate bonds	Fixed income	BBB	45,635	-	20,501	25,134	-
Corporate bonds	Fixed income	BBB-	15,262	-	10,460	4,802	-
Corporate bonds	Fixed income	BB	4,164	-	4,164	-	-
Total debt securities			598,523	5,026	223,191	248,157	122,149
Common Stock	Equity	NR*	737,790	737,790	-	-	-
Total pension investments			\$ 1,388,255	\$ 794,758	\$ 223,191	\$ 248,157	\$ 122,149

* Not rated

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 2 – Cash, Cash Equivalents, and Investments (continued)

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy requires a maximum maturity of no longer than five (5) years for operating funds and ten (10) years for non-operating funds. Maturities are structured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity. The Pension Fund does not have a maximum maturity for its investment portfolio.

The Town maintains an Employee Deferred Compensation Plan as a benefit to employees. As prescribed by the Plan documents, the Plan administrator is authorized to invest Plan assets in a variety of investment products, which are not in the Town's name, but are held by the Plan administrator. At September 30, 2015 and during the year, Plan assets were invested in various mutual funds under a custodial account. The Town has no fiduciary responsibility for these accounts, and accordingly, they have not been reflected in the financial statements.

Note 3 – Accounts Receivable, Unbilled Receivables, Other Receivables, and Due from Governmental Agencies

Receivables as of fiscal year-end September 30, 2015 for the Town's individual major funds and fiduciary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer	Solid Waste	Stormwater	Total
Receivables:					
Customer receivables and unbilled revenue	\$ -	\$ 283,421	\$ 162,580	\$ 76,644	\$ 522,645
Franchise and utility	121,685	-	-	-	121,685
	121,685	283,421	162,580	76,644	644,330
Less allowance for uncollectibles	(22,430)	(167,739)	(96,147)	(45,784)	(332,100)
Total receivables, net	\$ 99,255	\$ 115,682	\$ 66,433	\$ 30,860	\$ 312,230

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 4 – Interfund Balances and Transfers

The outstanding balances between funds result mainly from interfund goods and services provided, reimbursements of expenditures and working capital loans. The following is a summary of Interfund Receivables and Payables at September 30, 2015:

Fund	Receivable	Payable
General Fund	\$ 1,066,783	\$ 270,551
CRA	269,497	-
Pension Trust Fund	1,054	-
Water and Sewer Fund	-	2,478,582
Solid Waste Fund	656,694	-
Stormwater Fund	755,105	-
Total	\$ 2,749,133	\$ 2,749,133

Further detail of interfund balances, with the receiving fund provided in the first column and the owing fund provided in the second column, is as follows:

Due To	Due From	Amount
General	Water & Sewer	\$ 1,066,783
CRA	General	269,497
Pension Trust	General	1,054
Solid Waste	Water & Sewer	656,694
Stormwater	Water & Sewer	755,105
		\$ 2,749,133

Interfund Transfers:

Transfers from the Water and Sewer Fund to the General Fund are to finance various general government activities and to cover General Fund administrative costs incurred on behalf of the Water and Sewer Fund. Transfers from the Water and Sewer Fund to the General Fund were \$295,000 in fiscal year 2015.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 5 – Capital Assets

The following is a summary of changes in the primary government's capital assets during the year ended September 30, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 674,943	\$ -	\$ -	\$ 674,943
Total capital assets not being depreciated	674,943	-	-	674,943
Capital assets being depreciated:				
Infrastructure	5,179,416	-	-	5,179,416
Buildings and improvements	3,292,768	-	-	3,292,768
Improvements other than buildings	700,411	10,100	-	710,511
Equipment	1,451,396	467,936	(2,600)	1,916,732
Total capital assets being depreciated	10,623,991	478,036	(2,600)	11,099,427
Less accumulated depreciation for:				
Infrastructure	(661,485)	(125,441)	-	(786,926)
Buildings and improvements	(1,165,111)	(79,472)	-	(1,244,583)
Improvements other than buildings	(582,941)	(26,571)	-	(609,512)
Equipment	(1,399,044)	(171,392)	2,600	(1,567,836)
Total accumulated depreciation	(3,808,581)	(402,876)	2,600	(4,208,857)
Total capital assets being depreciated, net	6,815,410	75,160	-	6,890,570
Governmental activities capital assets, net	\$ 7,490,353	\$ 75,160	\$ -	\$ 7,565,513
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,500	\$ -	\$ -	\$ 2,500
Construction in progress	178,215	41,264	-	219,479
Total capital assets not being depreciated	180,715	41,264	-	221,979
Capital assets being depreciated:				
Buildings and improvements	4,476,103	23,345	-	4,499,448
Equipment	412,402	-	-	412,402
Total capital assets being depreciated	4,888,505	23,345	-	4,911,850
Less accumulated depreciation for:				
Buildings and improvements	(2,202,529)	(143,078)	-	(2,345,607)
Equipment	(371,495)	(2,037)	-	(373,532)
Total accumulated depreciation	(2,574,024)	(145,115)	-	(2,719,139)
Total capital assets being depreciated, net	2,314,481	(121,770)	-	2,192,711
Business-type activities capital assets, net	\$ 2,495,196	\$ (80,506)	\$ -	\$ 2,414,690

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 5 – Capital Assets (continued)

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 63,086
Public safety	161,635
Physical environment	131,407
Culture and recreation	46,748
Total	\$ 402,876
Business-type activities:	
Water and Sewer	\$ 143,398
Stormwater	1,717
Total	\$ 145,115

Note 6 – Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the Town for governmental activities for the year ended September 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
FMLC Series 2005B	\$ 980,000	\$ -	\$ (105,000)	\$ 875,000	\$ 45,000
Total note payable	980,000	-	(105,000)	875,000	45,000
Other liabilities:					
Capital leases	5,134	396,480	(49,580)	352,034	81,105
Compensated absences	84,454	50,067	(39,868)	94,653	75,286
Total other liabilities	89,588	446,547	(89,448)	446,687	156,391
Governmental activities long-term liabilities	\$ 1,069,588	\$ 446,547	\$ (194,448)	\$ 1,321,687	\$ 201,391

For the governmental activities, compensated absences are generally liquidated by the General Fund.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 6 – Long-Term Liabilities (continued)

a. FMLC Series 2005B Note Payable

On May 1, 2005 the Town entered into an agreement with the Florida Municipal Loan Council to partially advance refund the Series 1999B through the issuance of FMLC Series 2005B. The loan contains certain filing requirements, noncompliance of which is described below, and revenue coverage requirements. The loan is payable annually on November 1 through November 2029. The interest is payable semi-annually on May 1 and November 1 through November 2029, with interest rates from 3.00% to 5.00% over the term of the loan.

Fiscal year ended September 30:	Principal	Interest	Total
2016	\$ 45,000	\$ 42,400	\$ 87,400
2017	45,000	40,375	85,375
2018	45,000	38,125	83,125
2019	50,000	35,750	85,750
2020	50,000	33,250	83,250
2021-2025	275,000	127,125	402,125
2026-2030	365,000	47,375	412,375
	<u>\$ 875,000</u>	<u>\$ 364,400</u>	<u>\$ 1,239,400</u>

b. Capital Leases

The Town has entered into lease agreements as a lessee for financing the acquisition of police vehicles, radios and copiers. There were no down payments related to these acquisitions. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of their inception dates.

The assets acquired through capital leases are as follows:

Asset:	
Copier	\$ 14,705
Vehicles	467,936
Less: accumulated depreciation	(170,684)
Total	<u>\$ 311,957</u>

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 6 – Long-Term Liabilities (continued)

In 2014, the Town entered into another loan agreement with the State of Florida Department of Environmental Protection. As of September 30, 2015, no draws had been made under this agreement and, therefore, no liability is recorded. This loan is part of an agreement that provides principal forgiveness. Of the total \$4,480,117 awarded under this agreement, \$2,885,195 is expected to be forgiven and will not be subject to repayment.

Note 7 – Risk Management

The Town purchases commercial insurance to cover exposure to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Settlements have not exceeded coverage under insurance policies for each of the past three fiscal years.

Note 8 – Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Note 9 – Fund Balance Deficit

The Water and Sewer Fund had a deficit balance in unrestricted net assets of \$2,370,433 at September 30, 2015. The Water and Sewer Fund deficit is anticipated to be funded through normal operations and a reduction of transfers and expenses.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 6 – Long-Term Liabilities (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015 were as follows:

Year Ending September 30:	
2016	\$ 93,407
2017	91,536
2018	91,536
2019	91,536
2020	38,140
Total minimum lease payments	406,155
Less: amount representing interest	(54,121)
Present value of minimum lease payments	<u>\$ 352,034</u>

The following is a summary of changes in long-term liabilities of the Town for business-type activities for the year ended September 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
State Revolving Fund Loan	\$ 65,879	\$ -	\$ -	\$ 65,879	\$ -
Total loans payable	65,879	-	-	65,879	-
Other liabilities:					
Compensated absences	3,575	6,613	(5,773)	4,415	4,415
Total other liabilities	3,575	6,613	(5,773)	4,415	4,415
Business-type activities long-term liabilities	<u>\$ 69,454</u>	<u>\$ 6,613</u>	<u>\$ (5,773)</u>	<u>\$ 70,294</u>	<u>\$ 4,415</u>

a. State Revolving Fund Loan

In 2012, the Town entered into a loan agreement with the State of Florida Department of Environmental Protection for the Wastewater Facilities Improvement Projects, of which total draws amounted to \$65,879 as of September 30, 2015. The loan specifies semiannual loan payments of \$7,866 including interest at 2.10%, which will be due on August 15 and February 15 of each year for a 20 year period starting August 15, 2017. The semiannual payment amount will be subject to amendment at project close-out. This loan is part of an agreement that provides principal forgiveness. Of the total \$262,758 awarded under this agreement, \$41,663 is expected to be forgiven and will not be subject to repayment.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 10 – CRA Deposits and Withdrawals

As required by Florida Statute, additional description of CRA financial information during fiscal year 2015 is as follows:

Beginning cash and cash equivalents	\$ 598,789
Source of Deposits	
Tax increment financing - Town	295,602
Tax increment financing - Orange County	178,352
Interest income	445
Miscellaneous Revenue	4,377
Total sources	<u>478,776</u>
Purpose of Withdrawals	
Tax increment financing rebate - Town	108,494
Tax increment financing rebate - Orange County	65,460
Professional services	61,196
Operations	28,471
Total withdrawals	<u>263,621</u>
Ending cash and cash equivalents	<u>\$ 813,944</u>

The CRA has not pledged any incremental revenues or incurred any debt to carry out its activities.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 11 – Pension Plans

The Town of Eatonville has two public employee retirement plans; a single employer defined benefit police officers' pension plan for its sworn police officers (Town of Eatonville Police Officers' Retirement Trust Fund) (the "Plan"), and a defined contribution plan for all other Town employees meeting certain age and length of service requirements. The Plan is maintained as a pension trust fund and included as part of the Town's reporting entity; the Plan does not issue a stand-alone financial report.

a. Police Pension Plan

The Municipal Police Officers' and Firefighters' Retirement Trust Funds Office, housed within the Division of Retirement, is the state entity responsible for administrative oversight of the Police Officers' Pension Trust Fund. The Plan was established on December 18, 1972 by Town Ordinance 72-100B, providing for pension, death and disability benefits. It is subject to Provisions of Chapter 185, Florida Statutes.

The Plan, in accordance with the above Statute, is governed by a five-member pension Board. Two police officers who are elected by a majority of the members of the plan, two current residents of the Town who are appointed by the Town Council, and a fifth member who is elected by the other four members constitute the Pension Board. The Town and the Plan participants are obligated to fund all plan costs based upon actuarial valuations. The Town is authorized to establish benefit levels and the Board of Trustees approves the actuarial assumptions used in determination of contribution levels.

Benefits under the Plan are computed on the basis of age, years of service, average final compensation, and credited service. Members are vested after 10 years of credited service and the retirement age is 55 for normal retirement or 50 for early retirement. Non-vested members are entitled to 100% refund of their accumulated contributions, without interest, if they discontinue employment prior to the 10 year vesting period.

As of October 1, 2015, the date of the Plan's latest actuarial valuation, the Plan had 12 active participants and no inactive participants.

Town Ordinance 72-100-B provides the Plan is to be funded 9.10% by the Town and 5% by Plan members. Plan members vest after ten years of service and are eligible for distribution of accrued benefits upon age 55 with 25 years of credited service or age 55 with ten years of credited service.

1. Annual Money-Weighted Rate of Return

For the fiscal year ended September 30, 2015, the annual money-weighted rate of return on Plan investments, net of investment expense, was 1.72%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 11 – Pension Plans (continued)

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Value	53.15%	9.18%
Core Fixed	43.11%	1.21%
Cash	3.74%	0.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension asset was 7%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the net pension asset calculated using the discount rate of 7% as well as what it would be if it were calculated using a discount rate that is 1% lower (6%) and 1% higher (8%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6%	7%	8%
Net pension asset	\$ (253,759)	\$ (413,087)	\$ (545,407)

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 11 – Pension Plans (continued)

2. Net Pension Asset

The following schedule displays the components of the net pension asset as of the Town's measurement date of September 30, 2015.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 9/30/2014	\$ 869,185	\$ 1,372,822	\$ (503,637)
Changes for the year:			
Service Cost	66,517	-	66,517
Interest	65,507	-	65,507
Differences between expected and actual experience	7,014	-	7,014
Contributions - State	-	10,398	(10,398)
Contributions - Employee	-	28,874	(28,874)
Net Investment Income	-	19,866	(19,866)
Benefit payments, including refunds of employee contributions	(6,670)	(6,670)	-
Administrative Expense	-	(10,650)	10,650
Net Changes	132,368	41,818	90,550
Balance at 9/30/2015	\$ 1,001,553	\$ 1,414,640	\$ (413,087)

Actuarial Assumptions

The following is a summary of actuarial assumptions used in the latest actuarial valuations:

Valuation date	10/01/2015
Actuarial assumptions:	
Investment rate of return	7%
Discount Rate	7%
Inflation rate	3%
Projected salary increases	5.5-10%
Mortality table	RP 2000 Table - Sex Distinct

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 11 – Pension Plans (continued)

3. Pension Expense and Deferred Inflows and Outflows of Resources Related to Pensions

For the year ended September 30, 2015, the Town recognized a pension expense of \$26,452. At September 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and actual experience	\$ 6,138	\$ -
Net difference between projected and actual earnings on plan investments	57,960	-
Total	\$ 64,098	\$ -

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ 15,366
2017	15,367
2018	15,367
2019	15,367
2020	877
Thereafter	1,754

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 11 – Pension Plans (continued)

b. General Employees Defined Contribution Plan and Trust

The Town of Eatonville, Florida Defined Contribution Plan and Trust (the "Defined Contribution Plan") is an adoption of the Florida Municipal Pension Trust Fund Defined Contribution Plan and Trust which is administered by the Florida League of Cities, Inc. The Trustee for the Defined Contribution Plan's assets is the CitStreet Retirement Service. The Defined Contribution Plan was established effective October 1, 1989 by ordinance. There were no amendments during the year.

All general employees, except police officers, are eligible to participate in the Defined Contribution Plan provided they have completed one (1) year of service. Since this plan qualifies as a defined contribution plan which is administered in its entirety under a pool arrangement by the Florida League of Cities, Inc., the assets, liabilities, fund balance and operations are not recorded within the Town's financial statements.

1. Funding Provisions

The Town Council is responsible for setting the employer's contribution annually during budget adoption. The Town budgets the lesser of \$28,047 or five percent (5%) of eligible compensation. However, the Town contributed \$22,419, which represents approximately five percent (5%) of eligible compensation to the Defined Contribution Plan for the year ended September 30, 2015. Contributions to the Defined Contribution Plan are discretionary on the part of the Town. Employees may contribute up to a maximum of the percentage, ten percent (10%) of covered compensation. There were no employee contributions to the Defined Contribution Plan during the fiscal year ended September 30, 2015.

Vesting Provisions - An employee who leaves the employment of the Town is entitled to all of his or her contributions and a portion of the Town's contributions as follows:

Years of Service	Percentage of Balance Vested
1 year but less than 5	0%
5 years but less than 6	50%
6 years but less than 7	60%
7 years but less than 8	70%
8 years but less than 9	80%
9 years but less than 10	90%
10 or more years	100%

Retirement Provisions - Under the provisions of the Defined Contribution Plan, employees are eligible for normal retirement at age 65 with 10 years credited service.

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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

Note 12 – Operating Leases

The Town entered into noncancelable lease agreements with Orange County (the "County") and the Orange County Library System (the "OCLS") in 1998 and 2004, respectively. The agreement with the County allows for the use of the Denton Johnson Center for the County's Head Start program. The cost of the leased property is \$628,823, with \$343,803 of accumulated depreciation at September 30, 2015, for a net carrying value of \$285,020. The lease will terminate in 2023, at which time all additions to the property will revert to the Town. The lease agreement provides for an annual rental of \$1 and the County pays a portion of the operating and maintenance costs at the Denton Johnson Center based on the square footage used by the County each year. The agreement with OCLS allows use of the building on the corner of Kennedy Boulevard and College Street for the operation of a library branch. The cost of the leased property is \$975,514, with \$266,234 of accumulated depreciation at September 30, 2015, for a net carrying value of \$709,280. The lease will terminate in 2019, at which time all additions to the property will revert to the Town. OCLS has the option to extend the lease for two additional five year terms. The lease agreement provides for an annual rental of \$60,564, paid in monthly installments, with minimum future rentals of \$242,256 for fiscal years 2016 through 2019.

Note 13 – Tax Increment Financing

The CRA funding is derived by growth in property taxes over the "base year". The base year for the establishment of the CRA is the 1996 tax roll. Orange County, Florida and the Town are required to make tax increment payments to the CRA trust fund by January 1st of each year in accordance with Florida Statutes. Payments are determined by the 2004 interlocal agreement between the Town, the CRA, and Orange County. In 2015, such payment provided \$300,000 of tax increment financing revenue. The 2004 interlocal agreement provides that the payment will effectively provide a net \$300,000 in tax increment financing revenue from 2015 through 2019 and a net \$350,000 in tax increment financing revenue from 2020 through 2024.

Note 14 – Utility Tax

During fiscal 2011, the Town discovered it had been charging a 10% utility tax on Solid Waste and Stormwater fees without proper authority between October 1, 2003 and May 31, 2011, resulting in unauthorized billings totaling \$184,325 and \$25,460, respectively, in accrued liabilities as of September 30, 2015. The Town has adopted an Ordinance that authorizes these charges, effective June 1, 2011. Repayment of the unauthorized billings will be credited to the affected citizens' utility invoices each month for the next five years.

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REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF EATONVILLE, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)

YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual		Variances
	Original	Final	Amounts	Final Budget	Positive/ (Negative)
Resources (inflows)					
Ad valorem taxes	\$ 1,218,358	\$ 1,225,700	\$ 1,355,582	\$ 1,355,582	\$ 129,882
Utility taxes	609,789	657,642	657,018	657,018	(824)
Franchise fees	385,161	385,511	378,158	378,158	(7,353)
Sales tax	271,454	294,700	327,545	327,545	32,845
Intergovernmental revenues	107,948	113,831	200,842	200,842	87,011
Licenses and permits	42,000	85,462	60,200	60,200	(25,262)
Charges for services	48,510	57,705	37,928	37,928	(19,777)
Fines and forfeitures	12,500	15,710	35,255	35,255	19,545
Interest income	500	778	34	34	(744)
Rental and other income	187,154	216,147	115,514	115,514	(100,633)
Gain on Sale			450	450	450
Transfers in	453,540	453,540	295,000	295,000	(158,540)
Amounts available for appropriations	3,336,914	3,506,726	3,463,526	3,463,526	(43,200)
Charges to appropriations (outflows)					
General government	1,180,300	1,156,481	1,086,735	1,086,735	69,746
Public safety	1,581,129	1,604,394	1,391,829	1,391,829	212,565
Physical environment	208,470	209,373	208,747	208,747	626
Economic environment	541	25,315	25,315	25,315	-
Human services	45,765	62,638	62,638	62,638	-
Culture/recreation	223,720	256,277	203,880	203,880	52,397
Capital outlay	5,000	26,177	81,556	81,556	(55,379)
Debt service:					
Principal	105,000	105,000	154,579	154,579	(49,579)
Interest	48,190	48,190	52,748	52,748	(4,558)
Total charges to appropriations	3,398,115	3,483,843	3,258,025	3,258,025	225,818
Excess of resources over charges to appropriations	\$ (61,201)	\$ 22,883	\$ 205,501	\$ 205,501	\$ 182,618

Note: Proceeds from capital lease inflows and related capital outlay outflows of \$396,480 are not budgeted and therefore, are not included in this schedule.

See notes to schedule of revenues, expenditures and changes in fund balances - budget and actual - general fund

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TOWN OF EATONVILLE, FLORIDA
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2015

Note 1 – Budgetary Reporting

Reconciliation of Budgetary Basis Reporting Difference

The General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budgetary Basis), presents comparisons of the legally adopted budget with actual data on a budgetary basis. Governmental funds applied to develop data on a budgetary basis differ from those presented in the governmental fund financial statement due to the implementation of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which became effective October 1, 2010. The following describes the major differences between budgetary financial data and the governmental fund financial statements.

Perspective differences – Certain funds are not included in the General Fund's annual budget but are presented in the General Fund for purposes of the governmental financial statements.

The following table presents a reconciliation of General Fund change in Fund Balance perspective on a budgetary basis to the fund balances shown on the governmental fund financial statements at September 30, 2015:

<u>General Fund</u>	
General Fund change in Fund Balance - actual on a budgetary basis	\$ 205,501
Perspective Differences:	
Special Events - budgeted as a separate fund	1,425
General Fund change in Fund Balance - actual on governmental fund financial statements	<u>\$ 206,926</u>

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TOWN OF EATONVILLE, FLORIDA
CRA SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Variations</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Final Budget Positive/ (Negative)</u>
Resources (inflows)				
Ad valorem taxes	\$ 300,000	\$ 300,000	\$ 299,994	\$ (6)
Interest	-	-	445	445
Rental and other income	-	-	4,377	4,377
Amounts available for appropriations	<u>300,000</u>	<u>300,000</u>	<u>304,816</u>	<u>4,816</u>
Charges to appropriations (outflows)				
General government	470,000	470,000	53,378	416,622
Economic environment	-	-	25,298	(25,298)
Capital outlay	30,000	30,000	-	30,000
Total charges to appropriations	<u>500,000</u>	<u>500,000</u>	<u>78,676</u>	<u>421,324</u>
Excess of resources over (under) charges to appropriations	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>\$ 226,140</u>	<u>\$ 426,140</u>

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TOWN OF EATONVILLE, FLORIDA
POLICE OFFICERS' PENSION FUND

YEAR ENDED SEPTEMBER 30, 2015

Schedule of Changes in Net Pension Asset and Related Ratios
Last 10 Fiscal Years

	<u>09/30/2015</u>	<u>09/30/2014</u>
Total Pension Liability		
Service Cost	\$ 66,517	\$ 71,395
Interest	65,507	56,863
Differences between expected and actual return	7,014	-
Benefit payments, including refunds of employee contributions	(6,670)	-
Net change in total pension liability	132,368	128,258
Total pension liability - beginning	<u>869,185</u>	<u>740,927</u>
Total pension liability - ending	<u>\$ 1,001,553</u>	<u>\$ 869,185</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ -	\$ 16,543
Contributions - State	10,398	11,688
Contributions - Employee	28,874	29,951
Net investment income	19,866	105,889
Benefit payments, including refunds of employee contributions	(6,670)	-
Administrative expense	(10,650)	(12,158)
Net change in plan fiduciary net position	<u>41,818</u>	<u>151,913</u>
Plan fiduciary net position - beginning	<u>1,372,822</u>	<u>1,220,909</u>
Plan fiduciary net position - ending	<u>\$ 1,414,640</u>	<u>\$ 1,372,822</u>
Net pension (asset) - ending	<u>\$ (413,087)</u>	<u>\$ (503,637)</u>
Plan fiduciary net position as a percentage of the total pension liability	141.24%	157.94%
Covered employee payroll	\$ 577,474	\$ 599,025
Net pension asset as a percentage of covered employee payroll	71.53%	84.08%

Note: Information is not available for years preceding fiscal year 2014.

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TOWN OF EATONVILLE, FLORIDA
POLICE OFFICERS' PENSION FUND

YEAR ENDED SEPTEMBER 30, 2015

Schedule of Contributions
Last 10 Fiscal Years

Year Ended	Actuarially Determined Contribution	Contribution in Relation to Actuarially Required	Contribution (Excess) (Deficiency)	Covered Payroll	Percentage of Covered Payroll Contributed
September 30	(a)	(b)	(a-b)	(c)	(b/c)
2015	\$ 9,240	\$ 10,398	\$ (1,158)	\$ 577,474	1.80%
2014	8,734	28,231	(19,497)	599,025	4.71%
2013	51,010	51,010	-	552,485	9.23%
2012	46,826	30,077	16,749	670,970	4.48%
2011	46,562	55,426	(8,864)	461,577	12.01%
2010	50,376	69,929	(19,553)	461,577	15.15%
2009	47,900	40,097	7,803	461,577	8.69%

Note: Information is not available for years preceding fiscal year 2009.

Annual Money Weighted Rate of Return
Last 10 Fiscal Years

	<u>09/30/2015</u>	<u>09/30/2014</u>
Annual money-weighted rate of return	1.72%	8.85%

Note: Information is not available for years preceding fiscal year 2014.

Actuarial Assumptions

Valuation date	10/01/2015
Actuarial assumptions:	
Investment rate of return	7%
Discount Rate	7%
Inflation rate	3%
Projected salary increases	5.5-10%
Mortality table	RP 2000 Table - Sex Distinct

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TOWN OF EATONVILLE, FLORIDA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGET (BUDGETARY BASIS)

SEPTEMBER 30, 2015

OTHER SUPPLEMENTARY INFORMATION



	Water and Sewer		
	Final Budget	Actual	Variance Positive/ (Negative)
Operating revenues			
Charges for services	\$ 809,000	\$ 640,630	\$ (168,370)
Total operating revenues	<u>809,000</u>	<u>640,630</u>	<u>(168,370)</u>
Operating expenses			
Personnel services	215,849	154,108	61,741
Operating	398,651	397,987	664
Total operating expenses	<u>614,500</u>	<u>552,095</u>	<u>62,405</u>
Operating income	<u>194,500</u>	<u>88,535</u>	<u>(105,965)</u>
Non-operating revenues (expenses)			
Other income	5,500	-	(5,500)
Total non-operating revenues (expense)	<u>5,500</u>	<u>-</u>	<u>(5,500)</u>
Income before transfers	200,000	88,535	(111,465)
Transfers in	100,000	-	(100,000)
Transfers out	(300,000)	(295,000)	5,000
Total transfers	<u>(200,000)</u>	<u>(295,000)</u>	<u>(95,000)</u>
Deficiency of revenues over expenses	<u>\$ -</u>	<u>\$ (206,465)</u>	<u>\$ (206,465)</u>

Note: Depreciation expense of \$143,398 is not budgeted and, therefore, is not included on this schedule.

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TOWN OF EATONVILLE, FLORIDA
SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGET (BUDGETARY BASIS)

SEPTEMBER 30, 2015

	Solid Waste		
	Final Budget	Actual	Variance Positive/ (Negative)
Operating revenues			
Charges for services	\$ 323,135	\$ 369,571	\$ 46,436
Total operating revenues	<u>323,135</u>	<u>369,571</u>	<u>46,436</u>
Operating expenses			
Operating	282,480	305,175	(22,695)
Total operating expenses	<u>282,480</u>	<u>305,175</u>	<u>(22,695)</u>
Income (loss) before contributions and transfers	40,655	64,396	23,741
Transfers out	(40,655)	-	40,655
Total contributions and transfers	<u>(40,655)</u>	<u>-</u>	<u>40,655</u>
Excess of revenues over expenses	<u>\$ -</u>	<u>\$ 64,396</u>	<u>\$ 64,396</u>

TOWN OF EATONVILLE, FLORIDA
STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGET (BUDGETARY BASIS)

SEPTEMBER 30, 2015

	Stormwater		
	Final Budget	Actual	Variance Positive/ (Negative)
Operating revenues			
Charges for services	\$ 214,244	\$ 174,752	\$ (39,492)
Total operating revenues	<u>214,244</u>	<u>174,752</u>	<u>(39,492)</u>
Operating expenses			
Personnel services	125,070	83,870	41,200
Operating	89,174	16,956	72,218
Total operating expenses	<u>214,244</u>	<u>100,826</u>	<u>113,418</u>
Excess of revenues over expenses	<u>\$ -</u>	<u>\$ 73,926</u>	<u>\$ 73,926</u>

Note: Depreciation expense of \$1,717 is not budgeted and, therefore, is not included on this schedule.

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Report of Independent Auditor 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

Honorable Mayor and Town Council
Town of Eatonville, Florida.

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Eatonville, Florida (the "Town") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 combination of control 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 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. We did identify deficiencies, described as finding 2006-01 and 2015-01 in the accompanying Appendix A, which we consider to be a material weakness. Finding 2006-01 is a repeat deficiency from the preceding two annual financial audit reports, where it was also identified as finding 2006-01.

COMPLIANCE SECTION



TOWN OF EATONVILLE, FLORIDA
APPENDIX A – FINDINGS AND RECOMMENDATIONS

YEAR ENDED SEPTEMBER 30, 2015

This section identifies the material weaknesses in internal control that are required to be reported in accordance with *Government Auditing Standards*.

Current Year Audit Findings:

Reconciliations

Finding 2006-01: Reconciliation of general ledger accounts to subsidiary detail is a key control to ensure accounting errors are identified on a timely basis. We noted reconciliations were not provided for billed and unbilled receivables and interfund balance sheet accounts, and that prepaid balances and allowance for doubtful accounts were not analyzed and adjusted at year end; similar to what was reported in prior financial statement audits. In addition, the cash reconciliation was not prepared accurately. While the Finance Department has made efforts to resolve this finding, certain general ledger account balances were incorrectly recorded and considerable time and effort was required to analyze financial statement amounts at year end.

Recommendation: We recommend that the Finance Department prepare regular reconciliations of its balance sheet subsidiary ledgers to the general ledger balances in order to ensure accuracy of general ledger balances. Additionally these reconciliations should be reviewed and adjustments should be made to avoid errors or omissions of financial data.

Management Response: The Finance Department is making every effort to adhere to auditor's recommendation for current transactions. The Finance Department is also working diligently on resolving the past issues regarding this finding.

Recording and Oversight of Transactions

Finding 2015-01: We noted multiple entries that were not recorded consistently with generally accepted accounting principles due to oversight or insufficiency of knowledge and were not detected in the review process. These entries included approximately \$34,000 of enterprise fund expenses that should have been recorded as assets and approximately \$65,000 of interest expense that was improperly included in proceeds from a capital lease. Additionally, the Town recorded approximately \$17,000 in revenue that was unearned at year end and recorded a reimbursement of approximately \$97,000 on the SRF loan that was not received until the subsequent fiscal year.

Recommendation: We recommend the Finance Department exercise increased diligence in the recording and review of transactions, including consulting with the Town's independent auditor as necessary, to ensure all transactions are recorded in accordance with generally accepted accounting principles.

Management Response: If needed, the Finance Department will consult with the Town's Independent Auditor to ensure all transactions are recorded in accordance with generally accepted accounting principles.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town's Response to Finding

The Town's responses to the findings identified in our audit are described in the accompanying Appendix A of this report. We did not audit the Town's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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.

Cherry Bekaert

Orlando, Florida
June 21, 2016

YEAR ENDED SEPTEMBER 30, 2015



Prior Year Audit Findings:

Reconciliations

Finding 2006-01: Reconciliations of general ledger accounts to subsidiary detail is a key control to ensure accounting errors are identified on a timely basis. We noted reconciliations were not provided for billed and unbilled receivables and interfund balance sheet accounts, and the allowance for doubtful accounts was not analyzed and adjusted at year end, similar to what was reported in prior financial statement audits. As a result, certain general ledger account balances were incorrectly recorded and considerable time and effort was required to analyze financial statement amounts at year end.

Recommendation: We recommend that the Finance Department at the Town prepare regular reconciliations of its balance sheet subsidiary ledgers to the general ledger balances in order to ensure accuracy of general ledger balances and avoid errors or omissions of financial data.

Current Status: The matter continues to exist and is addressed in the current year finding 2006-01.

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Independent Auditor's Management Letter

Honorable Mayor and Town Council
Town of Eatonville, Florida:

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Eatonville, Florida (the "Town"), as of and for the year ended September 30, 2015, and have issued our report thereon dated June 21, 2016.

Auditor's Responsibility

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.

Other Reports

We have issued our Report of Independent Auditor 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*. Disclosures in this report, which is dated June 21, 2016, 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. Corrective actions have been taken to address the findings and recommendations made in the preceding annual financial report, with the exception of those included in Appendix A of this letter and in Appendix A of the Report of Independent Auditor 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*. Observations 2006-A, and 2012-C in Appendix A of this letter are repeat recommendations from the preceding annual financial audit report, and repeated from the second preceding annual financial audit report, noted as Observations 2006-A, and 2012-C.

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. Such disclosure is included in the notes to the financial statements.

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YEAR ENDED SEPTEMBER 30, 2015

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the Town 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 of the financial statements of the Town, the results of our tests did not indicate the Town met any of the specified conditions of a financial emergency contained in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town'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 management.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. Our review of the financial report filed with the Florida Department of Financial Services to the Town's 2015 audited financial statements resulted in no material differences.

Other Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the Town's financial management. We have identified certain matters in Appendix A of this letter that are relevant to financial management.

We did not audit the Town's responses to these matters, which are also provided in Appendix A of this letter, and, accordingly, we express no opinion on them.

Purpose of this Letter

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550, *Rules of the Auditor General*. Accordingly, this management letter is not suitable for any other purpose.

Orlando, Florida
June 21, 2016

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Current Year Recommendations

Observations are provided by the year in which they originated.

Financial Condition Assessment

Observation 2006-A: We applied financial condition assessment procedures as part of the annual audit of the Town, in accordance with *Rules of the Auditor General*, Chapter 10.550. These procedures require that we report matters in connection with this assessment if we find there are deteriorating financial conditions that could lead to a state of financial emergency as provided by Florida Statute 218.503(1). Our financial condition assessment procedures applied found that the Town had a deficit fund balance at September 30, 2015, when aggregating the General Fund and enterprise funds. Also, while improving, liquidity remains low as a percent of annual costs and there are minimal funds available to fund aging capital infrastructure and ongoing obligations. Without strengthening of financial condition and resolution of other matters, conditions exist that could lead to a state of financial emergency as prescribed by Florida Statute 218.503(1).

Recommendation: We recommend the Town's budgeting, financial management and strategic planning process provide for strengthening of the Town's financial position in order to ensure adequate liquidity and ability to address long-term capital and other needs.

Management Response: The management is currently reviewing spending needs, monitoring anticipated revenues against actual and closely monitoring expenditures against budget appropriation. In addition, the management will cut down unnecessary expenses and find other resources or revenues to strengthen the Town's financial condition. The Town continues to encourage new business. Apart from the CDBG grant and SRF loan received in fiscal year 2014, the Town, along with Orange County School Board, is in the process of soliciting a developer for approximately 90 acres of land within the Town limits. This will increase the overall tax base for the Town.

Water and Sewer Fund Transfers and Accountability

Observation 2012-C: It appears the Water and Sewer Fund has effectively borrowed from other funds in order to finance transfers made to the General Fund in recent years, resulting in an improved fund balance position for the General Fund but leaving a deficit in unrestricted Water and Sewer Fund balance of \$2,284,624 at September 30, 2015. It is unclear as to the portion of Water and Sewer Fund transfers to the General Fund that might represent payments for administrative overhead versus simply transfers of equity. Accordingly, fund level accountability is compromised and, due to the amount owed and limited resources available in the Water and Sewer Fund, it is unclear as to how interfund balances will be eliminated.

Recommendation: We recommend interfund activity be evaluated in order to determine how interfund balances will be eliminated and to establish an appropriate methodology for future transfers and/or administrative charges. To the extent interfund activity represents charges between funds, such as administrative charges from the General Fund, those charges should be accounted for as operating activity based on the cost of services provided, rather than as transfers.

Management Response: The Utilities Department will conduct a thorough review of all related administrative overhead. This review will be used to develop a clear, concise, and effective methodology for future transfers and operating activity based on the cost of services provided.

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**Report of Independent Accountant on Compliance
With Local Government Investment Policies**

To the Honorable Mayor and Town Council
Town of Eatonville, Florida

Report on Compliance

We have examined the Town of Eatonville, Florida's (the "Town's") compliance with the local government investment policy requirements of 218.415, Florida Statutes, for the year ended September 30, 2015. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Scope

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

Opinion

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



Orlando, Florida
June 21, 2016

June 21, 2016

To the Honorable Mayor and Town Council
Town of Eatonville, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eatonville, Florida (the "Town") for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated February 11, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our contract, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the financial statements. The Town adopted Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, during fiscal year 2015, the accounting changes of which are discussed in Note 1.d.15. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Town's financial statements were:

Management's estimate of allowances for uncollectible accounts, which is based on historical collection trends;

Management's estimate of depreciation, which is based on estimated useful lives of associated capital assets;

Management's estimate of the net pension asset associated with the defined benefit plan, which is based on actuarial calculations. We evaluated the key factors and assumptions used to develop these estimates to determine that they seem reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The more significant misstatements detected as a result of audit procedures and corrected by management include adjustments to decrease Water and Sewer Fund expense by \$34,373, reduce Water and Sewer Fund revenue \$97,529, reduce General Fund expenditures and debt proceeds \$65,393, and to reconcile inter-fund balances. There were no other adjustments that were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 21, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We observed certain material weaknesses in internal control, which are included in Appendix A of the 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 have provided certain internal control observations in our management letter, including financial conditions that could lead to a state of financial emergency.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for use by the Honorable Mayor, the Town Council and management of the Town of Eatonville, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Cherry Bekaert LLP

APPENDIX I

FINANCIAL INFORMATION REGARDING TOWN OF LAKE PARK

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**TOWN OF LAKE PARK
FLORIDA**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

TOWN OF LAKE PARK, FLORIDA

Fiscal Year Ended September 30, 2015

**Prepared by
Finance Department**

Comprehensive Annual Financial Report

**FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

THE TOWN OF LAKE PARK, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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June 28, 2016

The Honorable Mayor,
Members of the Town Commission and Citizens
Town of Lake Park, Florida

The Comprehensive Annual Financial Report (CAFR) of the Town of Lake Park, Florida, (the "Town") for the fiscal year ended September 30, 2015, is hereby submitted. Florida law and the Rules of the Auditor General for the State of Florida require every municipality to complete a set of audited financial statements annually within twelve months of the close of the fiscal year. This report is published to fulfill that requirement for the year ended September 30, 2015.

This report consists of management's representation concerning the finances of the Town of Lake Park. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Lake Park has established a comprehensive internal control framework that is designed both to protect the Town assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Lake Park's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Lake Park's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Lake Park's financial statements have been audited by Nowlen, Holt & Miner, P.A., certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Lake Park for the fiscal year ended September 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in financial statements; assign the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Lake Park's financial statements for the fiscal year ended September 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is located at the front of the Financial Section of this report on page 1.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

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INTRODUCTORY SECTION

PROFILE OF THE TOWN

Originally incorporated in 1923 as Kelsey City, the city was renamed in 1939 to the Town of Lake Park. The Town of Lake Park is a political subdivision of the State of Florida with a population of 8,248 residents (U.S. Census Bureau, 2011 estimate), ideally located in the southeastern part of the State on the Atlantic Intracoastal Waterway. The Town is primarily residential but has several types of light industry, commercial and retail businesses and shopping centers.

The Town of Lake Park operates under a commission-manager form of government. Policymaking and legislative authority are vested in a governing commission consisting of the Mayor, Vice-Mayor and three Commissioners. The governing body is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the Town Manager and Town Attorney. The Town Manager serves as the Chief Administrative Officer for the Town and is responsible for day-to-day operations, including the hiring, discipline, and firing of all town employees.

In 2008, the Department of Justice of the United States filed a civil action against the Town alleging that the then current at-large method of electing the Commissioners for the Town, enhanced by the use of staggered terms and designated posts, resulted in black citizens of the Town having less opportunity than white citizens to participate in the political process and elect candidates of choice in violation of Section 2 of the Voting Rights Act of 1965. Subsequent to the end of Fiscal Year 2009, as a result of the Department of Justice Consent Decree with the Town, which requires that the Town change the manner in which candidates for Commission seats are elected by imposing a method known as "Limited Voting", an ordinance was adopted to amend the Charter to reflect this change. The seat of Mayor is elected in one election year and the four remaining commissioners are elected in the next election year, with no election occurring in the third year. The Mayor and Commission members are elected on a non-partisan basis. There are no term limits for elected officials.

The Town of Lake Park provides a full range of services, including building inspections, code enforcement, residential and commercial sanitation service, a public library, recreation and cultural events. Police and fire protection are contracted through Palm Beach County. Water and sewer service is provided through the Seacoast Utility Authority.

The Town's financial statements also include the Lake Park Community Redevelopment Agency (CRA); a dependent special district established by the Town, under authority granted by Florida Statute 163, Section III. The Town is financially accountable for the CRA which is included in the Town's financial statements as a blended component unit reported in a governmental (special revenue) fund, the CRA Fund.

The Town is required by State law to adopt an annual budget for the general fund. The annual budget serves as the foundation for the Town's financial planning and control. The budget is prepared by fund, function (e.g., public safety) and department (e.g., police). The Town Manager may transfer resources within a department or fund as needed. Budgetary transfers between funds require the approval of the Town Commission.

LOCAL ECONOMY

The Town's economic growth continues to be stymied due to the national recession and collapse of the housing and real estate market. Property values increased dramatically throughout Palm Beach County and the Town of Lake Park between the years of 2002 through 2008. The taxable value of property within the Town decreased 6.3% in 2009, mainly due to the passage of Amendment One (Property Tax Reform), an additional 15.6% in 2010 due to the economic downturn, and values dropped an additional 18.3% in 2011, and 5.5% in 2012, and 3.6% in 2013. The taxable value recovered 3.90% in 2014 and 7.1% in 2015. The relationship of commercial assessments compared to residential assessment has historically been around 50/50, but with the decline in the housing market, this relationship has shifted to approximately 58/42.

The Town is experiencing the buildout of some of the remaining vacant parcels but does not anticipate any significant changes in the type of development that will occur. It is anticipated that redevelopment and reuse of existing structures will eventually take place and that the Town will continue to diversify its tax base. The decline in both commercial and residential assessments appears to have been reversed.

The Town's taxable value peaked in 2008 at more than \$733 million, losing more than \$302 million before beginning to recover. As of 2015 the lost value remains at more than \$253 million. A small increase in the millage was adopted for Fiscal Year 2013-2014 and the millage was held at the same rate for Fiscal Year 2014-2015. In 2015-2016 the Town adopted a MSTU for fire services, thus the millage for the Fire Services was not included in the operating millage accounting for a decrease in revenue and expense of \$1,813,451. The operating millage rate was effectively held constant year-over-year at 5.3474 (8.8055 mills less the fire millage of 3.4581). While public safety is paramount to the citizens of the Town, the cost of police services represent 37.8% of the General Fund expenditures and consume in excess of 100% of the ad valorem tax revenue. The operational cuts that were enacted across all departments, excluding public safety, to counter the loss of revenue will take years to reverse.

The Town continues to look for ways to provide essential services to the public in the most cost efficient, effective way without the health, safety and welfare of the community being compromised. The use of one time sources of revenue for recurring expenditures is not an option given the modest level of reserves and the threat of hurricanes an annual possibility. Alternative sources of revenue and possibly increased fees will be explored for future budgets.

The Community Redevelopment Agency (CRA) purchased commercial property in 2008, located at 800 Park Avenue, was refurbished and was used as an art studio and gallery for a period in 2010 and 2011. In 2012 the building was leased to The Artists of the Palm Beaches who provide free classes, have monthly exhibits, and use the building as the group's base of operations. Improvements have continued for the downtown alleys; in 2012 completing the alleyway between 7th and 8th streets south of Park Avenue. There are several incentive included in the CRA Plan including: facade improvement grants and limited business development loans program that continues to be in place. These incentives may be utilized in the future to encourage development of the downtown business district located within the CRA boundaries.

ACCOUNTING AND BUDGETARY CONTROLS

The accounting and financial reporting of the Town's general government operations takes place in four broad categories: the General Fund, Special Revenue Funds, Debt Service Fund, and Insurance Internal Service Fund. The records and reports for these funds are maintained on the modified accrual basis, with revenue being recorded when measurable and available, and expenditures being recorded when the services or goods are received and the liabilities incurred. Accounting records for the Town's enterprise operations and pension trust funds are maintained on the accrual basis.

Management of the government is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP). The internal control is designed to provide reasonable, rather than absolute, assurance these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimate and judgments by management.

As a recipient of federal, state and local awards, the Town is responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management.

In addition, the government maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the legal provisions embodied in the annual budget approved by the government's governing body. Activities of the General Fund, Community Redevelopment Agency, Debt Service Fund and proprietary funds are included in the annual appropriated budget. The level of budgetary control (that is,

the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level within the individual fund. The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

As demonstrated by the basic financial statements and schedules included in the financial section of the report, the government continues to meet its responsibility for sound financial management.

MAJOR INITIATIVES

There were three significant initiatives underway during the fiscal year: (1) establishing a US-1 Mixed-Use Corridor, (2) a CDBG funded project to build and re-build the bathrooms in two Town parks, and (3) the Marina Seawall remediation project.

The Town has been committed to invest in the growth of the eastern area. Consequently, a US-1 Mixed-Use Corridor initiative that would allow for increased development/redevelopment of commercial and residential uses has been of great focus and will hopefully roll out by the end of 2016.

A Community Development Block Grant (CDBG) application was initiated and began in fiscal year 2015 for building and re-building two Town Park Bathrooms. Town staff worked with Palm Beach County (PBC) grant staff and provided applications and other various documents. On March 10, 2015 the Town and PBC entered into an agreement for PBC to fund a grant of \$403,591 for the project. Subsequent to yearend, October 21, 2015, the Commission authorized the Town to contract with PTZ Architects for the project design, which is now nearing completion.

The Marina Seawall remediation project was undertaken to correct the construction deficiencies that occurred when the seawall was last under construction. On August 20, 2014 the Commission authorized a budget for the repairs to the seawalls and sidewalks at the Lake Park Harbor Marina. The Town advertised a Request for Proposal for the repairs, and in due time awarded the contract for the repairs was issued to West Construction, Inc. The completed project was accepted on July 10, 2015.

Additionally, during recent years, the Town has devoted a significant amount of time, energy and resources to the continuing growth and redevelopment of the Town. Additional emphasis is being placed on the scheduling of community-wide special events.

Using funds from an allocation of Community Development Block Grant money provided to the Town by Palm Beach County, improvements were made to the sprinkling system and landscaping of the median of Flagler Boulevard.

Utilizing Community Development Block Grant money provided Palm Beach County the four tennis courts in Lake Shore Park and the two in Kelsey Park were resurfaced.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Lake Park for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2014. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. This report must satisfy both U.S. Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

A Certificate of Achievement is valid for a period of one year only. The Town of Lake Park has received a Certificate of Achievement for the past nine years. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

A comprehensive annual financial report of this type and depth, illustrating the results of operations of the entire Town and its various diversified funds and activities, could not have been prepared so completely without the dedication and efficiency of the entire Finance Department staff. Their dedication and hard work is greatly appreciated. My appreciation is also extended to our independent auditors, Nowlen, Holt & Miner, P.A. for their cooperation and guidance.

Special appreciation is extended to the Mayor, Town Commission, Town Manager, and Department Heads for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,


Blake K. Rane
Finance Director

TOWN OF LAKE PARK

List of Principal Officials

September 30, 2015

Mayor

James DuBois

Vice Mayor

Kimberly Glas-Castro

Town Commission

Erin Flaherty
Michael O'Rourke
Kathleen Rapoza

Town Manager

John O. D'Agostino

Town Clerk / Deputy Town Manager

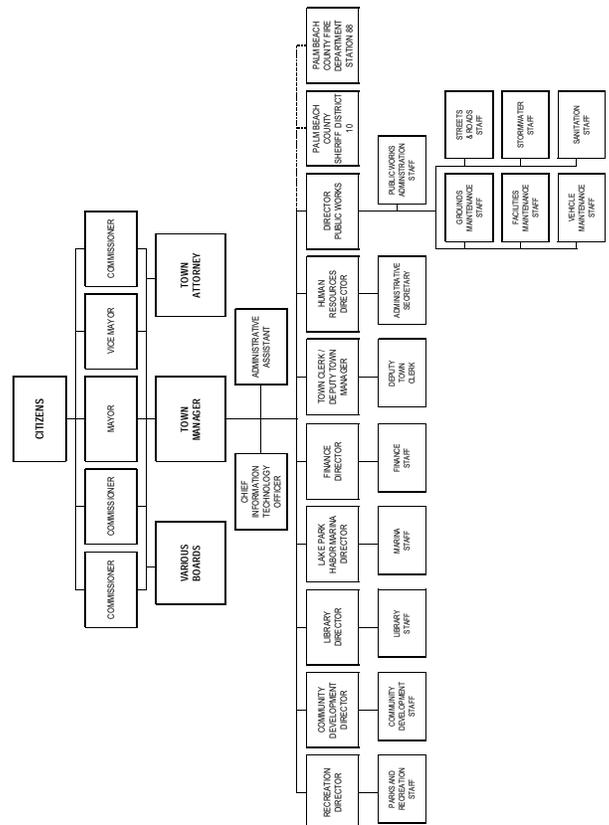
Vivian Mendez

Finance Director

Blake K. Rane, CGFO

Public Works Director
Community Development Director
Library Director
Recreation Director
Harbor Marina Director
Human Resources Director
Information Technology Director

J. David Hunt
Nadia DiTomasso
Karen Mahnk
Kathleen M. Carroll
Bambi McKibbin-Turner
Hoa Hoang





Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

FINANCIAL SECTION

Presented to Town of Lake Park Florida

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2014

Signature of Jeffrey R. Egan, Executive Director/CEO

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NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WINTER PARK OFFICE, 100 WINTER PARK DRIVE, SUITE 100, WINTER PARK, FLORIDA 32789

ORLANDO OFFICE, 1000 S. ALAMO AVENUE, SUITE 100, ORLANDO, FLORIDA 32801

MIAMI OFFICE, 1000 BROADWAY, SUITE 100, MIAMI, FLORIDA 33139

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Commission Town of Lake Park, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Park, Florida as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town'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 State 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Change in Accounting Principles

As discussed in Note 17 to the financial statements, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68, during the year ended September 30, 2015. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 Pension and Other Postemployment Benefit trend information on pages 68 through 71, and budgetary comparison information on pages 72 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lake Park, Florida's basic financial statements. The introductory section, combining and budgetary statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and budgetary statements and schedules is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016, on our consideration of the Town of Lake Park, 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 Town of Lake Park, Florida's internal control over financial reporting and compliance.

Nowlen, Hueb + Mims, P.A.

June 28, 2016
West Palm Beach, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Lake Park, Florida (Town) administration offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2015. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the transmittal letter and the accompanying basic financial statements.

The information contained within this Management's Discussion and Analysis (MD&A) is only a component of the entire financial statement report. Readers should take time to read and evaluate all sections of the report, including the Notes to the Financial Statements and the Required Supplementary Information that is provided in addition to this MD&A.

Financial Highlights

Government-Wide Financial Statements

- The assets and deferred outflows of the Town of Lake Park exceeded its liabilities and deferred inflows at September 30, 2015 by \$9,226,377. Of this amount, unrestricted net position is \$770,411.
- The total net position increased by \$1,263,809, of which an increase of \$1,272,651 was attributed to governmental activities and a decrease of \$8,842 was related to business-type activities. The change in net position of the business-type and governmental activities of the Town was primarily due to depreciation expense far exceeding investment in capital assets.

Fund Financial Statements

- As of the close of the 2015 Fiscal Year, the Town of Lake Park's General Fund reported ending fund balance of \$1,365,845 an increase of \$420,514 from the prior year. Of the total, \$802,483 is restricted or non-spendable, while \$563,362 is unassigned and available for future uses by the Town Commission, an increase of \$19,117 in unassigned fund balance.
- At the end of the 2015 Fiscal Year, the unassigned fund balance for the General Fund represented just less than 7.0% of total General Fund expenditures or approximately 25.2 days of available funding.
- Total long-term obligations for the Town decreased by \$910,887. General Obligation Bond debt and loans payable decreased in the amount of \$915,002, due to scheduled principal payments.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law. However, management establishes other funds, which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's three kinds of funds, governmental, proprietary, and fiduciary, use different accounting approaches as explained below.

- Governmental funds - Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out, with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The basic governmental fund financial statements can be found on pages 19-22 of this report.
- Enterprise funds - The Town has three enterprise funds, Sanitation, Stormwater and Marina, which charge customers for the services they provide. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. These funds are reported using the full accrual basis of accounting; revenues are recognized in the period earned and expenses are recognized in the period that liabilities are incurred. The basic proprietary fund financial statements can be found on pages 23-25 of this report.
- Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 26-27 of this report.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements that include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the basic financial statements expand upon information reported in the government-wide and governmental fund statements.

REPORTING THE TOWN AS A WHOLE

Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well being. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Town's net position and changes therein. Net position, assets and deferred outflows less liabilities and deferred outflows, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating.

The Statement of Net Position and the Statement of Activities present information about the following:

- Governmental activities - All of the Town's basic services are considered to be governmental activities, including general government, community development, public safety, public services, library, and recreation. Property taxes, sales taxes, utility taxes, intergovernmental revenue and franchise fees finance most of these activities.
- Proprietary activities/Business-type activities - The Town charges a fee to customers to cover all or most of the cost of the services provided. The Town's Sanitation Fund, Stormwater Fund and Marina Fund are reported in this category.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-67 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information for pension benefits can be found on page 68-71 of this report.

The Town adopts annual appropriated budgets for the General Fund and CRA. Budgetary comparison schedules for the General Fund and CRA are included as *Required Supplementary Information* on pages 72-79 to demonstrate compliance with the budget.

The Town also adopts an annual budget for the Streets and Roads Fund, Insurance Fund, and Debt Service Fund. Budgetary comparison schedules for these funds are also included as *Other Supplementary Information* section of this report. The combining and individual fund statements and schedules are presented immediately following the required supplementary information on pages 80-84 of this report.

Government-Wide Financial Analysis

The Town implemented Governmental Accounting Standard Boards ("GASB") Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 ("GASB #68")* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 ("GASB #71")* and collectively "Statements" in 2015. These Statements require the Town to recognize a net pension liability, deferred outflows of resources and deferred inflows of resources for its defined benefit retirement plan, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the statement of net position) and presents more extensive note disclosures. The adoption of these Statements had no impact on the Town's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, and on the Town's proprietary funds, which had no employees in the plan. However, the adoption has resulted in the restatement of the Town's net position as of September 30, 2014 for its government-wide financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources for defined benefit pension plan in accordance with the provisions of these Statements. Net position of the Town's government-wide financial as of September 30, 2014 was decreased by \$314,006 reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note 10 in the notes to the basic financial statements for more information regarding the Town's retirement plan.

Net Position: As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, governmental activity assets and deferred outflows exceeded liabilities and deferred inflows by \$3,965,885. Business-type activity assets exceeded liabilities by \$5,260,492. The Town-wide total net position was \$9,226,377 at the close of the fiscal year ended September 30, 2015. The Statement of Net Position is on page 16 of this report.

The Town's investment in capital assets (e.g., land, buildings, equipment and vehicles, less any related debt used to acquire those assets that is still outstanding) was \$8,051,872 or over 87% of total net position at September 30, 2015. Capital assets total \$16,892,476 at September 30, 2015, or 84% of all assets, which total \$20,129,282. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$404,094 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$770,411 may be used to meet the government's ongoing obligations to citizens and creditors. The following table reflects the condensed Statement of Net Position for the current year as compared to the prior year.

Net Position

	Governmental		Business		Total	
	Activities (1)		Activities			
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 5,094,598	\$ 1,649,960	\$ 564,208	\$ 777,041	\$ 5,658,806	\$ 2,427,001
Capital assets	4,988,751	7,935,150	9,481,725	9,557,247	14,470,476	17,492,397
Total assets	<u>10,083,349</u>	<u>9,585,110</u>	<u>10,045,933</u>	<u>10,334,288</u>	<u>20,129,282</u>	<u>19,919,398</u>
Deferred outflows of resources:						
Pension related items	45,273	-	-	-	45,273	-
Liabilities:						
Long-term liabilities	5,501,495	6,357,746	4,617,173	4,931,022	10,118,668	11,288,768
Other liabilities	397,153	203,925	168,268	133,932	565,421	337,857
Total liabilities	<u>5,898,648</u>	<u>6,561,671</u>	<u>4,785,441</u>	<u>5,064,954</u>	<u>10,684,089</u>	<u>11,626,625</u>
Deferred inflows of resources:						
Pension related items		54,793				54,793
Unearned revenue	264,089	275,412	-	-	264,089	275,412
	<u>264,089</u>	<u>330,205</u>	<u>-</u>	<u>-</u>	<u>264,089</u>	<u>330,205</u>
Net position:						
Invested in capital assets, net of related debt	3,142,197	2,837,379	4,909,675	4,662,043	8,051,872	7,499,422
Restricted	404,094	364,900	-	-	404,094	364,900
Unrestricted	419,594	(509,045)	350,817	607,291	770,411	98,246
Total net position	<u>\$ 3,965,885</u>	<u>\$ 2,693,234</u>	<u>\$ 5,260,492</u>	<u>\$ 5,269,334</u>	<u>\$ 9,226,377</u>	<u>\$ 7,962,568</u>

(1) As restated

Governmental Activities: Net position of the governmental activities of the Town have increased \$1,272,651 from 2014. Total assets and deferred outflows of governmental activities have increased by \$543,512 and total liabilities and deferred inflows of resources have decreased by \$729,139. Unrestricted net position is up by \$928,639.

Business Activities: Net position for business activities have decreased \$8,842 from 2014. Total assets decreased by \$288,355 while total liabilities have decreased by \$279,513. Unrestricted net position has decreased by \$256,474.

The following is a summary of the changes in net position for the years ended September 30, 2015 and 2014:

Changes in Net Position

	Governmental		Business		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 931,695	\$ 938,406	\$ 3,517,236	\$ 3,039,621	\$ 4,448,931	\$ 3,978,027
Operating grants and contributions	11,700	12,541			11,700	12,541
Capital grants and contributions	28,310	64,058			28,310	64,058
General revenues:						
Taxes	6,958,307	6,693,730			6,958,307	6,693,730
Intergovernmental	1,196,655	1,093,000			1,196,655	1,093,000
Investment earnings	20,104	12,205	4,767	814	24,871	13,019
Gain on sale of equipment	320,000	-	-	-	320,000	-
Total revenues	<u>\$ 9,466,771</u>	<u>\$ 8,813,940</u>	<u>\$ 3,522,003</u>	<u>\$ 3,040,435</u>	<u>\$ 12,988,774</u>	<u>\$ 11,854,375</u>

Overall total revenues are up by \$1,134,399. Program revenues increased by \$434,315, and general revenues increased by \$700,084.

Governmental Activities: Revenue collections of taxes including property taxes, franchise fees, utility services taxes, fuel taxes and communication services taxes have increased \$264,577. Property values within the Town increased in 2015, 7.1% over 2014. When combined with the loss in value from Amendment One, property tax reform, and the economy changing; property values within the Town's Taxable Value remains more than \$253 million dollars below the 2007 value. The increase in charges for services of governmental activities is attributable to the increase property values and holding the millage rate constant combined with increases in the Franchise Fees and Utility Service Taxes.

Business Activities: Total revenues for business activities of the Town have increased by \$481,568. Primarily the result of increased Marina occupancy and increased residential Sanitation fees.

	Governmental Activities (1)		Business Activities		Total	
	2015	2014	2015	2014	2015	2014
Expenses:						
General government	\$ 1,622,346	\$ 1,634,806	\$	\$	\$ 1,622,346	\$ 1,634,806
Public safety	4,927,037	4,749,126			4,927,037	4,749,126
Physical environment	279,885	268,706			279,885	268,706
Transportation	589,970	564,501			589,970	564,501
Culture and recreation	842,876	815,290			842,876	815,290
Economic Impact	1,429	39,905			1,429	39,905
Interest on						
long-term debt	233,655	276,467			233,655	276,467
Marina			1,728,929	1,600,962	1,728,929	1,600,962
Sanitation	1,163,127	1,152,304			1,163,127	1,152,304
Stormwater			335,711	402,905	335,711	402,905
Total expenses	<u>8,497,198</u>	<u>8,348,801</u>	<u>3,227,767</u>	<u>3,156,171</u>	<u>11,724,965</u>	<u>11,504,972</u>
Transfers In/(Out)	<u>303,078</u>	<u>199,420</u>	<u>(303,078)</u>	<u>(199,420)</u>		
Increase in net assets	1,272,651	717,485	(8,842)	(315,156)	1,263,809	402,329
Net position - beginning of year	2,693,234	1,975,749	5,269,334	5,584,490	7,962,568	7,560,239
Net position - end of year	<u>\$ 3,965,885</u>	<u>\$ 2,693,234</u>	<u>\$ 5,260,492</u>	<u>\$ 5,269,334</u>	<u>\$ 9,226,377</u>	<u>\$ 7,962,568</u>

(1) As restated

Overall net position increased \$1,263,809. The increase in net position is related to the increase in property values combined with cost cutting measures that have been undertaken by the Town and the CRA.

Governmental Activities: Changes in the expenses for 2015 in Public Safety is attributable to a 1% increase in the Sheriff's contract combined with the increased property value effect on the Palm Beach County Fire/Rescue millage rate, which remained constant. The change in the General government is attributable to a 2% raise for all employees, countered by decreases in expenses items result from vacant positions in several departments, other cost saving measures, and continued debt service payments.

Business-type Activities: The increased expenses for the Marina Fund results from the moving one part-time employee to full time.

Financial Analysis of the Governments' Funds

As noted earlier, the Town of Lake Park uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the Town's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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At September 30, 2015, the Town's primary operating fund, the General Fund, reported ending fund balance of \$1,365,845 an increase of \$420,514 from the prior year. Of this amount, \$563,362 is considered unassigned fund balance. However, \$10,316 is restricted for specific purposes; the Community Improvement Beautification (CIB) Fund. The unassigned balance of \$563,362 is available for spending at the Town's discretion. However, it is recommended that these funds be maintained at this level in the event of an emergency such as a hurricane. The remainder of fund balance (\$755,709) is non-spendable to indicate that it is not available for new spending because it has already been committed (1) for inventories and prepaid expenses (\$12,660) and (2) as advances to other funds, in particular to cover the cash deficit in the pooled cash of the Marina Fund (\$743,049).

As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents less than 7.0 percent (approximately 25.2 days) of total general fund expenditures, while total fund balance represents 17.0 percent of that same amount. A sound financial management policy would dictate that the unrestricted, unassigned fund balance be maintained between 10-25% of total expenditures. To that end, the budget for Fiscal Year 2016 has been constructed to provide an increase in the fund balance at the end of the year, absent significant revenue shortfalls or at least be able to maintain the current level of fund balance in the event of revenue shortfalls.

Enterprise Funds. The Town's enterprise funds are accounted for on an accrual basis, and may be measured year-over-year by the Change in Net Position, a measure of the difference that the year made in the Total Assets less the Total Liabilities.

The Marina Fund has a reduction in Net Position \$369,162 an amount essentially the same as the depreciation expense charged to the fund for the year, bringing the fund's Total Net Position to \$3,977,105

The Sanitation Fund has an increase in Net Position of \$320,984, bringing the fund's Total Net Position for the fund to \$368,366.

The Stormwater Fund has an increase in Net Position of \$116,456, bringing the fund's Total Net Position for the fund to \$783,702.

General Fund Budgetary Highlights

The annual General Fund budget is adopted after two public hearings and approval of the Town Commission. Any amendments that would exceed the original budget at the fund level or would require funds to be transferred from contingency would require a formal budget amendment requiring the adoption of a resolution by the Town Commission. The original General Fund appropriation was increased by the Commission from \$8,522,458 by \$259,068, primarily as the result of abandonment of a 350 linear foot portion of East Jasmine Drive. The appropriation was subsequently transferred from the General Fund to the Streets and Roads Fund by the Town Commission.

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Capital Asset and Debt Administration

Capital assets. The Town's total investment in capital assets at September 30, 2015 was \$16,892,476 (net of accumulated depreciation). Capital assets include land, construction in progress, buildings, equipment and vehicles and infrastructure. The Town's net capital assets at September 30, 2015 and 2014 are summarized as follows:

Capital Assets (Net of depreciation)

	Governmental Activities		Business Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,691,891	\$ 2,691,891	\$ 2,492,332	\$ 2,492,332	\$ 5,184,223	\$ 5,184,223
Construction in progress	-	-	413,302	459,571	413,302	459,571
Buildings	2,409,353	2,607,766	-	-	2,409,353	2,607,766
Equipment and vehicles	143,311	86,003	57,005	45,294	200,316	131,297
Streets, roads, and sidewalks	2,166,196	2,549,490	6,519,086	6,560,050	8,685,282	9,109,540
Total assets	<u>\$ 7,410,751</u>	<u>\$ 7,935,150</u>	<u>\$ 9,481,725</u>	<u>\$ 9,557,247</u>	<u>\$ 16,892,476</u>	<u>\$ 17,492,397</u>

Capital projects during Fiscal Year 2015 included the following:

- Marina Seawall Reparation Project
- Four-ton air condition unit for the Town Library
- Various Computer Equipment, including servers, firewall, and workstation
- Security Cameras at the Marina.

Additional information on the Town's capital assets can be found in Note 6 on pages 45-46 of this report.

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Long-term debt. At year end 2015, the Town had \$5.3 million of outstanding debt. No new debt was incurred during fiscal year 2014. The debt position of the Town is summarized as follows:

	Governmental Activities		Business Activities		Total	
	2015	2014	2015	2014	2015	2014
Loans Payable	\$ 4,999,135	\$ 5,914,137	\$ 4,462,064	\$ 4,778,963	\$ 9,461,199	\$ 10,693,100
Other Post-Emp. Benefits	44,884	38,328	19,821	17,402	64,705	55,730
Net pension liability	308,929	259,213	-	-	308,929	259,213
Compensated absences	148,547	146,068	25,302	18,416	173,849	164,484
Unamortized premium	-	-	109,986	116,241	109,986	116,241
Total	<u>\$ 5,501,495</u>	<u>\$ 6,357,746</u>	<u>\$ 4,617,173</u>	<u>\$ 4,931,022</u>	<u>\$ 10,118,668</u>	<u>\$ 11,288,768</u>

Additional information on the Town's debt can be found in Note 7 on pages 46-53 of this report.

Economic factors and Next Year's Budgets and Rates

The Town, along with all other surrounding communities, Lake Park saw an increase in the taxable value of properties for the second year. However, prior to this values dropped within the Town for five consecutive years. The taxable assessed value of homes within the Town remain well below the 2008 level. Combined with the decreases of the previous five years, and using the current millage rate, and including these modest increases, the loss of taxable value equates to a loss of more than \$2.2 million dollars in tax revenue per year.

For fiscal year 2015-2016 the Town Commission adopted a General Fund budget of \$7,195,032 compared with the budget for fiscal year 2014-2015 in the amount of \$8,519,686. The Town adopted a MSTU for fire services during the year, thus the millage for the Fire Services was not included in the operating millage accounting for a decrease in revenue and expense of \$1,813,451. The operating millage rate was effectively held constant year-over-year at 5.3474 (8.8055 mills less the fire millage of 3.4581). The debt millage rate decreased to 1.5400 mills, meeting the debt service requirements of the General Obligation bonds of 1997 and 1998.

The greatest impact on the General Fund expenditures is the contract with the Palm Beach County Sheriff for policing services which represents 37.8% of the total and uses 100% of the Ad Valorem property tax revenue plus an additional \$58,311 of other revenues of the Town. In an effort to off-set some of the impact on the General Fund

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revenue lost the Town continues the operational cuts across all departments and continues to limit capital and other projects.

There were no rate increase adopted for the Stormwater enterprise operations for Fiscal Year 2015. Sanitation rates for the residents were increased in July of 2014, which were effective for fiscal year 2015. There were no further rate changes for the Marina, following the changes made in the preceding years. The standard dockage rates at the Marina were decreased effective October 1, 2012, and selected slips were additionally discounted effective September 1, 2014 which had a very small effect on the year's revenue.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning information provided in this report or requests for additional financial information should be directed to:

Finance Department
Town of Lake Park
535 Park Avenue
Lake Park, FL 33403
(561) 881-3350

BASIC FINANCIAL STATEMENTS

TOWN OF LAKE PARK, FLORIDA
Statement of Net Position
September 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and cash equivalents	\$ 1,548,605	\$ 1,100,465	\$ 2,649,070
Accounts receivable, net	230,020	158,656	388,676
Notes receivable	42,304		42,304
Due from other governments	120,328		120,328
Internal balances	718,681	(718,681)	
Inventory	9,143	23,768	32,911
Prepaid items	3,517		3,517
Capital assets			
Capital assets not being depreciated	2,691,891	2,905,634	5,597,525
Capital assets being depreciated, net of accumulated depreciation	4,718,860	6,576,091	11,294,951
Total assets	<u>10,083,349</u>	<u>10,045,933</u>	<u>20,129,282</u>
Deferred outflows of resources			
Pension related items	<u>45,273</u>		<u>45,273</u>
Liabilities			
Accounts payable	81,046	53,872	134,918
Accrued expenses	85,432	24,373	109,805
Accrued interest payable	20,758	76,729	97,487
Unearned revenue	11,460		11,460
Deposits	198,457	13,294	211,751
Noncurrent liabilities:			
Due within one year	976,989	220,368	1,197,357
Due in more than one year	4,524,506	4,396,805	8,921,311
Total liabilities	<u>5,898,648</u>	<u>4,785,441</u>	<u>10,684,089</u>
Deferred inflows of resources			
Unearned revenue	<u>264,089</u>		<u>264,089</u>
Net Position			
Net investment in capital assets	3,142,197	4,909,675	8,051,872
Restricted for:			
Debt service	73,272		73,272
Capital projects	320,506		320,506
Other restrictions	10,316		10,316
Unrestricted	419,594	350,817	770,411
Total net position	<u>\$ 3,965,885</u>	<u>\$ 5,260,492</u>	<u>\$ 9,226,377</u>

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See notes to the financial statements.

TOWN OF LAKE PARK, FLORIDA
Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs	Charges for	
	Expenses	Activities
Government:		
Governmental activities		
General government	\$ 1,622,346	\$ 89,112
Public safety	4,927,037	762,076
Physical environment	279,885	
Transportation	589,970	27,680
Culture and recreation	842,876	52,827
Economic environment	1,429	
Interest on long-term debt	233,655	
Total governmental activities	8,497,198	931,695
Business-type activities		
Marina	1,728,929	1,357,287
Sanitation	1,163,127	1,672,392
Stormwater	335,711	487,557
Total business-type activities	3,227,767	3,517,236
Total	\$ 11,724,965	\$ 4,448,931

Program Revenues		Net Expense (Revenue) and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
		\$ (1,533,234)	\$	\$ (1,533,234)
		(4,164,961)		(4,164,961)
2,470		(277,415)		(277,415)
	19,245	(543,045)		(543,045)
9,230	9,065	(771,754)		(771,754)
		(1,429)		(1,429)
		(233,655)		(233,655)
11,700	28,310	(7,525,493)		(7,525,493)
			(371,642)	(371,642)
			509,265	509,265
			151,846	151,846
			289,469	289,469
\$ 11,700	\$ 28,310	(7,525,493)	289,469	(7,236,024)

General Revenues:				
Taxes:				
Property taxes	4,839,895		4,839,895	
Franchise fees	598,424		598,424	
Utility service taxes	952,772		952,772	
Local option gas taxes	251,894		251,894	
Communication services taxes	315,322		315,322	
Unrestricted intergovernmental shared revenues	1,196,655		1,196,655	
Gain on sale of capital assets	320,000		320,000	
Investment earnings	20,104	4,767	24,871	
Transfers	303,078	(303,078)		
Total general revenues and transfers	8,798,144	(298,311)	8,499,833	
Change in net position		1,272,651	(8,842)	1,263,809
Net position, beginning of year, as restated		2,693,234	5,269,334	7,962,568
Net position, end of year		\$ 3,965,885	\$ 5,260,492	\$ 9,226,377

See notes to the financial statements.

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TOWN OF LAKE PARK, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2015

	Major Governmental Funds		Nonmajor	Total
	General	CRA Fund	Governmental Funds	Governmental Funds
Assets				
Pooled cash and cash equivalents	\$ 891,695	\$ 152,805	\$ 246,951	\$ 1,291,451
Accounts receivable, net	230,020			230,020
Notes receivable		42,304		42,304
Due from other governments	92,490		27,838	120,328
Due from other funds			400,000	400,000
Advances to other funds	743,049			743,049
Inventory	9,143			9,143
Prepaid items	3,517			3,517
Total assets	\$ 1,969,914	\$ 195,109	\$ 674,789	\$ 2,839,812
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	\$ 48,344	\$ 7,487	\$ 3,215	\$ 59,046
Accrued liabilities	81,719		3,713	85,432
Unearned revenue	11,460			11,460
Advance from other funds		293,049		293,049
Deposits	198,457			198,457
Total liabilities	339,980	300,536	6,928	647,444
Deferred inflows of resources				
Unearned revenue	264,089			264,089
Fund balances				
Nonspendable:				
Inventories and prepaids	12,660			12,660
Advances to other funds	743,049			743,049
Restricted for:				
Debt service			94,030	94,030
Transportation			303,913	303,913
Capital projects			16,593	16,593
Community improvement	10,316			10,316
Assigned to:				
Subsequent years expenditures	36,458		10,945	47,403
Capital projects funds			242,380	242,380
Unassigned	563,362	(105,427)		457,935
Total fund balances	1,365,845	(105,427)	667,861	1,928,279
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,969,914	\$ 195,109	\$ 674,789	\$ 2,839,812

See notes to the financial statements.

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TOWN OF LAKE PARK, FLORIDA
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
Governmental Funds
September 30, 2015

Total fund balances - governmental funds		\$ 1,928,279
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:		
Governmental capital assets	\$ 17,194,725	
Less accumulated depreciation	(9,783,974)	7,410,751
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Accrued interest payable on long-term debt		(20,758)
Compensated absences		(148,547)
Other post employment benefits		(44,884)
Net pension liability		(308,929)
Loans payable		(3,216,600)
General obligation bonds		(1,782,535)
		(5,522,253)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:		
Pension related deferred outflows		45,273
Internal service funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		
		103,835
Net position of governmental activities		\$ 3,965,885

See notes to the financial statements.

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TOWN OF LAKE PARK
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2015

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General	CRA Fund		
Revenues				
Taxes	\$ 5,621,321	\$	\$ 769,770	\$ 6,391,091
Licenses and permits	622,763			622,763
Intergovernmental	1,274,244	179,547	373,855	1,827,646
Charges for services	408,911			408,911
Fines and forfeitures	80,929			80,929
Miscellaneous	467,090	1,822	1,469	470,381
Total revenues	8,475,258	181,369	1,145,094	9,801,721
Expenditures				
Current				
General government	1,370,836	236,739	3,117	1,610,692
Public safety	4,926,858			4,926,858
Physical environment	277,727			277,727
Transportation	298,233		178,825	477,058
Culture and recreation	709,111			709,111
Economic environment		1,429		1,429
Capital outlay	69,256	3,295	38,916	111,467
Debt service				
Principal	252,781		662,221	915,002
Interest charges	135,568		105,886	241,454
Total expenditures	8,040,370	241,463	988,965	9,270,798
Excess (deficiency) of revenues over (under) expenditures	434,888	(60,094)	156,129	530,923
Other financing sources (uses)				
Transfers in	641,290	335,664	327,300	1,304,254
Transfer out	(655,664)	(205,168)	(90,000)	(950,832)
Total other financing sources (uses)	(14,374)	130,496	237,300	353,422
Net change in fund balances	420,514	70,402	393,429	884,345
Fund balances				
Beginning of year	945,331	(175,829)	274,432	1,043,934
End of year	\$ 1,365,845	\$ (105,427)	\$ 667,861	\$ 1,928,279

See notes to the financial statements.

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TOWN OF LAKE PARK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2015

Net change in fund balances - total governmental funds		\$	884,345
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 lives			
Expenditures for capital assets	\$	111,467	
Less: current year depreciation		(635,866)	(524,399)
Governmental funds report revenues when earned and available. However, in the Statement of Activities, revenues are recognized when earned, regardless of availability.			
Flagler Boulevard Grant			
The repayment (issuance) of long-term debt consumes (provides) the current financial resources of governmental funds. However, these transactions do not have any effect on net position of the governmental activities.			
Long term debt repayments:			
General obligation bonds		662,221	
Loans payable		252,781	915,002
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			(2,479)
Change in other post employment benefits			(6,556)
Change in net pension liability and related deferred amounts			50,350
Change in accrued interest		7,799	49,114
Internal service funds are used by management to charge the costs of certain activities to individual funds.			
Net income allocable to governmental activities			(51,411)
Change in net position of governmental activities		\$	1,272,651

See notes to the financial statements.

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TOWN OF LAKE PARK, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2015

	Major Enterprise Funds		Nonmajor Enterprise Fund	Total Enterprise Funds	Governmental Activities Internal Service Fund
	Marina Fund	Sanitation Fund			
Assets					
Current assets					
Pooled cash and cash equivalents	\$ 465,198	\$ 230,492	\$ 404,775	\$ 1,100,465	\$ 257,154
Accounts receivable, net	39,513	116,450	2,693	158,656	
Inventory	23,768			23,768	
Total current assets	528,479	346,942	407,468	1,282,889	257,154
Noncurrent assets					
Capital assets not being depreciated	2,550,192	64,157	291,285	2,905,634	
Capital assets net of accumulated depreciation	6,295,430	26,346	256,315	6,578,091	
Total noncurrent assets	8,845,622	90,503	547,600	9,483,725	
Total assets	9,372,101	437,445	955,068	10,764,614	257,154
Liabilities					
Current liabilities					
Accounts payable	30,484	22,215	1,173	53,872	22,000
Accrued liabilities	6,481	14,609	3,283	24,373	
Due to other funds	400,000			400,000	
Deposits payable - slip rentals	13,294			13,294	
Accrued interest payable	76,729			76,729	
Compensated absences payable, current portion	488	3,519	1,054	5,061	
Bonds payable, current maturities	164,569		50,738	215,307	
Total current liabilities	692,045	40,343	56,248	788,636	22,000
Long-term liabilities					
Compensated absences payable, less current portion	1,951	14,075	4,215	20,241	
Other post-employment benefits	1,904	14,661	3,256	19,821	
Advance from other funds	450,000			450,000	
Bonds payable, net of unamortized premium and current maturities	4,249,096		107,647	4,356,743	
Total long-term liabilities	4,702,951	28,736	115,118	4,846,805	
Total liabilities	5,394,996	69,079	171,366	5,635,441	22,000
Net position					
Net investment in capital assets	4,429,957	90,503	389,215	4,909,675	
Unrestricted	(452,852)	277,863	394,487	219,498	235,154
Total net position	\$ 3,977,105	\$ 368,366	\$ 783,702	\$ 5,129,173	\$ 235,154
Adjustment to reflect consolidation of internal service fund activities				131,319	
Net position of business-type activities				\$ 5,260,492	

See notes to the financial statements.

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TOWN OF LAKE PARK, FLORIDA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2015

	Major Enterprise Funds		Nonmajor Enterprise Fund	Total Enterprise Funds	Governmental Activities Internal Service Fund
	Marina Fund	Sanitation Fund			
Operating revenue					
Charges for services	\$ 1,347,988	\$ 1,670,728	\$ 487,557	\$ 3,506,273	\$ 229,636
Miscellaneous	9,299	1,664		10,963	25,081
Total operating revenues	1,357,287	1,672,392	487,557	3,517,236	254,717
Operating expenses					
Personal services	147,866	463,522	143,177	754,565	43,621
Operating expenses	826,744	689,988	147,141	1,663,873	213,766
Depreciation	542,871	6,930	38,340	588,141	
Total operating expenses	1,517,481	1,160,440	328,658	3,006,579	257,387
Operating income (loss)	(160,194)	511,952	158,899	510,657	(2,670)
Nonoperating revenues (expenses)					
Interest revenue	73	3,155	1,539	4,767	
Interest expense	(210,620)	(2,019)		(212,639)	
Total nonoperating revenues (expenses)	(210,547)	1,136	(5,407)	(214,818)	
Income (loss) before transfers	(370,741)	513,088	153,492	295,839	(2,670)
Transfers					
Transfers in	11,579	57,896	12,964	82,439	
Transfers out	(10,000)	(259,000)		(269,000)	(125,861)
Total transfers	1,579	(192,104)	(37,036)	(227,561)	(125,861)
Change in net position	(369,162)	320,984	116,456	68,278	(128,531)
Net position - beginning of year, as restated	4,346,267	47,382	667,246	5,060,895	363,685
Net position - ending	\$ 3,977,105	\$ 368,366	\$ 783,702	\$ 5,129,173	\$ 235,154
Change in net position				\$ 68,278	
Adjustment to reflect consolidation of internal service fund activities				(77,120)	
Change in net position of business-type activities				\$ (8,842)	

See notes to the financial statements.

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TOWN OF LAKE PARK, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

	Major Enterprise Funds		Nonmajor Enterprise Fund	Total Enterprise Funds	Governmental Activities
	Marina Fund	Sanitation Fund			Internal Service Fund
Cash flows from operating activities:					
Cash received from customers	\$ 1,341,960	\$ 1,659,543	\$ 487,557	\$ 3,489,060	\$ 25,081
Miscellaneous receipts					
Cash paid to suppliers	(809,373)	(671,003)	(147,222)	(1,627,598)	(238,387)
Cash paid to employees	(144,306)	(455,628)	(140,891)	(740,825)	200,000
Payments to other funds					
Payments from other funds	891,500	(516,000)	233,042	608,542	229,636
Net cash provided (used) by operating activities	1,279,781	16,912	432,486	1,729,179	216,330
Cash flows from noncapital financing activities:					
Transfers in	11,579	57,896	12,964	82,439	
Transfers (out)	(10,800)	(250,000)	(50,000)	(310,800)	(125,861)
Net cash provided (used) by noncapital financing activities	1,579	(192,104)	(37,036)	(27,561)	(125,861)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(500,112)	(2,552)	(9,955)	(512,619)	
Interest paid on debt	(219,610)	(2,019)	(6,946)	(228,575)	
Principal repayments on revenue bonds	(158,064)	(110,048)	(48,787)	(316,899)	
Net cash provided (used) by capital and related financing activities	(877,786)	(114,619)	(65,688)	(1,058,093)	
Cash flows from investing activities:					
Interest on investments	73	3,155	1,539	4,767	
Net cash provided (used) by investing activities	73	3,155	1,539	4,767	
Net increase (decrease) in cash and cash equivalents	403,647	(286,656)	331,301	448,292	90,469
Cash and cash equivalents at beginning of year	61,551	517,148	73,474	652,173	166,685
Cash and cash equivalents at end of year	\$ 465,198	\$ 230,492	\$ 404,775	\$ 1,100,465	\$ 257,154
Cash flows from operating activities:					
Operating income (loss)	\$ (160,194)	\$ 511,952	\$ 158,899	\$ 510,657	\$ (2,670)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	542,871	6,930	38,340	588,141	
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(15,327)	(12,849)		(28,176)	
(Increase) decrease in inventory	3,639			3,639	
(Increase) decrease in due from other funds		(516,000)		(516,000)	
Increase (decrease) in accounts payable	13,732	18,985	(81)	32,636	19,000
Increase (decrease) in accrued liabilities	1,027	2,960	448	4,435	
Increase (decrease) in deposits					
Increase (decrease) in compensated absences	2,331	3,163	1,392	6,886	
Increase (decrease) in other post-employment benefits	202	1,771	446	2,419	
Increase (decrease) in due to other funds	891,500		233,042	1,124,542	200,000
Total adjustments	1,439,975	(495,040)	273,587	1,218,522	219,000
Net cash provided (used) by operating activities	\$ 1,279,781	\$ 16,912	\$ 432,486	\$ 1,729,179	\$ 216,330
Noncash investing, capital and financing activities					
Amortization of premium on bonds	\$ (6,255)	\$	\$	\$ (6,255)	\$

See notes to the financial statements.

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TOWN OF LAKE PARK, FLORIDA
Statement of Fiduciary Net Position
Retired Police Officers' Pension Trust Fund
September 30, 2015

Assets		
Cash and cash equivalents		\$ 12,967
Investments:		
Equity exchange traded funds		897,895
Bond exchange traded funds		404,582
Prepaid retirement benefits		10,010
Total assets		<u>1,325,454</u>
Liabilities		
Accounts payable		6,534
Total liabilities		<u>6,534</u>
Net position		
Held in trust for pension benefits		<u>\$ 1,318,920</u>

See notes to the financial statements.

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TOWN OF LAKE PARK, FLORIDA
Statement of Changes in Fiduciary Net Position
Retired Police Officers' Pension Trust Fund
For the Year Ended September 30, 2015

Additions		
Contributions		
Employer	\$ 39,097	
Investment income		
Net decrease fair value of investments	(35,168)	
Interest and dividends	33,336	
Total investment income	(1,832)	
Less investment expenses	(1,248)	
Net investment income	(3,080)	
Total additions	36,017	
Deductions		
Retirement benefits	156,529	
Administrative expenses	35,380	
Total deductions	191,909	
Change in net position	(155,892)	
Net position held in trust for pension benefits		
Net position - beginning of year	1,474,812	
Net position - end of year	<u>\$ 1,318,920</u>	

See notes to the financial statements.

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TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Lake Park, Florida (the "Town") was incorporated in 1923. The Town's Charter was approved by the Laws of Florida, Chapter 61-2375. The Town is governed by an elected Mayor and Town Commission which appoints a Town Manager. The Town provides the following services: public safety, recreation, sanitation, streets and roads, planning and zoning, and general administrative services.

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

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

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

Based upon application of the above criteria, the Town of Lake Park has determined that there are two legally separate entities to consider as potential component units. The Town of Lake Park Retired Police Officers' Pension Fund is a component unit as it is fiscally dependent on and imposes a specific financial burden on the Town. It is reported in the Town's financial statements as a fiduciary fund.

Lake Park Community Redevelopment Agency (the "CRA") is a dependent special district established by the Town of Lake Park, Florida, under authority granted by Florida Statute 163, Section III. The CRA is included in the Town's financial reporting entity as a blended component unit reported as a governmental (special revenue) fund, the *Community Redevelopment Fund*. The CRA is a legally separate entity and the governing body of the CRA consists of the Town Commission and the Town handles the management and administration of the CRA's financial matters. Separate financial statements for the CRA are not prepared.

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TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund 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 non-fiduciary activities of the Town. As a general rule, the effect of interfund activities has been removed from these statements. An exception to this rule is that interfund services provided and used are not eliminated. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and proprietary fund financial statements are reported using the accrual basis of accounting and the economic resources measurement focus. Fiduciary funds use the accrual basis of accounting and the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenue to be available if it is collected within ninety days of the end of the current fiscal year, except for property taxes, for which the period is 60 days.

Unearned revenue consists primarily of grant funds and occupational licenses and other fees collected in advance of the year to which they relate.

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TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Projects Funds

The Capital Projects Fund and Special Projects Fund are used to account for construction and renovation projects.

Stormwater Utility Fund

The Stormwater Utility Fund is used to account for the charges and related expenses for the Town's stormwater drainage system.

Internal Service Fund

Internal service funds account for operations that provide services to other departments on a cost reimbursement basis. The Insurance Fund accounts for the Town's general liability and workers' compensation insurance plans.

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government; pension trust funds are held under the terms of a formal trust agreement. The fiduciary fund of the Town includes:

Retired Police Officers' Pension Fund - This fund was established in 2004 to receive and invest Town contributions in a defined benefit pension plan and to disburse these monies to Police retirees in accordance with the Pension Plan Ordinance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the Town's marina and sanitation enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include 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.

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TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Expenditures are generally recognized in the accounting period in which the fund liability is incurred. Property taxes, intergovernmental revenue, franchise fees, charges for services and investment income are all considered susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the Town. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund and is used to account for all financial resources applicable to the general operations of the Town except those required to be accounted for in another fund.

CRA Fund

The CRA fund is a special revenue fund and is used to account for all financial resources applicable to the promotion of the physical and economic development of certain areas in the Town of Lake Park and is funded from incremental tax revenues within the designated CRA area.

The Town reports the following major proprietary funds:

Marina Fund

This enterprise fund accounts for the operations of the Town's municipal marina, which are financed primarily by user charges.

Sanitation Fund

This enterprise fund accounts for the operations of the Town's garbage and trash collection services, which are financed primarily by user charges.

Additionally, the Town reports the following non-major funds:

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. In addition to the CRA Fund, a major governmental fund, the Town has one non-major special revenue fund: the Streets and Roads Fund.

Debt Service Fund

This fund is used to account for resources accumulated and payments made for principal and interest of the Town's general obligation bonds which are payable from ad valorem taxes.

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TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to a known amount of cash, and at the day of purchase, have a maturity date no longer than three months.

Investments

Investments are reported at fair value, which is determined by using various third party pricing sources. The Local Government Surplus Funds Trust is a "2a-7 like" pool and, thus, these investments are valued using the pooled share price. Investments in "Florida PRIME" of the Local Government Surplus Funds Trust are reported as cash and cash equivalents.

Accounts Receivable

Accounts receivable represent amounts due from local businesses for franchise taxes, utility taxes, delinquent property taxes and other charges in the General Fund, and solid waste disposal fees and marina slip rentals in the Enterprise Funds. The Town does not require collateral for accounts receivable. Accounts receivable are net of allowances for uncollectible accounts determined based on the age of the individual receivable, with age categories ranging from 30 days past due to several years past due. Generally the allowance includes accounts over 90 days past due. Accounts receivable are written off on an individual basis in the year the Town deems them uncollectible.

Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "advance to/advance from other funds." Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Transfers and interfund balances totally within governmental activities and those that are totally within business-type activities are eliminated and not presented in the government wide financial statements. Transfers and balances between governmental and business-type activities are presented in the government-wide financial statements.

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**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Inventories

Inventories are valued at cost determined on a first-in, first-out basis. Inventories in the General Fund consist of expendable supplies held for consumption. Inventories in the Marina Fund consist of goods for sale to the public. The initial cost is recorded as an asset at the time the individual inventory items are purchased and are charged against operations in the period when used.

Prepaid Items/Expenses

Expenditures/expenses for insurance premiums and other administrative costs extending over more than one accounting period are accounted for as prepaid items and allocated between accounting periods. Prepaid items in governmental funds are accounted for using the consumption method.

Capital Assets and Depreciation

Capital assets, which include property, plant, infrastructure, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The Town defines capital assets as assets with an initial individual cost of \$750 or more and an estimated life in excess of one year. In accordance with GASB Statement No. 34, the Town has elected not to record infrastructure assets purchased prior to October 1, 2003 in the accompanying financial statements.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized as assets in the government-wide statement of net position. General capital assets are carried at historical cost. Where cost cannot be determined from the available records, estimated historical cost has been used to record the estimated value of the assets. Assets acquired by gifts or bequests are recorded at their fair value at the date of acquisition.

Capital assets of the enterprise funds are capitalized in the fund. The valuation basis for enterprise fund capital assets is the same as those used for general capital assets. Additionally, net interest cost is capitalized on enterprise fund projects during the construction period.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Deferred Outflows and Inflows of Resources

The statement of net position includes a separate section for deferred outflows of resources. This represents the usage of net position applicable to future periods and will not be recognized as expenditures until the future period to which it applies. Currently, the Town has pension related deferred outflows, which are discussed in Note 10.

The statement of net position also includes a separate section, listed below total liabilities, for deferred inflows of resources. This represents the acquisition of net position applicable to future periods and will not be recognized as revenue until the future period to which it applies. The source of the unearned revenue is local business tax revenues collected prior to the date on the statement of net position which are unearned and will be recognized as an inflow of resources in the period that the amounts become available. The town also has pension related deferred inflows, which are discussed in Note 10.

Unearned Revenue

The Town reports unearned revenue on its statements of net position and governmental funds balance sheet. Unearned revenue arises when resources are obtained prior to revenue recognition. In subsequent periods, when revenue recognition criteria are met the unearned revenue is removed and revenue is recognized.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Unamortized bond premiums are presented as an addition to bonds payable.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Capital Assets and Depreciation (Continued)

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated lives for each major class of depreciable fixed assets are as follows:

Buildings and infrastructure	30-50 years
Building improvements	7- 50 years
Equipment and vehicles	5 years
Docks and channels	20 years

Compensated Absences

Unused compensated absences are payable upon separation from service. Vacation is accrued as a liability when the employee earns benefits. This means that the employee has rendered services that give rise to a vacation liability and it is probable that the Town will compensate the employee in some manner, e.g., in cash or paid time-off, now or upon termination or retirement. The Town uses the vesting method in accruing sick leave liability. Under the vesting method, the liability for vacation leave is accrued for employees who are eligible to receive termination payments upon separation. The Town's policy is to allow employees to accumulate vacation leave to a maximum of 480 hours. At the time of retirement or termination all vacation leave up to a maximum of 240 hours is payable at 100% to the employee. Except for liabilities incurred by employment terminations, such benefits are paid only when taken.

Compensated absences are accrued when incurred in the government-wide and proprietary financial statements. Benefits that were earned but not used during the current year were accrued at employees' pay rates in effect at September 30, 2015. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. For the governmental funds, compensated absences are liquidated by the General Fund. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the government-wide financial statements as well as the Enterprise Fund. The Town does not contribute to other post-employment benefits for employees.

**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Net Position

Net position is the residual of all other elements presented in a statement of net position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is displayed in following three components:

- 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.
- 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.
- Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

Fund Equity

Fund balance is the difference between assets, liabilities and deferred inflows of resources reported in governmental funds. There are five components of fund balance:

- Nonspendable fund balance represents amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted fund balance represents amounts that can be spent only for specific purposes stipulated by external providers (e.g. creditors, grantors, contributor, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance represents amounts that can be used only for the specific purposes pursuant to constraints imposed by Town Commission by the adoption of an ordinance, the Town's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by the adoption of an ordinance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Fund Equity (Continued)

- Assigned fund balance includes spendable fund balance amounts that are intended to be used for specific purposes, that are neither considered restricted or committed. In accordance with the Town's fund balance policy, assignments can be made by the Town Commission or Town Manager.
- Unassigned fund balance is the residual fund balance classification for the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the Town'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 Town's policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts.

Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and deferred outflows, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include the collectibility of accounts receivable, the use and recoverability of inventory, the useful lives and impairment of tangible assets, and the realization of net pension assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

Statement of Cash Flows

For purposes of the statement of cash flows, the Town considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to a known amount of cash, and at the day of purchase, have a maturity date no longer than three months.

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

A. Budgetary Data (Continued)

Budgeted amounts are as originally adopted, or as amended by appropriate action. During the year several supplementary appropriations were necessary.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as restricted, committed or assigned fund balance and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. The General Fund had \$36,458 of outstanding encumbrances at year end.

B. 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 the County Tax Collector. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment rolls meet all of the appropriate requirements of State law. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills for operating purposes.

The tax levy of the Town is established by the Town Commission prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, County School Board, and special district tax requirements. The millage rate assessed by the Town for the year ended September 30, 2015, was 10.4705 (\$10.4705 for each \$1,000 of assessed valuation), which includes 1.6650 mills for debt service.

Taxes may be paid, less a 4% discount, in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are offered for sale for all delinquent taxes on real property.

After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. The certificate holder may make application for a tax deed on any unredeemed tax certificate after a period of two years. The County holds unsold certificates. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. At September 30, 2015, unpaid delinquent taxes are not material and have not been recorded by the Town.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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 budgeting capital expenditures and 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 other funds with legally adopted budgets include the Community Redevelopment Fund, Streets and Roads Funds, Debt Service Fund, Insurance Fund, Marina Fund, and Sanitation fund.

The procedures for establishing budgetary data are as follows:

- Prior to September 1st, the Town Manager submits a proposed operating budget to the Town Commission for the next fiscal year commencing the following October 1st. The proposed budget includes expenditures and the means of financing them.
- Public hearings are conducted at the Town Hall to obtain taxpayer comments.
- The Town advises the Palm Beach County Tax Collector's office of the proposed millage rate, the rolled back millage rate and the day, time and place of the public hearing for budget acceptance.
- A public hearing is held to obtain taxpayer input and to adopt the final budget and millage rate.
- Upon completion of the public hearings and prior to October 1st, a final operating budget and related millage rates are legally enacted through the passage of an ordinance. Estimated beginning fund balances are considered in the budgetary process. Effective for fiscal year ending September 30, 2015, a final operating budget and related millage rates are legally enacted through the passage of a resolution.
- Changes or amendments to the total budgeted expenditures of the Town must be approved by the Town Commission. Accordingly, the legal level of control is at the fund level.
- All unencumbered balances lapse on September 30th.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2015, the carrying amount of deposits (including fiduciary funds) was \$1,870,371 and the bank balances were \$1,866,763. The Town also had \$790 of petty cash. 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 Town's deposits at year end are considered insured for custodial credit risk purposes.

The Town maintains a pooled account for cash and cash equivalents that is available for use by all funds. Each fund's portion of the pooled account is displayed on the financial statements as "Pooled cash and cash equivalents". Interest income from pooled checking accounts is allocated back to the General Fund. Investment income from the pooled SBA accounts is allocated to the following funds based on each fund's relative equity in the pool: General, CRA, Debt Service, Capital Projects, and Sanitation.

As of September 30, 2015, the Town held the following investments:

	Credit Rating	Fair Value	Weighted Average Maturity
State Board of Administration:			
Florida PRIME	AAA(m)	\$ 786,117	39 days
Money market funds	N/R	4,759	N/A
Bond exchange traded funds	N/R	404,582	N/A
Equity exchange traded funds	N/R	897,895	N/A
Total investments		<u>\$ 2,093,353</u>	

All the investments other than the State Board of Administration are held in the fiduciary funds. The credit ratings are S&P's.

Investments

The exchange traded fund is commonly referred to as "ETF". ETFs are funds that trade like other publicly-traded securities and are designed to track an index. Similar to shares of an index mutual fund, each share of the fund represents a partial ownership in an underlying portfolio of securities intended to track a market index. Unlike shares of a mutual fund, which can be bought and redeemed from the issuing fund by all shareholders at a price based on NAV, only authorized participants may purchase or redeem shares directly from the fund at NAV. Also, unlike shares of a mutual fund, the shares of the fund are listed on a national securities exchange and trade in the secondary market at market prices that change throughout the day.

**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The State Board of Administration is part of the Local Governments Surplus Funds Trust Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Governments Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

The State Board of Administration is divided between two separate pools. Florida PRIME, (Local Government Surplus Funds Trust Fund Investment Pool) consists of all money market appropriate assets and Pool B, (Surplus Funds Trust Fund) consists of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. At September 30, 2015, all the assets from Pool B were liquidated.

At September 30, 2015, Florida PRIME was assigned a "AAA(m)" principal stability fund rating by the Standard and Poor's Ratings. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balance should also be considered its fair value.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2015, was 29 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.

As of September 30, 2015, the Town had \$786,117 invested in Florida PRIME. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

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 exposure to interest rate risks. The Town limits its exposure to fair value losses resulting from rising interest rates by structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools unless it is anticipated that long-term securities can be held to maturity without jeopardizing the liquidity requirements. The Retirement Funds do not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Investments of the Retired Police Officers Retirement Fund can consist of the following:

1. A qualified public depository as defined in Section 280, Florida Statutes.
2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government.
3. Stocks, bonds or other evidence of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia, provided that the corporation is listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market.
 - a. Investments in equities shall not exceed 70% of the Pension Fund's total assets at cost.
 - b. Not more than then (5) percent of the Pension Fund's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed (5) percent of the outstanding capital stock of that company.
 - c. Not more than five (5) percent of the Fund's fixed income portfolio (at cost) shall be invested in the securities of any single corporate issuer. This limitation does not include issues of any U.S. government agency.
 - d. Bonds and other evidences of indebtedness not rated in one of the four highest classifications by a major rating service shall not exceed 5% of the Pension Fund's total assets at cost.
4. Foreign securities provided they do not exceed 20% of the Pension Fund's assets at cost.
5. Real estate through a security listed on one or more of the recognized national exchanges or other unit investment trust with shares redeemable on demand provided they do not exceed 10% of the Pension Fund's assets at cost.
6. Commingled stock, bond, real estate or money market funds whose investments are restricted to securities meeting the above criteria.

**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial credit risk – For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2015, all investments were insured or collateralized, except the Town's pension fund, in which the underlying securities are held by counterparty, or by its trust department or agent but not in the Town's name and is uninsured and unregistered. However, all securities are registered in the funds' names.

The money market and closed end funds are owned by the Pension Trust Funds.

The Town is authorized to invest its funds as follows:

1. Interest-bearing checking or savings accounts in qualified public depositories, as defined in Chapter 280, Florida Statutes;
2. Interest-bearing time deposits in qualified public depositories, as defined in Chapter 280, Florida Statutes;
3. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Chapter 163, Florida Statutes;
4. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
5. Direct obligations of the United States Treasury;
6. Federal agencies and instrumentalities;
7. Securities of, or interest in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. sections 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian;
8. Other investments authorized by law or by ordinance by the Town.

**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

A reconciliation of deposits and investments as shown on the statement of net position and statement of fiduciary net position for the Town is as follows:

By Category:	
Deposits	\$ 1,870,371
Petty cash	790
Investments	<u>2,093,353</u>
Total deposits and investments	<u>\$ 3,964,514</u>
Presented in the statement of net position	
Governmental activities	
Cash and cash equivalents	\$ 1,548,605
Investments	
Business-type activities	
Cash and cash equivalents	1,100,465
Restricted cash and cash equivalents	
Investments	
Total statements of net position	<u>2,649,070</u>
Presented in the statement of fiduciary net position	
Pension trust funds	
Cash and cash equivalents	12,967
Investments	<u>1,302,477</u>
Total fiduciary funds	<u>1,315,444</u>
Total deposits and investments	<u>\$ 3,964,514</u>

TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 4 – NOTES RECEIVABLES

The CRA has a program to give grants and low interest loans for business development and façade improvements. The loans bear interest at 2% and are payable monthly for terms of five to ten years. The grants are to be repaid if the business is sold within five years and one fifth of the grant is forgiven each year. Both the loans and grants are secured by a lien on the improvements and/or the property of the business. At September 30, 2015, there were \$42,304 of loans outstanding which are recorded as notes receivable and \$5,550 of grants outstanding for which no asset is recorded since the expectation is that the business will not be sold.

NOTE 5 – ACCOUNTS RECEIVABLES

Receivables at September 30, 2015, were as follows:

	General Fund	Marina Fund	Sanitation Fund	Nonmajor Enterprise Fund
Accounts receivable	\$ 37,458	\$ 52,113	\$ 135,986	\$ 2,693
Accrued receivables	209,083			
Total receivables	246,541	52,113	135,986	2,693
Less: allowance for uncollectible accounts	(16,521)	(12,600)	(19,536)	
Accounts receivable, net	\$ 230,020	\$ 39,513	\$ 116,450	\$ 2,693

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TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – CAPITAL ASSETS

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

Primary Government

Governmental activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,691,891	\$	\$	\$ 2,691,891
Construction in progress				
Capital assets being depreciated:				
Buildings	7,357,691			7,357,691
Improvements	5,171,328	25,792		5,197,120
Machinery and equipment	1,862,348	85,675		1,948,023
Total at historical cost:	17,083,258	111,467		17,194,725
Less accumulated depreciation for:				
Buildings	(4,749,925)	(198,413)		(4,948,338)
Improvements	(2,621,838)	(409,086)		(3,030,924)
Machinery and equipment	(1,776,345)	(28,367)		(1,804,712)
Total accumulated depreciation	(9,148,108)	(635,866)		(9,783,974)
Governmental activities capital assets, net	\$ 7,935,150	\$ (524,399)	\$	\$ 7,410,751

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

Governmental activities:	
General government	\$ 391,189
Public safety	179
Physical environment	1,345
Transportation	111,466
Culture and recreation	131,687
Total depreciation expense governmental activities	\$ 635,866

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TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – CAPITAL ASSETS (Continued)

The capital asset activity of business-type activities for the year ended September 30, 2015, was as follows:

Business-type activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,492,332	\$	\$	\$ 2,492,332
Construction in progress	459,571	480,776	(527,045)	413,302
Capital assets being depreciated:				
Improvements	10,622,507	531,782		11,154,289
Machinery and equipment	2,788,139	27,106		2,815,245
Total at historical cost:	16,362,549	1,039,664	(527,045)	16,875,168
Less accumulated depreciation for:				
Improvements	(4,062,457)	(572,746)		(4,635,203)
Machinery and equipment	(2,742,845)	(15,395)		(2,758,240)
Total accumulated depreciation	(6,805,302)	(588,141)		(7,393,443)
Business-type activities capital assets, net	\$ 9,557,247	\$ 451,523	\$ (527,045)	\$ 9,481,725

NOTE 7 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2015, was as follows:

Governmental activities:	Balance October 1, 2014	Additions	Reductions	Balance September 30, 2015	Amount due within one year
Bonds and loans payable	\$ 5,914,137	\$	\$ (915,002)	\$ 4,999,135	\$ 947,280
Net pension liability (1)	259,213	49,716		308,929	
OPEB (see note 11)	38,328	6,556		44,884	
Compensated absences payable	146,068	162,606	(160,127)	148,547	29,709
Total	\$ 6,357,746	\$ 218,878	\$ (1,075,129)	\$ 5,501,495	\$ 976,989

(1) As restated, see Notes 10 and 17.

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TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-type activities:	Balance October 1, 2014	Additions	Reductions	Balance September 30, 2015	Amount due within one year
Loans payable	\$ 4,778,963	\$	\$ (316,899)	\$ 4,462,064	\$ 215,307
OPEB (see note 11)	17,402	2,419		19,821	
Compensated absences payable	18,416	35,596	(28,710)	25,302	5,061
Total	\$ 4,814,781	\$ 38,015	\$ (345,609)	\$ 4,507,187	\$ 220,368
Unamortized premium				109,986	
				\$ 4,617,173	

Compensated absences and OPEB liabilities for governmental activities are generally liquidated by the General Fund and by the Marina Fund, Sanitation Fund, and Stormwater Fund for business-type activities.

General Obligation Bonds: The debt service for general obligation bonds are payable from a separate ad valorem tax levy for the debt service fund. The Town's outstanding governmental activities general obligation bonds at September 30, 2015, are summarized as follows:

General Obligation Bonds, Series 1997: On March 11, 1997, the voters of the Town approved the issuance of up to \$9,806,000 general obligation bonds for the purpose of financing the repair and redevelopment of the Town Hall, marina and other projects, and the construction of a new fire/medical facility and library addition. On August 7, 1997, the Town issued \$4,800,000 Town of Lake Park, Florida, General Obligation Bonds, Series 1997. Principal and interest at 4.96% are payable in semi-annual installments of \$189,725 on January 1 and July 1, commencing January 1, 1998, through maturity on July 1, 2017

The required debt service payments on the Series 1997 bond at September 30, 2015, are as follows:

Year Ending September 30	Principal	Interest	Total Amount
2016	\$ 348,616	\$ 30,834	\$ 379,450
2017	357,674	13,327	371,001
	\$ 706,290	\$ 44,161	\$ 750,451

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**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

General Obligation Bond, Series 1998: On November 17, 1998, the Town issued a \$5,000,000 Town of Lake Park, Florida, General Obligation Bond, Series 1998. This bond represents the second and final series of the bonds approved by the voters of the Town in a special referendum on March 11, 1997, for the purpose of financing the repair and redevelopment of the Town Hall, marina and other projects, and the construction of a new fire/medical facility and library addition. Principal and interest at 4.46% are payable in semi-annual installments of \$194,329 on January 1 and July 1, 1999, through maturity on July 1, 2018.

The required debt service payments on the Series 1998 bond at September 30, 2015, are as follows:

Year Ending September 30	Principal	Interest	Total Amount
2016	\$ 344,397	\$ 44,260	\$ 388,657
2017	359,928	28,729	388,657
2018	371,920	12,499	384,419
	<u>\$ 1,076,245</u>	<u>\$ 85,488</u>	<u>\$ 1,161,733</u>

Revenue Bonds, Series 2003A

On May 12, 2003, the Town entered into an agreement with the Florida Municipal Loan Council (the "Council") to borrow funds for the construction of improvements at the Town's marina. On May 16, 2003, the Council issued \$4,810,000 Florida Municipal Loan Council Revenue Bonds, Series 2003A, dated May 1, 2003, to finance the Town's project and pay the costs of issuance for the bonds. The Town is required to meet certain minimum financial amounts, debt limitations and reporting requirements. Interest on the bonds is payable by the Town semi-annually on April 20 and October 20 and principal payments are due on April 20. Debt service on the bonds is payable from the net revenues of the marina operations, and all non-ad valorem revenues are pledged.

**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Revenue Bonds, Series 2003A (Continued)

The debt service requirements and interest rates of the bonds at September 30, 2015, are as follows:

Year Ending September 30	Interest Rate	Principal	Interest	Total
2016	5.25	\$ 130,000	\$ 184,150	\$ 314,150
2017	5.25	140,000	177,325	317,325
2018	5.25	145,000	169,975	314,975
2019	5.25	155,000	162,363	317,363
2020	5.25	160,000	154,225	314,225
2021	5.00	170,000	145,825	315,825
2022	5.00	180,000	137,325	317,325
2023	4.50	185,000	128,325	313,325
2024	4.50	195,000	120,000	315,000
2025	4.50	205,000	111,225	316,225
2026	5.00	215,000	102,000	317,000
2027	5.00	225,000	91,250	316,250
2028	5.00	235,000	80,000	315,000
2029	5.00	245,000	68,250	313,250
2030	5.00	260,000	56,000	316,000
2031	5.00	275,000	43,000	318,000
2032	5.00	285,000	29,250	314,250
2033	5.00	<u>300,000</u>	<u>15,000</u>	<u>315,000</u>
		<u>\$ 3,705,000</u>	<u>\$ 1,975,488</u>	<u>\$ 5,680,488</u>

Promissory Note, Series 2008A

On August 28, 2008, the Town executed a tax-exempt note in the principal amount of \$4,928,350 with the Bank of America. Loan proceeds are restricted to finance the settlement of the pension obligation to the Town of Lake Park Firefighters' Pension and for the construction of improvements in the marina. In addition, \$2,420,000 of the governmental loan proceeds were transferred to the CRA as a grant for the acquisition of property and for the construction of improvements within the Town's community redevelopment area in accordance with an interlocal agreement between the Town and the CRA executed on August 20, 2008. The agreement does not require the CRA to repay the grant from the Town; however, if the CRA makes a voluntary payment to the Town, the Town will use the payment to pay debt service on the note.

**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Promissory Note, Series 2008A: (Continued)

Non-ad valorem revenues of the Town secure the promissory note. The Town is required to meet certain minimum financial amounts, debt limitations and reporting requirements. The continued exclusion of interest on the Tax-Exempt Note from gross income for federal income tax purposes depends, in part, upon compliance with the arbitrage limitations imposed by Sections 103(b)(2) and 148 of the Internal Revenue Code. Interest on the note is payable by the Town semi-annually on April 1 and October 1 and principal payments are due on April 1 with a final maturity date of April 1, 2028. The note bears an annual interest rate of 3.67%, which is subject to adjustment upon the occurrence of a Determination of Taxability.

Amounts currently outstanding on the note are as follows:

Purpose	Amount
Governmental activities	\$ 2,475,880
Business-type activities	<u>400,157</u>
	<u>\$ 2,876,037</u>

Annual debt service requirements to maturity are as follows:

Governmental Activities:

Year Ending September 30	Principal	Interest	Total Amount
2016	\$ 187,394	\$ 87,426	\$ 274,820
2017	194,271	80,423	274,694
2018	201,401	73,162	274,563
2019	208,792	65,635	274,427
2020	216,455	57,832	274,287
2021-2025	989,423	169,638	1,159,061
2026-2028	478,144	504,887	983,031
Total	<u>\$ 2,475,880</u>	<u>\$ 1,039,003</u>	<u>\$ 3,036,739</u>

Business-type activities:

Year Ending September 30	Principal	Interest	Total Amount
2016	\$ 24,571	\$ 14,235	\$ 38,806
2017	25,473	13,317	38,790
2018	26,408	12,365	38,773
2019	27,377	11,378	38,755
2020	28,382	10,354	38,736
2021-2025	158,318	35,061	193,379
2026-2028	109,628	6,131	115,759
Total	<u>\$ 400,157</u>	<u>\$ 102,841</u>	<u>\$ 502,998</u>

**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Promissory Note, Series 2008B

On August 28, 2008, the Town executed a note in the principal amount of \$309,550 with the Bank of America to finance the construction of improvements in the marina and the purchase of recreation vehicles. Non-ad valorem revenues of the Town secure the promissory note. The Town is required to meet certain minimum financial amounts, debt limitations and reporting requirements. Interest on the note is payable by the Town semi-annually on April 1 and October 1 and principal payments are due on April 1 with a final maturity date of April 1, 2028. The note bears an annual interest rate of 6.78%.

Annual debt service requirements to maturity are as follows:

Business-type activities:

Year Ending September 30	Principal	Interest	Total Amount
2016	\$ 9,998	\$ 13,121	\$ 23,119
2017	10,676	12,420	23,096
2018	11,400	11,672	23,072
2019	12,173	10,872	23,045
2020	12,998	10,019	23,017
2021-2025	79,467	35,129	114,596
2026-2028	61,810	6,469	68,279
Total	<u>\$ 198,522</u>	<u>\$ 99,702</u>	<u>\$ 298,224</u>

Promissory Note, Series 2009

On August 7, 2009, the Town executed a note in the principal amount of \$1,475,000 with the Bank of America to land acquisition and improvements, the purchase of a sanitation truck, fuel tanks, parking meters, and make roof repairs. Non-ad valorem revenues of the Town secure the promissory note. The Town is required to meet certain minimum financial amounts, debt limitations and reporting requirements. Interest on the note is payable by the Town semi-annually on April 1 and October 1 and principal payments are due on April 1 with a final maturity date of April 1, 2024. The note bears an annual interest rate of 5.11%.

Amounts currently outstanding on the note are as follows:

Purpose	Amount
Governmental activities	<u>\$ 740,720</u>

TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Promissory Note, Series 2009 (Continued)

Annual debt service requirements to maturity are as follows:

Governmental Activities:

Year Ending September 30	Principal	Interest	Total Amount
2016	\$ 66,873	\$ 37,851	\$ 104,724
2017	70,289	34,434	104,723
2018	73,881	30,842	104,723
2019	77,657	27,067	104,724
2020	81,625	23,098	104,723
2021-2024	370,395	48,497	418,892
Total	\$ 740,720	\$ 201,789	\$ 942,509

Promissory Note, Series 2011

On October 20, 2011, the Town executed a note in the principal amount of \$350,000 with Seacoast National Bank to finance improvements to stormwater drainage. Non-ad valorem assessments imposed by the Town to pay for the cost of operation, maintenance, extension and replacement and debt service of the Town's stormwater management system secure the promissory note. Interest on the note is payable by the Town semi-annually on April 1 and October 1 and principal payments are due on April 1 with a final maturity date of April 1, 2018. The note bears an annual interest rate of 4%.

Year Ending September 30	Principal	Interest	Total Amount
2016	\$ 50,738	\$ 5,321	\$ 56,059
2017	52,768	3,251	56,019
2018	54,879	1,097	55,976
Total	\$ 158,385	\$ 9,669	\$ 168,054

Pledged Revenues

The Revenues Bonds Series 2003A and the Promissory Notes Series 2008A, 2008B and 2009 are all secured by the non-ad valorem revenues of the Town. The pledged revenues for the fiscal year ended September 30, 2015 were \$6,987,278 and the related debt service was \$878,093. The Promissory Notes Series 2011 is secured by the revenues on the stormwater utility fund which were \$487,557 and the related debt service was \$55,733 for the fiscal year ended September 30, 2015.

TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 – DEFINED CONTRIBUTION PENSION PLAN

The General Employees Retirement Plan is a defined contribution pension plan established by the Town to provide benefits at retirement for all current employees. Defined contribution plans have 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 participants' benefits that will be allocated to the participant's account. The Town does not hold or administer resources of the Plan. Consequently, the Plan does not meet the requirements for inclusion in the Town's financial statements as a fiduciary fund. The Plan does not issue a stand-alone financial report. Plan provisions are established and may be amended only by the Town Commission.

The Town is required to contribute 5% of the plan members' annual compensation and match 50% of the employees' voluntary contributions under the deferred compensation plan, up to a maximum of 2.5% of participants' annual compensation. For the year ended September 30, 2015, the Town had pension expense of \$120,230, and there were \$6,380 in forfeitures. The Town had \$4,300 of contributions payable at September 30, 2015.

Vesting of the Town's contributions in the 401(a) plan commences after two years of service, with 20% vesting in year two and 20% each year thereafter until fully vested after six years. If an employee terminates before becoming fully vested, forfeited amounts will be reallocated to accounts of remaining participants as an additional employer contribution. Year of service begins upon an eligible employee successfully completing one year of service and having reached age 18. A year of service is a computation period during which an employee is credited with at least 1,000 hours of service.

NOTE 10 – DEFINED BENEFIT PENSION PLAN

The Town administers one single employer defined benefit pension plan that covers no current Town employees. The Retired Police Officers' Pension Fund (RPOPF) covers certain police retirees. The plan was established by the Town and administered by a separate board of trustees. The Board of Trustees consist of five members, the Town Manager, the Town Finance Director, two plan participants and a Town Citizen appointed by the other four members. The plan does not issue stand-alone financial reports.

Basis of Accounting. All pension fund financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position has been determined on the same basis used by the pension plan.

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Annual Maturities

The aggregate maturities for all long-term debt of the Town with scheduled maturities (excluding compensated absences and claims and settlements), are as follows:

Year Ending September 30	Principal	Interest	Total Amount
2016	\$ 1,162,590	\$ 417,198	\$ 1,579,788
2017	1,211,079	363,225	1,574,304
2018	884,889	311,612	1,196,501
2019	480,999	277,315	758,314
2020	499,460	255,528	754,988
2021-2025	2,532,602	931,024	3,463,626
2026-2030	1,829,580	436,845	2,266,425
2031-2033	860,000	87,250	947,250
Total	\$ 9,461,199	\$ 3,079,997	\$ 12,541,196

NOTE 8 – DEFERRED COMPENSATION PLAN ASSETS

Employees of the Town 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 Town. 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. A third party administers the deferred compensation plan.

In 1999, the Town Adopted GASB-32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Town modified its Deferred Compensation Plan 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, these plan assets are no longer property of the Town and will no longer be subject to the claims of the Town's general creditors.

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

TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Administrative Expenses: Liability for future non-investment related expenses is the present value of the future anticipated expenses 15 years based on expenses paid in the year preceding the valuation date.

Investments Concentrations. There were no investments representing concentrations of 5% or more of net plan assets in investments that are not issued or guaranteed by the U.S. government.

Effective October 1, 2001, the Palm Beach County Sheriff's Office (PBSO) was contracted to provide police services for the Town in connection with the transfer of Town police services to the PBSO, the active plan members of the plan were terminated and eligible for a lump sum payout. Effective November 20, 2002, the Town terminated the Municipal Police Officers' Retirement Trust Fund and distributed lump sum payouts to the vested participants. On October 15, 2003, the Town established the Retired Police Officers' Pension Fund for the retirees covered by the original plan and transferred substantially all remaining assets of the original plan to the new plan in April 2004.

The plan is a substituted trust established on October 1, 2003 by Town Ordinance No. 13-2003 to provide the retired members of the previous defined benefit pension plan with the monthly retirement benefits that were accrued under the prior plan. Accordingly, the Retired Police Officers' Pension Fund covers only retirees and has no active plan members or employees of the Town that are eligible to participate and the provisions of the Retired Police Officers' Pension Fund as established by Town ordinance, do not address any provisions related to vesting, eligibility for retirement, future retirement benefits, other benefits, or employee contributions. Administrative expenses are financed as part of the unfunded actuarial accrued liability. The Town is required to contribute actuarially determined amounts sufficient to fund the plan. At October 1, 2014, the date of the latest actuarial valuation, the RPOPF included three service retirees and four disability retirees.

Asset Allocation. The plan's adopted asset allocation policy as of September 30, 2015, is as follows:

Asset Class	Target Allocation
Equity	71%
Fixed Income	29
Cash	0
Total	100%

Rate of Return. For the year ended September 30, 2015, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was -0.22 percent adjusted for the changing amounts actually invested.

**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions applied to the September 30, 2015, measurement period.

Inflation	3.0%
Salary increases	N/A
Investment rate of return	7.50%
Mortality	RP-2000 Combined Healthy without projection (sex distinct) Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disabled lives set forward five years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	4.88%
Fixed Income	0.57%
Cash	0.00%

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension expense and deferred outflows and inflows of resources. For the fiscal year ended September 30, 2015, the Town recognized pension income of \$11,253. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 45,273
Total	\$ 45,273

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	<u>Amount</u>
2016	7,984
2017	7,984
2018	7,894
2019	21,321
2020	
Thereafter	\$ 45,273

At September 30, 2015, the Town did not have any payables to the plan for outstanding contributions.

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**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

The components of the net pension liability of the Town at September 30, 2015, were as follows:

<u>Description</u>	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at September 30, 2014	\$ 1,734,025	\$ 1,474,812	\$ (259,213)
Changes due to:			
Interest	124,182		124,182
Differences between expected and actual experience	(73,829)		(73,829)
Employer contributions		39,097	(39,097)
Benefit payments and refunds	(156,529)	(156,529)	
Net investment income		(3,080)	3,080
Administrative expenses		(35,380)	35,380
Total changes	106,176	(155,892)	(49,716)
Balances at September 30, 2015	<u>\$ 1,627,849</u>	<u>\$ 1,318,920</u>	<u>\$ (308,929)</u>

The Plan fiduciary net position was 81.02% of the total pension liability as of September 30, 2015.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liabilities of the Town, calculated using the discount rates above, as well as what the Town's net pension liabilities would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate.

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Town's net pension liability	<u>\$ 420,404</u>	<u>\$ 308,929</u>	<u>\$ 211,471</u>

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**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

The Town implemented Governmental Accounting Standards Board Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective October 1, 2009. The Town 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 Town 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 Town 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, dental, vision and life insurance benefits upon retirement. The normal retirement age of Town employees is age 65. 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 Town 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 Town for active employees by its healthcare provider. However, the Town'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 Town 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 annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Required contribution rates:	
Employer	Pay-as-you-go
Plan members	N/A
Normal cost	\$ 11,067
Interest on normal cost	498
Amortization	5,156
Interest on amortization	232
Annual required contribution	16,953
Interest on net unfunded OPEB obligation	2,508
Adjustment to annual required contribution	(2,446)
Annual OPEB cost	17,015
Contributions made	(8,040)
Increase in net OPEB obligation	8,975
Net OPEB obligation October 1, 2014	55,730
Net OPEB obligation September 30, 2015	<u>\$ 64,705</u>

Trend Information

Fiscal Year End	Three-Year Trend Information		
	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
09/30/13	\$16,259	49.5%	\$ 47,142
09/30/14	\$16,628	48.4%	\$ 55,730
09/30/15	\$17,015	47.3%	\$ 64,705

Funded Status

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

Actuarial valuation date	10/01/2012
Actuarial accrued liability	\$ 81,779
Actuarial value of plan assets	\$
Unfunded actuarial accrued liability (UAAL)	\$ 81,779
Funded ratio	0.0%
Covered payroll	\$2,011,760
UAAL as a percentage of covered payroll	4.1%

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**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 13 – RISK MANAGEMENT

The Town 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 Town carries commercial insurance through the Florida League of Cities, Inc., a statewide commercial insurance program. The policy for comprehensive property, casualty and liability insurance provides coverage with a deductible of \$5,000 for property and casualty and \$25,000 for liability claims per occurrence, with a combined annual cap of \$2 million. The Town does not retain any risk of loss under this policy.

Florida Statutes limit the Town'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. There have been no significant reductions in insurance coverage in the prior year. No settlements exceeded insurance coverage for the past three years.

The Town has established a risk management program for workers' compensation where premiums are paid from each department to the Florida League of Cities who fully insures all claims to a statutory level. The Town does not retain any risk of loss under this policy. There were no significant reductions in insurance coverage from the prior year. The amount of insurance settlements has not exceeded the Town's insurance coverage in any of the prior three fiscal years.

The Town currently reports all of its risk management activities in the Insurance Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally Palm Beach County, the U.S. Department of Housing and Urban Development and the State of Florida. Any disallowed claims, including amounts already received, might constitute a liability of the Town for the return of those funds.

Litigation

The Town is a defendant in various lawsuits arising in the ordinary course of normal operations. Although the ultimate outcome of some of these lawsuits cannot be determined at the present time, it is the opinion of legal counsel that the likelihood of unfavorable outcome and the amounts of potential losses cannot be reasonably determined for all claims at this time.

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**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 comparable with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the fiscal year ended September 30, 2010, was the year of implementation of GASB 45 and actuarial valuations are only required every three years, only two years are presented in the schedule at this time. In future years, required trend data will be presented. The Town has not contributed assets to the plan at this time.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town 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	10/01/2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	26 years
Asset valuation method	Unfunded
Actuarial assumptions:	
Investment rate of return	4.5%
Healthcare cost trend	8.5% for 2013 decreasing to 4.5% in 2017

NOTE 12 – JOINTLY GOVERNED ORGANIZATION

The Town, through an interlocal agreement with certain other municipalities and Palm Beach County, created the Seacoast Utility Authority ("Seacoast") which provides water and sewer service to the citizens of each of the participating municipalities and a portion of Palm Beach County. Seacoast's governing board is comprised of one member from each participating entity. Seacoast is an Independent Authority organized under the laws of the State of Florida, and the Town has no participating equity ownership in Seacoast. The Town paid \$63,659 to Seacoast during the fiscal year for water and sewer service.

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**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 14 - RELATED PARTY TRANSACTIONS – ENTERPRISE FUNDS

The General Fund provides the other funds with various management services. Administrative costs totaling \$70,000 for the CRA fund, \$30,000 for the Marina fund, \$135,000 for the Sanitation fund, and \$60,000 for the Stormwater Utility fund were charged for 2015.

NOTE 15 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

In governmental accounting, interfund loans are reported as interfund receivables in lender funds and interfund payables in borrower funds. There is no net effect in the governmental-wide financial statements. The current portion of the interfund loan is reported in the governmental funds as Due to and Due from other funds and the non-current portion is reported as Advance to and Advance from other funds. The composition of interfund balances at September 30, 2015, is as follows:

Receivable Fund	Payable Fund	Due to/from	Advance	Total
General Fund	CRA Fund	\$	\$ 293,049	\$ 293,049
General Fund	Marina Fund		450,000	450,000
Nonmajor Governmental	Marina Fund	400,000		400,000

The payable to the General Fund from the CRA Fund of \$293,049 was for the purpose of land acquisitions and improvements in the CRA.

All other payables and receivables were for cash flow purposes.

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**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 15 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

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

Fund	Transfers in	Transfers out
General Fund	\$ 205,168	
CRA Fund		205,168
General Fund	90,000	
Nonmajor Governmental		90,000
General Fund	10,000	
Marina Fund		10,000
General Fund	50,000	
Nonmajor Enterprise		50,000
General Fund	250,000	
Sanitation Fund		250,000
CRA Fund	335,664	
General Fund		335,664
Nonmajor Governmental	320,000	
General Fund		320,000
General Fund	36,122	
Nonmajor Governmental		7,300
Marina Fund		11,579
Sanitation Fund		57,896
Nonmajor Enterprise		12,694
Internal Service Fund		125,861

The transfer of \$335,664 from the CRA Fund to the General Fund was for principal and interest payments that the CRA Fund agreed to reimburse the General Fund if the CRA Fund has sufficient available resources.

The transfer of \$205,168 from the General Fund to the CRA Fund was for the 2015 incremental tax obligation.

The transfer of \$320,000 from the General Fund to the Nonmajor Governmental fund was the amount that Earl Stuart Toyota paid for the section of East Jasmine Drive and the Commission designated it to the Streets and Roads fund.

The transfers from the Internal Service Fund were to return excess net position.

The transfers were also used to reimburse the General Fund for shared administrative costs and make payment in lieu of taxes.

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**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 17 – ACCOUNTING CHANGE (Continued)

The City sponsors the Retired Police Officers' Pension Plan, covering retired police a single employer defined benefit pension plan. These standards require employers participating in single employer defined benefit pension plans to report their net pension liabilities and related pension amounts. The cumulative effect of applying GASB 68 has been reported as a restatement of the beginning net position of the governmental activities on the entity-wide financial statements

	Governmental Activities
Balance at September 30, 2014, as reported	\$ 3,007,240
Adjustment for adoption of GASB 68	(314,006)
Balance at September 30, 2014, as restated	\$ 2,693,234

NOTE 18 – NEW ACCOUNTING STANDARDS

Below is a brief description and effective date of new accounting standards that could have a significant impact on the Town. Management is currently evaluating the impact of the adoption of these statements on the Town's financial statements.

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

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.

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**TOWN OF LAKE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 16 – INTER-LOCAL AGREEMENTS

Fire Protection and Emergency Medical Services

On June 5, 2002, the Town and Palm Beach County entered into an agreement for fire protection and emergency medical services beginning July 29, 2002. The agreement expired on October 1, 2009, and was renewed for an additional seven year term. The contract price for the services under the agreement each year is calculated by multiplying the Town's current taxable property value times the millage rate for the Fire Rescue MSTU as adopted by the Board of County Commissioners. From October 1, 2015 the Town will not pay for fire services as it has entered into a Municipal Services Taxing Unit (MSTU) with Palm Beach County Fire/Rescue who will receive the taxes directly

Palm Beach County Sheriff's Office Inter-local Agreement

On April 11, 2006, the Town and the Palm Beach County Sheriff's Office entered into an agreement for law enforcement services beginning October 1, 2005. The tenth addendum to the contract extended the term of service from October 1, 2015, thru September 30, 2016, and the Town will pay \$2,722,314 in equal monthly installments.

NOTE 17 – ACCOUNTING CHANGES

The Town implemented the following GASB Statements during the fiscal year ended September 30, 2015:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The implementation of this statement resulted in a restatement of beginning net position, as well as related deferred outflows of resources and deferred inflows of resources due to recording the City's net pension liability on the statement of net position.

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

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

TOWN OF LAKE PARK, FLORIDA
Required Supplemental Information
Retired Police Officers' Retirement Fund
Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2015

Last Ten Fiscal Years

	2014	2015
Total pension liability:		
Service cost	\$ 126,439	\$ 124,182
Differences between expected and actual experience		(73,829)
Benefit payments, including refunds of employee contributions	(156,529)	(156,529)
Net change in total pension liability	(30,090)	(106,176)
Total pension liability - beginning	1,764,115	1,734,025
Total pension liability - ending (a)	<u>\$ 1,734,025</u>	<u>\$ 1,627,849</u>
Plan fiduciary net position		
Contributions - employer	\$ 52,328	\$ 39,097
Net investment income	170,788	(3,080)
Benefit payments, including refunds of employee contributions	(156,529)	(156,529)
Administrative expenses	(15,671)	(35,380)
Net change in plan fiduciary net position	50,916	(155,892)
Plan fiduciary net position - beginning	1,423,896	1,474,812
Plan fiduciary net position - ending (b)	<u>\$ 1,474,812</u>	<u>\$ 1,318,920</u>
Net pension liability (a) - (b)	<u>\$ 259,213</u>	<u>\$ 308,929</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>85.05%</u>	<u>81.02%</u>

NOTE: The Town implemented GASB Statement 67 in 2014; information is presented for those years in which information is available.

FIDUCIARY FUNDS

Pension Trust Funds
Retired Police Officers' Pension Trust Fund

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TOWN OF LAKE PARK, FLORIDA
Required Supplemental Information
Retired Police Officers' Retirement Fund
September 30, 2015

Last Ten Fiscal Years

Schedule of Contributions

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)
2014	\$ 52,328	\$ 52,328	\$
2015	\$ 39,097	\$ 39,097	\$

Schedule of Investment Returns

Fiscal Year Ending September 30	Annual money weighted rate of return net of investment expenses
2014	12.44%
2015	-0.22%

NOTE: The Town implemented GASB Statement 67 in 2014; information is presented for those years in which information is available.

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TOWN OF LAKE PARK, FLORIDA
Required Supplemental Information
Retired Police Officers' Retirement Fund
Notes to the Schedule of Contributions
September 30, 2015

Methods and assumptions used in calculations of determined contributions.

The actuarially determined contribution rates are calculated as of October 1, one year prior to the end of the fiscal year in which contributions are reported.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar amount -closed
Remaining Amortization Period	15
Asset Valuation Method	Market
Inflation	N/A
Salary increases	N/A
Investment Rate of Return	7.50%
Mortality	RP-2000 Combined Healthy without projection (sex distinct) Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disabled lives set forward five years.

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**TOWN OF LAKE PARK, FLORIDA
Required Supplementary Information
September 30, 2015**

Schedule of Funding Progress

Other Post Employment Benefits (OPEB)

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)
10/01/09	\$	\$ 104,222	\$ 104,222	0.0%	\$ 2,448,717	4.3%
10/01/12	\$	\$ 81,779	\$ 81,779	0.0%	\$ 2,011,760	4.1%

OTHER POST-EMPLOYMENT BENEFITS

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. Because the fiscal year ended September 30, 2010, was the year of implementation of GASB 45 and the Town elected to apply the statement prospectively, only two years are presented in the schedule at this time. In future years, required trend data will be presented. The Town has not contributed assets to the plan at this time.

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**TOWN OF LAKE PARK, FLORIDA
Budgetary Comparison Schedule -
General Fund
For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes				
General property taxes	\$ 4,053,412	\$ 4,053,412	\$ 4,070,125	\$ 16,713
Franchise taxes	525,000	525,000	564,731	39,731
Electricity	7,500	7,500	8,205	705
Solid Waste	20,000	20,000	25,488	5,488
Utility taxes				
Electricity	636,000	636,000	751,488	115,488
Water	145,000	145,000	154,332	9,332
Gas	43,000	43,000	46,952	3,952
Total taxes	5,429,912	5,429,912	5,621,321	191,409
Licenses and permits				
Building permits	110,250	70,250	202,830	132,580
Alarm permits	16,000	16,000	16,825	825
Signage permits	7,000	7,000	8,650	1,650
Business tax receipts	330,000	330,000	335,375	5,375
Business tax confirmation	10,800	10,800	11,380	580
Reinspection fees	6,000	4,000	7,941	3,941
Cost recovery	10,000	10,000	35,775	25,775
Special event fees	2,000	2,000	1,125	(875)
Contractors fees	2,000	2,000	2,862	862
Total licenses and permits	494,050	452,050	622,763	170,713
Intergovernmental revenues				
State shared revenues				
Local government sales tax	612,000	612,000	650,565	38,565
Local communication services taxes	322,862	322,862	315,322	(7,540)
State revenue sharing	253,000	253,000	258,153	5,153
Alcoholic beverage licenses	8,000	8,000	9,583	1,583
Motor fuel tax refund	5,123	5,123	5,156	33
County shared revenues				
County business tax	13,000	13,000	26,236	13,236
Grant revenues				
State aid to libraries	7,000	7,000	9,229	2,229
Total intergovernmental revenues	\$ 1,220,985	\$ 1,220,985	\$ 1,274,244	\$ 53,259

(Continued)

See notes to the budgetary comparison schedules.

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**TOWN OF LAKE PARK, FLORIDA
Budgetary Comparison Schedule -
General Fund
For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
(Continued)				
Revenues (Continued)				
Charges for services				
Administrative fees				
Sanitation	\$ 135,000	\$ 135,000	\$ 135,000	\$
CRA	70,000	70,000	70,000	
Stormwater utility	60,000	60,000	60,000	
Marina	30,000	30,000	30,000	
Parking fees	29,000	29,000	27,680	(1,320)
Plan review fees	8,000	8,000	10,067	2,067
Bank registration fees	3,500	3,500	3,900	400
Parks and recreation	48,976	48,976	50,863	1,887
Other charges for services	12,900	12,900	21,401	8,501
Total charges for services	397,376	397,376	408,911	11,535
Fines and forfeitures				
Court fines	30,000	30,000	19,309	(10,691)
Code violations	90,350	90,350	40,036	(50,314)
Code violations - administrative cost	16,800	16,800	8,458	(8,342)
Parking violations	7,500	7,500	6,240	(1,260)
Alarm violations	10,000	10,000	5,575	(4,425)
Business tax penalties	7,300	7,300	246	(7,054)
Library fines	650	1,065	1,065	415
Total fines and forfeitures	162,600	162,600	80,929	(81,671)
Miscellaneous revenue				
Interest earnings	3,500	3,500	9,349	5,849
Interest earnings - tax collector	17,000	17,000	7,621	(9,379)
Rent	51,965	43,032	62,476	19,444
Sale of surplus property	1,000	1,000	1,000	(1,000)
Sale of capital assets		320,000	320,000	
Sale of scrap material	500	500		(500)
Fuel reimbursement from Sheriff	25,000	25,000	19,246	(5,754)
Reimbursement from Stormwater utility	39,950	39,950	39,950	
Miscellaneous revenues	7,923	44,095	8,448	(35,647)
Total miscellaneous revenues	146,888	494,077	467,090	(26,987)
Total revenues	\$ 7,851,811	\$ 8,157,000	\$ 8,475,258	\$ 318,258 (Continued)

See notes to the budgetary comparison schedules.

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**TOWN OF LAKE PARK, FLORIDA
Budgetary Comparison Schedule -
General Fund
For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
(Continued)				
Expenditures (Continued)				
Public Safety				
Law enforcement				
Operating expenditures	\$ 2,689,498	\$ 2,688,050	\$ 2,682,991	\$ 5,059
Disaster				
Operating expenditures	1,000	1,000	121	879
Total disaster	1,000	1,000	121	879
Fire department				
Operating expenditures	1,655,755	1,660,704	1,660,699	5
Community development				
Personal services	384,747	395,639	369,061	26,578
Operating expenditures	159,887	109,005	213,986	(104,981)
Total community development	544,634	504,644	583,047	(78,403)
Total public safety	4,890,887	4,854,398	4,926,858	(72,460)
Physical environment				
Public works- administration				
Personal services	180,271	188,208	186,054	2,154
Operating expenditures	15,546	11,164	7,972	3,192
Capital outlay		2,175	3,200	(1,025)
Total Public works- administration	195,817	201,547	197,226	4,321
Vehicle maintenance				
Personal services	35,556	36,701	40,047	(3,346)
Operating expenditures	46,903	46,490	43,395	3,095
Capital outlay	1,800	1,800	1,243	557
Total vehicle maintenance	84,259	84,991	84,685	306
Total physical environment	280,076	286,538	281,911	4,627
Transportation				
Facility maintenance				
Personal services	84,947	85,946	86,045	(99)
Operating expenditures	176,829	160,016	168,604	(8,588)
Capital outlay	26,750	49,575		49,575
Total facility maintenance	288,526	295,537	254,649	40,888
Parking facilities				
Personal services	20,557	21,143	20,038	1,105
Operating expenditures	22,035	26,035	23,546	2,489
Total parking facilities	42,592	47,178	43,584	3,594
Total transportation	331,118	342,715	298,233	44,482 (Continued)

See notes to the budgetary comparison schedules.

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**TOWN OF LAKE PARK, FLORIDA
Budgetary Comparison Schedule -
General Fund
For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
(Continued)				
Expenditures (Continued)				
General government				
Legislative				
Personal services	\$ 51,309	\$ 51,309	\$ 51,712	\$ (403)
Operating expenditures	60,332	61,232	40,980	20,252
Capital outlay			1,272	(1,272)
Total legislative	111,641	112,541	93,964	18,577
Town manager				
Personal services	130,515	133,014	137,773	(4,759)
Operating expenditures	15,550	16,667	15,348	1,319
Capital outlay			2,187	(2,187)
Total town manager	146,065	149,681	155,308	(5,627)
Personnel				
Personal services	105,996	124,312	128,416	(4,104)
Operating expenditures	22,747	29,747	28,775	972
Total personnel	128,743	154,059	157,191	(3,132)
Town clerk				
Personal services	124,547	131,220	112,854	18,366
Operating expenditures	20,967	20,967	21,721	(754)
Total town clerk	145,514	152,187	134,575	17,612
Finance				
Personal services	325,747	344,686	347,846	(3,160)
Operating expenditures	83,810	83,810	89,629	(5,819)
Capital outlay		40,000	1,195	38,805
Total finance	409,557	468,496	438,670	29,826
Legal				
Operating expenditures	121,000	121,000	111,984	9,016
Total legal	121,000	121,000	111,984	9,016
Information technology				
Personal services	99,670	101,362	101,178	184
Operating expenditures	51,325	51,325	49,918	1,407
Capital outlay	32,508	32,508	29,330	3,178
Total information technology	183,503	185,195	180,426	4,769
Non-departmental				
Personal services	108,797	39,097	39,097	
Operating expenditures	600	75,523	93,864	(18,341)
Debt service	379,128	379,128	379,665	(537)
Total non-departmental	488,425	493,748	512,626	(18,878)
Total general government	1,734,448	1,836,907	1,784,744	52,163 (Continued)

See notes to the budgetary comparison schedules.

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**TOWN OF LAKE PARK, FLORIDA
Budgetary Comparison Schedule -
General Fund
For the Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
(Continued)				
Expenditures (Continued)				
Culture and recreation				
Library				
Personal services	\$ 201,509	\$ 199,673	\$ 182,537	\$ 17,136
Operating expenditures	67,499	42,485	39,461	3,024
Capital outlay	15,000	28,868	29,402	(534)
Total library	284,008	271,026	251,400	19,626
Recreation				
Personal services	104,426	105,736	102,139	3,597
Operating expenditures	68,825	55,611	47,066	8,545
Capital outlay	2,000	2,000	1,427	573
Debt service	8,684	8,684	8,684	
Total recreation	183,935	172,031	159,316	12,715
Public works - ground maintenance				
Personal services	278,404	283,005	272,767	10,238
Operating expenditures	81,135	78,728	65,141	15,587
Total public works - ground maintenance	359,539	361,733	337,908	23,825
Total culture and recreation	827,482	804,790	748,624	56,166
Total expenditures	8,064,011	8,125,348	8,040,370	84,978
Excess (deficiency) of revenues over (under) revenues	(212,200)	31,652	434,888	403,236
Other financing sources (uses)				
Transfers in				
Transfer from Streets and Roads	90,000	90,000	90,000	
Transfer from CRA	260,647	260,647	205,168	(55,479)
Transfer from Insurance			36,122	36,122
Transfer from Marina	10,000	10,000	10,000	
Transfer from Stormwater	50,000	50,000	50,000	
Transfer from Sanitation	250,000	250,000	250,000	
Total transfers in	660,647	660,647	641,290	(19,357)
Transfers out				
Transfer out CRA	(335,664)	(335,664)	(335,664)	
Transfer out Streets and roads	(335,664)	(320,000)	(320,000)	
Total transfers out	(671,328)	(655,664)	(655,664)	
Balance brought forward	10,000	1		(1)
Contingency, reserves and unappropriated	(122,783)	(36,636)		36,636
Total other financing sources (uses)	212,200	(31,652)	(14,374)	17,278
Net change in fund balances	\$	\$	\$ 420,514	\$ 420,514

See notes to the budgetary comparison schedules.

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TOWN OF LAKE PARK, FLORIDA
Required Supplementary Information
Budgetary Comparison Schedule -
Community Redevelopment Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Intergovernmental	\$ 181,929	\$ 181,929	\$ 179,547	\$ (2,382)
Miscellaneous revenue	2,700	2,700	1,822	(878)
Transfer from General Fund	335,664	335,664	335,664	
Total revenues	520,293	520,293	517,033	(3,260)
Expenditures				
General government	259,646	259,646	236,739	22,907
Economic environment			1,429	(1,429)
Capital outlay			3,295	(3,295)
Transfers	260,647	260,647	205,168	55,479
Total expenditures	520,293	520,293	446,631	73,662
Net change in fund balances	\$	\$	\$ 70,402	\$ 70,402

CRA FUND

See notes to the budgetary comparison schedules.

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TOWN OF LAKE PARK
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
SEPTEMBER 30, 2015

TOWN OF LAKE PARK
NOTES TO BUDGETARY COMPARISON SCHEDULES
SEPTEMBER 30, 2015

NOTE A - BUDGETARY ACCOUNTING

An appropriated budget has been legally adopted for the General Fund and Community Redevelopment Fund on the same modified-accrual basis used to reflect revenue and expenditures.

The Town follows these procedures in establishing the annual budget:

1. Prior to September 1, the Town Manager submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Town Hall to obtain taxpayer comments.
3. The Town advises the Palm Beach County Tax Collector's office of the proposed millage rate, the rolled back millage rate and the day, time and place of the public hearing for budget acceptance.
4. A public hearing is held to obtain taxpayer input and to adopt the final budget and millage rate.
5. A final operating budget and related millage rates are legally enacted through the passage of a resolution.
6. Changes or amendments to the total budgeted expenditures of the must be approved by the Town Commission. Accordingly, the legal level of control is at the fund level.
7. All unencumbered balances lapse at the end of each fiscal year.

NOTE A - BUDGETARY ACCOUNTING (Continued)

The reported budgetary data represents the final appropriated budget after amendments adopted by the Town Commission. An appropriated budget is legally required and has been legally adopted for the General Fund, Community Redevelopment Special Revenue Fund, Debt Service Fund, Streets and Roads Special Revenue Fund, and the Insurance Internal Service Fund on the same modified-accrual basis used to reflect actual revenues and expenditures. The operations of the Town's other funds are non-budgeted financial activities, which are not legally required to adopt budgets. Budgetary comparison schedules for the Debt Service Fund and Streets and Roads Special Revenue Fund, non-major funds, and the Insurance Internal Service Fund, a proprietary fund, are not required to be presented and may be found in Other Supplementary Information.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to assign that portion of the applicable appropriations, is employed as an extension of formal budgetary control in the General Fund. There were \$36,458 of encumbrances outstanding at year end.

NOTE B - EXPENDITURES OVER APPROPRIATIONS

There were no expenditures in excess of appropriations.

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OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Fund
 Special Revenue Funds
Streets and Roads Fund
 Capital Projects Funds
Capital Projects Fund
Special Projects Fund

TOWN OF LAKE PARK, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2015

	Debt Service Fund	Special Revenue Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
		Streets & Roads Fund	Capital Projects Bond Fund	Special Projects Fund	
Assets					
Pooled cash and cash equivalents	\$ 94,030	\$ 122,477	\$ 16,593	\$ 13,851	\$ 246,951
Due from other governments		27,838			27,838
Due from other funds		400,000			400,000
Total assets	<u>\$ 94,030</u>	<u>\$ 550,315</u>	<u>\$ 16,593</u>	<u>\$ 13,851</u>	<u>\$ 674,789</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$	\$ 2,960	\$	\$ 255	\$ 3,215
Accrued items		3,713			3,713
Total liabilities		<u>6,673</u>		<u>255</u>	<u>6,928</u>
Fund balances					
Restricted for:					
Debt service	94,030				94,030
Transportation		303,913			303,913
Capital projects			16,593		16,593
Assigned to:					
Subsequent years expenditures				10,945	10,945
Capital projects fund		239,729		2,651	242,380
Total fund balances	<u>94,030</u>	<u>543,642</u>	<u>16,593</u>	<u>13,596</u>	<u>667,861</u>
Total liabilities and fund balances	<u>\$ 94,030</u>	<u>\$ 550,315</u>	<u>\$ 16,593</u>	<u>\$ 13,851</u>	<u>\$ 674,789</u>

TOWN OF LAKE PARK, FLORIDA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2015

	Debt Service Fund	Special Revenue Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
		Streets & Roads Fund	Capital Projects Bond Fund	Special Projects Fund	
Revenues					
Taxes	\$ 769,770	\$	\$	\$	\$ 769,770
Intergovernmental		364,790		9,065	373,855
Miscellaneous	1,469				1,469
Total revenues	<u>771,239</u>	<u>364,790</u>		<u>9,065</u>	<u>1,145,094</u>
Expenditures					
Current					
General government				3,117	3,117
Transportation		178,825			178,825
Capital outlay		25,146		13,770	38,916
Debt service					
Principal	662,221				662,221
Interest charges	105,886				105,886
Total expenditures	<u>768,107</u>	<u>203,971</u>		<u>16,887</u>	<u>988,965</u>
Excess of revenues over (under) expenditures	<u>3,132</u>	<u>160,819</u>		<u>(7,822)</u>	<u>156,129</u>
Other financing sources (uses)					
Transfers in		327,300			327,300
Transfers out		(90,000)			(90,000)
Total other financing sources (uses)		<u>237,300</u>			<u>237,300</u>
Net changes in fund balances	3,132	398,119		(7,822)	393,429
Fund balances - beginning (deficit)	90,898	145,523	16,593	21,418	274,432
Fund balances - ending (deficit)	<u>\$ 94,030</u>	<u>\$ 543,642</u>	<u>\$ 16,593</u>	<u>\$ 13,596</u>	<u>\$ 667,861</u>

TOWN OF LAKE PARK, FLORIDA
Budgetary Comparison Schedule -
Debt Service Fund
For the Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 776,612	\$ 776,612	\$ 769,770	\$ (6,842)
Investment earnings	100	100	1,469	1,369
Total revenues	<u>776,712</u>	<u>776,712</u>	<u>771,239</u>	<u>(5,473)</u>
Expenditures				
Debt service	<u>776,712</u>	<u>776,712</u>	<u>768,107</u>	<u>8,605</u>
Net change in fund balances - budgetary basis	<u>\$</u>	<u>\$</u>	<u>\$ 3,132</u>	<u>\$ 3,132</u>

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TOWN OF LAKE PARK, FLORIDA
Budgetary Comparison Schedule -
Streets and Roads Fund
For the Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 339,245	\$ 339,245	\$ 364,790	\$ 25,545
Transfer from General fund			320,000	
Transfer from Insurance fund			7,300	7,300
Total revenues	<u>339,245</u>	<u>659,245</u>	<u>692,090</u>	<u>32,845</u>
Expenditures				
Transportation	185,498	181,748	178,825	2,923
Capital outlay	31,500	27,950	25,146	2,804
Debt service	17,394	17,394		17,394
Other	14,853	22,153		22,153
Transfer to General fund	90,000	90,000	90,000	
Total expenditures	<u>339,245</u>	<u>339,245</u>	<u>293,971</u>	<u>45,274</u>
Unappropriated		(320,000)		320,000
Net change in fund balances - budgetary basis	<u>\$</u>	<u>\$</u>	<u>\$ 398,119</u>	<u>\$ 398,119</u>

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TOWN OF LAKE PARK, FLORIDA
Budgetary Comparison Schedule -
Insurance Fund
For the Year Ended September 30, 2015

PROPRIETARY FUNDS

Internal Service Fund
Insurance Fund

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributed revenue	\$ 227,116	\$ 227,116	\$ 229,636	\$ 2,520
Miscellaneous revenue			25,081	(75,699)
Total revenues	<u>227,116</u>	<u>327,896</u>	<u>254,717</u>	<u>(73,179)</u>
Expenditures				
Personal services	44,000	44,000	43,621	379
Operating expenses	183,116	213,197	213,766	(569)
Transfers out			125,861	(125,861)
Total expenditures	<u>227,116</u>	<u>257,197</u>	<u>383,248</u>	<u>(126,051)</u>
Net change in net position - budgetary basis	<u>\$</u>	<u>\$ 70,699</u>	<u>\$(128,531)</u>	<u>\$ (199,230)</u>

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STATISTICAL SECTION

This part of the Town of Lake Park's comprehensive annual financial report presents detailed unaudited information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the Town's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	
Net Position by Component	85
Changes in Net Position	86
Fund Balances of Governmental Funds	90
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Revenue Capacity	
<i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	
Governmental Funds Tax Revenues by Source	93
General Government Revenue by Source	94
Assessed Value of Taxable Property	96
Direct and Overlapping Property Tax Rates	97
Principal Property Taxpayers	99
Property Tax Levies and Collections	100
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	
Ratios of Outstanding Debt by Type	101
Ratios of General Bonded Debt Outstanding	103
Direct and Overlapping Governmental Activities Debt	104
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Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	
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Principal Employers	107
Operating Information	
<i>These schedules contain service and infrastructure data to help understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	
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Operating Indicators by Function/Program	109
Capital Asset Statistics by Function/Program	110

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

STATISTICAL SECTION

TOWN OF LAKE PARK, FLORIDA
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting) Unaudited

	<u>Fiscal Year</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities					
Net investment in capital assets	\$ (1,219,252)	\$ 179,115	1,781,760	2,062,366	\$ 2,204,432
Restricted	149,558	239,847	119,780	96,090	86,902
Unrestricted	<u>3,711,384</u>	<u>3,838,721</u>	<u>3,060,834</u>	<u>3,320,736</u>	<u>2,531,305</u>
Total governmental activities net position	\$ 2,641,690	\$ 4,257,683	\$ 4,962,374	\$ 5,479,192	\$ 4,822,639
Business-type activities					
Net investment in capital assets	\$ 4,240,204	\$ 4,461,916	4,066,900	4,297,968	\$ 3,809,874
Restricted	61,648				
Unrestricted	<u>996,718</u>	<u>146,230</u>	<u>(298,208)</u>	<u>(1,028,259)</u>	<u>(1,332,901)</u>
Total business-type activities net position	\$ 5,298,570	\$ 4,608,146	\$ 3,768,692	\$ 3,269,709	\$ 2,476,973
Primary government					
Net investment in capital assets	\$ 3,020,952	\$ 4,641,031	5,848,660	6,360,334	\$ 6,014,306
Restricted	211,206	239,847	119,780	96,090	86,902
Unrestricted	<u>4,708,102</u>	<u>3,984,951</u>	<u>2,762,626</u>	<u>2,292,477</u>	<u>1,198,404</u>
Total primary government net position	\$ 7,940,260	\$ 8,865,829	\$ 8,731,066	\$ 8,748,901	\$ 7,299,612
	<u>Fiscal Year</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities					
Net investment in capital assets	\$ 2,225,160	\$ 2,400,557	\$ 1,778,341	\$ 2,837,379	\$ 3,142,197
Restricted	241,509	367,633	304,159	364,900	404,094
Unrestricted	<u>1,817,156</u>	<u>1,720,723</u>	<u>233,468</u>	<u>(195,039)</u>	<u>419,594</u>
Total governmental activities net position	\$ 4,283,825	\$ 4,388,913	\$ 2,315,968	\$ 3,007,240	\$ 3,965,885
Business-type activities					
Net investment in capital assets	\$ 5,690,265	\$ 5,205,987	\$ 4,902,259	\$ 4,662,043	\$ 4,909,675
Restricted	99,592	37,338			
Unrestricted	<u>(1,599,465)</u>	<u>(2,077,983)</u>	<u>731,212</u>	<u>607,291</u>	<u>350,817</u>
Total business-type activities net position	\$ 4,090,800	\$ 3,227,596	\$ 5,670,809	\$ 5,269,334	\$ 5,260,492
Primary government					
Net investment in capital assets	\$ 7,915,425	\$ 7,606,544	\$ 6,680,600	\$ 7,499,422	\$ 8,051,872
Restricted	241,509	367,225	341,497	364,900	404,094
Unrestricted	<u>217,691</u>	<u>(357,260)</u>	<u>964,680</u>	<u>412,252</u>	<u>770,411</u>
Total primary government net position	\$ 8,374,625	\$ 7,616,509	\$ 7,986,777	\$ 8,276,574	\$ 9,226,377

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TOWN OF LAKE PARK, FLORIDA
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting) Unaudited

Expenses	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental activities:					
General government	\$ 1,704,011	\$ 2,237,149	\$ 2,538,501	\$ 2,656,309	\$ 2,543,061
Public safety	4,377,568	5,008,257	5,211,776	5,421,845	5,723,360
Physical environment	953,466	652,725	361,170	319,993	349,637
Transportation	820,777	573,501	683,463	699,113	600,669
Culture and recreation	1,242,254	1,450,650	1,161,870	1,242,156	987,778
Economic environment					32,063
Interest on long-term debt	334,083	314,933	320,280	420,671	430,289
Total governmental activities expenses	9,432,159	10,237,215	10,277,060	10,720,087	10,666,757
Business-type activities:					
Marina	1,143,506	1,610,274	1,902,634	1,734,561	2,005,435
Sanitation	1,245,151	1,283,851	1,355,926	1,430,094	1,413,372
Stormwater			208,668		313,994
Total business-type activities expenses	2,388,657	2,894,125	3,258,560	3,373,923	3,731,801
Total primary government expenses	\$ 11,820,816	\$ 13,131,340	\$ 13,535,620	\$ 14,094,010	\$ 14,399,558
Program revenues					
Governmental activities:					
Charges for services:					
General government	\$ 504,806	\$ 33,232	\$ 40,726	\$ 43,756	\$ 58,700
Public safety	451,805	967,365	796,094	775,124	768,338
Physical environment					
Transportation					40,396
Culture and recreation	48,471	49,352	56,775	58,785	75,384
Operating contributions and grants:					
General government	324,969	103,021	15,879		
Public safety		7,950			
Physical environment	10,000				
Transportation	810,226				
Culture and recreation		16,816	16,168	11,639	15,926
Capital contributions and grants:					
General government	16,437				
Public safety	226,997				
Physical environment	40,000	3,435	8,637	4,295	3,379
Transportation	15,709	91,533	22,903		16,180
Culture and recreation		306,858	225,100	160,597	43,250
Total governmental activities program revenues	2,392,811	1,543,738	1,250,912	1,077,099	1,021,553
Business-type activities:					
Charges for services:					
Marina	1,092,204	1,279,927	1,220,299	1,017,094	1,166,201
Sanitation	1,409,510	1,423,947	1,483,528	1,401,682	1,510,419
Stormwater				455,587	514,865
Operating contributions and grants:					
Marina					
Sanitation	259,527				
Capital contributions and grants:					
Marina		825		110,276	
Stormwater				95,755	4,246
Total business-type activities program revenues	2,761,241	2,704,699	2,703,827	3,080,394	3,195,731
Total primary government program revenues	\$ 5,154,052	\$ 4,248,437	\$ 3,954,739	\$ 4,157,493	\$ 4,217,284

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	Fiscal Year				
	2011	2012	2013	2014	2015
Governmental activities:					
General government	\$ 2,371,297	\$ 1,938,137	\$ 1,543,348	\$ 1,608,593	\$ 1,622,346
Public safety	4,910,050	4,726,961	4,578,728	4,749,126	4,927,037
Physical environment	333,599	286,687	289,172	268,706	279,885
Transportation	662,871	619,207	565,936	564,501	589,970
Culture and recreation	1,022,770	846,998	919,506	815,290	842,876
Economic environment	49,637	3,458	1,921	39,905	1,429
Interest on long-term debt	388,633	354,828	316,601	276,467	233,655
Total governmental activities expenses	9,739,057	8,776,276	8,215,212	8,322,588	8,497,198
Business-type activities:					
Marina	1,856,283	1,632,308	1,591,055	1,600,962	1,728,929
Sanitation	1,464,491	1,396,191	1,396,551	1,152,304	1,163,127
Stormwater					
Total business-type activities expenses	3,320,774	3,028,499	2,987,606	2,753,266	2,892,056
Total primary government expenses	\$ 13,059,831	\$ 11,804,775	\$ 11,202,818	\$ 11,075,854	\$ 11,389,254
Program revenues					
Governmental activities:					
Charges for services:					
General government	\$ 69,481	\$ 70,516	\$ 79,381	\$ 82,406	\$ 89,112
Public safety	743,715	795,284	754,094	778,395	762,073
Physical environment					
Transportation					
Culture and recreation	48,471	49,352	56,775	58,785	75,384
Operating contributions and grants:					
General government	41,964	35,608	29,015	31,056	27,680
Public safety	96,576	57,038	69,116	46,549	52,827
Physical environment					
Transportation	2,100	3,259			
Culture and recreation					
Capital contributions and grants:					
General government			5,000	3,517	2,470
Public safety					
Physical environment	12,608	20,165	11,371	9,024	9,230
Transportation					
Culture and recreation					
Total governmental activities program revenues	1,311	1,665	1,719	1,842	1,924
Business-type activities:					
Charges for services:					
Marina	1,092,204	1,279,927	1,220,299	1,017,094	1,166,201
Sanitation	1,409,510	1,423,947	1,483,528	1,401,682	1,510,419
Stormwater				455,587	514,865
Operating contributions and grants:					
Marina					
Sanitation	259,527				
Capital contributions and grants:					
Marina		825		110,276	
Stormwater				95,755	4,246
Total business-type activities program revenues	2,761,241	2,704,699	2,703,827	3,080,394	3,195,731
Total primary government program revenues	\$ 5,154,052	\$ 4,248,437	\$ 3,954,739	\$ 4,157,493	\$ 4,217,284

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TOWN OF LAKE PARK, FLORIDA
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting) Unaudited

Net (expense) revenue	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental activities	\$ (7,039,348)	\$ (8,693,477)	\$ (9,026,148)	\$ (9,642,988)	\$ (9,628,204)
Business-type activities	372,584	(189,426)	(554,733)	(293,529)	(536,070)
Total primary government net expense	\$ (6,666,764)	\$ (8,882,903)	\$ (9,580,881)	\$ (9,936,517)	\$ (10,164,274)
General revenues and other changes in net position					
Governmental activities:					
Taxes:					
Property taxes	\$ 5,066,005	\$ 6,262,727	\$ 6,156,686	\$ 6,827,668	\$ 5,448,106
Franchise fees	631,811	629,365	630,215	603,269	569,868
Utility service taxes	671,970	668,400	681,568	697,743	771,384
Local option gas taxes		260,282	246,643	236,037	236,960
Communication sales tax		539,562	505,783	539,808	464,184
Intergovernmental, unrestricted	720,919	1,062,715	974,834	893,510	1,144,701
Gain on sale of surplus property	39,629		26		174
Miscellaneous revenue		24,658	38,971	102,096	
Investment earnings	532,902	306,398	174,117	54,121	54,473
Transfers	262,647	75,000	321,996	212,554	281,801
Total governmental activities	7,925,883	9,829,107	9,730,839	10,159,806	8,971,651
Business-type activities:					
Investment earnings	62,167	78,419	29,038	7,100	16,780
Gain on sale of equipment		14,720			8,355
Miscellaneous revenues		7,168			
Transfers		(75,000)	(321,996)	(212,554)	(281,801)
Total business-type activities	62,167	25,307	(292,958)	(205,454)	(256,666)
Total primary government	\$ 7,988,050	\$ 9,854,414	\$ 9,437,881	\$ 9,954,352	\$ 8,714,985
Changes in net position					
Governmental activities	\$ 886,535	\$ 1,135,630	\$ 704,691	\$ (2,072,945)	\$ 691,272
Business-type activities	434,751	(164,119)	(847,691)	2,443,213	(315,156)
Total primary government	\$ 1,321,286	\$ 971,511	\$ (143,000)	\$ 370,268	\$ 376,116

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	Fiscal Year				
	2011	2012	2013	2014	2015
Governmental activities	\$ (8,677,131)	\$ (7,658,963)	\$ (7,212,514)	\$ (7,307,582)	\$ (7,525,493)
Business-type activities	1,887,225	(550,756)	(635,089)	(116,550)	289,469
Total primary government net expense	\$ (6,789,906)	\$ (8,209,719)	\$ (7,847,603)	\$ (7,424,133)	\$ (7,236,024)
General revenues and other changes in net position					
Governmental activities:					
Taxes:					
Property taxes	\$ 4,730,840	\$ 4,434,500	\$ 4,315,899	\$ 4,554,358	\$ 4,839,895
Franchise fees	572,846	545,895	493,884	651,664	598,424
Utility service taxes	796,663	804,467	849,238	926,495	952,772
Local option gas taxes	230,660	229,780	230,639	236,922	251,894
Communication sales tax	414,748	375,003	356,437	324,291	315,322
Intergovernmental, unrestricted	1,072,929	1,012,470	1,033,832	1,093,000	1,196,655
Gain on sale of surplus property			2,943		320,000
Miscellaneous revenue					
Investment earnings	36,181	37,586	26,307	12,705	20,104
Transfers	284,050	324,350	(2,168,700)	199,420	303,078
Total governmental activities	8,138,317	7,764,051	5,139,569	7,998,855	8,798,144
Business-type activities:					
Investment earnings	10,652	11,902	11,214	814	4,767
Gain on sale of equipment			18,388		
Miscellaneous revenues			880,000		
Transfers	(284,050)	(324,350)	2,168,700	(199,420)	(303,078)
Total business-type activities	(273,398)	(312,448)	3,078,302	(198,606)	(298,311)
Total primary government	\$ 7,864,919	\$ 7,451,603	\$ 8,217,871	\$ 7,800,249	\$ 8,499,833
Changes in net position					
Governmental activities	\$ (538,814)	\$ 105,088	\$ (2,072,945)	\$ 691,272	\$ 1,272,651
Business-type activities	1,613,827	(863,204)	2,443,213	(315,156)	(8,842)
Total primary government	\$ 1,075,013	\$ (758,116)	\$ 370,268	\$ 376,116	\$ 1,263,809

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TOWN OF LAKE PARK, FLORIDA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting) Unaudited

	Fiscal Year				
	2006	2007	2008	2009	2010
General fund					
Reserved	\$ 135,074	\$ 946,499	\$ 1,379,773	\$ 2,209,117	\$ 2,526,148
Unreserved					
Designated		151,963	121,572	28,814	32,424
Undesignated	3,138,613	1,010,346	686,285	1,176,019	510,773
Total general fund	<u>\$ 3,273,687</u>	<u>\$ 2,108,808</u>	<u>\$ 2,187,630</u>	<u>\$ 3,413,950</u>	<u>\$ 3,069,345</u>
All other governmental funds					
Reserved	\$ 149,558	\$ 1,590,692	\$ 2,754,260	\$ 638,293	\$ 241,608
Unreserved					
Undesignated, reported in:					
Special revenue funds		849,579	883,122	1,156,193	842,342
Capital projects fund	244,852	164,837	3,910	49,634	42,786
Total all other governmental funds	<u>\$ 394,410</u>	<u>\$ 2,605,108</u>	<u>\$ 3,641,312</u>	<u>\$ 1,844,120</u>	<u>\$ 1,128,736</u>

	Fiscal Year				
	2011	2012	2013	2014	2015
General fund					
Nonspendable	\$ 2,582,849	\$ 3,045,989	\$ 435,992	\$ 367,260	\$ 755,709
Restricted	118,164	54,100	33,929	33,826	10,316
Assigned					
Subsequent year's expenditures	84,887		70,648		36,458
Unassigned	277,015	30,643	198,722	544,245	563,962
Total general fund	<u>\$ 3,062,915</u>	<u>\$ 3,120,732</u>	<u>\$ 739,291</u>	<u>\$ 945,331</u>	<u>\$ 1,365,845</u>
All other governmental funds					
Nonspendable	\$ 4,022	\$ 1,640	\$ 1,640	\$	\$
Restricted	123,345	213,533	270,230	331,074	414,536
Assigned					
Subsequent year's expenditures	181,592				
Special revenue funds	8,374				
Capital projects funds	24,863	18,458	26,915	21,418	253,325
Unassigned		(236,283)	(224,590)	(253,889)	(105,427)
Total all other governmental funds	<u>\$ 342,196</u>	<u>\$ (4,292)</u>	<u>\$ 74,195</u>	<u>\$ 98,603</u>	<u>\$ 562,434</u>

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Note: The Town implemented GASB 54, *Fund Balance Reporting and Government Fund Definitions*, in 2011.

TOWN OF LAKE PARK, FLORIDA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting) Unaudited

	2006					2011				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 6,369,786	\$ 7,286,723	\$ 7,165,046	\$ 7,825,211	\$ 6,789,358	\$ 6,100,349	\$ 5,784,862	\$ 5,659,011	\$ 6,132,517	\$ 6,391,091
Licenses and permits	567,044	695,726	579,519	529,487	526,201	467,389	470,844	502,279	537,298	622,763
Intergovernmental	2,356,210	2,323,977	2,681,555	2,198,263	1,938,633	1,833,846	1,765,296	1,718,020	1,742,766	1,827,646
Charges for services	239,705	254,759	295,517	293,756	375,283	467,931	431,057	418,675	347,788	408,911
Fines and forfeitures	185,234	220,724	174,643	213,105	120,890	132,963	183,345	185,451	167,991	80,929
Miscellaneous	600,715	421,268	250,799	184,381	302,937	310,590	291,484	167,701	144,617	470,381
Total revenues	<u>10,318,694</u>	<u>11,203,177</u>	<u>11,147,079</u>	<u>11,244,203</u>	<u>10,053,302</u>	<u>9,313,068</u>	<u>8,926,888</u>	<u>8,651,137</u>	<u>9,072,977</u>	<u>9,801,721</u>
Expenditures										
General government	1,594,394	1,701,253	3,267,652	2,361,396	2,432,667	2,382,504	1,915,421	1,429,575	1,459,677	1,610,692
Public safety	4,302,722	4,992,454	5,206,596	5,413,894	5,484,119	4,906,546	4,725,084	4,578,945	4,754,459	4,926,858
Physical environment	835,987	551,320	368,740	287,322	308,366	292,967	256,855	267,232	269,391	277,727
Transportation	809,325	573,007	626,366	553,392	581,424	533,475	517,457	471,465	488,139	477,058
Culture and recreation	940,868	1,330,674	1,039,190	1,087,407	858,955	870,465	697,998	776,567	718,737	709,111
Economic environment					32,063	49,637	3,458	1,921	39,905	1,429
Capital outlay	1,008,895	1,126,772	2,699,269	2,369,922	490,174	153,252	234,513	70,763	122,795	111,467
Debt service										
Principal	472,830	510,523	538,385	746,625	765,541	801,042	827,516	865,224	904,943	915,002
Interest	339,199	320,294	308,481	397,670	442,783	398,200	361,607	323,700	283,903	241,454
Other debt service charges			17,488	19,450						
Total expenditures	<u>10,304,220</u>	<u>11,106,297</u>	<u>14,072,167</u>	<u>13,237,078</u>	<u>11,396,092</u>	<u>10,388,088</u>	<u>9,539,909</u>	<u>8,785,392</u>	<u>9,041,949</u>	<u>9,270,798</u>
Excess of revenues over (under) expenditures	14,474	96,880	(2,925,088)	(1,992,875)	(1,342,790)	(1,075,020)	(613,021)	(134,255)	31,028	530,923
Other financing sources (uses)										
Transfers in	46,107	867,005	3,868,013	1,392,713	1,248,816	1,109,374	986,222	866,943	846,898	1,304,254
Transfers out	(46,107)	(792,005)	(3,546,017)	(1,180,159)	(967,015)	(825,324)	(661,872)	(3,035,643)	(647,478)	(950,832)
Proceeds from sale of assets	256,897	5,742	630							
Bonds issued										
Loan proceeds			3,717,488	1,209,449						
Capital lease obligations	103,185									
Total other financing sources (uses)	<u>360,082</u>	<u>80,742</u>	<u>4,040,114</u>	<u>1,422,003</u>	<u>281,801</u>	<u>284,050</u>	<u>324,350</u>	<u>(2,168,700)</u>	<u>199,420</u>	<u>353,422</u>
Net change in fund balances	<u>\$ 374,556</u>	<u>\$ 177,622</u>	<u>\$ 1,115,026</u>	<u>\$ (570,872)</u>	<u>\$ (1,060,989)</u>	<u>\$ (790,970)</u>	<u>\$ (288,671)</u>	<u>\$ (2,302,955)</u>	<u>\$ 230,448</u>	<u>\$ 884,345</u>
Debt service as a percentage of non-capital expenditures	8.74%	8.33%	7.46%	10.55%	11.08%	11.72%	12.78%	13.64%	13.33%	12.63%

TOWN OF LAKE PARK, FLORIDA
Governmental Funds Tax Revenues by Source
Last Ten Fiscal Years
(Accrual Basis of Accounting) Unaudited

Fiscal Year	Property Taxes	Franchise Fees	Utility Service Taxes	Communication Services Taxes	Sales Tax	Totals
2006	\$ 5,066,005	\$ 631,811	\$ 673,848	\$ 532,902	\$ 720,919	\$ 7,625,485
2007	6,262,727	629,365	668,400	539,562	675,208	8,775,262
2008	6,156,686	630,215	681,568	505,783	632,680	8,606,932
2009	6,827,668	613,269	690,713	539,808	558,085	9,229,543
2010	5,698,210	569,868	771,384	464,184	559,351	8,062,997
2011	4,894,342	572,846	796,663	414,748	579,262	7,257,861
2012	4,434,500	545,895	804,467	375,003	533,602	6,693,467
2013	4,315,899	493,884	849,228	356,437	563,688	6,579,136
2014	4,554,358	651,664	926,495	324,291	605,562	7,062,370
2015	4,839,895	598,424	952,772	315,322	650,565	7,356,978

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TOWN OF LAKE PARK, FLORIDA
General Governmental Revenue by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting) Unaudited

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fiscal Year	Fines and Forfeitures	Miscellaneous	Other Financing Sources	Total	Annual Percentage Increase (Decrease)
2006	\$ 5,861,265	\$ 566,508	\$ 843,445	\$ 239,705	2006	182,788	\$ 696,141	\$	\$ 8,389,852	13.9 %
2007	7,286,723	695,726	2,323,977	254,759	2007	220,724	421,268		11,203,177	33.5 %
2008	7,165,046	579,519	2,681,555	295,517	2008	174,643	250,799	3,717,488	14,864,567	32.7 %
2009	7,825,211	529,487	2,198,263	293,756	2009	213,105	184,381	1,209,449	12,453,652	(16.2) %
2010	6,030,552	526,201	1,299,144	352,993	2010	120,890	294,946	665,080	9,289,806	(25.4) %
2011	5,315,754	467,389	1,253,538	420,027	2011	132,963	302,661	755,494	8,647,826	(6.9) %
2012	5,784,862	470,844	1,765,296	431,057	2012	183,345	291,484	324,350	9,251,238	7.0 %
2013	5,659,011	502,279	1,718,020	418,675	2013	185,451	167,701	376,907	9,028,044	(2.4) %
2014	6,132,517	537,298	1,742,766	347,788	2014	167,991	144,617	251,300	9,324,277	3.3 %
2015	6,391,091	622,763	1,827,646	408,911	2015	80,929	470,381	353,422	10,155,143	8.9 %

TOWN OF LAKE PARK, FLORIDA
Assessed Value of Taxable Property
Last Ten Fiscal Years
Unaudited

Tax Year	Real Property		Personal Property	Centrally Assessed Property	Assessed Value for Operations	Total Direct Tax Rate	Total Taxable Value (\$)
	Residential	Commercial					
2006	\$ 343,048,900	\$ 277,146,764	\$ 43,072,903	\$ 899,238	\$ 664,167,805	9.3000	\$ 664,167,805
2007	362,447,556	319,364,915	50,439,255	1,038,292	733,290,018	8.5850	733,290,018
2008	317,287,667	324,380,752	43,278,568	2,033,244	686,980,231	9.6663	686,980,231
2009	223,053,149	310,344,797	44,930,557	1,338,599	579,667,102	9.9163	579,667,102
2010	177,057,371	251,733,749	43,531,640	1,200,814	473,523,574	10.2163	473,523,574
2011	179,035,832	229,986,440	37,217,462	1,257,953	447,497,687	10.3283	447,497,687
2012	168,646,621	227,349,286	33,926,821	1,236,975	431,159,683	10.2920	431,159,683
2013	180,958,234	232,119,848	33,942,130	910,919	447,931,131	10.5455	447,931,131
2014	199,990,131	244,391,470	34,480,712	1,079,128	479,941,441	10.4705	479,941,441
2015	225,062,210	262,052,591	34,999,307	1,271,593	523,385,701	10.3455	523,385,701

(1) Florida state law requires all property to be assessed at current fair market value. Accordingly, the estimated actual value is equal to the Total Assessed Value.

Source: Palm Beach County Property Appraiser

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TOWN OF LAKE PARK, FLORIDA
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
Rate per \$1,000 of Assessed Value
Unaudited

Tax Year	Town of Lake Park Property Tax Rates			Overlapping Property Tax Rates - (1)				Overlapping Property Tax Rates - (1)				
	(2) Operating Millage	General		Palm Beach County			Palm Beach County School District		Palm Beach County		Total	
		Obligation Debt Service	Total Town Millage	Operating Millage	General Obligation Debt Service	(2) Fire Rescue MSTU	Total County Millage	Operating Millage	Obligation Debt Service	Total School Millage		Special Districts
2006	8.2000	1.9000	10.1000	4.4500	0.2700	4.7200	8.158	0.274	8.432	2.5257	25.9754	
2007	8.0000	1.3000	9.3000	4.2800	0.1975	4.4775	7.880	0.220	8.100	2.5085	25.4285	
2008	7.6350	0.9500	8.5850	3.7811	0.2002	3.9813	7.712	0.160	7.872	2.3254	23.9749	
2009	8.5163	1.1500	9.6663	3.7811	0.1845	3.9656	7.356	-	7.356	2.1308	22.0531	
2010	8.5163	1.7000	10.2163	4.3440	0.2174	4.5614	7.251	-	7.251	2.2569	23.1398	
2011	8.5083	1.8200	10.3283	4.7815	0.2110	4.9925	7.983	-	7.983	2.4934	25.2541	
2012	8.5000	1.7920	10.2920	4.7815	0.2087	4.9902	8.180	-	8.180	2.3433	25.8441	
2013	8.8055	1.7400	10.5455	4.7815	0.2037	4.9852	7.778	-	7.778	2.3154	25.3756	
2014	8.8055	1.6650	10.4705	4.7815	0.1914	4.9729	7.586	-	7.586	2.2280	25.3447	
2015	5.3474	1.5400	6.8874	4.7815	0.1462	3.4581	7.594	-	7.594	2.1732	25.2106	
							7.512	-	7.512	2.0974	21.4245	

Note: All millage rates are based on \$1 for every \$1000 of assessed value

Source: Notice of Ad Valorem Taxes and Non-Ad Valorem Assessments

- (1) Overlapping rates are those of local and county governments that apply to property owners within the Town of Lake Park. Not all overlapping rates apply to all Town property owners (i.e. The rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district.)
- (2) Starting with tax year 2015, rather than paying for fire services the Town entered into a Municipal Services Taxing Unit (MTSU) with Palm Beach County Fire/Rescue who will receive the taxes directly.

TOWN OF LAKE PARK, FLORIDA
Principal Property Taxpayers
Current Year and Nine Years Ago
Unaudited

	2015			
	Taxable Assessed Valuation	Taxes	Rank	Percentage of Total Taxes Levied
Lake Park Owner LLC	\$ 23,627,361	234,852	1	6.52%
Wal Mart Stores East LP	14,064,427	147,262	2	4.09%
Mullinax Ford of PBC, LLC	10,134,771	98,819	3	2.74%
Lake Park Square Joint Venture	9,559,895	100,097	4	2.78%
Trust Lake Park LTD	9,000,000	94,235	5	2.61%
Northlake Square East LLC	7,308,226	76,510	6	2.12%
Kehey Industrial, LLC	7,236,884	74,923	7	2.08%
Congress Avenue Properties LTD	7,120,358	74,554	8	2.07%
Earl Stewart Toyota	7,058,280	73,904	9	2.05%
Twin City Investors, Inc	7,016,766	73,476	10	2.04%
Totals	\$ 102,126,968	\$ 1,048,632		29.10%

Source: Palm Beach County Property Appraiser.

	2006			
	Taxable Assessed Valuation	Taxes	Rank	Percentage of Total Taxes Levied
Lake Park Owners LLC	\$ 20,067,173	\$ 516,798	1	10.17%
Lake Park Square Joint Venture	13,000,012	334,308	2	6.58%
SC Lake Park Associates	12,000,000	316,482	3	6.23%
Trust Lake Park, LTD	10,700,000	302,611	4	5.95%
Twin Cities Investors, Inc	10,591,937	300,302	5	5.91%
Nicholas S Smith	10,527,772	261,720	6	5.15%
Walmart Stores East LP	10,221,006	245,048	7	4.82%
Northlake Square East, LLC	9,200,999	226,432	8	4.45%
Congress Ave Properties	8,653,940	224,612	9	4.42%
Earl Stewart LLC	8,286,782	217,136	10	4.27%
Totals	\$ 113,249,621	\$ 2,945,449		57.95%

Source: Palm Beach County Property Appraiser.

Note: Assessed values are established by the Palm Beach County Property Appraiser's office as of January 1st of each year.

TOWN OF LAKE PARK, FLORIDA
Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited

Tax Year	Total Tax Levy	Amount of Current Taxes Collected (1)	Percent of Current Taxes Collected (1)	Amount of Delinquent Taxes Collected
2006	\$ 5,082,715	\$ 4,885,172	96.1 %	\$ 13,804
2007	6,209,531	5,989,731	96.5 %	18,140
2008	6,316,263	5,867,407	92.9 %	10,883
2009	6,649,031	6,281,877	94.5 %	19,880
2010	5,754,637	5,391,827	93.7 %	12,057
2011	4,822,342	4,638,001	96.1 %	113,182
2012	4,621,891	4,409,912	95.4 %	42,039
2013	4,723,657	4,272,897	90.5 %	55,412
2014	5,025,228	4,550,477	90.6 %	8,107
2015	3,604,768	2,577,893	71.5 %	411

Tax Year	Total Collected for the Year	Ratio of Total Taxes Collected to Current Levy	Accumulated Delinquent Taxes	Ratio of Delinquent Taxes to Current Levy
2006	\$ 4,898,976	96.4 %	\$ 145,225	2.9 %
2007	6,007,871	96.8 %	145,225	2.3 %
2008	5,878,290	93.1 %	145,225	2.3 %
2009	6,301,757	94.8 %	145,225	2.2 %
2010	5,403,884	93.9 %	-	- %
2011	4,751,183	98.0 %	-	- %
2012	4,451,951	96.3 %	-	- %
2013	4,328,309	91.6 %	-	- %
2014	4,558,584	90.7 %	-	- %
2015	2,578,304	71.5 %	-	- %

(1) Includes discount taken for early payment of property taxes.

Source: Palm Beach County Property Appraiser

TOWN OF LAKE PARK, FLORIDA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Fiscal Year	Governmental Activities					
	General Obligation Bonds	Capital Lease Obligations	Loans Payable	Total Governmental Activities	Percentage of Taxable Value of Property	Per Capita
2006	\$ 6,768,877	\$ 179,097	\$ -	\$ 6,947,974	1.08%	\$ 762.42
2007	6,313,300	124,150	-	6,437,450	0.97%	706.40
2008	5,836,031	63,034	3,717,488	9,616,553	1.31%	1101.30
2009	5,329,323	28,702	4,721,352	10,079,377	1.74%	1154.30
2010	4,804,644	9,767	4,498,425	9,312,836	1.97%	1141.98
2011	4,254,912	-	4,256,908	8,511,820	1.90%	1031.99
2012	3,679,109	-	4,005,195	7,684,304	1.78%	931.60
2013	3,076,238	-	3,742,842	6,819,080	1.52%	815.68
2014	2,444,756	-	3,469,381	5,914,137	1.23%	707.43
2015	1,782,535	-	3,216,600	4,999,135	0.96%	591.75

Note: Details about the Town's outstanding debt can be found in the notes to the financial statements.

Business-type Activities				Primary Government			
Marina Revenue Bonds	Loans Payable	Capital Lease Obligations	Total Business-type Activities	Total Primary Government	Population	Percent Of Average Household Income	Per Capita
\$ 4,640,000	\$ -	\$ 287,367	\$ 4,927,367	\$ 12,398,580	9,113	2.93%	\$ 1,303.12
4,550,000	-	191,521	4,741,521	11,875,341	9,113	3.00%	1,226.71
4,460,000	1,520,412	91,793	6,072,205	11,178,971	9,314	2.70%	1,200.23
4,365,000	1,646,951	7,060	6,019,011	16,098,388	8,732	4.06%	1,843.61
4,270,000	1,482,147	2,403	5,754,550	15,067,386	8,732	3.66%	1,725.54
4,170,000	1,308,383	-	5,478,383	13,990,203	8,155	3.62%	1,715.54
4,065,000	1,426,473	-	5,491,473	13,175,777	8,248	3.34%	1,597.45
3,950,000	1,192,615	-	5,142,615	11,961,695	8,314	3.27%	1,438.74
3,830,000	948,963	-	4,778,963	10,693,100	8,360	2.63%	1,279.08
3,705,000	757,064	-	4,462,064	9,461,199	8,448	2.45%	1,119.93

TOWN OF LAKE PARK, FLORIDA
Ratios of General Bonded Debt Outstanding
As of September 30, 2014
Unaudited

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2006	\$ 6,768,877	\$ 149,558	\$ 6,619,319	1.00%	\$ 726
2007	6,313,300	239,847	6,073,453	0.83%	666
2008	5,836,031	119,780	5,716,251	0.83%	614
2009	5,329,323	96,090	5,233,233	0.90%	663
2010	4,804,644	86,902	4,717,742	1.00%	537
2011	4,254,912	106,753	4,148,159	0.93%	509
2012	3,679,109	123,385	3,555,724	0.82%	431
2013	3,076,238	106,624	2,969,614	0.66%	357
2014	2,444,756	90,898	2,353,858	0.49%	282
2015	1,782,535	94,030	1,688,505	0.32%	200

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TOWN OF LAKE PARK, FLORIDA
Direct and Overlapping Governmental Activities Debt
As of September 30, 2014
Unaudited

Governmental Unit	Debt Outstanding	Estimated (1) Percentage Applicable to Town of Lake Park	Estimated (1) Share of Direct and Overlapping Debt
Overlapping debt:			
Direct debt - Town of Lake Park			
General obligation bonds	\$ 1,782,535	100.0%	\$ 1,782,535
Loans payable	3,216,660	100.0%	3,216,660
	<u>4,999,195</u>		<u>4,999,195</u>
Other debt			
Palm Beach County	141,605,000	0.304%	430,479
Palm Beach County School Board	17,430,000	0.304%	52,987
	<u>159,035,000</u>		<u>483,466</u>
Total direct and overlapping debt			<u>5,482,661</u>
Estimated town population			<u>8,448</u>
Total per capita			<u>\$ 648.99</u>

(1) Estimates based on ratio of assessed taxable values.

Source: Finance Department, Town of Lake Park, Florida
Palm Beach County Property Appraiser
School Board of Palm Beach County

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TOWN OF LAKE PARK, FLORIDA
Pledged-Revenue Coverage
Last Ten Fiscal Years
Unaudited

Marina Revenue Bonds					
Fiscal Year	Gross Revenue	Operating Expense (1)	Net Revenue Available for Debt Service	Debt Service (2)	Coverage
2006	\$ 1,098,735	\$ 812,296	\$ 286,439	\$ 314,925	0.91
2007	1,285,288	1,075,249	210,039	316,525	0.66
2008	1,222,835	1,240,785	(17,950)	313,600	(0.06)
2009	1,018,448	1,029,912	(11,464)	315,900	(0.04)
2010	1,184,628	1,271,621	(86,993)	313,050	(0.28)
2011	1,168,626	1,127,092	41,534	313,300	0.13
2012	880,405	923,846	(43,441)	318,050	(0.14)
2013	806,493	890,456	(83,963)	317,013	(0.26)
2014	1,157,019	940,047	216,972	315,713	0.69
2015	1,357,287	974,610	382,677	315,713	1.21

(1) Expense is exclusive of depreciation.

(2) Includes principal and interest of revenue bonds only.

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TOWN OF LAKE PARK, FLORIDA
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Population (1)	Per Capita Personal Income (1)	Average Household Income (1)	Median Age (1)	Education Level in Years of Formal Schooling	School Enrollment (3)	Unemployment Rate (4)
2006	9,113	N/A	44,518	-	N/A	386	3.7%
2007	9,113	\$ 16,485	40,864	35	N/A	420	4.0%
2008	9,314	16,485	44,397	35	N/A	392	6.4%
2009	7,898	19,939	45,458	36	N/A	344	11.7%
2010	8,783	20,185	47,108	36	N/A	374	11.7%
2011	8,155	16,898	47,375	34	N/A	366	10.9%
2012	8,248	18,885	47,813	36	N/A	343	9.0%
2013	8,314	20,978	44,014	37	N/A	323	7.1%
2014	8,360	22,071	48,691	37	N/A	341	6.0%
2015	8,448	18,774	45,780	37	N/A	350	4.9%

Data Sources:

- The population for 2006 was obtained from the University of Florida, Bureau of Economic Business Administration. The Population for 2012, 2013, 2014, 2015, 2016 was obtained from the US Census Bureau Fact Finder. Per Capita, Avg Household Income & Median Age was obtained from the US Census Bureau Fact Finder
- Lake Park Elementary
- Unemployment rate was obtained from the US Dept of Labor

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TOWN OF LAKE PARK, FLORIDA
Principal Employers
Current Year and Nine Years Ago
Unaudited

Employer	2015			2006		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Palm Beach County School District	22,000	1	N/A	18,677	1	N/A
Tenet Healthcare Corp	6,100	2	N/A	3,040	4	N/A
Palm Beach County	5,507	3	N/A	9,000	2	N/A
Next Era Energy (Parent Co, FPL)	3,854	4	N/A	2,800	N/A	N/A
HCA Palm Beach Hospitals	2,714	5	N/A	N/A	N/A	N/A
Florida Atlantic University	2,655	6	N/A	N/A	N/A	N/A
Bethesda Memorial Hospital	2,600	7	N/A	1,800	9	N/A
Boca Raton Community Hospital	2,500	8	N/A	N/A	N/A	N/A
Veterans Health Administration	2,500	9	N/A	N/A	N/A	N/A
Jupiter Medical Center	2,000	10	N/A	N/A	N/A	N/A
Totals	52,430		N/A	N/A		N/A

Source: Business Development Board of Palm Beach County. Data is for the West Palm Beach to Boca Raton metropolitan area.

N/A: Not available.

TOWN OF LAKE PARK, FLORIDA
Operating Indicators by Function/Program
Last Ten Fiscal Years
Unaudited

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Community development										
Code violations	1,534	1,612	1,722	1,026	638	636	396	385	503	451
Building permits issued	1,140	841	841	651	590	555	566	564	581	663
Value of permits (in thousands)								\$ 5,160	\$ 7,536	
Transportation										
Street resurfacing (miles)	3	-	1	-	-	-	-	-	-	-
Pit holes repaired	70	215	160	160	232	253	140	215	127	450
Culture and Recreation										
Library										
Circulation	23,021	26,789	23,296	23,316	23,316	27,656	26,942	27,240	27,360	27,010
Programs offered	430	434	468	434	434	280	942	1,283	1,282	1,314
Park maintenance										
Acres of parks	69	69	69	69	69	69	69	69	69	69
Recreation										
Recreation programs offered	12	18	15	9	7	7	3	3	3	3
Recreation program attendance	394	431	419	385	315	305	136	75	825	825
Youth athletic participants	210	263	241	125	150	140	21	-	-	-
Marina										
Available slips	103	103	103	103	103	103	112	112	112	112
Sanitation										
Residential customers	357	3,698	3,698	3,596	3,645	3,666	3,666	3,666	3,666	3,666
Commercial customers	300	367	275	272	364	259	264	268	375	375
Refuse collected (tons)	11,381	9,222	9,260	9,178	9,291	8,466	8,598	9,056	8,970	9,385
Recyclables collected (tons)	282	573	655	645	627	666	670	424	392	398

Sources: Town departments

N/A: Not available

TOWN OF LAKE PARK, FLORIDA
Full-Time Equivalent Town Employees by Function/Program
Last Ten Fiscal Years
Unaudited

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Town Manager	3	3	3	3	3	3	2	2	2	2
Personnel	2	2	1	2	1	1	1	2	2	2
Town Clerk	2	2	2	2	2	2	2	2	1	1
Finance	5	5	4	4	4	4	4	4	4	5
Information technology	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
Community Development	5	7	8	7	5	5	5	6	6	6
Physical Environment										
Public works	8	9	11	11	7	8	9	8	8	8
Vehicle maintenance	2	2	2	2	1	1	1	1	1	1
Transportation										
Transportation	3	3	2	2	2	2	2	2	2	2
Culture and Recreation										
Library	3	6	6	1	2	2	4	4	5	5
Park maintenance	6	8	8	6	5	5	5	6	6	6
Recreation	2	2	3	1	1	1	1	1	1	1
Marina										
Marina	5	5	5	3	3	2	3	3	3	3
Sanitation										
Sanitation	8	10	8	10	11	10	10	8	8	8
Total	55	65	64	55	48	47	50	50	50	51

TOWN OF LAKE PARK, FLORIDA
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years
Unaudited

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety (contracted to Palm Beach County)										
Police Station - County	1	1	1	1	1	1	1	1	1	1
Fire Station - County	1	1	1	1	1	1	1	1	1	1
Transportation										
Roads & Streets										
Street Lights	331	331	340	340	340	340	340	340	340	340
Lane Miles	64	64	64	64	64	64	64	64	64	64
Culture and Recreation										
Marina										
Wet Slips	103	103	103	103	103	103	112	112	112	112
Library										
Books	30,413	28,257	33,233	33,710	33,710	36,119	35,611	34,676	35,435	35,000
Leisure Services										
Ballfields - lighted	2	2	2	2	2	2	2	2	2	2
Basketball courts	1	2	2	2	2	2	2	2	2	2
Soccer fields	1	1	1	1	1	1	1	1	1	1
Tennis courts	2	6	6	6	6	6	6	6	6	6
Parks	5	5	6	6	6	7	7	7	7	7
Sanitation										
Garbage Trucks	8	8	10	14	13	13	13	13	13	13
Water/Sewer (Provided by Seacoast Utility)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A: Not applicable

Source: Town Departments, Town of Lake Park, Florida



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

MUSTER IN TRAINING OFFICE
110 N. LAUREL DRIVE, SUITE 100
WEST PALM BEACH, FLORIDA 33411-3200
TEL: (561) 833-8800
FAX: (561) 833-8800
WWW.NH&M.COM

PROFFER HALL, 110 N. LAUREL DRIVE, SUITE 100, WEST PALM BEACH, FLORIDA 33411-3200
TEL: (561) 833-8800
FAX: (561) 833-8800
WWW.NH&M.COM
110 N. LAUREL DRIVE, SUITE 100, WEST PALM BEACH, FLORIDA 33411-3200
TEL: (561) 833-8800
FAX: (561) 833-8800
WWW.NH&M.COM

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 Town Commission
Town of Lake Park, Florida

OTHER REPORTS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Lake Park, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Lake Park, Florida's basic financial statements and have issued our report thereon dated June 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Lake Park, 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 Town of Lake Park, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lake Park, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However we did identify the deficiency described below that we consider to be a significant deficiency.

Finding 2013-1 Written Accounting Procedures Manual

Condition

The Town has prepared an accounting policy manual. However, there is not a detailed written accounting procedures manual. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficiencies, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and provide continuity when experienced employees leave. Although developing the manual will take some time and effort, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

Recommendation

We recommend that the Town establish written monthly and year-end closing procedures, which should include deadlines and supervisory review of the procedures performed. We also recommend that the Town continue work on the accounting procedures manual.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Lake Park, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Town of Lake Park, Florida's Response to Findings

Town of Lake Park, Florida's response to the finding identified in our audit is described in the attached letter dated June 28, 2016. Town of Lake Park, 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, PA

June 28 2016
West Palm Beach, Florida



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTH BEACH OFFICE
310 N. FLORIDA AVENUE, SUITE 1000
WEST PALM BEACH, FL 33411
TEL: (561) 833-9999
FAX: (561) 833-9999
WWW.NH&M.COM

PORTFOLIO ACCOUNTING & TAX SERVICES
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ESTATE LIQUIDATION
TRUST ADMINISTRATION

SALEMBURG OFFICE
300 S. 2ND STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33420-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

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

The Honorable Mayor and Members of the Town Commission
Town of Lake Park, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Lake Park, Florida, as of and for the year ended September 30, 2015, and have issued our report thereon dated June 28, 2016.

Auditor's Responsibility

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 Florida Auditor General.

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 28, 2016, 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. Finding 2013-1 *Written Accounting Procedures Manual* still applies in the current year and was in the prior two years' reports.

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we report the results of our determination as to whether or not the Town of Lake Park, 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 Town of Lake Park, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes, during the fiscal year ended September 30, 2015.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Town of Lake Park, Florida for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

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

In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.



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WEST PALM BEACH OFFICE
NORTH BEACH OFFICE
310 N. FLORIDA AVENUE, SUITE 1000
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FAX (561) 996-6248

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300 S. 2ND STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33420-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

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

Financial Emergency

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Town of Lake Park, 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 Town of Lake Park, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes, during the fiscal year ended September 30, 2015.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

Single Audits

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

Response to Management Letter

The Town of Lake Park, Florida's responses to the findings identified in our audit are described in the attached letter dated June 28, 2016. We did not audit Town of Lake Park, Florida's responses and, accordingly, we express no opinion on them.

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 and pass-through agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Miner, P.A.

June 28, 2016
West Palm Beach, Florida

The Honorable Mayor and Members of the Town Commission
Town of Lake Park, Florida

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

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

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

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 28, 2016



June 28, 2016

The Honorable Mayor, Vice-Mayor,
Town Commissions and Town Manager

RE: Response to the Report on Internal Control and the
Management Letter required by the Rules of the
Auditor General for the State of Florida for the Fiscal
Year ended September 30, 2015.

REPORT ON INTERNAL CONTROLS

2013-1: Written Accounting Procedure Manual

We appreciate that the Town's external auditor noted that a policy manual was prepared in 2014. We recognize that a detailed manual is important towards the safeguarding of the Town's assets. We have attempted to budget funds in the fiscal year 2015-16 and fiscal year 2016-17 budgets, but unfortunately sufficient funds have not been available to have consultants involved and the department has been missing a budgeted staff member for much of the year and has been unable to focus on this specific task. Additionally the timely analyses of the Town's internal financial statements are similarly important.

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Should you have any questions or concerns about the above response, please contact me directly.

Sincerely,

Blake K. Rane, MBA, CGFO
Finance Director

535 Park Avenue
Lake Park, FL 33405
Phone: (888) 881-3300
Fax: (304) 881-3311

www.lakeparkfl.com

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APPENDIX J

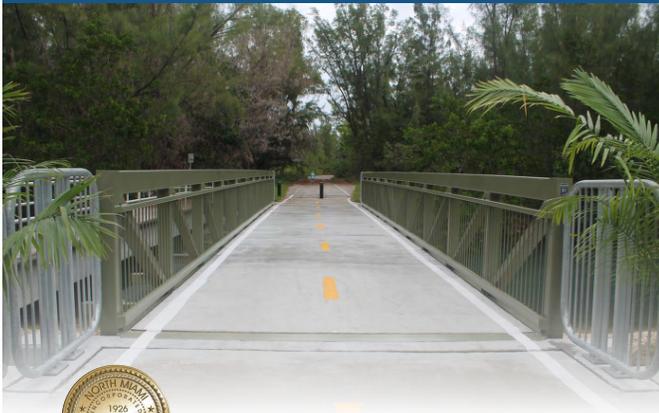
FINANCIAL INFORMATION REGARDING CITY OF NORTH MIAMI

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Comprehensive Annual Financial Report

FISCAL YEAR ENDED SEPTEMBER 30, 2015



NorthMiamiFL.gov

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF NORTH MIAMI, FLORIDA
FISCAL YEAR ENDED SEPTEMBER 30, 2015



PREPARED BY THE FINANCE DEPARTMENT

Larry M. Spring, CPA – Finance Director
Margaret Steele Miller – Interim Assistant Finance Director
Luz Weinstein – Interim Chief Accountant
Serge Nicolas – Accountant

SPECIAL ACKNOWLEDGEMENT

Meghan Thumann – Graphics Designer

Our Mission STATEMENT

The mission of the City of North Miami is to enhance the quality of life, environment, and safety for residents, businesses, customers, visitors and employees in an atmosphere of courtesy, integrity and quality, while providing fiscally and environmentally responsible service.



CITY OF NORTH MIAMI, FLORIDA
Fiscal Year Ended September 30, 2015

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I. Introductory Section

- Letter of Transmittal
- Listing of City Officials
- Organizational Structure

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May 31, 2016

To the Citizens, Honorable Mayor and Members of the City Council of the City of North Miami, Florida

We are pleased to submit the Comprehensive Annual Financial Report ("CAFR") for the City of North Miami, Florida, (the "City") for the fiscal year ended September 30, 2015. This report is published to fulfill the requirements of Chapter 11.45 of the Florida Statutes, and Section 16 of the City Charter which require that City accounts be audited annually by independent auditors.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. The City operates under a comprehensive internal control framework designed to prevent the City's assets from loss, theft, or misuse, and ensures the reliability of financial records. Considering the cost of internal controls should not exceed the benefits, the objective of this report is to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

The City's accounts and financial statements have been audited by HCT Certified Public Accountants and Consultants, LLC. The firm has issued an unmodified opinion on the City's financial statements for the year ended September 30, 2015. The independent auditor's report is located at the beginning of the financial report section.

As a recipient of federal, state and county grants, the City is also subject to an annual Single Audit in conformity with the provisions of the Federal Single Audit Act and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. The standards governing Single Audit engagements require the independent auditor to report, not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on the administration of federal and state awards. Information related to the Single Audit, including the Schedule of Expenditures of Federal Awards and Local Awards, findings and recommendations, and auditor's reports on the internal controls and compliance with applicable laws and regulations, are included in the compliance section.

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended, Generally Accepted Accounting Principles ("GAAP"), require that management provide a narrative, introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of North Miami's MD&A can be found in the section immediately following the report of the independent Certified Public Accountants.

PROFILE OF THE CITY

The City of North Miami was incorporated on February 5, 1926, and is located in the Northeastern region Miami-Dade County, Florida. The City of North Miami is the sixth largest City in Miami-Dade County, and the forty-first largest in the State. It encompasses 9.5 square miles in area and has a population of approximately 60,000 residents.

The City operates under a Council-Manager form of government. The Mayor is elected at-large on a non-partisan basis for a two-year term. The other members of the Council are elected in each of the four districts for a term of four years. The Council is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing members of the various advisory boards, the City Manager and the City Attorney. The City Manager is the City's Chief Executive Officer, and as such, is responsible for the daily operations of the City, implementing policies adopted by the City Council and oversight of the employment function. The City Manager is also charged with preparing and submitting the annual budget and capital improvement plan to the City Council.

The City provides a full range of municipal services: general government, public safety, streets and public works, housing, economic and community development, education through its library, recreation and cultural services. In addition, the City also operates water and sewer and stormwater utilities as enterprise activities.

The financial reporting entity covered in this report includes all the funds of the City and its component units. Component units are legally separate entities for which the City of North Miami is financially accountable, or the nature and significance of the relationship between the City and the entity is such that exclusion would cause the City's financial statements to be misleading or incomplete. The North Miami Community Redevelopment Agency ("CRA") which was created in June 2005, in accordance with Chapter 163.356, Florida Statutes, is a blended component unit. The Museum of Contemporary Art ("MOCA") a not-for-profit organization established by City Ordinance in 1980 to fundraise on behalf of the Museum, met the criteria to be classified as a blended component unit of the City for the current fiscal year. Additional information on component units and related entities can be found in Note 1 in the Notes to the Basic Financial Statements section.

The annual budget serves as the foundation for the City's financial planning and control systems. Management's budget request is presented to the City Council by the City Manager. The Council holds public hearings on the proposed budget prior to adopting the final budget and setting the tax rates for the budget year. Budgetary control over expenditures is legally maintained at the fund level except for the General Fund, which is at the departmental level. The budget-to-actual comparisons for the General Fund, CRA, C.D.B.G Entitlement, and for the Landfill Closure Fund, which are major special revenue funds, are included as Required Supplementary Information ("RSI") following the Notes to the Basic Financial Statements.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of North Miami operates. North Miami is strategically located between Fort Lauderdale and Miami. It is served by an excellent transportation system making it less than a 30-minute drive from two Florida major international airports. It is also in close proximity to the Port of Miami and Port Everglades, both important gateways to major national and international markets. North Miami's major communities like Sunlight Grove, Central North Miami, Keystone Point and San Souci residents are primarily younger families of multi-ethnic backgrounds, making the City one of the youngest, most culturally diverse cities in South Florida. The City is home to an increasingly active, growing, and prosperous business community, it holds a variety of shopping centers to specialty stores, gourmet restaurants, artist studios, as well as the film, video and recording industries.

The City's housing stock includes a mix of single-family homes, from apartment buildings and condominiums, both rental and owner-occupied, to multi-million dollar estates overlooking beautiful Biscayne Bay. Two major four-year universities are located in the City; Florida International University Biscayne Bay Campus, which has one of the top-ranked hospitality management programs in the country, and Johnson and Wales University, a well-known culinary management school. The City is served by five elementary schools, two K-8 educational centers, two middle schools, and two senior high schools which are all part of the public school system administered by the Miami-Dade County School Board. The area's unemployment rate at the end of fiscal year 2015, was down to approximately 6.5% from 7.5% the year before, slightly above the county average of 5.9%. North Miami has managed to attenuate the loss of employment during the recent recession, and accelerate job growth during the recovery, to a degree close to neighboring communities and the County. All of the growth came in the private sector which has now recovered nearly all the jobs lost during the recession. The employment gains have been led by strong growth in the trade sector, leisure and hospitality, and education and health services. Miami-Dade County's overall labor market is expected to continue to show some improvements as the construction and housing sectors post strong signs of growth. Although sales of existing homes fluctuated, the median sales price of existing single-family home in North Miami was \$155,900 in 2015. Sales of existing condominium units followed similar pattern and averaged \$113,500.

The single family residential properties group accounts for about 55% of the City's housing stock, while condominium units represent about 40.5%. The net assessed value of personal and real property has increased slightly compared to previous years. These economic factors continue to influence discretionary spending which in turn impacts other revenue sources as well.

In addition, Dynamic Enterprise is gearing up to open in 2016, the largest Audi flagship store in the East Coast in North Miami. The proposed development will include the construction of an 88,708 square-foot Audi dealership and service center, and will generate about 100 jobs for community residents and related associated benefits.

One of the most important indicators of a government's financial strength is its general fund reserves. Adequate reserves are vital to provide for flexibility to respond to a deteriorating economic environment. The lease of the property in the area known as Biscayne Landing in 2012, allowed the City to improve its financial position following the housing crisis and recession. Conservative spending and the strong growth foreseen in the trade and tourism sectors are factors expected to have a continued positive impact on the City's financial position.

MAJOR INITIATIVES AND OUTLOOK

Downtown Action/Concept Plan

On November 25, 2014, the City adopted resolution 2015-R-115 for the Downtown Action/Concept Plan ("the Plan") in an effort to chart a course for future downtown development. The adopted Plan includes a series of capital improvement projects as well as recommendations that outline strategies needed to spur redevelopment, promote economic growth and transform the physical image of the City's downtown area.

The Plan is a two prong approach to redevelopment with the Action Plan (Vol. 1) outlining the list of strategies, costs and funding needed to revitalize the downtown and the Concept Plan, (Vol. 2) serving as the visual guide with key spaces identified for capital improvement projects.

The overarching goal of the Plan is to foster the revitalization of the City's aging downtown, while refurbishing its image and transforming it as a place to live, play, invest and work. The Plan earned the City an Award of Excellence for Best Plan from the American Planning Association.

SoLe Mia Project

The Soffer, LeFrak joint venture, commonly known as SoLe Mia project, broke ground on June 6, 2015. The proposed project is a mixed-use development encompassing 183 acre, which will include 12 residential buildings, 4,390 residential units, nearly 1 million square feet of commercial space, thirty-seven acres of parks, two swimmable lagoons and 4,171 parking spaces. The partnership will inject an estimated \$2 billion into the local economy.



Public Private Partnership

On June 9, 2015, the City Council adopted a resolution supporting Public Private Partnership and recognizing the importance of supporting economic growth with a viable mixed-use development

Average Market Value of Residential Properties



Under Florida state law, ch. 200.065 (5), F.S., the maximum millage rate that the City can levy is a rolled-back rate based on the amount of taxes which would have been levied in the prior year if the maximum millage rate had been applied and adjusted for the change in per capita income, unless a higher rate is adopted, in which case the maximum is the adopted rate. The City levy for the fiscal year ended September 30, 2015, was 7.9336 mills.

Long-term financial planning

With the \$5.25 billion expansion of the Panama Canal gearing up for opening to commercial traffic in April 2016, Port Miami and Port Everglades are rushing to capitalize on the economic benefits of the expansion in the Region and be the port of call for big ships. As such, the completion of the Port of Miami Tunnel has also positioned North Miami to derive major economic and social benefits for these undertakings. The tunnel, with total funding of about \$900 million, will expand the transportation route between the port, the highway system and the roadways. The City and its residents are well positioned to benefit from the anticipated \$33 billion in economic output. The growth expected in the trade and cruise and hospitality sectors will improve local employment and household income.

Florida's GDP is at an all-time high; retail and multifamily markets are the greatest beneficiaries of economic recovery and population growth. Similarly, in North Miami, office and industrial space are trending upwards.

Construction of an 8,060-square foot building recently completed is the home of a new boutique sporting goods store and a restaurant. Vertical expansion of the existing retail building is also being contemplated for a proposed mixed-use development with retail on the first floor and possibly professional housing on the upper floors. This residential and commercial development is anticipated to have a positive impact within the downtown area and surrounding community in terms of taxes, jobs and general investment generated, and will also enhance the area's commercial/retail demand. The success of this development will help maintain economic stability within the area and attract on-going investment during the next several years.

which includes new housing in the central City area, services, and employment opportunities. The administration is working to translate the resolution into action and create the environment needed to increase the City's tax base for the benefit of the entire community.

AWARDS AND ACKNOWLEDGEMENTS

The preparation of this report would not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and the Management and Budget Office.

The Government Finance Officers Association of the United States and Canada ("GFOA") presented a Distinguished Budget Presentation Award to the City of North Miami, Florida for its annual budget for the fiscal year 2015.

Respectfully submitted,


Larry Spring, CPA
Finance Director

CITY OF NORTH MIAMI, FLORIDA

CITY OFFICIALS

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2015

CITY COUNCIL

Dr. Smith Joseph, Mayor
 Alix Desulme, Vice Mayor
 Scott Galvin, Council Member
 Carol Keys, Esq., Council Member
 Philippe Bien-Aime, Council Member

CITY MANAGER

Aleem Ghany, PE.

CITY CLERK

Michael Etienne, Esq.

ACTING CITY ATTORNEY

Roland Galdos, Esq.

FINANCE DIRECTOR

Larry M. Spring, Jr. CPA

CITY AUDITORS

HCT Certified Public Accountants and Consultants, LLC



Elected Officials



Mayor
 Smith Joseph, D.O., Pharm. D.



Councilman
 Philippe Bien-Aime
 District 3



Councilman
 Scott Galvin
 District 1



Councilwoman
 Carol Keys, Esq.
 District 2



Councilman
 Alix Desulme
 District 4



City Clerk
 Michael A. Etienne, Esq.

Executive Staff



City Manager
 Aleem A. Ghany, PE.



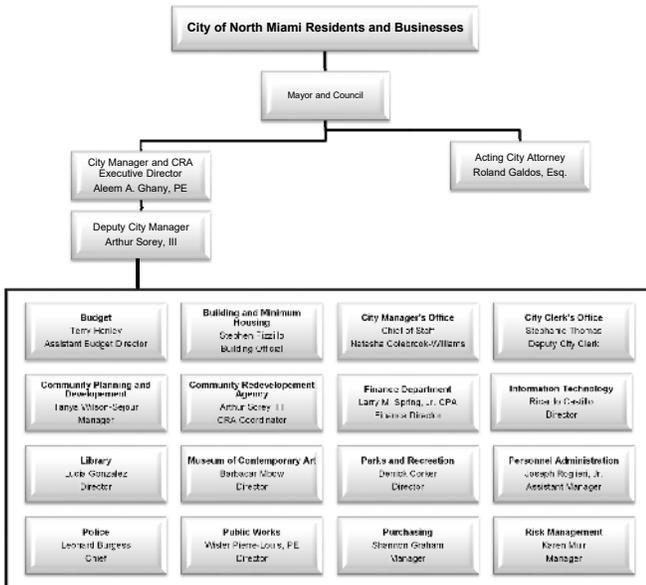
Deputy City Manager
 Arthur H. Sorey, III



Chief of Staff
 Natasha Colebrook-Williams



Organizational Structure



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II. Financial Section

- Independent Auditor’s Report
- Management’s Discussion and Analysis
- Basic Financial Statements:
 - Government-wide Financial Statements
 - Fund Financial Statements
 - Notes to Basic Financial Statements
- Required Supplementary Information
- Combining Fund Statements and Schedules



Independent Auditor’s Report



INDEPENDENT AUDITOR’S REPORT

The Honorable Mayor and Members of the City Council
City of North Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of North Miami, Florida (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City’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 did not audit the financial statements of the fiduciary funds, which represent 100 percent, respectively, of the assets, and revenues of the fiduciary funds. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for fiduciary funds of the City, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

West Palm Beach
Phone (561) 455-2664

Miami
Phone (305) 331-8768

Hollywood
Phone (954) 944-4435

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of the City, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Notes 1 and 10 to the financial statements, the City changed its methods of accounting and financial reporting for pensions as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*, both effective October 1, 2014, which resulted in the City restating net position for recognition of the City pension related activity prior to October 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 4-22 and 89-93 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 and other auditors 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.



Management’s Discussion and Analysis (MD&A)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2016, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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’s internal control over financial reporting and compliance.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida
May 31, 2016

City of North Miami, Florida

Management’s Discussion and Analysis

September 30, 2015

The Management’s Discussion and Analysis (“MD&A”) provides a narrative overview and analysis of the financial activities of the City of North Miami (the “City”) for the fiscal year ended September 30, 2015. This MD&A is offered here by the management of the City to the readers of its financial statements. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal, which can be found starting in the introductory section of this report. For simplification, all amounts in this section have been rounded to the nearest one hundred thousand dollars, and due to rounding, may vary somewhat from certain numbers shown in the body of this report.

Financial Highlights

The government-wide assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflows at September 30, 2015, by \$109.9 million compared with \$141.2 million for the previous year.

The City’s total net position decreased from prior year by \$31.2 million, (approximately 22%) due primarily to the impact of implementing GASB 68 requirements.

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* (“GASB 68”). In addition, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of GASB 68. GASB Statements Nos. 68 and 71 require employers to report their net pension liability and related pension amounts for defined benefit pension plans of fiscal year end. The implementation of GASB Statement Nos. 68 and 71 described above resulted in a restatement in the government-wide Statement of Net Position to report the City’s net pension liability and related pension amounts for the defined benefit plans (see Note 16). The restatement (a reduction of the City’s total net position) is approximately \$40.8 million. The net pension liability now recorded is approximately \$45.8 million. The notes to the basic financial statements and the required supplementary information are also expanded to include additional required schedules and disclosures (see Note 10).

As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$33.4 million, a decrease of \$2.1 million in comparison to the prior year’s decrease of \$3.8 million. The decrease was due primarily to the continuation of various projects that were approved under the “2013 Progress initiatives”. Included in the combined ending governmental fund balances is approximately \$3.4 million, which is only available in the legally separate Community Redevelopment Agency (“CRA”) which is a component unit of the City; and also approximately \$1.4 million which is only available in the legally separate Museum of Contemporary Art, Inc. (“MOCA”) which is also now a component unit of the City. At the end of the year, the City’s General Fund reported a total fund balance of \$13.8 million of which \$9.1 million was unassigned; which means that the amount may be used to meet the government’s ongoing obligations to citizens and creditors.

City of North Miami, Florida

Management's Discussion and Analysis

September 30, 2015

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. Both statements are prepared using the economic resources focus and the accrual basis of accounting which means that revenues include all revenues earned during the year and expenses include all expenses incurred during the year regardless of when cash is actually received or paid.

The statement of net position presents information on all the City's assets and deferred outflows of resources, on one hand, liabilities and deferred inflows of resources on the other hand, the difference between them, reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. It focuses on both the gross and the net cost of the government's various activities and thus summarizes the cost of providing specific governmental services. This statement reports all current year revenues and expenses.

Both government-wide financial statements distinguish functions of the City that are principally supported by ad-valorem taxes and intergovernmental revenues such as shared taxes, grants, etc. (governmental activities) from other functions that are intended to recover all, or a significant portion of their costs, through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works and transportation, culture and recreation, physical environment, and housing and urban/economic development. The business-type activities of the City include a water and sewer utility fund and a storm-water utility fund.

The government-wide financial statements include, not only the City itself, but also the CRA and MOCA, which are separate legal entities for which the City is financially accountable. In addition to the inclusion in the government-wide financial statements, more detail information for the CRA and MOCA may be obtained from their separately issued financial statements. Complete financial statements for the CRA and MOCA can be obtained by writing to:

- City of North Miami CRA Executive Director, 776 NE 125 Street, North Miami, Florida 33161
- City of North Miami MOCA Executive Director, 770 NE 125 Street, North Miami, Florida 33161

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Proprietary Funds

The City maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer and storm-water operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and its self-insurance activities. Because both of these services predominately benefit governmental rather than business-type functions, they have been included in the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements; only in more detail. The proprietary fund financial statements provide separate information for the water and sewer and storm-water operations. Both funds are considered major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. The basic proprietary fund financial statements can be found on pages 29-31 of this report. The individual fund data for the internal service funds is provided in the form of combining statements on pages 105-107.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds comprise the general employee and the police pension funds and can be found on pages 32-33 of this report.

Notes to the Basic Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 34-89 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. The required supplementary information can be found on page 98 of this report.

City of North Miami, Florida

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The government-wide financial statements are presented at the beginning of the basic financial statements section which immediately follows the MD&A.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheets and in the governmental funds statements of revenues, expenditures and changes in fund balances for the General Fund, C.D.B.G. Entitlement, CRA Component Unit and Landfill Closure Fund, which are all considered major funds. Information for the other governmental funds is combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 99 -109 of this report.

The City adopts annual budgets for its major governmental funds: General Fund, CRA, C.D.B.G. Entitlement and the Landfill Closure Fund. To demonstrate compliance with the budget, budgetary comparison schedules have been provided as Required Supplementary Information for the General Fund and the three major special revenue funds: the C.D.B.G. Entitlement, the CRA, and the Landfill Closure Fund. The budgetary comparison schedules can be found on pages 89 -92.

City of North Miami, Florida

Management's Discussion and Analysis

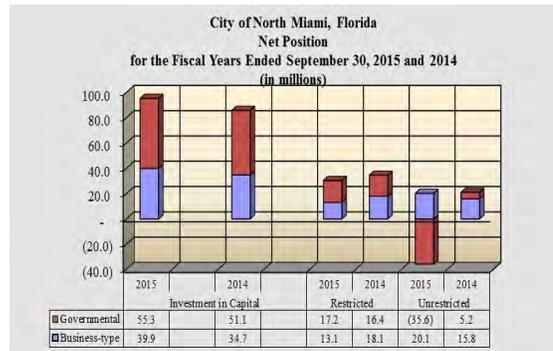
September 30, 2015

Government-Wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the end of the 2015 fiscal year, assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$109.9 million representing approximately 33% for governmental activities and 67% for business-type activities.

At the end of the current fiscal year, the City reported positive balances in all three categories of net position for its business-type activities. However, for the governmental activities, the net position is either restricted as to the purpose it can be used for or is invested in capital assets. Consequently, governmental activities show a deficit of approximately \$35.6 million for unrestricted net position, due primarily to the effect of the restatement of the prior year's net position in relation to GASB 68 and some unfunded long-term commitments for capital assets. Although the business-type activities reflect approximately \$20 million in unrestricted net position, these resources cannot be used to make up the deficit in governmental activities. The City generally can only use the unrestricted net position to finance the continuing operations of water and sewer and storm-water operations.



City of North Miami, Florida

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Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 51,538,892	\$ 61,325,676	\$ 45,175,201	\$ 38,641,783	\$ 96,714,093	\$ 99,967,459
Capital assets	70,987,684	67,178,164	44,305,514	41,788,754	115,293,198	108,966,918
Total assets	122,526,576	128,503,840	89,480,715	80,430,537	212,007,291	208,934,377
Deferred outflows of resources	7,967,795	-	988,874	-	8,956,669	-
Long-term liabilities	41,371,507	44,337,118	11,048,515	4,534,772	52,420,022	48,871,890
Other liabilities	46,549,768	5,442,540	6,061,068	7,331,320	52,610,836	12,773,860
Total liabilities	87,921,275	49,779,658	17,109,583	11,866,092	105,030,858	61,645,750
Deferred inflows of resources	\$ 5,636,180	\$ 6,063,124	\$ 317,916	-	\$ 5,954,066	\$ 6,063,124
Net position						
Invested in capital assets, net of related debt	55,314,367	51,065,949	39,868,520	34,691,144	95,182,887	85,757,095
Restricted	17,238,381	16,375,077	13,060,381	18,099,926	30,298,762	34,475,065
Unrestricted	(35,615,832)	5,220,032	20,113,189	15,773,375	(15,502,643)	20,993,407
Total net position	\$ 36,936,916	\$ 72,661,058	\$ 73,042,090	\$ 68,564,445	\$ 109,979,006	\$ 141,225,503

The City's net investment in capital assets, net of related debt, totaling \$95.1 million represents, by far, the largest portion of the net position. Net investment in capital assets is comprised of land, buildings, infrastructure and machinery and equipment, less any outstanding related debt used to acquire them. The investment in capital assets increased over the prior year by \$9.4 million.

The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources since the capital assets themselves cannot be used to liquidate these liabilities.

In 2015, there were adjustments to capital assets resulting in a prior period net adjustment of \$2.3 million (a reduction of net position). The adjustments related to the 2008 software system conversion which did not carry over some capital assets.

City of North Miami, Florida

Management's Discussion and Analysis
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Change in Net Position

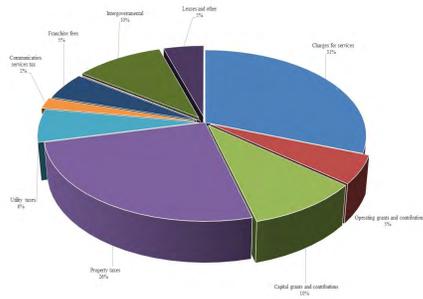
The following is a comparative analysis of the changes in net position for the current and prior fiscal years:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Program Revenues:						
Charges for services	\$ 20,745,831	\$ 19,320,742	\$ 37,137,324	\$ 33,049,681	\$ 57,883,155	\$ 52,370,423
Operating grants/contributions	3,603,994	7,006,123	-	-	3,603,994	7,006,123
Capital grants/contributions	6,677,318	794,857	-	-	6,677,318	794,857
General Revenues:						
Property taxes	17,138,805	16,156,844	-	-	17,138,805	16,156,844
Utility and gas taxes	4,210,073	4,102,616	-	-	4,210,073	4,102,616
Communications services tax	1,415,105	1,407,118	-	-	1,415,105	1,407,118
Franchise fees	3,539,715	3,662,902	-	-	3,539,715	3,662,902
Investment earnings	86,549	75,073	-	-	86,549	75,073
Intergovernmental	6,937,312	6,565,744	-	-	6,937,312	6,565,744
Change in landfill cost	2,169,987	2,031,526	-	-	2,169,987	2,031,526
Rents and royalties and other	3,183,062	4,834,740	55,368	10,457	3,238,430	4,845,197
Total revenues	69,707,751	65,956,285	37,192,692	33,060,138	106,900,443	99,016,423
Expenses:						
General government	18,721,535	17,919,295	-	-	18,721,535	17,919,295
Public safety	26,983,295	26,006,919	-	-	26,983,295	26,006,919
Physical environment	1,665,406	3,020,021	-	-	1,665,406	3,020,021
Transportation and public works	5,605,540	6,238,051	-	-	5,605,540	6,238,051
Housing and urban development	1,809,839	1,863,551	-	-	1,809,839	1,863,551
Culture and recreation	10,905,337	7,204,954	-	-	10,905,337	7,204,954
Community planning and development	1,931,045	1,649,977	-	-	1,931,045	1,649,977
Debt service - interest	1,256,720	2,221,435	-	-	1,256,720	2,221,435
Water and sewer	-	-	26,685,028	23,951,276	26,685,028	23,951,276
Stormwater	-	-	2,123,669	2,248,332	2,123,669	2,248,332
Total expenses	68,138,717	66,124,203	28,808,697	26,199,608	96,947,414	92,323,811
Change in net position before transfers	1,569,034	(1,677,918)	8,383,995	6,860,530	9,953,029	6,692,612
Transfers	187,739	210,292	(187,739)	(210,292)	-	-
Change in net position	1,756,773	42,374	8,196,256	6,650,238	9,953,029	6,692,612
Net position - beginning as restated	35,180,143	72,618,684	64,845,834	61,914,207	100,025,977	134,532,891
Net position - ending	\$ 36,936,916	\$ 72,661,058	\$ 73,042,090	\$ 68,564,445	\$ 109,979,006	\$ 141,225,503

City of North Miami, Florida

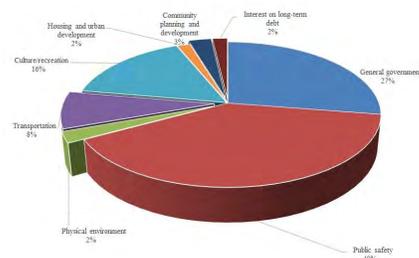
Management's Discussion and Analysis
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Revenues by Source-Governmental Activities



Expenses by Program - Governmental Activities

Expenses by Program - Governmental Activities



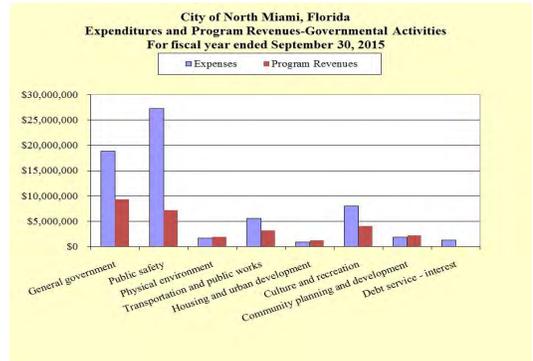
City of North Miami, Florida

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Governmental Activities

Governmental activities for fiscal year 2015, increased the City's net position by \$1.7 million. In 2015, general government, public safety and culture and recreation and community planning and development services comprised approximately 75% of the City's total governmental expense activities. Total related revenues were approximately 76% of total program revenues.

In 2015, property taxes revenue increased from \$16.1 million in the prior year to \$17.1 million in the current year.



In 2015, program revenues comprised of charges for services, operating and capital grants and contributions which represented approximately 46% of the governmental activities total revenues, excluding change in landfill closure cost. Property taxes which accounted for 32% of general revenues, excluding change in landfill closure cost and transfers, are non-program specific and used to fund all activities not covered by program revenues.

City of North Miami, Florida

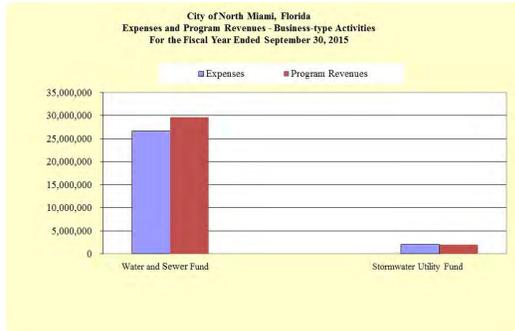
Management's Discussion and Analysis

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Business-type Activities

Net position of the City's business-type activities increased from \$68.5 million in the prior fiscal year to \$73 million in the fiscal year. The increase would have been greater, but for the GASB 68 adjustment of a reduction of approximately \$4.6 million. There was also a prior period adjustment for capital assets which increased net position by approximately \$0.473 million. In 2015, the water and sewer and storm-water funds each assessed a 3.0% inflationary rate adjustment to its user utility rates.

The water and sewer utility fund reported an increase in net position of \$8 million. Operating income for 2015, was \$8.2 million. The net position for the water and sewer fund increased from \$60.8 million in the prior year to \$66.1 million for the current fiscal year. Again, but for the effect of the GASB 68 and the capital assets prior year adjustments, the increase would have been greater by approximately \$2.7 million, net.



The net position for the storm-water utility fund decreased from \$8.1 million in the prior year to \$6.8 million for the current fiscal year. Again, but for the effect of the GASB 68 and the capital assets prior year adjustments, the increase would have been greater by approximately \$1.4, net

Operating income for 2015 was \$0.2 million compared to \$0.3 million in the previous year.

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General Fund Revenues	2015		2014		Change	
	Amount	Percent of Total	Amount	Percent of Total	Increase (Decrease)	From Prior Year
Taxes:	\$	%	\$	%	\$	%
Ad valorem taxes	15,711,671	31%	14,761,124	30%	950,547	6%
Utility and communication taxes	4,819,340	10%	4,735,320	10%	84,020	2%
Charges for services	7,857,362	15%	8,277,284	17%	(419,922)	-5%
Franchise fees	3,539,715	7%	3,662,902	7%	(123,187)	-3%
Total taxes	31,928,088		31,436,630		491,458	
Fines and forfeitures	2,829,842	6%	2,621,393	5%	208,449	8%
Intergovernmental	7,839,966	15%	7,348,174	15%	491,792	7%
Licenses and permits	2,428,695	5%	2,046,697	4%	381,998	19%
Interest and other earnings	1,448,769	3%	957,827	2%	490,942	51%
Operating contributions	1,829,658	4%	1,866,731	4%	(37,073)	-2%
Rents and royalties	2,407,399	5%	3,451,572	7%	(1,044,173)	-30%
Total revenues	50,712,417	100%	49,729,024	100%	983,393	2%

- Property tax revenues increased by 6% (\$0.9 million) as the City maintained the same operating millage rate of 7.93 mills. However, the City benefited from increased taxable values of approximately 7% over the previous year.
- Charges for services decreased by \$0.4 million, due primarily to decrease in charges for sanitation fees which decreased by \$0.6 million (\$2.5 million in the prior year, to \$1.9 million in the current year).
- Fines and forfeitures increased by 8% due primarily to increases in fines generated from special magistrate court sessions: code violations and citations.
- Licenses and permits increased by 19% due primarily to increases in revenues from occupational licenses - \$294,756 and building permits - \$165,973.
- Interest and other earnings increased by 51% (\$0.4 million) due primarily to recognizing revenues that were previously deferred from prior years. The increase was due primarily to miscellaneous revenues of approximately \$0.7 million that were earned in prior years (from 2005 to 2010) and recorded as deferred revenue. The accounts were analyzed and transferred to revenues in 2015, resulting in the increase of \$0.4 million in the current year.
- Rent and royalties decreased by 30% (\$1 million) due primarily to factors relating to the Biscayne Landing lease.

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FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2015, the City's governmental funds reported combined ending fund balances of \$33.5 million which was a total decrease of \$2.1 million in the current year compared to a \$3.7 million decrease in the prior year. The decrease included cost for landfill closure of approximately \$1.6 million and \$0.38 million for MOCA. Approximately 54% (\$17.9 million) of the ending fund balances constitutes non-spendable and restricted fund balances, which was not available for spending. Funds were set up to separately account for certain revenue sources that are legally restricted for expenditure for specified purposes. Restricted fund balances included \$11.3 million for landfill closure cost and \$0.8 million restricted for housing projects. At the end of the fiscal year, governmental funds also included \$7.3 million assigned or committed for various programs. In addition to balances noted above, reported as committed and assigned, governmental funds also showed unassigned fund balance of \$9.1 million. This amount represents funds available to meet all other City current obligations to citizens and creditors.

General Fund

The General Fund is the main operating fund of the City. General tax revenues and other receipts that are not allocated to another fund, by law or contractual commitment, are accounted for in this fund. General operating expenses and capital improvement costs not paid through another fund are paid from this fund. At September 30, 2015, the unassigned fund balance of the General Fund was \$9.1 million, an increase of \$4.7 million over 2014, as the City completed the "Progress 2013" projects.

The General Fund expenditures increased by approximately 4% while revenues increased by 2%. Total revenues were less than expenditures by \$2.9 million after net other financing sources of \$0.2 million.

The amount of General Fund revenues by type, percentage of the total and the amount of change compared to last fiscal year, are shown in the following schedule:

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Management's Discussion and Analysis

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Expenditures in the General Fund are shown in the following schedule:

General Fund Expenditures	2015		2014		Change	
	Amount	Percent of Total	Amount	Percent of Total	Increase (Decrease)	From Prior Year
	\$	%	\$	%	\$	%
General government	10,115,903	19%	12,892,522	26%	(2,776,619)	-22%
Public safety	26,020,426	50%	24,131,786	48%	\$1,888,640	8%
Physical environment	3,300,448	6%	663,716	1%	\$2,636,732	397%
Transportation	2,771,005	5%	3,342,154	7%	(\$571,149)	-17%
Housing and economic development	-	0%	-	0%	-	0%
Culture and recreation	7,542,753	14%	6,148,453	12%	\$1,394,300	23%
Community planning and development	1,505,641	3%	1,399,639	3%	106,002	7.6%
Capital outlay	895,707	2%	1,517,307	3%	(\$621,600)	-41%
Total expenditures	52,151,883	100%	\$50,095,577	100%	\$2,056,306	4%

In fiscal year 2015, total General Fund expenditures increased by 4% (\$2 million) compared to the prior year.

The primary factor contributing to the increase was the completion of the "2013 Progress Initiative" which is evident in the significant increase in physical environment expenditures, i.e. an increase of 397% or \$2.6 million.

FINANCIAL ANALYSIS OF OTHER GOVERNMENTAL FUNDS

Landfill Closure Fund (Major Fund)

This fund is restricted for funding of remediation and closure costs of an old landfill. The fund was set up from a one-time grant of \$31 million which was received from the County in 2004, and placed in an escrow account. The fund balance at the end of the 2015, was \$11.4 million. At the end of 2007, the cost was estimated to be \$22.8 million. The 2008 financial assurance cost estimate study revised the estimate to \$46.2 million for year-end 2008. The 2008 cost estimate accounted for changes to the groundwater remediation system design concept and the new storm-water master plan. The remediation cost for the current year was \$1.6 million. This fund had a restricted fund balance of \$11.4 million at September 30, 2015. See Note 14 for additional information on the landfill.

CRA Component Unit Capital Projects Fund (Major Fund)

The CRA, a component unit of the City, reported a \$2.8 million assigned fund balance and \$0.6 million as non-spendable fund balance at year end. During the year, \$1.4 million in property tax incremental revenues were recognized in the CRA (both the City and Miami-Dade County portions). The City acts as a pass-through for the tax incremental property tax monies that were transferred to the CRA area.

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Other Governmental Funds (Nonmajor)

Significant items pertaining to other Governmental Funds (Nonmajor) are as follows:

- Special Revenues restricted fund balance at year end was \$3.4 million, comprised primarily of the Half Cent Transportation Surtax Fund which reported \$1.5 million; MOCA which reported \$0.8 million; and Neighborhood Stabilization ("NSP") which reported 0.7 million.
- The HOME and NSP combined funds awarded a total of \$0.2 million in direct housing grants and aid to home owners and local businesses.
- MOCA was determined to be a component unit of the City for the current due primarily to the fact that the City provided significant financial support for the continuance of MOCA. The City provided support of approximately \$2.4 million of the \$2.5 million total expenditures shown in MOCA'S financial statements,

Internal Service Funds

In 2015, the General Risk Management Fund reflected net position of \$3 million compared to \$1.2 million in the prior year.

The Fleet Management Fund reflected net position of \$1.5 million compared to prior year's total of \$1.1 million.

Fiduciary Funds

Net income from investments (interest and dividends) for both plans combined was reported at \$2.4 million. The Plans' investment policies set the portfolio allocation. Many U.S. market indices posted favorable returns across the board this year. There was a significant depreciation for the CTS plan of approximately \$8.6 million (prior year appreciation was \$8.1 million). Employer contribution for 2015, for both plans was \$8.8 million. During 2015, retirement benefit payouts approximated \$10.3 million for both plans combined.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for the governmental and business-type activities as of September 30, 2015, amounted to \$115.2 million (net of accumulated depreciation), compared with \$108.9 million last fiscal year. These assets include land, construction in progress, buildings, and improvements other than buildings, machinery and equipment, library infrastructure and books. The total net increase in the City's investment in capital assets for the current fiscal year was \$6.3 million or 5.8%.

City of North Miami, Florida

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In addition, there was \$2.3 million net adjustments to capital assets for governmental activities and approximately (\$0.6) million for the business-type activities due to a system error which caused some capital assets recorded prior to 2008 not to be reflected subsequent to 2008.

Additional information on the City's capital assets can be found in Note 6 starting on page 57 of this report.

Long-term Debt

At September 30, 2015, the City had total debt of \$19.5 million. The majority of the City's outstanding debt is secure by specified revenues. The outstanding debts are as follows:

	Outstanding Debt (in thousands)					
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
FMLC loan (general obligation)						
Pension obligation bonds-Series 2010	15,395	16,020	-	-	15,395	16,020
Unamortized bond premiums/ discount and deferred amount on refunding	(864)	(970)	-	-	(864)	(970)
Capital lease obligation	278	92	-	-	278	92
FMLC loan (stormwater)	-	-	2,260	2,875	2,260	2,875
State revolving fund loan	-	-	2,044	215	2,044	215
Unamortized bond premiums and discount	-	-	32	41	32	41
Capital lease obligations	-	-	101	233	101	233
Total	\$ 14,809	\$ 15,142	\$ 4,437	\$ 3,364	\$ 19,246	\$ 18,506

Governmental Activities - \$14.8 million. The total debt decreased from \$15.1 million in 2014, reflecting scheduled principal payments of \$0.3 million.

Business-type Activities - \$4.4 million. The debt increased from \$3.3 million in 2014 due primarily to proceeds received for the State Revolving Fund Loan amounting to \$1.8 million.

Additional information on the City's long-term debt and capital leases can be found in Note 7 on page 58.

City of North Miami, Florida

Management's Discussion and Analysis

September 30, 2015

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
	Capital assets, not being depreciated:					
Land	\$ 21,834,551	\$ 21,859,970	\$ 453,080	\$ 453,081	\$ 22,487,631	\$ 22,513,051
Construction in progress	3,864,004	-	463,220	1,075,582	3,527,224	1,075,882
Total capital assets, not being depreciated	24,698,555	21,859,970	1,316,300	1,728,663	26,014,855	25,588,933
Capital assets, being depreciated, net:						
Land improvements	17,597,820	16,433,488	154,211	154,211	17,752,031	16,587,699
Buildings and improvements	19,217,482	17,941,407	1,864,965	1,864,965	21,082,447	19,806,372
Infrastructure	54,718,007	54,749,850	75,718,631	71,500,937	130,436,638	126,250,767
Machinery and equipment	17,681,795	16,531,995	6,273,724	4,771,615	23,955,519	21,305,610
Library books	8,135,316	8,099,776	-	-	2,135,316	8,099,776
Total capital assets, being depreciated	118,950,820	109,749,516	84,011,531	78,589,728	185,963,989	180,041,924
Accumulated depreciation						
Land improvements	(12,798,502)	(13,877,559)	(120,301)	(116,600)	(12,918,803)	(13,994,159)
Buildings and improvements	(8,988,152)	(6,921,596)	(704,246)	(659,897)	(9,692,398)	(7,581,493)
Infrastructure	(25,679,613)	(24,783,558)	(35,805,534)	(33,838,181)	(61,485,147)	(58,621,739)
Machinery and equipment	(15,532,264)	(14,788,582)	(4,392,256)	(3,619,258)	(19,924,500)	(18,407,840)
Library books	(2,062,760)	(2,058,027)	-	-	(2,062,760)	(2,058,027)
Total accumulated depreciation	(65,061,291)	(62,429,322)	(41,022,437)	(38,233,936)	(106,083,608)	(100,663,258)
Total capital assets, being depreciated, net	46,289,129	45,319,194	42,989,214	40,355,792	89,278,343	85,377,986
Total Capital Assets, net	\$ 70,987,684	\$ 67,179,164	\$ 44,305,514	\$ 41,789,785	\$ 115,293,198	\$ 108,966,919

The \$3.6 million gross addition to capital assets, before depreciation and adjustments, for governmental activities included, but was not limited to, the following:

1. Approximately \$2 million was spent for construction in progress, primarily for the North Bayshore Park, San Souci Alleyway and the North Miami Public Library projects.
2. Approximately \$1.4 million was spent for infrastructure, primarily sidewalks and paving of roads throughout the City.
3. Approximately \$0.4 million was spent for machinery and equipment, which included a Police SWAT Team van, laptop computers for police vehicles and computer server equipment.

The \$5.7 million gross addition to capital assets, before depreciation and adjustments, for business-type activities included, but was not limited to, the following:

1. Approximately \$2 million was spent for construction in progress, primarily for the Winson Plant and Force Main projects.
2. Approximately \$0.6 million was spent for infrastructure, primarily for lift stations, manhole rehabilitation and water mains.
3. Approximately \$0.9 million was spent to purchase machinery and equipment, primarily for vehicles and heavy duty machine drills.

City of North Miami, Florida

Management's Discussion and Analysis

September 30, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 16,458,567	\$ 16,458,567	\$ 15,711,671	\$ (746,896)
Utility and communication taxes	4,614,631	4,614,631	4,819,340	204,709
Charges for services	8,146,885	8,148,490	7,857,362	(291,128)
Franchise fees	3,289,739	3,289,739	3,539,715	249,976
Fines and forfeitures	2,740,225	2,740,225	2,829,842	89,617
Intergovernmental	7,036,459	7,042,959	7,839,966	797,007
Licenses and permits	1,974,500	1,974,500	2,428,695	454,195
Interest and other earnings	255,700	258,350	1,448,769	1,190,419
Rents and royalties	2,489,500	2,489,500	2,407,399	(82,101)
Total revenues	47,006,206	47,016,961	48,882,759	1,865,798
Expenditures:				
General government	19,037,856	18,829,457	10,115,903	8,713,554
Public safety	26,622,899	27,696,704	26,020,426	1,676,278
Physical environment	3,916,944	3,301,938	3,300,448	1,490
Transportation and public works	3,195,066	3,220,647	2,771,005	449,642
Housing and economic development				
Culture and recreation	6,639,969	7,142,410	7,542,753	(400,343)
Community planning and development	812,704	1,649,534	1,505,641	143,893
Debt service				
Capital outlay	436,294	3,793,426	895,707	2,897,719
Total expenditures	60,661,732	65,634,116	52,151,883	13,482,233
Excess (deficiency) of revenues over expenditures	(13,655,526)	(18,617,155)	(3,269,124)	(15,348,031)
Other Financing Sources (Uses):				
Operating contributions	-	1,864,340	2,808,739	944,399
Sales of capital assets	-	-	-	-
Reserves	13,331,455	18,293,084	-	(18,293,084)
Transfers in	-	-	-	-
Transfers out	(1,540,269)	(1,540,269)	(2,524,588)	(984,319)
Total other financing source (uses)	11,791,186	18,617,155	284,151	(18,333,004)
Net change in fund balances	(1,864,340)	-	(2,984,973)	(2,984,973)
Fund balances - beginning	18,740,666	18,740,666	16,784,970	(1,955,696)
Fund balances - ending	\$ 16,876,326	\$ 18,740,666	\$ 13,799,997	\$ (4,940,669)

City of North Miami, Florida

Management's Discussion and Analysis

September 30, 2015

Overall Budget

The fiscal year 2016 adopted budget of \$138 million represent a slight decrease of less than 3% compared to the fiscal year 2015. A major contributor to the decrease was the completion of major "Progress 2013" capital projects such as the rehabilitation of the North Miami Public Library. The general fund is the largest component of the total budget, accounting for \$57 million or 41% of the total budget.

Economic Factors and Next Year's Budgets and Rates

In the development of the planned budget year, a number of economic factors are analyzed to ascertain both the immediate resources that will be available to fund expected public services, as well as future resources that can be anticipated to fund projected needs in the community. Property values, unemployment rates and median income are three indicators of the health and well-being of a local economy. Although median wages have remained relatively dormant in North Miami, a foundation for growth is being laid through renewed emphasis on redevelopment and annexation. Currently the unemployment rate for North Miami is approximately 6.5%, (a six year low). This rate represents a reduction from a high of 9.4% in 2012.

Economic Impact on the Immediate Budget

For the second time in five years the City of North Miami saw an increase in assessed taxable values as reported by the Miami-Dade Property Appraiser. For fiscal year 2016, the City's assessed taxable value is \$2,393 million, which is an 8.68% increase from fiscal year 2015 \$2,202 million. Combined with 2015 fiscal year, assessed property values have increased more than 15% over the last two years. Even in maintaining the same millage rate of 7.9336, (which has remained constant the last three years), an increase of almost \$1.5 million in ad valorem revenue was generated. As a result, resources were strategically reinvested in the City's infrastructure. Overall, more than \$14 million in new funds were designated for capital projects that are rehabilitating sidewalks, streets, community centers, parks, housing, the pool and water-sewer utilities.

Future Economy and Budget Years

The improvement in the economy since the housing crash of 2008, has been progressing in terms of market responsiveness and revenues. As the City continues to monitor the state and national economies, there will be several initiatives that will have an interdependent impact on the future local economy and upcoming budget years:

- 1. SoLe Mia - The 183 acre mixed-use development, SoLe Mia, broke ground in 2015, and is estimated to create approximately \$4 billion in property value when completed. The development will create an estimated 14,000 long and short-term jobs with a requirement that at least 10% of project related jobs created be set aside for North Miami residents. In a trade area that has over \$8 billion in consumer expenditures each year, SoLe Mia's 1.2 million square feet of mixed-use development will transform the North Miami economy.



Basic Financial Statements

City of North Miami, Florida

Management's Discussion and Analysis

September 30, 2015

- 2. Extended Life of the CRA - The North Miami Community Redevelopment Agency (CRA) will be a major funding mechanism the City will use to advance the local economy. Securing an interlocal agreement in 2016 with the county will allow the City to plan the next 30 years and advance initiatives aimed at downtown development and affordable housing.
3. Capital Improvement Plan - By continuing to invest in capital projects, which improve parks, streets, sidewalks and its housing stock, the City will attract and retain investors and talent to ensure North Miami will realize its future potential.
4. Strengthen Footprint - Several important indicators that assist in determining a City's financial footprint include the growth of property values, revenues, the amount of debt held, and the ability to pay off that debt. The City of North Miami has growing property values, ad valorem revenue, reducing debt and a steady reserve fund.

Request for Information

This financial report is designed to provide a general overview of the City of North Miami's Finance's to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Finance Department.

Finance Department
City of North Miami
776 NE 125th Street
North Miami, Florida, 33161

Or visit our website at www.northmiamifl.gov/departments/finance/cafr.aspx.



Government-wide Financial Statements



Fund Financial Statements

CITY OF NORTH MIAMI, FLORIDA BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2015

	General	CRA	C.D.B.G. Entitlement	Landfill Closure	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 15,044,142	\$ 3,140,544	\$ -	\$ -	\$ 3,090,647	\$ 21,275,333
Investments	1,048,656	-	-	-	500,000	1,548,656
Receivables, net of allowance	1,646,713	-	-	37,780	1,755,684	3,439,178
Grants receivable from other government	-	-	456,799	-	3,850,196	4,306,995
Due from other funds	141,595	-	-	240,433	246,496	488,091
Prepays, deposits, and other current assets	-	652,368	-	-	42,430	714,803
Assets held for resale	-	-	-	-	652,368	652,368
Notes receivable	-	-	1,106,227	11,149,456	5,985,714	18,241,397
Due from component units	317,965	-	-	-	2,700,000	3,017,965
Total assets	18,887,507	3,792,912	1,563,026	11,427,660	62,739,62	41,915,076
LIABILITIES AND FUND BALANCES						
Payable to other funds	-	-	-	-	802,482	802,482
Vouchers payable	1,165,794	5,621	8,104	-	445,533	1,625,052
Construction contracts payable	163,492	-	-	-	8,762	172,254
Accrued payroll and benefits	895,997	-	4,764	3,953	9,560	914,274
Due to other government	272,119	317,965	-	-	590,084	1,180,168
Due to other funds	242,210	-	-	-	4,995	247,205
Unassigned fund balances	3,107,510	-	1,106,227	-	3,107,510	7,321,247
Total liabilities	5,047,520	323,586	1,114,991	3,953	1,614,402	8,471,923
FUND BALANCES						
Non-spendable	141,595	652,368	-	-	261,194	1,055,157
Restricted	-	-	1,106,227	11,427,716	4,398,166	16,928,309
Committed	4,544,241	2,800,546	-	-	-	7,344,787
Unassigned	911,411	16,412	(881,673)	-	-	8,148,900
Total fund balances	13,799,997	3,469,326	124,554	11,427,660	4,659,660	33,471,153
TOTAL LIABILITIES AND FUND BALANCES	18,887,507	3,792,912	1,563,026	11,427,660	62,739,62	41,915,076

CITY OF NORTH MIAMI, FLORIDA STATEMENT OF NET POSITION SEPTEMBER 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 27,474,537	\$ 20,918,785	\$ 48,393,322
Investments	2,486,420	6,692,915	9,179,335
Receivables	1,449,065	17,000,342	18,449,407
Due from other governments	3,877,531	-	3,877,531
Inventories and supplies	80,494	563,159	643,653
Prepays, deposits and other	265,299	-	265,299
Notes receivable	1,376,227	-	1,376,227
Assets held for resale	2,879,349	-	2,879,349
Restricted cash	11,649,970	-	11,649,970
Capital assets, not being depreciated	24,698,555	1,316,300	26,014,855
Capital assets, being depreciated, net	46,289,129	42,989,214	89,278,343
Total assets	122,526,576	89,480,715	212,007,291
DEFERRED OUTFLOW OF RESOURCES			
Pensions (Note 10)	7,967,795	988,874	8,956,669
Total deferred outflow of resources	7,967,795	988,874	8,956,669
LIABILITIES			
Accounts payable and accrued liabilities	2,064,894	3,699,315	5,764,209
Contracts payable - retainage	174,277	3,134	177,411
Accrued payroll and benefits	939,063	204,535	1,143,598
Due to other governments	272,828	-	272,828
Deposits	692,611	1,879,844	2,572,455
Interest payable	-	53,797	53,797
Noncurrent liabilities:			
Due within one year	2,128,650	560,959	2,689,609
Net pension liability (Note 10)	40,818,197	5,065,902	45,884,099
Due in more than one year	40,830,755	5,642,097	46,472,852
Total liabilities	87,921,275	17,109,583	105,030,858
DEFERRED INFLOW OF RESOURCES			
Pensions (Note 10)	2,561,596	317,916	2,879,512
Unavailable revenues	3,074,584	-	3,074,584
Total deferred inflows of resources	5,636,180	317,916	5,954,096
NET POSITION			
Net investments in capital assets, net of related debt	55,314,367	39,868,520	95,182,887
Restricted for:			
Capital projects	211,814	13,060,381	13,272,195
Housing and development	1,235,092	-	1,235,092
Landfill closure	13,593,703	-	13,593,703
Public safety	646,080	-	646,080
Transportation	1,551,692	-	1,551,692
Unrestricted	(35,615,832)	20,113,189	(15,502,643)
Total net position	\$ 36,936,916	\$ 73,042,090	\$ 109,979,006

See notes to basic financial statements.
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CITY OF NORTH MIAMI, FLORIDA STATEMENT OF ACTIVITIES FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Expenses	Charges for Services	Program Revenues Operating Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	Total
Governmental activities:						
General government	\$ 18,721,535	\$ 7,034,086	\$ 908,096	\$ -	\$ (10,779,353)	\$ (10,779,353)
Public safety	26,982,295	6,646,252	285,769	-	(20,051,274)	(20,051,274)
Physical environment	1,666,406	1,915,022	-	-	249,616	249,616
Transportation and public works	5,666,540	833,931	2,271,513	-	(2,398,096)	(2,398,096)
Housing and urban development	1,069,859	1,394,763	-	-	324,924	324,924
Culture and recreation	10,905,337	2,785,645	38,616	4,539,925	(5,541,151)	(5,541,151)
Debt service - interest	1,258,720	154,132	-	2,137,393	(1,541,151)	(1,541,151)
Debt service - principal	-	-	-	(1,256,720)	1,256,720	(1,256,720)
Total governmental activities	68,138,717	20,745,831	3,603,994	6,677,318	(77,111,574)	(77,111,574)
Business-type activities:						
Water and sewer	26,685,028	34,489,639	-	-	8,164,611	8,164,611
Solid waste	3,488,497	37,137,332	-	-	(33,648,835)	(33,648,835)
Total business-type activities	30,173,525	71,626,971	-	-	4,515,776	4,515,776
Total primary government	\$ 98,312,242	\$ 92,372,802	\$ 3,603,994	\$ 6,677,318	(72,595,798)	(72,595,798)
General revenues:						
Property taxes levied for general purposes	17,138,805	-	-	-	17,138,805	17,138,805
Utility taxes	3,442,235	-	-	-	3,442,235	3,442,235
Intergovernmental	1,108,538	-	-	-	1,108,538	1,108,538
Local option sales tax	805,838	-	-	-	805,838	805,838
Franchise fees based on gross receipts	3,539,715	-	-	-	3,539,715	3,539,715
Unrestricted investment earnings	86,549	-	-	-	86,549	86,549
Miscellaneous revenues	1,425,108	-	-	-	1,425,108	1,425,108
Rents and royalties	1,757,854	-	-	-	1,757,854	1,757,854
Intergovernmental not restricted to specific programs	6,937,312	-	-	-	6,937,312	6,937,312
Landfill closure (cost) gains	2,169,987	-	-	-	2,169,987	2,169,987
Transfers	3,828,297	-	-	-	3,828,297	3,828,297
Fund balance transfers and transfers	1,756,735	-	-	-	1,756,735	1,756,735
Change in net position	35,180,143	-	-	-	35,180,143	35,180,143
Net position, beginning as restated (Note 16)	\$ 46,936,116	\$ 3,806,896	\$ -	\$ -	\$ 50,743,012	\$ 50,743,012
Net position, ending	\$ 82,116,260	\$ 3,806,896	\$ -	\$ -	\$ 85,923,156	\$ 85,923,156

See notes to basic financial statements.
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**CITY OF NORTH MIAMI, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2015

Fund balances - total governmental funds (page 25) \$ 33,477,153

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	70,470,435
Inventory (land) held for resale are not financial resources and, therefore, are not reported in the governmental funds.	2,226,981
Deferred outflows (inflows) - pensions	5,406,199
Certain revenues are reported as deferred inflows in the fund financial statements due to amounts being unavailable; under full accrual accounting they are reported as revenues.	
Taxes receivable	26,035
Grant revenues	4,830,274
	4,856,309
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Amortization of bond discount	864,013
Bonds and loans payable	(15,395,000)
Capital leases payable	(278,317)
Compensated absences	(5,894,013)
Landfill and closure cost	(10,904,244)
Claims liability	(3,222,930)
Net pension liability	(40,818,197)
Other postemployment benefit obligation (OPEB)	(8,128,914)
	(83,777,602)
Accrued interest payable	(279,034)
Assets and liabilities of internal service funds are included in governmental activities statement of net position.	4,556,475
Net position of governmental activities (page 23)	\$ 36,936,916

See notes to basic financial statements.
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**CITY OF NORTH MIAMI, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balances - total governmental funds (page 27) \$ (3,198,709)

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

Certain revenues are reported as deferred inflows in the fund financial statements due to amounts being unavailable; under full accrual accounting they are reported as revenues:	
Grant revenues	664,881
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital assets	3,773,231
Less current year depreciation	(2,475,722)
	1,297,509
The net effect of various miscellaneous transactions involving capital assets adjustments:	
Prior period adjustments	(2,370,840)
Donations	(57,000)
	(2,427,840)
Repayment of long-term debt is an expenditure in the governmental funds, but in the Statement of Net Position, the repayment of debt reduces long-term liabilities.	
Amortization of bond discount	(106,362)
Principal paid on bonds and loans	625,000
Principal paid on capital leases	128,557
	647,195
Internal service funds are used by management to charge the costs of self insurance and fleet management services to individual funds. The change in net position of the internal service funds is reported with governmental activities.	3,513,126
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:	
Compensated absences	405,413
Landfill and closure cost	(2,169,987)
Claims payable	(1,854,119)
Other post employment benefits	(955,731)
Net pension expense	5,823,706
Accrued interest on long term debt	11,329
	1,260,611
Change in net position of governmental activities (page 24)	\$ 1,756,773

See notes to basic financial statements.
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**CITY OF NORTH MIAMI, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	General	CRA	CRBG	Landfill Closure	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Ad valorem	\$ 15,711,671	\$ 1,427,134	\$ -	\$ -	\$ -	\$ 17,138,805
Utility and communication taxes	4,819,340	-	-	-	-	4,819,340
Charges for services	7,857,862	-	-	-	168,473	8,026,335
Fees and charges	3,123,000	-	-	-	-	3,123,000
Fines and forfeitures	2,859,842	-	-	-	-	2,859,842
Intergovernmental	7,839,966	-	661,533	-	6,562,448	15,063,947
Licenses and permits	2,428,695	-	-	-	-	2,428,695
Interest and other earnings	1,448,769	4,605	-	39,714	456,576	1,949,664
Rents and royalties	2,710,000	-	-	-	-	2,710,000
Total revenues	48,882,729	1,431,739	661,533	39,714	7,187,497	58,203,212
EXPENDITURES						
General government	10,115,903	108,806	-	-	19,884	10,244,793
Public safety	26,050,426	3,300,448	-	-	354,291	29,655,171
Physical environment	2,771,005	-	-	1,676,670	-	4,447,675
Transportation and public works	-	-	655,114	-	1,777,290	2,432,404
Inventories and supplies	7,542,753	-	-	-	3,114,000	10,656,753
Community planning and development	1,505,641	324,507	-	-	48,739	1,878,887
Debt service:						
Principal retirement	-	-	-	-	625,000	625,000
Interest and fiscal charges	884,707	-	29,670	-	1,150,357	2,064,734
Total expenditures	52,121,832	4,133,493	684,804	1,676,670	9,797,113	64,244,113
Excess (deficiency) of revenues over expenditures	3,299,123	998,246	(23,801)	(1,636,956)	(2,609,616)	(6,540,901)
OTHER FINANCING SOURCES (USES)						
Operating contributions	2,808,739	-	-	-	292,560	3,101,299
Transfers in	(6,524,560)	-	-	-	2,765,531	(3,758,999)
Transfers out	284,131	-	-	-	(3,038,091)	(2,753,960)
Total other financing sources (uses)	(2,984,973)	-	-	-	448,475	(3,198,709)
Net change in fund balances	16,784,970	2,471,080	148,055	(1,636,956)	4,211,085	36,675,862
Fund balances, beginning	20,891,840	2,995,830	1,945,514	1,182,114	6,692,586	33,608,884
Fund balances, ending	\$ 37,676,840	\$ 5,466,910	\$ 2,093,569	\$ (514,842)	\$ 10,903,671	\$ 57,275,172

See notes to basic financial statements.
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**CITY OF NORTH MIAMI, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Stormwater	Totals	Funds
ASSETS				
Current assets:				
Pooled cash and cash equivalents	\$ 20,246,794	671,991	\$ 20,918,785	\$ 7,320,437
Investments	6,692,915	-	6,692,915	1,263,722
Receivables	16,258,680	741,662	17,000,342	18,644
Inventories and supplies	563,159	-	563,159	57,161
Prepays and deposits	-	-	-	105,226
Total current assets	43,761,548	1,413,653	45,175,201	8,765,190
Non-current assets:				
Deferred outflow	812,850	176,024	988,874	280,240
Capital assets, net	35,426,084	8,879,430	44,305,514	517,249
Total non-current assets	36,238,934	9,055,454	45,294,388	797,489
Total assets	80,000,482	10,469,107	90,469,589	9,562,679
LIABILITIES				
Current liabilities:				
Vouchers payable	3,698,778	537	3,699,315	121,877
Construction contracts payable	3,134	-	3,134	2,023
Accrued payroll and benefits	193,434	11,101	204,535	24,789
Deposits and performance bonds	1,879,844	-	1,879,844	-
Compensated absences	107,682	15,150	122,832	-
Bonds, notes, leases payable	438,127	-	438,127	-
Interest payable	-	53,797	53,797	-
Total current liabilities	6,320,999	80,585	6,401,584	148,689
Non-current liabilities:				
Bonds, notes and lease payable	1,706,186	2,292,681	3,998,867	-
Claims payable	538,701	73,046	611,747	2,787,065
Compensated absences	4,164,148	901,754	5,065,902	1,435,643
Net pension liability	261,326	56,590	317,916	90,096
Deferred inflows	866,718	164,765	1,031,483	281,489
Net OPEB liability	7,537,079	3,488,836	11,025,915	4,857,515
Total non-current liabilities	13,858,078	3,569,421	17,427,499	5,006,204
Total liabilities	19,679,077	3,650,006	23,329,083	10,154,893
NET POSITION				
Net investment in capital assets	33,281,771	6,586,749	39,868,520	724,620
Renewal and replacement	-	-	-	-
Restricted	12,750,598	309,783	13,060,381	-
Unrestricted	20,113,189	-	20,113,189	3,831,855
Total net position	\$ 66,145,558	\$ 6,896,532	\$ 73,042,090	\$ 4,556,475

See notes to basic financial statements.
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CITY OF NORTH MIAMI, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Stormwater	Totals	Internal Service Funds
OPERATING REVENUES				
Charges for water	\$ 18,649,431	\$ -	\$ 18,649,431	\$ -
Sanitary sewer fees	15,887,082	-	15,887,082	-
Stormwater charges	-	2,287,684	2,287,684	-
Charges for services provided to other funds	-	-	-	6,111,037
Other revenues	313,126	-	313,126	116,669
Total operating revenues	34,849,639	2,287,684	37,137,323	6,227,706
OPERATING EXPENSES				
Personnel services	3,655,795	538,090	4,193,885	799,758
Wholesale water cost and sewage disposal	13,277,285	-	13,277,285	-
Materials, supplies, services and other operating expenses	8,244,631	1,058,994	9,303,625	1,766,236
Depreciation	1,493,954	402,515	1,896,469	100,897
Total operating expenses	26,671,665	1,999,599	28,671,264	2,666,891
Operating income	8,177,974	288,085	8,466,059	3,560,815
NON-OPERATING REVENUES (EXPENSES)				
Interest income	55,369	-	55,369	5,515
Interest expense	(13,363)	(124,070)	(137,433)	-
Total non-operating revenues (expenses)	42,006	(124,070)	(82,064)	5,515
Income before contributions and transfers	8,219,980	164,015	8,383,995	3,566,330
CONTRIBUTIONS AND TRANSFERS				
Transfers in	-	-	-	-
Transfers out	(154,320)	(33,419)	(187,739)	(53,204)
Total contributions and transfers	(154,320)	(33,419)	(187,739)	(53,204)
Change in net position	8,065,660	130,596	8,196,256	3,513,126
Net position, beginning, as restated (Note 16)	58,079,898	6,765,936	64,845,834	1,043,349
Net position, ending	\$ 66,145,558	\$ 6,896,532	\$ 73,042,090	\$ 4,556,475

See notes to basic financials statements.
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CITY OF NORTH MIAMI, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Stormwater utility	Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 28,184,629	\$ 2,287,684	\$ 30,472,313	\$ -
Cash receipts from other funds	-	-	-	5,371,316
Other cash receipts	313,126	-	313,126	116,669
Payments to employees	(3,655,795)	(538,090)	(4,193,885)	(799,758)
Payments for wholesale water & sewer	(13,277,285)	-	(13,277,285)	-
Payments to suppliers	(5,235,497)	(759,676)	(5,995,173)	(1,766,236)
Payments for claims	-	-	-	(1,583,371)
Payments for interfund services	(3,009,134)	(317,740)	(3,326,874)	-
Net cash provided by operating activities	3,320,044	672,178	3,992,222	1,338,820
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers for pension debt service	(154,320)	(33,419)	(187,739)	(53,204)
Net cash used for noncapital financing activities	(154,320)	(33,419)	(187,739)	(53,204)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bonds and other loans	1,828,708	-	1,828,708	-
Principal paid on bonds, notes and capital leases	(104,300)	(337,955)	(442,255)	-
Interest paid on bonds, notes and capital leases	(13,363)	(124,070)	(137,433)	-
Adjustment for capital assets	-	-	-	(3,566)
Purchase of capital assets	(3,346,226)	(160,910)	(3,507,136)	(275,040)
Net cash used by capital and related financing activities	(1,635,181)	(622,935)	(2,258,116)	(278,612)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and investment	(22,750)	-	(22,750)	5,515
Net cash used for investing activities	(22,750)	-	(22,750)	5,515
Net increase in pooled cash and cash equivalents	1,607,793	15,824	1,623,617	1,012,519
Pooled cash and cash equivalents at beginning of year	18,789,001	656,167	19,395,168	6,307,918
Pooled cash and cash equivalents at end of the year	\$ 20,246,794	\$ 671,991	\$ 20,918,785	\$ 7,320,437
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating Income	\$ 8,177,974	\$ 288,085	\$ 8,466,059	\$ 3,560,815
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	1,493,954	402,515	1,896,469	55,295
Changes in assets and liabilities:				
Investments	(22,750)	-	(22,750)	(5,515)
Receivables	(4,913,373)	332,319	(4,581,054)	41,769
Due from other funds	128,129	-	128,129	12,347
Inventories and supplies	(71,429)	-	(71,429)	(5,198)
Prepays and deposits	-	-	-	(8,141)
Deferred outflow	(812,850)	(176,024)	(988,874)	(280,240)
Vouchers payable	(783,943)	(13,797)	(797,740)	22,577
Construction contracts payable	(2,983)	-	(2,983)	-
Accrued payroll and benefits	(84,665)	2,867	(81,798)	(109,400)
Due to other funds	-	-	-	(621,467)
Deposits and performance bonds	(249,450)	-	(249,450)	-
Claims payable	-	-	-	(1,854,119)
Net OPEB liability	109,001	11,581	120,582	25,436
Net pension liability	91,103	88,350	179,453	459,534
Interest payable	-	(320,308)	(320,308)	-
Deferred inflows	261,326	56,590	317,916	85,127
Net cash provided by (used for) operating activities	\$ 3,320,044	\$ 672,178	\$ 3,992,222	\$ 1,338,820

See notes to basic financials statements.
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CITY OF NORTH MIAMI, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
SEPTEMBER 30, 2015

	Pension and Trust Funds
ASSETS	
Cash and short-term investments	\$ 3,651,461
Investments, at fair value:	
U.S. Treasuries	13,684,797
U.S. Agency obligations	2,757,803
Corporate bonds	23,881,028
Common stock	78,071,618
Real estate funds	16,942,965
Bond index fund	3,828,103
Index funds	10,313,520
Total investments	149,479,834
Receivables:	
Plan members' contributions	51,864
CNM Police Share Plan	113,131
Receivable from broker on investments sold	315,321
Accrued interest	331,564
Accrued dividends	53,782
Total receivables	865,782
Total assets	153,997,077
LIABILITIES AND NET POSITION	
Accounts payable	177,883
Payable to broker for investments purchased	562,648
Benefits payable	48,090
Total liabilities	788,621
Net position restricted for pension benefits	\$ 153,208,456

See notes to basic financials statements.
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CITY OF NORTH MIAMI, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Pension and Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 8,810,878.00
Plan members	1,700,032
County	145,792
Other	83,935
Total contributions	10,740,637
Investment income:	
Net appreciation in fair value of investments	630,926
Interest	1,339,156
Dividends	1,110,710
	3,080,792
Less investment expenses	(603,623)
Net investment loss	2,477,169
Total additions	13,217,806
DEDUCTIONS	
Benefits paid directly to Plan members:	
Normal retirement	8,913,642
Disability retirement	191,389
Death benefit	30,286
Lump sum retirement	1,005,882
Refunds of contributions	236,343
Total benefits paid	10,377,542
Administrative expenses	361,644
Total deductions	10,739,186
Net increase in net position	2,478,620
Net position, beginning	150,729,836
Net position, ending	\$ 153,208,456

See notes to basic financials statements.
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Notes to Basic Financial Statements

CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Miami, (the "City"), located in Miami-Dade County, Florida, was incorporated in 1926. The City operates under a Council-Manager form of government and provides the following services: general government, public safety, public works, solid waste, stormwater management, culture and recreation including library services, community planning and development, and water and sewer utility.

The accounting policies of the City, as reflected in the accompanying financial statements for the year ended September 30, 2015, conform to generally accepted accounting principles ("GAAP"), in the United States for local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. A summary of the City's most significant accounting policies applied in the preparation of the accompanying financial statements are described below.

A. Financial Reporting Entity

The financial reporting entity covered by this report includes the City and its component units. The reporting entity has been defined in accordance with the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *Financial Reporting Entity-Omnibus*. Organizations are included if they are financially accountable to the City. The City is financially accountable if it appoints a voting majority of the organization's governing board and is able to impose its will on that organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. Inclusion is determined on the basis of the City's ability to exercise significant influence in the operational or financial relationship with the City. Blended component units, although legally separate entities, are in substance, part of the government's operations, therefore, data for these units are combined with data of the City.

Blended Component Units

North Miami Community Redevelopment Agency (CRA) – The CRA was created on June 7, 2005, in accordance with Chapter 163.356, Florida Statutes, to establish and carryout redevelopment objectives in economically deprived areas of the City. The CRA, whose board members are the same as the City Council's, provides services that exclusively benefit the City. The CRA is fiscally dependent on the City because the City Council approves the CRA's budget, levies taxes, and must approve any debt issuances. The CRA has a September 30th year-end. Complete financial statements for the CRA can be obtained by writing to: Director, North Miami Community Redevelopment Agency, 776 N.E. 125 Street, North Miami, Florida 33161.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

Museum of Contemporary Art ("MOCA") - MOCA is a not-for-profit organization established by City Ordinance in 1980 to provide cultural benefits to the City. The museum is operated and managed by a board of trustees. In 2008, the City entered into a management agreement with the organization and its board of trustees under which the City partially funds certain operating costs in its annual budget. For the fiscal year 2015, MOCA met the criteria to be classified as a blended component unit of the City. MOCA has a September 30th year-end. Complete financial statements for MOCA can be obtained by writing to: Director, Museum of Contemporary Art, 770 N.E. 125 Street, North Miami, Florida 33161.

Discretely Presented Component Unit

City of North Miami Health Facilities Authority (the "Authority") - The Authority was created pursuant to State Statute to issue special obligation debt for capital improvements on certain health facilities located within and outside the City limits. The debt is supported solely from revenues generated by said facilities and does not constitute an obligation of the City or the Authority. The Authority is a component unit because the sole activity in which it engages, i.e., the issuance of revenue bonds to finance health care facilities, is subject in each instance to the approval of the City Council. In addition, the City Council is responsible for appointing the members of the Board of the Authority. The Authority receives no revenues and makes no disbursements. Because there are no assets, liabilities or results of operations to report, no disclosure other than this description is made in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

Related Entities

The following related entity does not meet the criteria for a component unit and is not included in the City's financial statements. City Officials have either appointed the initial board or continue to appoint members to the boards of the following organization, but the City's accountability for this organization does not extend beyond making appointments:

North Miami Educational Foundation Inc. ("the Foundation") – The Foundation is a not-for-profit organization incorporated in 2012. The original purpose of the Foundation is to provide financial assistance to at-risk students and economically disadvantaged residents in their pursuit of education. The founding board of nine members was selected by the City Council. The City awarded an initial contribution of \$350,000 to establish an endowment fund. The funds are held by an investment firm and earnings are used to fund the mission of the Foundation.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund 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 non-fiduciary activities of the City and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges to recover their costs and capital renewal.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. 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 or segment, and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not currently employ an indirect cost allocation system. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining non-major governmental funds are aggregated and reported as total non-major governmental funds.

C. 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 funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Revenues are considered to be *available* when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits other than pensions, are recorded only when payment is due.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement presentation (Continued)

Property taxes, franchise fees and other taxes, licenses, and interest associated with the current fiscal period are all considered to be subject to accrual and are recognized as revenues of the current fiscal period. Revenues for expenditure-driven grants are recognized when the qualifying expenditures are incurred. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Community Development Block Grant (C.D.B.G) Entitlement Fund* accounts for grant-related revenues and expenditures for housing rehabilitation programs.

The *Landfill Closure Fund* accounts for the costs of remediation and closure of the former Munisport landfill site.

The *CRA Component Unit Fund*, a component unit of the City, receives incremental City and Miami-Dade County tax revenues to finance redevelopment projects by carrying out public initiatives that stimulate rehabilitation or development in the CRA area.

The City reports the following major proprietary funds:

The *Water & Sewer Utility Fund* accounts for the costs of providing water treatment and distribution service, and sewage treatment to all areas within the City limits and certain districts outside the City limits.

The *Stormwater Utility Fund* accounts for improvements to the City's stormwater systems and pollution resulting from stormwater runoff.

Additionally, the City reports the following fund types:

Internal Service Funds account for the cost of insuring the City in the areas of workers' compensation and general liability risks, and to provide fleet management services to other departments on a cost reimbursement basis.

The *Pension Trust Funds* (Clair T. Singerman Plan and Police Pension Plan) are used to account for the City's two single-employer defined benefit pension plans covering substantially all of its current employees and retirees.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Cash, Equity in Pooled Cash and Investments

The City's cash and cash equivalents include cash on hand, time and demand deposits, and short-term investments consisting primarily of a collateralized interest on public funds checking account and investments with the State Board of Administration Investment Pool. The City pools cash from most of its funds for accounting and investments purposes. This gives the ability to maximize earnings potential from large idle cash. The relationship of an individual fund to the pooled cash account is similar to that of a demand deposit account. Individual funds can withdraw cash from the account as needed and, therefore, all equity in the pooled cash is highly liquid.

When both restricted and unrestricted resources are available for use for the same purpose, the City uses restricted resources first, then unrestricted resources when they are needed.

Resources of all funds, with the exception of the pension trust funds and certain other cash and investment accounts, which are maintained in accordance with legal requirements, have been combined into a pooled cash and investment system for the purpose of maximizing earnings.

Interest earned on pooled cash and investments is allocated based upon equity balances of the respective funds. The average interest rate earned on investments was approximately 0.79% for fiscal year 2015.

The nature of investments is governed by the provisions of Florida Statutes Section 218.415. Under this statute authorized investments are limited, unless otherwise authorized by law or ordinance, to the State Board of Administration Investment Pool, money market funds, direct or unconditionally guaranteed obligations of the United States Government, obligations of certain governmental agencies, interest bearing time deposits or savings accounts.

All investments, except the Florida PRIME administered by the State Board of Administration, are reported at fair value. The Florida PRIME is recorded at the value of the pool shares (2a-7 like pool), which is fair value.

Cash and cash equivalents, for purposes of the statement of cash flows, include cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

2. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year 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 non-current portion of interfund loans). All other outstanding balances between funds (i.e., amounts owed for goods/services rendered to a particular fund by another fund in the reporting entity) are reported

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Reconciliation of Government-wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position for governmental activities as shown on the government-wide statement of net position is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements which comprise the reconciliation difference stem from governmental funds using the *current financial resources measurement focus and the modified accrual basis of accounting* while the government-wide financial statements use the *economic resources measurement focus and the accrual basis of accounting*.

A summary reconciliation of the difference between net changes in fund balances as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balances and change in net position for governmental activities as shown on the government-wide statement of activities is presented in accompanying schedule to the governmental funds statement of revenues, expenditures, and changes in fund balances. The revenue and expense elements, which comprise the reconciliation difference, stem from governmental funds using the *current financial resources measurement focus and the modified accrual basis of accounting* while the government-wide financial statements use the *economic resources measurement focus and the accrual basis of accounting*.

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 various utility and other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes with the exception of local option fuel taxes and the half-cent transportation surtax. Proceeds from these taxes are used to fund transportation related expenditures and, therefore, are reported as *program revenues* under the function "transportation".

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations.

The principal operating revenues of the City's water and sewer funds, stormwater utility funds and internal service funds, are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

as "due to/from other funds" (current portion) or "interfund receivables/payables" (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and other receivables are reported at original amount, net of an allowance for doubtful receivables. Management determines the allowance based on historic experience.

3. Inventories and Prepays

Inventories consist principally of materials and supplies held for consumption and are recorded at cost for governmental funds and lower of average cost or market for proprietary funds. In the governmental funds, the cost of inventories are recorded as expenditures at the time of purchase, while in the proprietary funds, the cost of inventories are recorded as expenses when consumed.

Certain payments to vendors reflect cost applicable to the future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

In the governmental funds, reported inventories and prepaid items are offset by non-spendable fund balance which indicates that they do not constitute available spendable resources.

In December 2004, the City received a grant of \$31 million from Miami-Dade County for remediation and closure of the City's former landfill site. These funds were placed in escrow and are restricted for funding the costs of the environmental cleanup.

4. Capital Assets

Capital assets, which include land, buildings, machinery, equipment and infrastructure assets (e.g., utility lines, roads, bridges, sidewalks, and similar items), regardless of their acquisition date, are reported at cost or estimated historical cost in the applicable governmental or business-type activities columns in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization thresholds are: \$1,000 for equipment and \$5,000 each for land, buildings, and infrastructure. The City's capitalization threshold for intangible assets is \$30,000 for software and \$75,000 for easements. The costs of normal maintenance and repairs that do not increase the capacity or efficiency of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	20
Public domain infrastructure	10-50
Intangibles	5-25
System infrastructure	5-50
Vehicles, and other outdoor equipment	3-10
Office equipment	5-10
Computer equipment	3-4
Library books	5

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Material estimates that are particularly susceptible to significant change in the near term relate to:

- 1) The determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, and inflation rates, etc.
- 2) The estimated liability for remediation and closure of the former Munisport landfill site, and;
- 3) The actuarially determined liability for post-employment benefits other than pensions. Although these estimates (as well as all estimates) are based on management's knowledge of current events and actions in the future, they may ultimately differ from actual results.

6. Deferred Outflows/Inflows of Resources

The Statement of Net position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. Currently, the only item in this category is deferred charge on refunding included in the Government-wide Statement of Net Position. The deferred charge on refunding is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

7. Net Position/Fund Balance

Net Position (deficit)

Net position (deficit) is the result of assets less liabilities and deferred inflows of resources in the government-wide and proprietary funds. Statement of net positions is displayed in three categories:

- 1) Invested in capital assets, net of related debt
- 2) Restricted
- 3) Unrestricted

Net investment in capital assets, net of related debt, consists of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets, excluding unexpended proceeds. Restricted net position is that portion of net position that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions. Unrestricted net positions consist of all net position that does not meet the definition of either of the other two components.

Fund Balance

Governmental funds financial statements report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is legally bound to honor the specific purposes for which amounts in fund balance may be spent.

Fund balances are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balances include amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts), or legally or contractually required to remain intact (e.g. endowment).

Restricted Fund Balances include amounts that are restricted for specific purposes either by: (a) constraints imposed by external providers (such as grantors, creditors, bondholders, contributors, or laws or regulations of other governments), or (b) imposed by constitutional provisions.

Committed Fund Balances include amounts that can only be used for specific purposes pursuant to constraints imposed by City Council, the City's highest level of decision-making authority, set in place prior to the end of the period. Such amounts cannot be changed unless the City Council takes the same action to remove or change the constraint.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

The statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently the only item in this category is unavailable revenue, which is reported only in the Governmental Funds Balance Sheet under the modified accrual basis of accounting.

Unearned revenue - Unearned revenue represents grants and similar items for which the City has not met all eligibility requirements imposed by the provider to allow for revenue recognition.

Unavailable revenue - Unavailable revenue is recorded for governmental fund receivables that are not measurable and/or available. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. In addition, inflows that do not meet the criteria for revenue recognition are recorded as unavailable revenue in the government-wide and the fund statements.

Compensated absences - It is the City's policy to permit employees to accumulate, within certain limits, earned but unused vacation time and sick leave, which will be paid to employees upon separation from City's service. All vacation and sick leave pay 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, due to employee resignation or retirement.

Long-Term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization method. The result of using this method does not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In addition, the difference between the reacquisition price (new debt) and the net carrying value of the old debt on refunded debt transactions is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred amount is offset against the new liability.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as another financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing use. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Assigned Fund Balances include amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Assignments of fund balances are made by City management based upon the direction of the City Council.

Unassigned Fund Balances include amounts that have not been restricted, committed or assigned.

The City reports the following governmental fund balance classifications:

- 1) Non-spendable fund balances
- 2) Restricted fund balances
- 3) Committed
- 4) Assigned
- 5) Unassigned fund balances

E. New Accounting Pronouncements

In the fiscal year 2015, the City adopted the following new statements of financial accounting standards issued by the GASB:

Accounting Standards Adopted

- Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, improves accounting and financial reporting by state and local governments for pensions. GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, addressed an issue regarding application of the transition provisions of Statement No. 68. The issue related to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The adoption of GASB Statements No. 68 and No. 71 is reflected in the government-wide financial statements, in Note 10, Employee Retirement Plans, in Note 16, Restatement of Prior Year Balances, as well as the Required Supplementary Information Section.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Accounting Pronouncements (Continued)

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, established accounting and financial reporting standards related to government combinations and disposals of government operations. The adoption resulted in no financial impact to the City.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. As used in this Statement, a nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. The adoption resulted in no financial impact to the City.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Pronouncements Issued But Not Yet Adopted

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued February 2015. The Statement addresses accounting and financial reporting issues related to fair value measurements. The provisions of this Statement will be effective for the City beginning with year ending September 30, 2016.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, was issued June 2015. This Statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this Statement will be effective for the City beginning with year ending September 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued June 2015. This Statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement will be effective for the City beginning with year ending September 30, 2017.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits – Excluding Pension Trust Funds

In addition to insurance provided by the Federal Depository Insurance Corporation, all 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 another banking institution with eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

Investments – Excluding Pension Trust Funds

The SBA administers the Florida PRIME and the Surplus Trust Fund (Fund B), both of which are governed by Ch. 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 and Fund B. The Florida PRIME is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for 2a-7 fund, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share.

The fair value of the position in the Florida PRIME is equal to the value of the pool shares. The Fund B is accounted for as a fluctuating NAV pool. As of September 30, 2015, the fair value factor for Fund B was \$,9489 per share. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balances within the Florida PRIME. The investments in the Florida PRIME and Fund B are not insured by the FDIC or any other governmental agency.

On September 5, 2015, the SBA transferred the original principal balances from Fund B to Florida Prime for all Fund participants. The City did not realize any loss on the original principal balance.

As of September 30, 2015, the City's deposit and investment balances, including balances for the City's blended component unit were as follows:

Investment Type	Maturities	Fair Value
Pooled Cash and Investments:		
SBA (State Investment Pool):		
Florida PRIME	39 days	\$ 6,284,275
Cash		47,249,265
Total pooled cash and investments		53,533,540
Non-Pooled Cash and Investments:		
North Miami CRA		3,140,544
MOCA		1,375,899
Cash and certificates of deposit		11,172,644
		15,689,087
Total Cash and Investments		\$ 69,222,627

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Accounting Pronouncements (Continued)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, was issued June 2015. This Statement improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions of this Statement will be effective for the City beginning with year ending September 30, 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued June 2015. This Statement identifies the hierarchy of generally accepted accounting principles (GAAP). The provisions of this Statement will be effective for the City beginning with year ending September 30, 2016.

GASB Statement No. 77, *Tax Abatement Disclosures*, was issued August 2015. This Statement requires certain financial reporting disclosures when a government enters into tax abatement agreements. The provisions of this Statement will be effective for the City beginning with year ending September 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, was issued December 2015. This Statement amends the scope and applicability of Statement 68 and establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions. The provisions of this Statement will be effective for the City beginning with year ending September 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, was issued December 2015. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The provision of this Statement will be effective for the City beginning with its year ending September 30, 2016, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions will be effective for the City beginning with year ending September 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, was issued January 2016. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The provisions of this Statement will be effective for the City beginning with year ending September 30, 2017.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk

The City has an investment policy that limits the maturities on individual investments to no more than five years. The investments at September 30, 2015 meet our investment policy restrictions.

Credit Risk

The City has an investment policy that limits investments to the highest ratings by two nationally recognized statistical rating organizations (NRSRO) Standard and Poor's and Moody's Investment Services. Excess funds are sent to the Florida State Board of Administration (SBA) for investment. The Florida PRIME is rated AAAM by Standard and Pooors. The Fund B is not rated by a NRSRO.

Concentration Credit Risk

The City's investment policy limits its investments to no more than 15% in any one issuer. This includes certificates of deposit, U.S. Federal Agencies, and federal instrumentalities. The maximum limit for total investments varies from 35% to 60%. The City does not have an issuers limit for the State Board of Administration Trust Funds. GASB 40 requires disclosure when the percent is 5% or more in any one issuer.

Neither the City nor the Pension Funds have a single investment in any one issuer that meets this requirement.

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All securities purchased by the City are designated as an asset in the city's name and are held in safekeeping by the City's custodian bank or a third party custodian institution.

Risks and Uncertainties

The City's Investments and Pension Plan investments are in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the financial statements.

Investments – Pension Trust Funds

The Pension Trust Funds are Clair T. Singerman ("CTS") Plan and the North Miami Police Pension Plan ("NMPP"). As of September 30, 2015, the City's Pension Trust Funds had the following combined investments:

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Combined Investments - CTS and NMPP Plans
September 30, 2015

	Investment Maturities (In Years)				
	Fair Value	Less than 1 Year	1 to 5 Years	6 to 10 Years	10 or More Years
U.S. Treasuries	\$ 13,684,797	\$ 1,977,840	\$ 5,033,270	\$ 4,920,270	\$ 1,753,417
U.S. Agency Obligations	2,757,803	-	1,032,330	580,127	1,145,346
Corporate bonds	23,881,028	1,779,325	12,746,001	7,651,295	1,704,407
Bond index funds	3,828,103	-	-	3,828,103	-
Total Pension Investments	\$ 44,151,731	\$ 3,757,165	\$ 18,811,601	\$ 16,979,795	\$ 4,603,170

691 Clair T. Singerman (CTS) Plan

All investments made or held by the CTS Plan shall be limited to the following as per the CTS Plan's investment policy:

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation provided the amount deposited does not exceed the insured amount.
2. Obligations issued by the U.S. government or an agency or instrumentality of the U.S. government, including mortgage-related securities.
3. Domestic and international equities.
4. Fixed income investments defined as preferred issues and fixed income securities.
5. Money market funds, defined as fixed income securities having a maturity of less than one year.
6. Bonds issued by the State of Israel.
7. Commingled stock, bond or money market funds whose investments are restricted to securities.
8. Domestic commercial real estate property holdings.

Maturity Risk

Neither state law, nor Plan investment policy limit maturity term on fixed income holdings. As of September 30, 2015, the CTS Plan had the following investments in its portfolio:

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are held by the counterparty. The Plan has third party custodial arrangements with financial institutions to accept securities on a delivery versus payment basis for direct purchase agreements. All securities purchased by the Plan are designated as an asset of the Plan in the Plan's name and are held in safekeeping by the Plan's custodial bank or a third party custodial institution.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of fiduciary net position. The Plan, through its investment advisor, monitors the Plan's investment and the risks associated therewith on a regular basis which the Plan believes minimizes these risks.

748 North Miami Police Pension Plan

All investments made or held by the North Miami Police Pension ("NMPP") Plan shall be limited to the following as per the NMPP Plan's investment policy:

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation provided the amount deposited does not exceed the insured amount.
2. Obligations issued by the U.S. government or an agency or instrumentality of the U.S. government, including mortgage-related securities.
3. Domestic and international equities.
4. Fixed income investments defined as preferred issues and fixed income securities.
5. Money market funds, defined as fixed income securities having a maturity of less than one year.
6. Bonds issued by the State of Israel.
7. Commingled stock, bond or money market funds whose investments are restricted to securities.
8. Domestic commercial real estate property holdings.

Maturity Risk

Neither state law nor Plan investment policy limits maturity term on fixed income holdings. As of September 30, 2015, the Plan had the following investments in its portfolio:

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments - Clair T. Singerman (CTS) Plan
September 30, 2015

	Investment Maturities (In Years)				
	Fair Value	Less than 1 Year	1 to 5 Years	6 to 10 Years	10 or More Years
U.S. Treasuries	\$ 10,734,768	\$ 1,371,537	\$ 3,882,022	\$ 3,807,696	\$ 1,673,513
U.S. Agency Obligations	2,121,622	-	1,032,330	343,378	745,914
Corporate bonds	17,100,351	1,219,273	9,077,231	5,713,554	1,090,293
Total Pension Investments	\$ 29,956,741	\$ 2,590,810	\$ 13,991,583	\$ 9,864,628	\$ 3,509,720

Interest Rate Risk

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to market value losses arising from increasing interest rates.

Credit Risk

State law limits investments in bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided the corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and, in the case of bonds only, holds a rating in one of the three highest classifications by a major rating service. The Plan's investment policy limits fixed income investments to a rating no lower than Standard & Poor's BBB to Moody's Baa.

The Plan's corporate bonds and agency bonds were all ranked "A" or better under Standard & Poor's ratings and at least "A" under Moody's ratings. The Plan's mutual bond fund investments were rated and average of "A" under both Standard & Poor's and Moody's its exposure to market value losses arising from increasing interest rates.

Concentration of Credit Risk

The Plan's investment policy stipulates that not more than 5% of Plan assets can be invested in the common stock of any one issuing company nor can the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of any company. As of September 30, 2015, the value of each position held by the Plan portfolio comprised less than 5% of fiduciary net position and less than 5% of the value of the outstanding capital stock of the respective company.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments - North Miami Police Pension (NMPP) Plan
September 30, 2015

	Investment Maturities (In Years)				
	Fair Value	Less than 1 Year	1 to 5 Years	6 to 10 Years	10 or More Years
U.S. Treasuries	\$ 2,950,029	\$ 606,303	\$ 1,151,248	\$ 1,112,574	\$ 79,904
U.S. Agency Obligations	636,181	-	-	236,749	399,432
Corporate bonds	6,780,677	560,052	3,668,770	1,937,741	614,114
Bond index funds	3,828,103	-	-	3,828,103	-
Total Pension Investments	\$ 14,194,990	\$ 1,166,355	\$ 4,820,018	\$ 7,115,167	\$ 1,093,450

Interest Rate Risk

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to market value losses arising from increasing interest rates.

Credit Risk

State law and the Plan's investment policy limits investments in bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided the corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and, in the case of bonds only, holds a rating in one of the three highest classifications by a major rating service. The Plan's investment policy limits fixed income investments to a rating no lower than Standard & Poor's BBB to Moody's Baa. The Plan's corporate bonds and agency bonds were all rated "A" or better under Standard & Poor's ratings and at least "A" under Moody's ratings. The Plan's mutual bond fund investments were rated and average of "A" under both Standard & Poor's and Moody's.

Concentration of Credit Risk

The Plan's investment policy stipulates that not more than 5% of Plan assets can be invested in the common stock of any one issuing company nor can the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of any company. As of September 30, 2015, the value of each position held by the Plan portfolio comprised less than 5% of fiduciary net position and less than 5% of the value of the outstanding capital stock of the respective company.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are held by the counterparty. The Plan has third party custodial arrangements with financial institutions to accept securities on a delivery versus payment basis for direct purchase agreements. All securities purchased by the Plan are designated as an asset of the Plan in the Plan's name and are held in safekeeping by the Plan's custodial bank or a third party custodial institution.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of fiduciary net position.

The Plan, through its investment advisor, monitors the Plan's investment and the risks associated therewith on a regular basis which the Plan believes minimizes these risks. The pension trust funds are authorized to invest in common stocks, and corporate bonds rated "BBB" or better by Standard & Poor's or "Baa" or better by Moody's bond ratings. The City and the Plans, through their respective investment advisors, monitor the investments and the risks associated therewith on a regular basis, which minimizes these risks.

NOTE 3. RECEIVABLES

Receivables as of September 30, 2015, for the City's individual major funds and nonmajor governmental funds, in the aggregate, net of the allowances for uncollectible accounts, are as follows:

	CDBG		Landfill Waste	Nonmajor Governmental	Water and Sewer		Storm-water	Total
	General	Entitlement						
Receivables:								
Customer accounts	\$ 652,838	\$ -	\$ -	\$ -	\$ 16,978,089	\$ 823,724	\$ 18,454,651	
Property taxes	-	-	-	-	-	-	-	
Franchise and utility	-	-	-	-	-	-	-	
Intergovernmental	1,646,713	456,799	-	1,746,284	61,642	-	3,911,438	
Due from component	317,965	-	-	-	-	-	317,965	
Other	746,408	-	37,780	53,762	289,863	310	1,128,123	
Gross receivables	3,363,924	456,799	37,780	1,800,046	17,329,594	824,034	23,812,177	
Less allowance for uncollectibles	(350,590)	-	-	-	(1,070,914)	(82,372)	(1,503,876)	
Total receivables, net	\$ 3,013,334	\$ 456,799	\$ 37,780	\$ 1,800,046	\$ 16,258,680	\$ 741,662	\$ 22,308,301	

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund Transfers

Interfund transfers for the year ended September 30, 2015, consisted of the following:

	Transfers In		
	Capital Projects	Debt Service	Total
<u>Transfers out:</u>			
General	\$ 979,081	\$ 1,545,507	\$ 2,524,588
Water and sewer	-	154,320	154,320
Stormwater utility	-	33,419	33,419
Internal service	-	53,204	53,204
Total	\$ 979,081	\$ 1,786,450	\$ 2,765,531

The solid waste net position was transferred to the governmental activities as the operation was outsourced. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers to debt service are made to fund the principal and interest payment on the provision obligation note. The transfer to the nonmajor funds relates to reimbursement to federal programs.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 4. PROPERTY TAXES

Property taxes are levied on November 1st of each year, at which time taxes become an enforceable lien on property assessed as of the previous January 1st. Tax bills are payable upon receipt with discounts at the rate of 4% if paid in November, decreasing by 1% per month with no discount available in the month of March of the following year. Taxpayers also have the option of paying their taxes in advance in equal quarterly payments based on the prior year's tax assessment with quarterly discounts varying between 2% and 6%. All unpaid taxes on real and personal property become delinquent on April 1st and bear annual interest at 18% until a tax sale certificate is sold at auction. Miami-Dade County bills and collects all property taxes for the City, and sells tax certificates for delinquent taxes.

The net assessed value of property, as established by the Miami-Dade County Property Appraiser, at January 1, 2015, upon which the 2013-14 levy was based, was approximately \$2.0 billion. The City is permitted by Article 7, Section 9 of the Florida Constitution to levy taxes up to \$10 per \$1,000 of assessed value for general governmental services other than the payment of principal and interest on general obligation long-term debt. For the year ended September 30, 2015, the tax rate to finance General Fund operations was \$7.93 per \$1,000 of assessed value.

Property taxes receivable representing collections within 60 days subsequent to September 30 for billings through the fiscal year then ended amounted to approximately \$2,581,824 for the General Fund.

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances as of September 30, 2015 consisted of the following:

Due To/From Other funds

	Due From				
	Pension Funds	Landfill Closure	CDBG	Nonmajor Governmental	Total
<u>Due to:</u>					
General	\$ 709	\$ 240,433	\$ 626	6,063	\$ 247,831
Total	\$ 709	\$ 240,433	\$ 626	\$ 6,063	\$ 247,831

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6. CAPITAL ASSETS

Capital assets activities for the year ended September 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Adjustments	Ending Balance
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 21,859,970	\$ -	\$ -	\$ -	\$ (25,419)	\$ 21,834,551
Construction in progress	-	2,000,374	-	(347,147)	1,210,777	2,864,004
Total capital assets, not being depreciated	21,859,970	2,000,374	-	(347,147)	1,185,358	24,698,555
Capital assets, being depreciated:						
Land improvements	16,433,488	23,393	-	-	1,140,939	17,597,820
Building and improvements	17,941,407	73,038	-	-	1,203,037	19,217,482
Infrastructure	54,749,850	1,409,689	-	347,147	(1,788,679)	54,718,007
Machinery and equipment	16,531,995	467,234	-	-	682,566	17,681,795
Library Books	2,090,776	48,545	-	-	(4,005)	2,135,316
Total capital assets, being depreciated	107,747,516	2,021,899	-	347,147	1,233,858	111,350,420
Less accumulated depreciation for:						
Land improvements	(13,877,559)	(324,936)	-	-	1,403,993	(12,798,502)
Building and improvements	(6,921,596)	(455,085)	-	-	(1,608,107)	(8,984,788)
Infrastructure	(24,783,558)	(948,262)	-	-	52,207	(25,679,613)
Machinery and equipment	(14,788,582)	(794,820)	-	-	51,138	(15,532,264)
Library Books	(2,058,027)	(7,914)	-	-	3,181	(2,062,760)
Total accumulated depreciation	(62,429,322)	(2,531,017)	-	-	(97,588)	(65,057,927)
Total capital assets, being depreciated, net	45,318,194	(509,118)	-	347,147	1,136,270	46,292,493
Governmental activities capital assets, net	\$ 67,178,164	\$ 1,491,256	\$ -	\$ -	\$ 2,321,628	\$ 70,991,048

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Adjustments	Ending Balance
Business-type activities:						
Capital assets, not being depreciated:						
Land	\$ 653,080	\$ -	\$ -	\$ -	\$ -	\$ 653,080
Construction in progress	1,075,882	2,025,778	-	(2,582,296)	143,856	663,220
Total capital assets, not being depreciated	1,728,962	2,025,778	-	(2,582,296)	143,856	1,316,300
Capital assets, being depreciated:						
Land improvements	154,211	-	-	-	-	154,211
Building and improvements	1,864,965	-	-	-	-	1,864,965
Infrastructure	71,500,937	653,698	-	2,582,296	981,700	75,718,631
Machinery and equipment	4,773,615	905,778	-	-	594,331	6,273,724
Total capital assets, being depreciated	78,293,728	1,559,476	-	2,582,296	1,576,031	84,011,531
Less accumulated depreciation for:						
Land improvements	(116,600)	(3,701)	-	-	-	(120,301)
Building and improvements	(659,897)	(44,349)	-	-	-	(704,246)
Infrastructure	(33,838,181)	(1,563,089)	-	(404,264)	(35,805,534)	(36,611,068)
Machinery and equipment	(3,619,258)	(285,320)	-	-	(487,648)	(4,392,226)
Total accumulated depreciation	(38,233,936)	(1,896,460)	-	-	(891,912)	(41,022,312)
Total capital assets, being depreciated, net	40,059,792	(336,983)	-	2,582,296	684,119	42,989,214
Business-type activities capital assets, net	\$ 41,788,754	\$ 1,688,795	\$ -	\$ -	\$ 827,975	\$ 44,305,514

Depreciation expense was charged as function/programs of the primary government and its component unit as follows:

Governmental activities:		
General government		\$ 227,772
Public safety		608,576
Transportation and public works		873,914
Culture and recreation		707,548
Physical environment		15,425
Housing and urban development		42,487
Subtotal		2,475,722
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets		55,295
Total depreciation expense – governmental activities		\$ 2,531,017
Business-type activities:		
Water and sewer		\$ 1,486,193
Stormwater		410,276
Total depreciation expense – business-type activities		\$ 1,896,469

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7. LONG TERM LIABILITIES (Continued)

Principal and interest is payable through July 1, 2029:

2010 Taxable Promissory Note (Pension) Fiscal year ended September 30:	Principal	Interest	Total
2016	\$ 670,000	\$ 1,116,138	\$ 1,786,138
2017	720,000	1,067,563	1,787,563
2018	770,000	1,015,363	1,785,363
2019	830,000	959,538	1,789,538
2020	885,000	899,363	1,784,363
2021-2025	5,500,000	3,434,687	8,934,687
2026-2029	6,020,000	1,129,189	7,149,189
	15,395,000	9,621,841	25,016,841
Deferred amount on refunding	(864,013)	-	(864,013)
Total	\$ 14,530,987	\$ 9,621,841	\$ 24,152,828

Compensated Absences

Compensated absences represent the portion of the applicable funds total estimated liability for employees' compensation for future absences. The estimated liability includes an accrual for salary related costs (employer's share of social security and Medicare taxes). Adjustments were made for employees earning more than the taxable wage base and for certain other exclusions. The estimated liability is measured using rates in effect at the balance sheet date; benefits are computed at current salary rates at the time of payment. Upon separation from City service, vacation leave is paid at 100% and sick leave is paid at 25% to 100% depending on years of service. The General Fund has primarily been used in prior years to liquidate the liability for compensated absences.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7. LONG TERM LIABILITIES

Governmental Activities

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Debt payable:					
Pension obligation bonds-Series 2010	\$ 16,020,000	\$ -	\$ (625,000)	\$ 15,395,000	\$ 670,000
Unamortized bond premiums/ discount and deferred amount on refunding	(970,375)	-	106,362	(864,013)	102,096
Capital lease obligation	92,215	314,659	(128,557)	278,317	108,334
OPEB	7,173,183	1,382,170	(426,439)	8,128,914	-
Total debt payable	22,315,023	1,696,829	(1,073,634)	22,938,218	880,430
Other liabilities:					
Compensated absences	\$ 5,488,600	\$ 1,959,353	\$ (1,553,940)	\$ 5,894,013	\$ 1,248,220
Landfill closure	13,074,231	-	(2,169,987)	10,904,244	-
Net pension liability*	-	40,818,197	-	40,818,197	-
Claims payable (risk)	4,641,184	-	(1,854,118)	2,787,066	-
Claims payable (other)	435,864	-	-	435,864	-
Total other liabilities	23,639,879	42,777,550	(5,578,045)	60,839,384	1,248,220
Governmental activities long-term liabilities	\$ 45,954,902	\$ 44,474,379	\$ (6,651,679)	\$ 83,777,602	\$ 2,128,650

*The net pension liability is now included in accordance with the implementation of GASB 68 and 71 as discussed further in Note 10.

For governmental activities, compensated absences, net pension liabilities and other post-employment benefit obligation are generally liquidated by the General Fund. Internal Service Funds predominantly serve the governmental funds. Accordingly, their long-term liabilities for compensated absences, net pension liabilities and the other post-employment benefit obligation are included as part of the above totals for governmental activities.

Note Payable

On February 1, 2010, the City issued City of North Miami Promissory Note, Series 2010, in the amount of \$17,685,000 for the purpose of current refunding of the City's outstanding Taxable Special Obligation Refunding Bonds (Pension), Series 2002, and to pay a termination fee due with respect to a related interest rate swap. The interest rate on the Note is 7.25% per annum. The difference between the reacquisition price (new debt) and the carrying value of the refunded debt is being deferred and amortized over the life of the new debt. Debt service on this note is funded by non-ad valorem revenues budgeted and appropriated by the City on an annual basis.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7. LONG TERM LIABILITIES (Continued)

Business-type Activities

The following is a summary of changes in long-term liabilities of the City for business-type activities for the year ended September 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Debt payable:					
FMLC loan (stormwater)	\$ 2,575,000	\$ -	\$ (315,000)	\$ 2,260,000	\$ 330,000
Unamortized bond premiums and discount	41,357	-	(8,676)	32,681	7,362
State Revolving Fund Loan	214,840	1,828,708	-	2,043,548	-
Capital lease obligations	233,089	-	(132,324)	100,765	100,765
Total debt payable	3,064,286	1,828,708	(456,000)	4,436,994	438,127
Other liabilities:					
Compensated absences	691,470	241,923	(198,814)	734,579	122,832
Net pension liability*	-	5,065,902	-	5,065,902	-
OPEB	910,906	174,378	(53,801)	1,031,483	-
Total other liabilities	1,602,376	5,482,203	(252,615)	6,831,964	122,832
Business-type activities long-term liabilities	\$ 4,666,662	\$ 7,310,911	\$ (708,615)	\$ 11,268,958	\$ 560,959

*The net pension liability is now included in accordance with the implementation of GASB 68 and 71 as discussed further in Note 10.

Loan Payable

Stormwater Utility Loan

On November 15, 2001, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$5,545,000 with interest rates on the loan ranging from 3.25% to 5.25%. The purpose of the loan was to finance the cost of certain stormwater capital improvement projects.

The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2001A). The FMLC-Series 2001A bonds were issued at a premium (104.796%).

This debt is subject to arbitrage. The arbitrage rebate requirement requires issuers of tax-exempt debt to rebate to the U.S. Treasury investment income arising from proceeds of tax-exempt debt to the extent that such income results from investment yield in excess of the bond yield. As a result of continued low interest rates, at September 30, 2015, the City did not have an arbitrage liability.

Debt Service Requirements to Maturity

Principal and interest are payable through November 1, 2021.

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**CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7. LONG TERM LIABILITIES (Continued)

The Stormwater Utility FMLC Loan-Series 2001A consist of the following at September 30, 2015:

FMLC Loan - 2001A	Principal	Interest	Total
Fiscal year ended September 30:			
2016	\$ 330,000	\$ 103,913	\$ 433,913
2017	350,000	86,063	436,063
2018	365,000	67,294	432,294
2019	385,000	48,569	433,569
2020	830,000	35,900	865,900
	2,260,000	341,739	2,601,739
Unamortized premium	32,681	-	32,681
Total	\$ 2,292,681	\$ 341,739	\$ 2,634,420

Clean Water and State Revolving Fund Loan

In March 2015, the City entered into a loan agreement with the State of Florida Department of Environmental Protection for a State Revolving Fund ("SRF") loan in the amount of \$491,653 with interest rate of 1.59%. The purpose of the loan was to provide financial assistance for the planning and designing of the City's major sewer rehabilitation project. At September 30, 2015, the total amount disbursed was \$214,840.

Pledged Revenues

The City issues debt that is secured by a pledge of specific revenues. Total pledged revenues to repay principal and interest on the debt as of September 30, 2015 are as follows:

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**CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City provides an optional single-employer defined benefit post-employment healthcare, dental, and group term life insurance plan to eligible individuals. The plan allows employees and their beneficiaries, at their own cost to continue to obtain health, dental, and life insurance benefits upon retirement.

Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the City and eligible dependents may continue to participate in the City's health, dental, and group term life insurance plan. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plans at reduced or blended group premium rates for both active and retired employees. These rates provide an implicit rate subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan than those of active employees.

The City also provides an explicit health insurance subsidy with respect to certain retirees or their beneficiaries. The children of police officers who are killed in the line of duty receive a 100% subsidy for their health insurance until age 18 (or age 25) if a full-time student.

In 1997, the City offered a one-time Retirement Incentive to employees who had at least twenty years of City service and who were at least 50 years of age. The incentive was City paid group health premiums until age 65. Since October 1997, the City provides paid group health insurance premiums until age 65 for elected officials of the City who have served a minimum of two complete terms of office, and their tenure as an elected official commenced after May 1, 1991.

Additionally, since October 2000, the City provides paid group health insurance premiums for any former member of the Administrative Staff who has completed ten years or more of satisfactory service to the City as a member of the Administrative Staff, or has completed twenty years or more of satisfactory service with the City.

In accordance with the October 1, 2005, Police Bargaining Agreement, effective for police officers retiring after January 1, 2007, the City contributes \$200 toward the monthly premium for single coverage through the City's group health insurance. Retired officers, who do not elect to remain with the City's group insurance, receive a monthly payment of \$200. The \$200 contribution by the City is payable until the retired member becomes eligible for Medicare.

Funding Policy and Annual OPEB Cost

The City does not directly contribute to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates that are charged for active employees. The premiums vary depending on the benefits selected and whether the retiree elects single or family coverage. The premium also varies depending on whether the retiree elects coverage under the HMO or POS plan.

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**CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7. LONG TERM LIABILITIES (Continued)

Source of Revenue Pledged	Non Ad-Valorem
Governmental Activities:	
Description of debt	Taxable Promissory Note-Series 2010 (Pension)
Purpose of debt	Advance refunding Taxable Special Obligation Bonds -Series 2002
Current revenue pledged	\$59,728,803
Total future revenues pledged (1)	\$25,016,841
Term of commitment	2010-2029
Current year debt service	\$1,786,138
Percentage of debt service to pledged revenues(current year)	2.99%

Source of Revenue Pledged	Non Ad-Valorem
Business Type Activities:	
Description of debt	FMLC Loan-Series 2001A (stormwater)
Purpose of debt	Capital improvement projects
Current revenue pledged	\$59,728,803
Total future revenues pledged (1)	\$2,601,739
Term of commitment	2002-2021
Current year debt service	\$435,495
Percentage of debt service to pledged revenues(current year)	0.73%

(1) Total future principal and interest payments for variable rate debt based on interest rate in effect at September 30, 2009.

Capital Leases

The City has entered into lease purchase agreements as lessee for financing the acquisition of vehicles and/or equipment in the General Fund, Water and Sewer Fund, Solid Waste Services, and Stormwater Utility Fund. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments as of the inception date.

Future minimum lease payments and the present value of net minimum lease payments as of September 30, 2015, are as follows:

Fiscal year ending September 30:	Governmental Activities	Business-type Activities
2016	\$ 108,202	\$ 100,765
2017	65,630	-
2018	48,186	-
2019	56,299	-
Total minimum lease payments	278,317	100,765
Less amount representing interest	(11,336)	(2,722)
Present value of net minimum lease payments	\$ 266,981	\$ 98,044

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**CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (Continued)

However, the City's actuary, in the actuarial valuation, calculates an offset to the cost of these benefits as an employer contribution, based on the implicit rate subsidy. This offset equals the total age-adjusted premiums 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

As of September 30, 2015, there were 127 retirees and eligible dependents receiving postemployment healthcare benefits. The annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution, of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a funding level that, if paid on an on-going basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 10 years.

The annual OPEB cost for the current year and related information is as follows:

	2015
Required contribution rates:	
Employer	Pay-as-you-go
Plan members	N/A
Annual required contribution (ARC)	\$ 2,191,545
Interest on net OPEB obligation	323,363
Adjustment to ARC	(958,360)
Total annual OPEB cost (Expense)	1,556,548
Employer contributions made	(480,239)
Increase in net OPEB obligation	1,076,309
Net OPEB obligation, beginning of year	8,084,084
Net OPEB obligation, end of year	\$ 9,160,393

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year ending September 30, 2015, is listed below:

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of OPEB Contributed	Net OPEB Obligation
2009	\$ 1,691,000	\$ 255,000	15.1%	\$ 1,431,000
2010	1,659,000	255,000	15.4%	2,830,000
2011	1,629,000	289,000	17.7%	4,164,000
2012	1,610,000	289,000	18.0%	5,479,000
2013	1,958,363	627,732	32.1%	6,809,631
2014	1,962,345	687,892	35.1%	8,084,084
2015	1,556,548	480,239	35.1%	9,160,393

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress

The funded status of the plan as of September 30, 2015, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAI) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAI as a Percentage of Covered Payroll (b-a)/c
October 1, 2014	\$ -	\$ 13,855,537	\$ 13,855,537	0.0%	\$ 19,396,334	71.4%

The actuarial valuation for the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in 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 to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the City has not contributed assets to the plan at this time.

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, 2014
Amortization method	10-year open period, level-dollar payment
Remaining amortization period	10 years
Actuarial assumptions:	
Investment rate of return	4.00% per annum
Includes inflation at	3.00% per annum
Healthcare cost trend rates:	<u>Insurance Premiums</u>
Select rates	7.5% beginning January 1, 2014 graded down to 5.07% in 2022
Ultimate rate	4.00%

The City's Public Employee Retirement Systems ("PERS") administers two single-employer defined benefit pension plans established to provide pension, disability and death benefits for its employees and

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9. SELF-INSURANCE (Continued)

The General Risk Management Internal Service Fund consists of the following:

Workers' Compensation

All workers' compensation costs are paid from the self-insurance fund, up to \$500,000 self-insured retention, with all operating funds of the City assessed a charge based upon the requirements of the self-insurance fund and their relative share of the total risk. As claims are reported they are investigated by claims personnel, and an estimate of liability on a case-by-case basis is established. The estimated liabilities are periodically reviewed and revised as claims develop.

General Liability

Departments of the City are assessed for general and automobile liability coverage based upon the requirements of the self-insurance fund and their relative share of the total risk. The City has continued to purchase certain casualty insurance for which the premium is small in relation to the coverage provided. As the casualty claims are reported, they are investigated by the claims personnel and an estimate of liability on a case-by-case basis is established.

Estimated Claims Liability

The estimated claims liability of \$4,641,184 in the General Risk Management fund includes estimates for claims incurred but not reported (IBNR) and allocated loss adjustment expenses (ALAE). The estimates are based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the estimated claims liability are as follows:

	Workers' Compensation	General Liability	2015 General Risk Total	2014 General Risk Total
Estimated claims liability at beginning of year	\$ 1,964,730	\$ 2,676,454	\$ 4,641,184	\$ 4,812,192
Current year claims and changes in estimates (including IBNR)	1,075,042	(1,345,990)	(270,948)	594,335
Claim payments	(1,094,181)	(488,990)	(1,583,171)	(765,343)
Estimated claims liability at end of year - hard number ->	\$ 1,945,591	\$ 841,474	\$ 2,787,065	\$ 4,641,184

The City carries specific excess Workers' Compensation insurance to secure statutory worker's compensation coverage in excess of the self-insured retention. In 2015, there were no significant reductions in insurance coverage from the prior year. During the past five years, there have been no settlements that exceeded insurance coverage. Medical expenses in two cases have exceeded the \$500,000 self-insured retention and the City has obtained reimbursement for expenses over and above the self-insured retention. The City continues to seek annual recovery as the cases are ongoing.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (Continued)

beneficiaries: Clair T. Singerman Employees' Retirement System (CTS Plan) and the North Miami Police Pension Plan (748 Plan).

The CTS Plan was established by Ordinance 691 effective January 1, 1968. On January 1, 1977, the City froze future participation in the CTS Plan and established the 748 Plan by Ordinance 748 for all employees hired after that date and for all employees under the CTS Plan who elected to join the new plan.

NOTE 9. SELF-INSURANCE

The City maintains a self-insurance program accounted for in the internal service funds. The General Risk Management fund was established by City Ordinance to account for insurance activities relating to workers' compensation and general liability risks. Charges to departments are based upon amounts determined by management to be necessary to meet the required annual payouts during the fiscal year and to maintain adequate fund reserves. The funding level and estimated claims liability for workers' compensation and general liability for fiscal year 2015 is based on recommended funding requirements for fiscal year 2015, as determined by a self-insurance actuarial review as of September 30, 2015, performed by outside consultants.

The City is exposed to various risks of loss for workers' compensation and general liability. The other exposures include theft, and errors and omissions, for which the City carries commercial insurance.

As of September 30, 2015, the City's risk retention for certain types of risk is as follows:

	Retention/Deductible	Coverage after Retention/Deductible
Self-insured:		
Workers' compensation	Self-insured retention of \$500,000	Excess worker's compensation Part I - Statutory Part II - \$1,000,000 (employers liability)
General liability (includes automobile)	Fully self-insured	F.S. 768.28 (\$200,000 individual, \$300,000 occurrence)
Commercial insurance:		
Property:		
Property, multi-peril	\$5,000	\$61,164,583
Boiler and machinery	\$1,000	\$50,000,000
Flood	Buildings: \$500 to \$1,000 Contents: \$1,000 to \$2000 varies according to facility	Buildings: \$25,000 to \$333,000 Contents: \$0 to \$200,000 varies according to facility
Other:		
Police professional liability	\$25,000/claim & \$75,000/aggregate	\$2,000,000 each wrongful act and aggregate
Public officials' liability	\$50,000 EPLI/wrongful acts	\$2,000,000 loss and aggregate

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. EMPLOYEE RETIREMENT PLANS

I. Pension Plans Administered by the City of North Miami

The City of North Miami (the City or the Employer) is the administrator of two single employer defined benefit pension plans established to provide pension benefits for its employees: Clair T. Singerman Plan ("CTS") and the North Miami Police Pension Plan (the "748" Plan). Each plan is administered by a seven member Board of Trustees who are either appointed by Ordinance or elected from among Plan participants.

On April 3, 1994, the City transferred all general employees who were in the 748 Plan to the CTS Plan, thereby limiting 748 Plan participation to sworn police personnel hired after January 1, 1977. The CTS Plan covers police officers hired before January 1, 1977, and all general employees and former North Miami firefighters.

Each of the Plans issues a publicly available report that includes financial statements and required supplementary information for the Plan. These reports may be obtained by writing to: North Miami Employees' Retirement Systems, 776 N.E. 125th Street, North Miami, Florida 33161.

Basis of Accounting

The financial statements of the Plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Interest and dividends are recorded as earned.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. Net appreciation or depreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Purchases and sales of securities are recorded on the trade-date. Dividends are recorded on the ex-dividend date.

Within certain limitations as specified in the Plans, the investment policy is determined by the Board of Trustees and is implemented by the Plan's investment managers. A financial consultant monitors the investment managers.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

North Miami Police Pension Plan (748)

Plan Description

The City of North Miami (the City or the Employer) is the administrator of a single-employer defined benefit pension plan established to provide pension benefits for its employees. The plan is administered by a seven member Board of Trustees comprised of three members occupying positions specifically designated by Ordinance and four elected police members.

Effective January 1, 1977, the City established a retirement system by Ordinance 748 for all employees hired on or after that date and for all employees under the City's then existing retirement system, the Clair T. Singerman Employees' Retirement System (691 plan), who elected to join the new Plan. Effective April 3, 1994, all general employees were transferred to the 691 plan. In effect, this Plan's membership is now restricted to sworn police personnel hired on or after January 1, 1977. This Plan provides retirement benefits as well as death and disability benefits. Since the Plan is a single-employer public employees' retirement system sponsored by the City, the Plan is considered part of the City's financial reporting entity and is included in the City's financial statements as a pension trust fund. The latest available actuarial valuation is as of October 1, 2014 (beginning of year valuation date); however, employer contribution requirements for the year ended September 30, 2015 were based on the October 1, 2013 valuation. Benefit and contribution provisions are established by City ordinance and may be amended only by the City Council.

Membership in the Plan as of September 30, 2015 is as follows:

Inactive plan members and beneficiaries currently receiving benefits	37
Inactive plan members entitled but not yet receiving benefits	-
Active plan members	112
Total	149

Pension Benefits

Plan members become partially vested (25%) after 5 years credited service, increasing 15% annually, with full vesting after 10 years of credited service. Normal retirement is the earlier of age 55 and 10 years of service or age 50 and 20 years of service. A member may elect to receive in a lump sum at retirement an amount, which is the actuarial equivalent of the benefits otherwise payable under the Plan.

Early retirement is available at age 50 and 10 years of service. For certain members hired on or before December 31, 2006, early retirement is also available after 20 years of service regardless of age.

Normal retirement benefits are based on 1% of average final compensation (AFC) multiplied by the years of service up to July 1, 1979, plus 3% of average final compensation for the years of service from June 30, 1979 to June 30, 1997; and 3.5% of AFC for the years of service on or after July 1, 1997. Additionally, accumulated Plan member contributions up to September 30, 1982, are

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

Net Pension Liability

Components of the net pension liability of the City at September 30, 2015:

	North Miami Police Pension Plan (748)
Total pension liability	\$80,525,496
Plan fiduciary net position	(55,388,281)
Net pension liability	\$25,137,215
Plan fiduciary net position as a percentage of total pension liability	68.78%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2014, and rolled forward to September 30, 2015, using the following actuarial assumptions:

Inflation	3.00%
Salary increase	3.50% - 9.40% depending on service
Investment rate of return	8.20%
Mortality - RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected using Scale AA after 2000	

Long-Term Expected Rate Of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Small cap equity	10.00%	8.50%
Mid cap equity	10.00%	8.25%
International equity	5.00%	8.00%
Large cap equity	40.00%	7.88%
Real estate	10.00%	6.00%
Fixed	5.00%	2.70%
Intermediate fixed	20.00%	1.80%

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

payable to the member in a lump sum upon termination or retirement.

Terminated members with less than five years creditable service receive their contribution plus accrued interest accumulated since initial employment. Partially vested members receive the greater of member contributions plus accrued interest or the sum of member contributions prior to October 1, 1982, plus their vested benefits.

Cost of Living Adjustment

Members who retire after October 1, 2004, (not due to disability) and elect an annuity form of payment receive an annual cost of living adjustment each April 1st. These retirees may choose a 1.92% COLA with a one-year delay, a 2.50% COLA with a three-year delay, or a 3.00% COLA with a five-year delay.

Contributions and Funding Policies

Employees contribute 9.51% or 11.51% of their base salaries or wages based on the Plan's investment performance. Interest is credited annually on members' accumulated contributions at a rate of interest determined at the discretion of the Board of Trustees. The interest rate was 0.10% for 2015 and 0.17% for 2014. Employer and state contributions for the fiscal years ended September 30, 2015 and 2014 were 38.66% and 39.35%, respectively, of covered payroll.

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due. The actuarial cost method used for determining the contribution requirements of the Plan is the Entry Age Normal.

Pursuant to Chapter 185, Florida Statutes, a portion of all insurance premium tax monies received in excess of \$147,586 (the 1997 threshold) is utilized by this Plan for the purchase of additional benefits for sworn police personnel. The excess of insurance premium tax monies allocated to pay for additional benefits in this plan amounted to \$82,682 for both of the fiscal years ended September 30, 2015 and 2014, and is reported as other contributions; the receivable balance as of both September 30, 2015 and 2014 was \$82,682. The excess funds are received by the City of North Miami Police Share Plan and are held there until the plan determines what benefit enhancements will be made. All other insurance premium tax monies, to the extent they do not exceed the threshold, remain with the City of North Miami's Police Share Plan.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the Pension Plan.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

Discount Rate - A single discount rate of 8.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.20%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (8.20%) was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

The following table shows the Plans changes in Net Pension Liability based on the actuarial information provided to the City at September 30, 2015:

North Miami Police Pension Plan	2014	2015
Total pension liability		
Service cost	\$ 2,474,226	\$ 2,364,576
Interest	5,987,806	6,407,038
Benefit changes	-	-
Difference between actual & expected experience	-	(2,551,912)
Assumption changes	-	973,319
Benefit payments	(3,537,498)	(2,992,356)
Refunds	(72,946)	-
Other	-	-
Net change in total pension liability	4,851,588	4,200,665
Total pension liability - beginning	71,473,243	76,324,831
Total pension liability - ending (a)	\$ 76,324,831	\$ 80,525,496
Plan fiduciary net position		
Contributions - employer	3,111,318	3,358,659
Contributions - non-employer contributing entity	82,682	82,682
Contributions - member	791,906	846,576
Net investment income	4,880,999	1,672,653
Benefit payments	(3,537,498)	(2,992,356)
Refunds	(72,946)	-
Administrative expense	(132,090)	(126,435)
Net change in plan fiduciary net position	5,124,371	2,841,779
Plan fiduciary net position - beginning	47,422,133	52,546,504
Plan fiduciary net position - ending (b)	\$ 52,546,504	\$ 55,388,283
Net pension liability - ending (a) - (b)	23,778,327	25,137,213
Plan fiduciary net position as a percentage of total pension liability	68.85%	68.78%
Covered employee payroll	\$ 8,327,087	\$ 8,901,956
Net pension liability as a percentage of covered employee payroll	285.55%	282.38%

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Below is a table providing the sensitivity of the net pension liability of the City to changes in the discount rate. In particular, the table presents the Plan's net pension liability, if it were calculated using a single discount rate of 8.20%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease 7.20%	Single Discount Rate Assumption 8.20%	1% Increase 9.20%
Net pension liability	\$ 36,012,484	\$ 25,137,215	\$ 16,193,495

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

For the year ended September 30, 2015, the City recognized pension expense of \$3,682,902. At September 30, 2015, the City reported deferred (outflows)/ inflows of resources related to pensions from the following sources:

	North Miami Police Pension Plan (748)	
	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	679,001
Employer contributions made subsequent to the measurement date	-	-
Total	\$ -	\$ 679,001

The deferred outflows of resources related to the Plan, totaling \$3,358,659, resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2016	\$(169,750)
2017	(169,750)
2018	(169,750)
2019	(169,751)
Total	<u>\$(679,001)</u>

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

in a lump sum at retirement an amount, which is the actuarial equivalent of the benefits otherwise payable under the Plan. Normal retirement benefits are based on 2.5% of average final compensation multiplied by the years of services through June 30, 1969 plus 3% of average final compensation for years of service after July 1, 1969. However, for any year prior to October 1, 1968 during which a member contributed less than 7% of compensation, the benefit percentage for each year varies per the Ordinance. A terminating member with less than five years creditable service shall receive his/her contribution plus accrued interest accumulated since initial employment. Partially vested members shall receive the greater of member contributions plus accrued interest or the sum of member contributions prior to October 1, 1982, and his/her vested benefits.

Cost of Living Adjustment

Members who retire after October 1, 2004 (not due to disability) and elect an annuity form of payment receive an annual cost of living adjustment each April 1st. These retirees may choose a 1.92% COLA with a one-year delay, a 2.50% COLA with a three-year delay, or a 3.00% COLA with a five-year delay.

Contributions and Funding Policies

Plan members contribute 7% of their compensation. Interest is credited annually on Members' accumulated contributions through the prior year-end. The interest rate, determined by the Board of Trustees, was 0.1% in 2015 and 0.2% in 2014. Employer contributions for the fiscal years ended September 30, 2015 and 2014 were 45.91% and 37.20% respectively, of covered payroll. The total employer contribution on the statement of changes in fiduciary net position is \$5,452,219 for 2015 and \$4,024,959 for 2014.

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due. The actuarial cost method used for determining the contribution requirements for the Plan is the Entry Age Normal.

Contributions required on an actuarial basis to provide benefits for former City firemen who had elected to remain in the Plan upon their transfer to the Miami-Dade County Fire Department on October 1, 1969, are made by Miami-Dade County and the State of Florida - Bureau of Municipal Police and Firefighters' Retirement Fund pursuant to Chapter 175, Florida Statutes.

Pursuant to Chapter 185, Florida Statutes, a portion of all insurance premium tax monies received in excess of \$147,586 (the 1997 threshold) are utilized by this Plan for the purchase of additional benefits for the one remaining sworn police personnel that was included in this Plan prior to 1976. The excess of insurance premium tax monies amounted to \$1,253 for both of the fiscal years ended September 30, 2015 and 2014, and is reported as other contributions; the balance to be received as of September 30, 2015 and 2014 was \$30,449 and \$29,196,

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

Clair T. Singerman Plan (691)

Plan Description

The City of North Miami (the City or the employer) is the administrator of a single-employer defined benefit pension plan established to provide pension benefits for its employees. The Plan is administered by a seven member Board of Trustees comprised of one firefighter elected from firefighter members, one police officer elected from police members, two ex-officio members occupying positions specifically designated by Ordinance, and three elected general employee members.

The Clair T. Singerman Employees' Retirement System was established by the City's Ordinance 691 effective January 1, 1968. The Plan is considered part of the City's financial reporting entity and is included in the City's financial statements as a pension trust fund. All full-time employees are eligible except for sworn police personnel hired after 1976. The latest actuarial valuation is as of October 1, 2014 (beginning year of valuation date); however, the required employer contribution for the fiscal year ended September 30, 2015 is based on the October 1, 2013 actuarial valuation. Benefit and contribution provisions are established by City ordinance and may be amended only by the Board of Trustees, subject to approval of the City Council.

Membership in the Plan as of September 30, 2015 is as follows:

Inactive plan members and beneficiaries currently receiving benefits	228
Inactive plan members entitled but not yet receiving benefits	2
Active plan members	243
Total	<u>473</u>

Pension Benefits

General Plan members and police personnel not included in the police bargaining unit become partially vested (25%) after 5 years of credited service, increasing 15% annually, with full vesting after 10 years of credited service. All other police personnel become fully vested after 14 years.

Normal retirement is for:

- Plan members who retire at the earlier of age 55 and 20 years of service or age 62 and 10 years for general members.
- Plan members who retire at age 50 and 20 years of service for police and firefighters.

Early retirement is available after completion of 14 years of service for all Plan members. General members may also be eligible at age 55 after 10 years of service. A member may elect to receive

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

respectively. The funds were received by the City of North Miami's Police Share Plan, and are held there until this Plan determines what benefit enhancements will be made. All other insurance premium tax monies, to the extent they do not exceed the threshold remain with the City of North Miami's Police Share Plan.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the Pension Plan.

Net Pension Liability

Components of the net pension liability of the City at September 30, 2015:

	Clair T. Singerman Pension Plan (691)
Total pension liability	\$122,273,440
Plan fiduciary net position	(97,820,175)
Net pension liability	<u>\$ 24,453,265</u>

Plan fiduciary net position as a percentage of total pension liability 80.00 %

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2014, and rolled forward to September 30, 2015, using the following actuarial assumptions:

Inflation	3.00%
Salary increase	5.00% - 7.50% depending on service
Investment rate of return	7.50%

Mortality table RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA.

Long-Term Expected Rate Of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equity	41.00%	7.88%
Small cap equity	9.00%	8.50%
International equity	10.00%	8.00%
Intermediate fix	15.00%	1.80%
Real estate	10.00%	6.00%
Fixed	15.00%	2.70%

Discount Rate - A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (7.50%) was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

The following table shows the Plans changes in Net Pension Liability based on the actuarial information provided to the City at September 30, 2015:

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

Clair T. Singerman Employees Retirement System

	2014	2015
Total pension liability		
Service cost	\$ 2,250,457	\$ 2,438,790
Interest	8,638,765	8,937,243
Benefit changes	-	-
Difference between actual & expected experience	-	(2,263,638)
Assumption changes	-	-
Benefit payments	(6,939,695)	(6,863,520)
Refunds	(185,090)	(265,792)
Other	1,253	1,253
Net change in total pension liability	3,765,690	1,984,336
Total pension liability - beginning	116,523,413	120,289,103
Total pension liability - ending (a)	\$ 120,289,103	\$ 122,273,439
Plan fiduciary net position		
Contributions - employer	4,196,181	5,598,011
Contributions - non-employer contributing entity	1,253	1,253
Contributions - member	789,599	853,456
Net investment income	9,493,224	804,516
Benefit payments	(6,939,695)	(7,148,843)
Refunds	(185,090)	(236,343)
Administrative expense	(284,291)	(235,209)
Net change in plan fiduciary net position	7,071,181	(363,159)
Plan fiduciary net position - beginning	91,112,153	98,183,334
Plan fiduciary net position - ending (b)	\$ 98,183,334	\$ 97,820,175
Net pension liability - ending (a) - (b)	22,105,769	24,453,264
Plan fiduciary net position as a percentage of total pension liability	81.62%	80.00%
Covered employee payroll	\$ 11,279,986	\$ 12,192,229
Net pension liability as a percentage of covered employee payroll	195.97%	200.56%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Below is a table providing the sensitivity of the net pension liability of the City to changes in the discount rate. In particular, the table presents the Plan's net pension liability, if it were calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability would be if

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

it were calculated using a single discount rate that is 1- percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease 6.50%	Single Discount Rate Assumption 7.50%	1% Increase 8.5%
Net pension liability	\$ 39,987,182	\$ 24,453,266	\$ 11,587,160

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

For the year ended September 30, 2015 the City recognized pension expense of \$2,921,232. At September 30, 2015, the City reported deferred outflows/ and inflows of resources related to pensions from the following sources:

	Clair T. Singerman (691)	
	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,200,511
Employer contributions made subsequent to the measurement date	5,598,011	-
Total	\$5,598,011	\$2,200,511

The deferred outflows of resources related to the Plan, totaling \$5,598,011, resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the fiscal year ended September 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	
2016	\$ (550,128)
2017	(550,128)
2018	(550,128)
2019	(550,127)
Total	\$ (2,200,511)

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

II. Pension Plans Administered by the State of Florida

Plan Description

Effective January 2002, the City began participating in the Florida Retirement System (FRS) (Elected Officers' Class), a cost-sharing multiple employer defined benefit pension plan. Benefit provisions are established under Chapter 121, Florida Statutes, which may be amended by the Florida legislature. This Plan provides retirement, disability, and death benefits to elected officials of the City of North Miami and their beneficiaries. The FRS is administered by the State of Florida. Benefits vest after six years of credited service and are computed on the basis of service credit, average final compensation, and the percentage value earned for each year of service credit.

The percentage value for service in the Elected Officers' Class is 3% per year of service. FRS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. Copies of the report may be obtained by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

Contributions and Funding Policy

The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. The contribution rate for fiscal year 2015 was 42.47% of covered payroll. The Plan is non-contributory on the part of the members.

The following are the required contributions and the percentage contributed by the City of North Miami for the current year and the preceding two years:

Fiscal Year Ending	Annual Required Contribution (ARC)	Percent Contributed
September 30, 2013	\$ 25,091	100.0%
September 30, 2014	35,634.00	100.0%
September 30, 2015	52,492.00	100.0%

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 11. DEFINED CONTRIBUTION PLANS

The City of North Miami Police Officers' Retirement Pension Fund Share Plan (Ord. 592.1.1) (the Plan) was established to provide retirement benefits for police officers of the City of North Miami. These benefits are funded from the State of Florida insurance premium tax monies and are in addition to benefits provided by the City of North Miami's retirement system. A separate Board of Trustees is responsible for the administration of this Plan. In accordance with GASB Statement No. 24, the City recognized \$310,727 as on behalf payments for contributions of these premiums into the Plan.

The Plan issues a publicly available report that includes financial statements and required supplementary information. This report may be obtained by writing to: City of North Miami Police Department, 700 N.E. 124th Street, North Miami, Florida 33161. This Plan is administered by the City.

The Managers' Pension Plan is an IRS Section 401(a) defined contribution pension plan for those members of the Administrative Staff not eligible to participate in the City's defined benefit pension plan. This Plan is funded through employer contributions consisting of 10% of a participant's compensation. This Plan can only be amended by the City Council. During fiscal year 2015, the City contributed approximately \$25,000 into this Plan, which is administered through a third party administrator.

In May 1968, the City established the Excess Benefit Plan, a qualified governmental excess benefit arrangement as defined in Section 415 (M) (3) of the Internal Revenue Code. The City contributed approximately \$45,959 into this Plan. This Plan is administered by the City.

NOTE 12. ENVIRONMENTAL MATTERS (Munisport/Interama)

(i) Historical Background

In 1970, the City acquired 350 acres of land (a/k/a Biscayne Landing), for approximately \$11,800,000, from the proceeds of \$12,000,000 General Obligation Bonds, issued to provide financial assistance to the Inter-American Center Authority (Interama), an agency established by the State of Florida to develop an international cultural and trade center for the Americas. The project never materialized. Interama never repaid the City for the bond proceeds.

The City subsequently entered into a 30-year lease agreement with a company formed to develop a recreation project on the Interama land. The company subsequently operated a portion of the property as a dumpsite, and the property became the subject of controversy arising principally from site related environmental issues involving the City, the company, various governmental agencies and others, which controversy restricted its use and development. Accordingly, the recreation project was never completed and the company abandoned the premises.

In 1981, the Florida Department of Environmental Regulation (a/k/a FDEP) filed a suit against the City to close the portion of the land, which was operated as a dumpsite (landfill). The landfill

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 12. ENVIRONMENTAL MATTERS (Munisport/Interama) (Continued)

The following is a schedule of restricted assets and activity of the closure escrow account in the Landfill Closure special revenue fund, presented on a cash basis, as of the year ended September 30, 2015:

Restricted assets:	
Cash in bank (money market fund at City National Bank)	\$ 11,149,456
Beginning balance, October 1, 2014	\$ 12,833,798
Receipts	-
Interest	39,714
Other	(74,074)
(Withdrawals)	(1,649,982)
Ending balance, September 30, 2015	\$ 11,149,456

The schedule of restricted cash activity is only intended to present the activity of restricted assets segregated for the purpose of complying with Rule 62-701.630(5)(c), Florida Administrative Code. The schedule of restricted assets was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting policies. All funds on deposit are restricted for landfill closing.

(iv) Long-term Care Escrow Account

The City opened a second escrow account for the purpose of funding the landfill's long term care costs. This account will remain dormant until the time of facility closing where it will be funded in accordance with Rule 62-701.630(5)(c), Florida Administrative Code. Therefore, as of September 30, 2015, the balance in this escrow account is \$0.

(v) Compliance with Rule 62-701.630(5)(c), Florida Administrative Code

As provided by Rule 62-701.630(5)(c), Florida Administrative Code, the City is required to annually submit to the Florida Department of Environmental Protection an audit of the landfill closure account with a list of all deposits and withdrawals made. For the year ended September 30, 2015, withdrawals of \$2,300,775 were made from the account, and no additional deposits, other than interest received of \$45,580 were made.

(vi) Overall Outlook

The agreement provided for development of the site with the City receiving income from sales of units and from an annual ground lease; (see Note 15 Biscayne Landing Lease and Note 17 Subsequent Events). It is the City's opinion that any ultimate loss to the City concerning the environmental matters pertaining to the former Munisport site will be offset by the future use of the land.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 12. ENVIRONMENTAL MATTERS (Munisport/Interama) (Continued)

has not operated since 1980 and the City, State and DERM have worked together to produce a closure plan, pursuant to a Consent Agreement.

On February 10, 1998, the City voluntarily executed a Consent Agreement with the Miami-Dade County Department of Environmental Resources Management ("DERM") to carry out groundwater remedial measures required by Florida law and County ordinance.

In December 2002, the City entered into a Development Agreement for the site. Although the developer has assumed responsibility for the cleanup, the City is ultimately liable for remediation and closure of the site.

(ii) Recent Studies and Developments

A Remediation and Landfill Closure Cost Projection completed in 2015, estimates the cost of remediation and closure at approximately \$13.1 million. This cost estimate is a decrease from a previous cost projection of \$13.6 million and is based on the proposed groundwater remediation system, the re-evaluated stormwater management system, and the closure-related activities. While this latest method has tentatively been approved by the Miami-Dade County Department of Environmental Resources Management ("DERM") and the Florida Department of Environmental Protection (FDEP), the newly proposed groundwater remediation system is at the conceptual level as of September 30, 2015, and uncertainties remain as to the ultimate cost of the remediation and closure.

During 2015, the City incurred approximately \$2.3 million in site closure costs, which is reflected in the Landfill Closure fund.

In addition to the remediation and closure of the site, it is estimated that long-term closure care costs will be approximately \$606,547 per year over 30 years, for a projected total cost of approximately \$18.2 million.

(iii) Landfill Closure Escrow Account

On December 22, 2004, the City received \$31,027,000 in grant funds from Miami-Dade County to be used towards financing the remediation and closure costs of the "Munisport" landfill site. The funds were deposited into the Munisport landfill closure escrow account.

The Landfill Closure special revenue fund accounts for the restricted assets activity used to fund landfill closure costs. Within this fund, deposits are made to the fund's restricted assets account for the purpose of complying with the Florida Department of Environmental Protection's escrow requirements of Rule 62-701.630(5)(c), Florida Administrative Code. The rule requires that once the landfill ceases to receive waste, the closure escrow account should be able to fully fund the facility's closing costs.

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CITY OF NORTH MIAMI, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 13. NON-COMMITMENT DEBTS

Debt Outstanding

Health Care Facilities Revenue Bonds

In January 2007, the City issued \$26,257,603 in Health Care Facilities Revenue Bonds (Series 2006A, Subordinate Series 2006B-1, and Subordinate Series 2006B-2) to provide funds to the Affordable Community Housing Trust, a non-profit public benefit corporation operating an independent elderly living facility (Imperial Club) located within the geographic boundaries of Miami-Dade County. The Series 2006B-2 bonds included in the issuance are accretion bonds. The (Series 2006) bonds were issued to currently refund the outstanding City of North Miami Health Care Facilities Revenue Bonds (the Imperial Club Project), Series 1998A and Subordinate Series 1998B and to provide financing for the cost of certain additional capital improvements to the health care facility.

The Series 1998C Bonds were not included in the refunding. The amount of debt outstanding as of September 30, 2015, based on the accreted value to date for the Series 2006B-2 bonds is \$28,904,405. In 2015, the City received \$63,582 in annual administrative fees.

Educational Facilities Revenue Bonds

In March 2003, the City issued \$24,485,000 in Educational Facilities Revenue Refunding Bonds (Johnson & Wales University Project) Series 2003A, to refund and defease \$23,640,000 in outstanding City of North Miami Educational Facilities Revenue Bonds-Series 1994A and to pay certain other expenses incurred in connection with the issuance of the 2003A Bonds and the refunding and defeasance of the 1994A Bonds. Johnson & Wales University owns and operates a campus located within the geographic limits of the City of North Miami. The amount of debt outstanding as of September 30, 2015 is \$12,765,000.

In 2015, the City received annual administrative fees in the amount of \$19,913. The City acts solely a lawful conduit in the issuance of the bonds described above and is not liable in any manner.

NOTE 14. BISCAYNE LANDING LEASE

In 2012, a new agreement was signed for the site known as Munisport (Biscayne Landing). The agreement contemplated development of the site with the City receiving income from the sale of units, and from an annual ground lease. The lease called for a 100-year lease of the site to the developer (Biscayne Landing, LLC), with a 100-year renewal. The initial development program for Biscayne Landing has been modified in accordance with subsequent changes to the initial agreement. The City was to receive rent on the commercial space based on 50% of the net profits. Detailed information on the changes to the initial agreement are available on the City's website at northmiamifl.gov.

In Fiscal Year 2015, the City reported basic rents, additional rents and bifurcated lease payments of approximately \$1,704,762.

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NOTE 15. CONTINGENCIES

Lawsuits

- The Florida Supreme Court ruled in favor of drivers who brought a class action lawsuit claiming the municipal enacted red-light camera traffic violations were unlawful. The ruling relates to fines based on cameras installed before the Legislature authorized them in July 2010. The City of North Miami is named as a defendant in similar lawsuits, along with American Traffic Solutions, the supplier of the camera equipment and maintenance. The ruling didn't order an ultimate refund of fines collected by the City and the dispute over the mechanism is expected to continue. We estimate that the potential loss ranges between \$200,000 and \$1.2 million. Accordingly, the City has recorded a potential liability at the government-wide level of approximately \$295,000.
- The City is a defendant in several other lawsuits as of September 30, 2015, incidental to its operations, the outcomes of which are uncertain at this time. However, in the opinion of management and legal counsel, the ultimate outcome of such actions will not have a material adverse effect on the financial condition of the City.

Grantor Agencies

Federal programs in which the City participates were audited in accordance with the provisions of the Federal Single Audit Act, and the U.S. Office of Management and Budget Circular A-133. Pursuant to those provisions, financial assistance programs were tested for compliance with applicable grant requirements. Grantor agencies may subject grant programs to additional compliance tests, which could result in disallowed expenditures. In the opinion of management, future disallowances, if any, of grant program expenditures would not have a material adverse effect on the financial condition of the City.

NOTE 16. PRIOR PERIOD ADJUSTMENTS

Restatement of Net Position for Net Pension Liability

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* (GASB 68). In addition, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of GASB 68. GASB Statements Nos. 68 and 71 require the employer to report the employer's net pension liability and related pension amounts of the defined benefit pension plans of fiscal year end.

The implementation of GASB Statement Nos. 68 and 71 resulted in the City recording deferred outflows of \$8.6 million, deferred inflows of \$2.7 million, and a net pension liability of \$44.4 million. The impact of the implementation on prior year operations was not determined by management.

Readers interested in more detailed information regarding the Pension Plans should refer to Note 10.

NOTE 18. SUBSEQUENT EVENTS

Closure of the Clair T. Singerman Retirement System

The City is in the process of closing the Clair T. Singerman Employee Retirement System (the "Plan") to new participants. New members hired on or after closure of the Plan, will join the Florida Retirement System ("FRS"). In addition, active members in the Plan will be afforded a one-time irrevocable option to transfer to FRS. It is anticipated that the closure of the Plan will reduce the City's pension contribution by approximately an average of \$1 million per year over each of the next thirty years.

Sole Mia (formerly The Biscayne Landing Project)

On February 13, 2015, an agreement was executed between the City and Oleta Partners, LLC. for the sale of certain Residential Parcel of the Biscayne Landing Project pursuant to the City's July 8, 2014, Resolution No. 2014-R-63. The agreed price at which the City will sell the Residential Parcel is twenty million dollars (\$20,000,000). The Residential Parcel is assumed to be approximately 50.3 acres. In November, 2015, the cash portion of the purchase price of approximately \$4.3 million (20%) was paid. Detailed information on the changes to the initial agreement are available on the City's website at northmiamifl.gov.

NOTE 17. PRIOR PERIOD ADJUSTMENTS (Continued)

Restatement of Net Position for Adjustments to Capital Assets

Governmental Activities - The beginning net position of the Governmental Activities as of September 30, 2014, was restated for prior period adjustments. The net position decreased by \$2,370,846, resulting from net adjustments to capital assets due to a system error which caused some capital assets recorded prior to 2008 not to be reflected subsequent to 2008.

Business-type Activities - The beginning net position of the Business-type Activities as of September 30, 2014, was restated for prior period adjustments. The net position increased by \$473,371, resulting from net adjustments to capital assets due to a system error which caused some capital assets recorded prior to 2008 not to be reflected subsequent to 2008.

The implementation of GASB Statement Nos. 68 and 71 and the adjustments to capital assets as described above are summarized as follows:

Restatement of Net Position			
Governmental Activities	Business-type Activities	Total	
Net position, September 30, 2014, as previously reported	\$ 72,661,058	\$ 69,027,141	\$ 141,688,199
Cumulative effect of adoption of GASB Nos. 68 and 71	(36,185,691)	(4,654,678)	(40,840,369)
Effect of adjustments to capital assets	(2,370,846)	473,371	(1,897,475)
Net position, September 30, 2014, as restated	\$ 34,104,521	\$ 64,845,834	\$ 98,950,355

Proprietary Funds			
Water and Sewer	Stormwater	Total	
Net position, September 30, 2014, as previously reported	\$ 60,828,181	\$ 8,198,960	\$ 69,027,141
Cumulative effect of adoption of GASB Nos. 68 and 71	(3,826,125)	(828,553)	(4,654,678)
Effect of adjustments to capital assets	1,077,841	(604,470)	473,371
Net position, September 30, 2014, as restated	\$ 58,079,897	\$ 6,765,937	\$ 64,845,834

Internal Service Funds			
Risk Management	Fleet Management	Total	
Net position, September 30, 2014, as previously reported	\$ 1,260,956	\$ 1,101,500	\$ 2,362,456
Cumulative effect of adoption of GASB Nos. 68 and 71	(342,999)	(976,108)	(1,319,107)
Net position, September 30, 2014, as restated	\$ 917,957	\$ 125,392	\$ 1,043,349



Required Supplementary Information



Budgetary Comparison Schedule

CITY OF NORTH MIAMI, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 16,458,567	\$ 16,458,567	\$ 15,711,671	\$ (746,896)
Utility and communication taxes	4,614,631	4,614,631	4,819,340	204,709
Charges for services	8,146,885	8,148,490	7,857,362	(291,128)
Franchise fees	3,289,739	3,289,739	3,539,715	249,976
Fines and forfeitures	2,740,225	2,740,225	2,829,842	89,617
Intergovernmental	7,036,459	7,042,959	7,839,966	797,007
Licenses and permits	1,974,500	1,974,500	2,428,695	454,195
Interest and other earnings	255,700	258,350	1,448,769	1,190,419
Rents and royalties	2,489,500	2,489,500	2,407,399	(82,101)
Total revenues	47,006,206	47,016,961	48,882,759	1,865,798
Expenditures:				
General government	19,037,856	18,829,457	10,115,903	8,713,554
Public safety	26,622,899	27,696,704	26,920,426	1,676,278
Physical environment	3,916,944	3,301,938	3,300,448	1,490
Transportation and public works	3,195,066	3,220,647	2,771,005	449,642
Housing and economic development	-	-	-	-
Culture and recreation	6,639,969	7,142,410	7,542,753	(400,343)
Community planning and development	812,704	1,649,534	1,505,641	143,893
Debt service	-	-	-	-
Capital outlay	436,294	3,793,426	895,707	2,897,719
Total expenditures	60,661,732	65,634,116	52,151,883	13,482,233
Excess (deficiency) of revenues over expenditures	(13,655,526)	(18,617,155)	(3,269,124)	(15,348,031)
Other Financing Sources (Uses):				
Operating contributions	-	1,864,340	2,808,739	944,399
Sales of capital assets	-	-	-	-
Reserves	13,331,455	18,293,084	-	(18,293,084)
Transfers in	-	-	-	-
Transfers out	(1,540,269)	(1,540,269)	(2,524,588)	(984,319)
Total other financing source (uses)	11,791,186	18,617,155	284,151	(18,333,004)
Net change in fund balances	(1,864,340)	-	(2,984,973)	(2,984,973)
Fund balances - beginning	18,740,666	18,740,666	16,784,970	(1,955,696)
Fund balances - ending	\$ 16,876,326	\$ 18,740,666	\$ 13,799,997	\$ (4,940,669)

See notes to the budgetary comparison schedule.
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CITY OF NORTH MIAMI, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 CRA
 FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 2,265,787	\$ 2,265,787	\$ 1,427,134	\$ (838,653)
Interest and other earnings	3,000	3,000	4,465	1,465
Total revenues	2,268,787	2,268,787	1,431,739	(837,048)
Expenditures				
Current:				
General government	96,766	96,766	108,986	(12,220)
Community planning and development	162,000	162,000	324,507	(162,507)
Capital outlay	2,010,021	2,010,021	-	2,010,021
Total current	2,268,787	2,268,787	433,493	1,835,294
Total expenditures	2,268,787	2,268,787	433,493	1,835,294
Excess (deficiency) of revenues over expenditures	-	-	998,246	998,246
Other Financing Sources (Uses)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	-	998,246	998,246
Fund balances - beginning	2,728,144	2,728,144	2,471,080	(257,064)
Fund balances - ending	\$ 2,728,144	\$ 2,728,144	\$ 3,469,326	\$ 741,182

See notes to the budgetary comparison schedule.
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CITY OF NORTH MIAMI, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 C.D.B.G. ENTITLEMENT
 FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 777,200	\$ 777,200	\$ 661,533	\$ (115,667)
Total revenues	777,200	777,200	661,533	(115,667)
Expenditures:				
Housing and Urban Development	747,200	747,200	655,114	92,086
Capital outlay	30,000	30,000	29,920	80
Total expenditures	777,200	777,200	685,034	92,166
Excess (deficiency) of revenues over expenditures	-	-	(23,501)	(207,833)
Other Financing Sources (Uses):				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	-	(23,501)	(23,501)
Fund balances - beginning	151,052	151,052	148,055	(2,997)
Fund balances - ending	\$ 151,052	\$ 151,052	\$ 124,554	\$ (26,498)

See notes to the budgetary comparison schedule.
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**CITY OF NORTH MIAMI, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
LANDFILL CLOSURE
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

**CITY OF NORTH MIAMI, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
September 30, 2015**

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are legally adopted for all governmental funds other than the Capital Projects Fund, whose budget is adopted on a project length basis. All governmental fund budgets are maintained on the modified accrual basis of accounting, consistent with generally accepted accounting principles in the United States (GAAP), except for encumbrances, which are purchase orders and contracts issued for goods or services not received at year-end. Additionally, interfund loans between funds are budgeted as operating transfers.

- 1) 35 days prior to fiscal year end, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October^{1st}. The operating budget is restricted to proposed expenditures and the means of financing them by means of appropriated revenues, other financing sources and appropriations of fund balances. Budgetary control over expenditures, including capital outlay and operating transfers in the General fund is legally maintained at the departmental level.
- 2) Two public hearings are conducted to obtain taxpayers' comments as required by Truth in Millage (TRIM) legislation. Prior to September 28th (unless preempted by TRIM) as stated in the City's Charter, the budget is legally enacted through passage of an ordinance.
- 3) The City Manager may at any time transfer any unencumbered appropriated balance or portion thereof between general classifications of expenditures within an office, department or agency. The Council may by resolution transfer any unencumbered appropriated balance or portion thereof, from one office, department or agency to another.
- 4) All budget amendments require City Council approval. During fiscal year 2015, supplemental appropriations amounted to \$290,100 in the General Fund and \$135,017 in the Home Investment Partnership Fund.
- 5) Unencumbered appropriations lapse at year-end. All encumbrances outstanding at the end of the current fiscal year will be appropriated as part of the subsequent year's budget.

	Budgeted Amounts		Actual	Variance with Final Budget (Negative)
	Original	Final		
Revenues:				
Interest and other earnings	\$ 46,000	\$ 46,000	\$ 39,714	\$ (6,286)
Total revenues	46,000	46,000	39,714	(6,286)
Expenditures:				
Physical environment	13,851,516	13,851,516	1,676,670	12,174,846
Total expenditures	13,851,516	13,851,516	1,676,670	12,174,846
Excess (deficiency) of revenues over expenditures	(13,805,516)	(13,805,516)	(1,636,956)	12,168,560
Other Financing Sources (Uses):				
Reserves	13,805,516	13,805,516	-	13,805,516
Total other financing source (uses)	13,805,516	13,805,516	-	13,805,516
Net change in fund balances	-	-	(1,636,956)	25,974,076
Fund balances - beginning	15,105,757	15,105,757	13,060,672	(2,045,085)
Fund balances - ending	\$ 15,105,757	\$ 15,105,757	\$ 11,423,716	\$ 23,928,991

See notes to the budgetary comparison schedule.
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**Clair T. Singerman Employees Retirement System
Schedule of Changes in the Net Pension Liability and Related Ratios
September 30,**

	2014	2015
Total pension liability		
Service cost	\$ 2,250,457	\$ 2,438,790
Interest	8,638,765	8,937,243
Benefit changes	-	-
Difference between actual & expected experience	-	(2,263,638)
Assumption changes	-	-
Benefit payments	(6,939,695)	(6,863,520)
Refunds	(185,090)	(265,792)
Other	1,253	1,253
Net change in total pension liability	3,765,690	1,984,336
Total pension liability - beginning	116,523,413	120,289,103
Total pension liability - ending (a)	\$ 120,289,103	\$ 122,273,439
Plan fiduciary net position		
Contributions - employer	4,196,181	5,598,011
Contributions - non-employer contributing entity	1,253	1,253
Contributions - member	789,599	853,456
Net investment income	9,493,224	804,516
Benefit payments	(6,939,695)	(7,148,843)
Refunds	(185,090)	(236,343)
Administrative expense	(284,291)	(235,209)
Net change in plan fiduciary net position	7,071,181	(363,159)
Plan fiduciary net position - beginning	91,112,153	98,183,334
Plan fiduciary net position - ending (b)	\$ 98,183,334	\$ 97,820,175
Net pension liability - ending (a) - (b)	22,105,769	24,453,264
Plan fiduciary net position as a percentage of total pension liability	81.62%	80.00%
Covered employee payroll	\$ 11,279,986	\$ 12,192,229
Net pension liability as a percentage of covered employee payroll	195.97%	200.56%

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**North Miami Police Pension Plan
Schedule of Changes in the Net Pension Liability and Related Ratios
September 30,**

	2014	2015
Total pension liability		
Service cost	\$ 2,474,226	2,364,576
Interest	5,987,806	6,407,038
Benefit changes	-	-
Difference between actual & expected experience	-	(2,551,912)
Assumption changes	-	973,319
Benefit payments	(3,537,498)	(2,992,356)
Refunds	(72,946)	-
Other	1,253	-
Net change in total pension liability	4,851,588	4,200,665
Total pension liability - beginning	71,473,243	76,324,831
Total pension liability - ending (a)	\$ 76,324,831	\$ 80,525,496
Plan fiduciary net position		
Contributions - employer	3,111,318	3,358,659
Contributions - non-employer contributing entity	82,682	82,682
Contributions - member	791,906	846,576
Net investment income	4,880,999	1,672,653
Benefit payments	(3,537,498)	(2,992,356)
Refunds	(72,946)	-
Administrative expense	(132,090)	(126,435)
Net change in plan fiduciary net position	5,124,371	2,841,779
Plan fiduciary net position - beginning	47,422,133	52,546,504
Plan fiduciary net position - ending (b)	\$ 52,546,504	\$ 55,388,283
Net pension liability - ending (a) - (b)	23,778,327	25,137,213
Plan fiduciary net position as a percentage of total pension liability	68.85%	68.78%
Covered employee payroll	\$ 8,327,087	\$ 8,901,956
Net pension liability as a percentage of covered employee payroll	285.55%	282.38%

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CITY OF NORTH MIAMI, FLORIDA
 SCHEDULE OF CONTRIBUTIONS
 CLAIR T. SINGERMAN EMPLOYEES RETIREMENT SYSTEM
 SEPTEMBER 30, 2015

	2015	2014
Actuarially determined contribution	\$ 5,598,011	\$ 4,196,181
Contribution made in relation to the actuarially determined contribution	5,598,011	4,196,181
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 12,192,229	\$ 11,279,986
Contributions as a percentage of covered employee payroll	45.91%	37.20%

The following actuarial methods and assumptions were used to determine contribution rates for Fiscal Year 2015, as reported in the Schedule of Contributions above:

Valuation Date :	October 1, 2013
Measurement Date :	September 30, 2014
Notes	Actuarially determined contributions are calculated as of October 1, which is two year(s) prior to the end of the fiscal year in which contributions are reported.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	General: Level Percentage of Payroll, Closed Police and Fire: Level Dollar Closed
Remaining Amortization Period	20 years
Asset Valuation Method	Recognition of 20% of difference between market value of assets and expected actuarial value of assets
Inflation	3.00%
Salary Increases	5.0% to 7.5% depending on service
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvements projected to all future years after 2000 using Scale AA

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CITY OF NORTH MIAMI, FLORIDA
 SCHEDULE OF CONTRIBUTIONS
 NORTH MIAMI POLICE PENSION PLAN
 SEPTEMBER 30, 2015

	2015	2014
Actuarially determined contribution	\$ 3,441,341	\$ 3,239,178
Contribution made in relation to the actuarially determined contribution	3,441,341	3,276,682
Contribution deficiency (excess)	\$ -	\$ (37,504)
Covered employee payroll	\$ 8,901,956	\$ 8,327,087
Contributions as a percentage of covered employee payroll	38.66%	39.35%

Valuation Date : October 1, 2013

Measurement Date : September 30, 2014

Notes Actuarially determined contributions are calculated as of October 1, which is two year(s) prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	Recognition of 20% of difference between market value of assets and expected actuarial value of assets
Inflation	3.0%
Salary Increases	3.50% to 9.40% depending on service
Investment Rate of Return	8.30%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected using Scale AA after 2000

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CITY OF NORTH MIAMI, FLORIDA
 OTHER POSTEMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 SEPTEMBER 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAI) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAI as a Percentage of Covered Payroll ((b-a)/c)
October 1, 2009 *	\$ -	\$ 9,879,000	\$ 9,879,000	0.0%	\$ 27,682,000	35.7%
January 1, 2012	\$ -	\$ 11,065,000	\$ 11,065,000	0.0%	\$ 20,562,000	53.8%
October 1, 2012	\$ -	\$ 14,742,994	\$ 14,742,994	0.0%	\$ 21,090,456	69.90%
October 1, 2014	\$ -	\$ 13,855,537	\$ 13,855,537	0.0%	\$ 19,396,334	71.4%

* Note: Fiscal year 2009 was the first year of implementation of GASB 45.



Combining Fund
 Statements and Schedules

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS – are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

HOME INVESTMENT PARTNERSHIP – This fund was created to account for expenditures of federal funds used to expand safe, decent, and affordable housing opportunities to low and very-low income households.

NEIGHBORHOOD STABILIZATION – This fund is used to account for the City's allocation of federal monies received from the U.S. Department of Housing and Urban Development (HUD) to assist in addressing the effects of abandoned and foreclosed properties within the community.

POLICE TRAINING – This fund is used to account for expenditures of state police training funds on behalf of the City of North Miami police officer training.

LOCAL HOUSING ASSISTANCE (SHIP) – This fund is used to account for state funds provided for the creation of local housing partnerships, to expand production of and preserve affordable housing, to further the housing element of the local government comprehensive plan specific to affordable housing and to increase housing-related employment.

LAW ENFORCEMENT – This fund is used to account for confiscated monies awarded to the City under State Statutes to be used for law enforcement related expenditures.

2005 DISASTER RECOVERY – This fund is used to account for expenditures for federally-funded disaster recovery funds for repairs to homes affected by the 2005 hurricane season. This is a pass through grant from HUD to the State of Florida Department of Community Affairs, to Miami-Dade County. The City is the recipient of the funding from the county.

FEDERAL FORFEITURE – This fund is used to account for confiscated monies that involve the City's Police department and federal agencies.

HALF-CENT TRANSPORTATION SURTAX – This fund is used to account for the City's prorated share of the Charter County Transit System Surtax proceeds. The monies received can be used toward projects and programs such as public transportation operations, street lighting, and transit system enhancements.

JUSTICE ASSISTANCE GRANT (JAG) – This fund is used to account for the City's allocation under the Edward Byrne Memorial Justice Assistance Grant.

DEVELOPER IMPACT FEES – This fund is used to account for impact fees to fund capital improvements, capital facility, and capital equipment attributable to new developments.

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS – are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government on a cost reimbursement basis.

GENERAL RISK MANAGEMENT – This fund is used to account for the cost of insuring the City in the areas of property and casualty liability, public officials' and law enforcement officers' liability and workers' compensation. Departments of the City are assessed a charge based upon the funding needs of the fund.

FLEET MANAGEMENT – This fund is used to account for the costs and funding of providing motor vehicles and heavy equipment to other departments.

MISCELLANEOUS SPECIAL REVENUE FUNDS – The miscellaneous special revenue funds column reflects the activities of the following funds: State Aid to Libraries Grant, FDOT-Occupant Protection Grant, Impaired Driving Enforcement Grant, Community Oriented Police Services Hiring Recovery Grant, Department of Justice Victims of Crime Act Intervention Grant, and the Bulletproof Vest Partnership Grant

DEBT SERVICE FUNDS

DEBT SERVICE FUNDS – are used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

TAXABLE PROMISSORY NOTE – SERIES 2010 (PENSION) – This fund is used to account for monies for payment of principal, interest and other costs related to the Series 2010 Taxable Promissory Note issuance. The Note was issued for the purpose of current refunding outstanding Taxable Special Obligation Bonds Series 2002 (pension funding project) and to pay a termination fee with respect to a related interest rate swap. Debt service is financed by non-ad valorem funds budgeted and appropriated by the City on an annual basis.

CAPITAL PROJECTS FUNDS

CAPITAL PROJECTS FUNDS – are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

E. MAY AVIL LIBRARY – This fund was established to account for expenditures for library renovation and expansion.

TRANSPORTATION GAS TAX – This fund is used to account for expenditures for implementing transportation related capital improvements. The local option gas tax is a county imposed tax, collected by the State of Florida, and distributed back to counties and municipalities based on the interlocal agreement in effect for that year.

ARCH CREEK BRIDGE – This fund is used to account for revenues and expenditures related to the construction of a youth center. Construction is to be funded through grant funds and other sources.

PENSION TRUST FUNDS

THE CTS AND NORTH MIAMI POLICE PENSION PLANS – These funds are used to account for the accumulation of resources to be used for retirement benefits to City employees. Resources are contributed by employees (at rates fixed by law) and by the City (at amounts determined by actuarial valuations).

CITY OF NORTH MIAMI, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

CITY OF NORTH MIAMI, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Capital Projects					Total Nonmajor Governmental Funds
	E May Avil Library	Transportation Gas Tax	Arch Creek Bridge	Other Capital Project Funds	Total Capital Projects Funds	
ASSETS						
Cash and cash equivalents	\$ -	\$ 145,061	\$ 23,149	\$ 1,908	\$ 168,118	\$ 3,090,647
Investments	-	-	-	-	-	564,262
Accounts receivables, net of allowance	-	-	-	-	-	44,362
Grants receivables from other government	300,000	51,843	-	-	351,843	1,755,684
Due from other funds	-	-	-	1,168	1,168	6,063
Prepaids, deposits, and other current assets	-	-	-	-	-	42,430
Assets held for resale	-	-	-	-	-	500,514
Restricted cash	-	-	-	-	-	270,000
Notes receivable	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-
Total assets	<u>300,000</u>	<u>194,904</u>	<u>23,149</u>	<u>3,076</u>	<u>521,129</u>	<u>6,273,962</u>
LIABILITIES						
Pooled cash liability	277,591	-	-	-	277,591	802,482
Vouchers payable	22,409	625	-	-	23,034	445,533
Construction contracts payable	-	8,690	-	-	8,690	8,762
Accrued payroll and benefits	-	-	-	-	-	9,560
Due to other government	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	4,895
Unearned revenues	-	-	-	-	-	343,170
Total liabilities	<u>300,000</u>	<u>9,315</u>	<u>-</u>	<u>-</u>	<u>309,315</u>	<u>1,614,402</u>
Fund balances:						
Non-spendable	-	-	-	-	-	261,194
Restricted	-	-	-	-	-	3,879,184
Committed	-	-	-	-	-	-
Assigned	-	185,589	23,149	3,076	211,814	519,182
Unassigned	-	185,589	23,149	3,076	211,814	4,659,560
Total fund balances	<u>-</u>	<u>185,589</u>	<u>23,149</u>	<u>3,076</u>	<u>211,814</u>	<u>4,659,560</u>
Total liabilities and fund balances	<u>\$ 300,000</u>	<u>\$ 194,904</u>	<u>\$ 23,149</u>	<u>\$ 3,076</u>	<u>\$ 521,129</u>	<u>\$ 6,273,962</u>

	Special Revenue										
	HOME Investment Partnership	2005 Disaster Recovery	Neighborhood Stabilization	Local Housing Assistance (SHP)	Police Training	Law Enforcement Trust	Federal Forfeiture	Justice Assistance Grants	Half Cent Transportation Surtax		
ASSETS											
Cash and cash equivalents	\$ 160,925	\$ 55,544	\$ 473,440	\$ 74,850	\$ -	\$ 284,655	\$ 368,032	\$ -	\$ -	\$ -	\$ 1,030,729
Investments	-	-	-	-	-	-	-	-	-	-	-
Accounts receivables, net of allowance	-	-	-	323	118	-	-	-	-	-	-
Grants receivables from other government	111,237	-	330,186	-	-	-	-	13,574	-	-	599,621
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Prepaids, deposits, and other current assets	-	-	-	-	-	-	-	-	-	-	-
Assets held for resale	-	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-
Notes receivable	270,000	-	-	-	-	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>542,162</u>	<u>55,544</u>	<u>\$ 803,626</u>	<u>75,173</u>	<u>118</u>	<u>284,655</u>	<u>368,032</u>	<u>13,574</u>	<u>-</u>	<u>-</u>	<u>1,630,350</u>
LIABILITIES											
Pooled cash liability	-	-	-	-	5,189	-	-	4,115	-	-	-
Vouchers payable	7,423	-	9,902	25,242	242	5,572	3,434	1,747	-	-	73,420
Construction contracts payable	-	-	-	-	-	-	-	-	-	-	72
Accrued payroll and benefits	3,545	-	-	-	-	-	-	-	-	-	5,166
Due to other government	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Unearned revenues	270,000	-	10,910	38,945	-	-	-	-	-	-	-
Total liabilities	<u>280,968</u>	<u>-</u>	<u>20,812</u>	<u>64,187</u>	<u>5,431</u>	<u>5,572</u>	<u>3,434</u>	<u>5,862</u>	<u>-</u>	<u>-</u>	<u>78,658</u>
Fund balances:											
Non-spendable	261,194	-	-	-	-	-	-	-	-	-	-
Restricted	-	55,544	782,814	10,986	(5,313)	279,083	364,598	7,712	-	-	1,551,692
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>261,194</u>	<u>55,544</u>	<u>782,814</u>	<u>10,986</u>	<u>(5,313)</u>	<u>279,083</u>	<u>364,598</u>	<u>7,712</u>	<u>-</u>	<u>-</u>	<u>1,551,692</u>
Total liabilities and fund balances	<u>\$ 542,162</u>	<u>\$ 55,544</u>	<u>\$ 803,626</u>	<u>\$ 75,173</u>	<u>\$ 118</u>	<u>\$ 284,655</u>	<u>\$ 368,032</u>	<u>\$ 13,574</u>	<u>\$ -</u>	<u>\$ 1,630,350</u>	<u>(Continued)</u>

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CITY OF NORTH MIAMI, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

CITY OF NORTH MIAMI, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Special Revenue								
	HOME Investment Partnership	Disaster Recovery	Neighborhood Stabilization	Local Housing Assistance (SHP)	Police Training	Law Enforcement Trust	Federal Forfeiture	Justice Assistance Grants	Half Cent Transportation Surtax
REVENUES									
Ad valorem	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility and communication taxes	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	107,903
Franchise fees	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Intergovernmental	157,946	-	163,603	145,904	9,097	34,067	36,732	38,421	2,371,513
Licenses and permits	-	-	-	-	-	-	-	-	-
Interest and other earnings	-	-	-	-	-	-	-	-	-
Rents and royalties	-	-	-	-	-	-	-	-	-
Total revenues	<u>157,946</u>	<u>-</u>	<u>163,603</u>	<u>145,904</u>	<u>9,097</u>	<u>34,067</u>	<u>36,732</u>	<u>38,421</u>	<u>2,479,416</u>
EXPENDITURES									
Current:									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	10,287	107,878	61,606	37,780	-
Physical environment	-	-	-	-	-	-	-	-	-
Transportation and public works	-	-	-	-	-	-	-	-	1,777,590
Housing and economic development	157,943	-	67,764	145,904	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	27,481	-	-	-	112,545	641	605,113
Total expenditures	<u>157,943</u>	<u>-</u>	<u>95,245</u>	<u>145,904</u>	<u>10,287</u>	<u>107,878</u>	<u>174,151</u>	<u>38,421</u>	<u>2,382,703</u>
Excess (deficiency) of revenues over expenditures	<u>3</u>	<u>-</u>	<u>68,358</u>	<u>-</u>	<u>(1,190)</u>	<u>(73,811)</u>	<u>(137,419)</u>	<u>-</u>	<u>96,713</u>
OTHER FINANCING SOURCES (USES)									
Operating contributions	257,333	8,443	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>257,333</u>	<u>8,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>257,336</u>	<u>8,443</u>	<u>68,358</u>	<u>-</u>	<u>(1,190)</u>	<u>(73,811)</u>	<u>(137,419)</u>	<u>-</u>	<u>96,713</u>
Fund balances, beginning	3,858	47,101	714,456	10,986	(4,123)	352,894	802,017	7,712	1,454,979
Fund balances, ending	<u>\$ 261,194</u>	<u>\$ 55,544</u>	<u>\$ 782,814</u>	<u>\$ 10,986</u>	<u>\$ (5,313)</u>	<u>\$ 279,083</u>	<u>\$ 364,598</u>	<u>\$ 7,712</u>	<u>\$ 1,551,692</u>

(Continued)

CITY OF NORTH MIAMI, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue			Debt Service		
	Developer Impact Fees	Miscellaneous and Other Grants	MOCA	FMLC-Loan General Obligation	Pension Obligation Bonds	Total Debt Service Funds
REVENUES						
Ad valorem	-	-	-	-	-	-
Utility and communication taxes	-	-	-	-	-	-
Charges for services	60,570	-	-	168,473	-	-
Franchise fees	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Intergovernmental	-	488,198	2,507,212	5,952,693	-	-
Licenses and permits	-	-	-	-	-	-
Interest and other earnings	1,725	-	454,851	456,576	-	-
Rents and royalties	-	-	-	-	-	-
Total revenues	62,295	488,198	2,962,063	6,577,742	-	-
EXPENDITURES						
Current:						
General government	-	19,894	-	19,894	-	-
Public safety	-	136,740	-	354,291	-	-
Physical environment	-	-	-	-	-	-
Transportation and public works	-	-	-	1,777,590	-	-
Housing and economic development	-	-	-	371,611	-	-
Culture and recreation	-	40,829	-	40,829	-	-
Community planning and development	-	-	-	-	-	-
Debt service:			2,581,962	2,581,962	-	-
Principal retirement	-	-	-	-	-	1,150,357
Interest and fiscal charges	-	-	-	-	-	625,000
Capital outlay	-	523,819	-	1,269,599	-	-
Total expenditures	-	721,282	2,581,962	6,415,776	-	1,775,357
Excess (deficiency) of revenues over expenditures	62,295	(233,084)	380,101	161,966	(1,775,357)	(1,775,357)
OTHER FINANCING SOURCES (USES)						
Operating contributions	-	26,284	-	292,060	-	-
Sale of capital assets	-	-	-	-	-	1,786,450
Transfers in	-	-	-	-	-	1,786,450
Transfers out	-	-	-	-	-	(1,786,450)
Total other financing sources (uses)	-	26,284	-	292,060	-	1,786,450
Net change in fund balances	62,295	(206,800)	380,101	454,026	-	11,093
Fund balances, beginning	75,494	4,817	1,075,622	4,245,813	9,237	(272,423)
Fund balances, ending	\$ 137,789	\$ (201,983)	\$ 1,455,723	\$ 4,699,839	\$ 9,237	\$ (252,093)

(Continued)

CITY OF NORTH MIAMI, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Capital Projects				Total Capital Projects Funds	Total Nonmajor Governmental Funds
	E May Avil Library	Transportation Gas Tax	Arch Creek Bridge	Other Capital Project Funds		
REVENUES						
Ad valorem	-	-	-	-	-	-
Utility and communication taxes	-	-	-	-	-	-
Charges for services	-	-	-	-	-	168,473
Franchise fees	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Intergovernmental	300,000	309,755	-	-	609,755	6,562,448
Licenses and permits	-	-	-	-	-	-
Interest and other earnings	-	-	-	-	-	456,576
Rents and royalties	-	-	-	-	-	-
Total revenues	300,000	309,755	-	-	609,755	7,187,497
EXPENDITURES						
Current:						
General government	-	-	-	-	-	19,894
Public safety	-	-	-	-	-	354,291
Physical environment	-	-	-	-	-	-
Transportation and public works	-	-	-	-	-	1,777,590
Housing and economic development	-	-	-	-	-	371,611
Culture and recreation	26,368	-	-	982	27,350	48,179
Community planning and development	-	625	-	-	625	2,582,587
Debt service:						
Principal retirement	-	-	-	-	-	1,150,357
Interest and fiscal charges	-	-	-	-	-	625,000
Capital outlay	1,276,905	301,100	-	-	1,578,005	2,847,604
Total expenditures	1,303,273	301,725	-	982	1,605,980	9,797,113
Excess (deficiency) of revenues over expenditures	(1,003,273)	8,030	-	(982)	(996,225)	(2,609,616)
OTHER FINANCING SOURCES (USES)						
Operating contributions	500	-	-	-	500	292,560
Sale of capital assets	-	-	-	-	-	625,000
Transfers in	979,081	-	-	-	979,081	2,765,531
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	979,581	-	-	-	979,581	3,058,091
Net change in fund balances	(23,692)	8,030	-	(982)	(16,644)	448,475
Fund balances, beginning	23,692	177,559	23,149	4,058	228,458	4,211,085
Fund balances, ending	\$ -	\$ 185,589	\$ 23,149	\$ 3,076	\$ 211,814	\$ 4,659,560

	ASSETS		
	General Risk Management	Risk Management	Totals
Current assets:			
Period cash and cash equivalents	4,949,720	2,370,717	7,320,437
Investments	1,263,722	1,363,722	2,627,444
Receivables	309	18,335	18,644
Prepaid expenses and other assets	-	57,161	57,161
Inventory and supplies	105,326	2,446,213	8,765,190
Prepays and deposits	631,877	-	631,877
Total current assets	6,349,846	3,170,833	9,520,679
Non-current assets:			
Capital assets, net	72,869	207,371	280,240
Capital assets, gross	72,869	517,249	517,249
Total non-current assets	72,869	724,620	797,489
Total assets	6,422,715	3,895,453	10,318,168
LIABILITIES			
Current liabilities:			
Vendors payable	17,057	104,830	121,887
Construction contracts payable	-	2,023	2,023
Accounts payable and accrued liabilities	12,436	12,265	24,701
Due to other funds	-	-	-
Deposits and performance bonds	-	-	-
Bonds, notes, leases payable	-	-	-
Interest payable	-	-	-
Total current liabilities	29,493	119,208	148,801
Non-current liabilities:			
Bonds, notes and lease payable	-	-	-
Claims payable	2,787,065	-	2,787,065
Compensated absences	45,005	218,217	263,242
Net pension liability	373,301	1,862,542	1,489,241
Net other liability	90,829	1,061,580	1,152,409
Net OTHER liability	3,319,677	1,377,838	4,697,515
Total non-current liabilities	3,319,677	1,677,044	5,006,721
Total liabilities	3,349,170	1,796,252	5,145,422
NET POSITIONS			
Net investment in capital assets	-	724,620	724,620
Retention and replacement	-	-	-
Restricted	3,042,686	-	3,042,686
Unrestricted	3,042,686	1,431,789	4,474,475
Total net assets	3,042,686	1,431,789	4,474,475

CITY OF NORTH MIAMI, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Risk Management	Fleet Management	Totals
OPERATING REVENUES			
Charges for water	-	-	-
Sanitary sewer fees	-	-	-
Stormwater charges	2,728,055	3,382,982	6,111,037
Charges for services provided to other funds	41,842	74,827	116,669
Other revenues	-	-	-
Total operating revenues	2,769,897	3,457,809	6,227,706
OPERATING EXPENSES			
Personnel services	249,220	550,538	799,758
Wholesale water cost and sewage disposal	387,630	1,378,606	1,766,236
Materials, supplies, services and other operating expenses	-	-	-
Capital outlay	-	100,897	100,897
Depreciation	-	-	-
Claims cost	-	-	-
Total operating expenses	636,850	2,030,041	2,666,891
Operating income	2,133,047	1,427,768	3,560,815
NON-OPERATING REVENUES (EXPENSES)			
Interest income	5,515	-	5,515
Loss on capital asset disposal	-	-	-
Interest expense	-	-	-
Total non-operating revenues (expenses)	5,515	-	5,515
Income before contributions and transfers	2,138,562	1,427,768	3,566,330
CONTRIBUTIONS AND TRANSFERS			
Transfers in	-	-	-
Transfers out	(13,833)	(39,371)	(53,204)
Total contributions and transfers	(13,833)	(39,371)	(53,204)
Change in net position	2,124,729	1,388,397	3,513,126
Net position, beginning	1,260,956	1,101,500	2,362,456
Prior period adjustments - related to pensions	(342,999)	(976,108)	(1,319,107)
Net position, beginning, as restated (Note 16)	917,957	125,392	1,043,349
Net position, ending	\$ 3,042,686	\$ 1,513,789	\$ 4,556,475

**CITY OF NORTH MIAMI, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	General Risk Management	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ -	\$ -	\$ -
Cash receipts from other funds	2,086,924	3,284,392	5,371,316
Other cash receipts	41,842	74,827	116,669
Payments to employees	(249,220)	(550,538)	(799,758)
Payments to suppliers	(387,630)	(1,378,606)	(1,766,236)
Payments for claims	(1,583,171)	-	(1,583,171)
Net cash (used for) provided by operating activities	(91,255)	1,430,075	1,338,820
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers for pension debt service	(13,833)	(39,371)	(53,204)
Net cash provided (used) by noncapital financing activities	(13,833)	(39,371)	(53,204)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING			
Purchase of capital assets	-	(275,046)	(275,046)
Adjustments to capital assets	-	(3,566)	(3,566)
Net cash provided by (used for) capital and related financing activities	-	(278,612)	(278,612)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and investment income received	5,515	-	5,515
Net cash provided (used) by investing activities	5,515	-	5,515
Net (decrease) increase in cash and cash equivalents	(99,573)	1,112,092	1,012,519
Balances - beginning of year	5,049,293	1,258,625	6,307,918
Balances - end of the year	\$ 4,949,720	\$ 2,370,717	\$ 7,320,437

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:

	\$ 2,133,047	\$ 1,427,768	\$ 3,560,815
Operating Income	\$ 2,133,047	\$ 1,427,768	\$ 3,560,815
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	-	55,295	55,295
Changes in assets and liabilities:			
Investments	(5,515)	-	(5,515)
Receivables	(309)	42,078	41,769
Due from other funds	-	12,347	12,347
Prepays and deposits	-	(5,198)	(5,198)
Deferred outflow	(48,141)	-	(48,141)
Vouchers payable	(72,869)	(207,371)	(280,240)
Constructions contracts payable	8,734	13,843	22,577
Accrued payroll and benefits	(36,171)	(73,229)	(109,400)
Due to other funds	(621,467)	-	(621,467)
Interest payable	-	-	-
Claims payable	(1,854,119)	-	(1,854,119)
Net OPEB liability	8,827	16,609	25,436
Net pension liability	373,301	86,233	459,534
Deferred inflows	23,427	61,700	85,127
Net cash (used for) provided by operating activities	\$ (91,255)	\$ 1,430,075	\$ 1,338,820

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**CITY OF NORTH MIAMI, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015**

	691 CTS Plan	748 Police Plan	Totals
ASSETS			
Cash and short-term investments	\$ 2,757,430	\$ 894,031	\$ 3,651,461
Investments, at fair value:			
U.S. Treasuries	10,734,768	2,950,029	13,684,797
U.S. Agency obligations	2,121,622	636,181	2,757,803
Corporate bonds	17,100,351	6,780,677	23,881,028
Common stock	54,534,664	23,536,954	78,071,618
Real estate funds	10,423,203	6,519,762	16,942,965
Bond Index Funds	-	3,828,103	3,828,103
Index funds	-	10,313,520	10,313,520
Total investments	94,914,608	54,565,226	149,479,834
Receivables:			
Plan members contributions	26,166	25,818	51,984
CNM Police Share Plan	30,449	82,682	113,131
Receivable from broker on investments sold	190,272	125,049	315,321
Accrued interest	229,340	102,224	331,564
Accrued dividends	41,855	11,927	53,782
Total receivables	518,082	347,700	865,782
Total assets	98,190,120	55,806,957	153,997,077
LIABILITIES AND NET POSITION RESTRICTED FOR PENSION BENEFITS			
Liabilities:			
Accounts payable and accrued liabilities	34,819	143,064	177,883
Payable to broker for investments purchased	287,036	275,612	562,648
Benefits payable	48,090	-	48,090
Total liabilities	369,945	418,676	788,621
Net position held in trust for pension benefits	\$ 97,820,175	\$ 55,388,281	\$ 153,208,456

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**CITY OF NORTH MIAMI, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	CTS Plan	748 Police Plan	Totals
ADDITIONS			
Contributions:			
Employer	\$ 5,452,219	\$ 3,358,659	\$ 8,810,878
Plan members	853,456	846,576	1,700,032
County	145,792	-	145,792
Other	1,253	82,682	83,935
Total contributions	6,452,720	4,287,917	10,740,637
Investment income:			
Net (depreciation) appreciation in fair value of investments	(597,305)	1,228,231	630,926
Interest	962,392	376,764	1,339,156
Dividends	839,690	271,020	1,110,710
	1,204,777	1,876,015	3,080,792
Less investment expenses	(400,261)	(203,362)	(603,623)
Net investment income (loss)	804,516	1,672,653	2,477,169
Total additions	7,257,236	5,960,570	13,217,806
DEDUCTIONS			
Benefits paid to Plan members:			
Normal retirement	6,421,447	2,492,195	8,913,642
Disability retirement	40,985	150,404	191,389
Death benefit	5,529	24,757	30,286
Lump sum retirement	680,882	325,000	1,005,882
Refunds of contributions	236,343	-	236,343
	7,385,186	2,992,356	10,377,542
Administrative expenses	235,209	126,435	361,644
Total deductions	7,620,395	3,118,791	10,739,186
Net (decrease) increase in net position	(363,159)	2,841,779	2,478,620
Net position, beginning	98,183,334	52,546,502	150,729,836
Net position, ending	\$ 97,820,175	\$ 55,388,281	\$ 153,208,456

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**CITY OF NORTH MIAMI, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Home Investment Partnership				Special Revenue Funds				2015 Disaster Recovery Grant			
	Budgeted Amounts		Actual Amounts		Budgeted Amounts		Actual Amounts		Budgeted Amounts		Actual Amounts	
	Original	Final	Original	Final	Original	Final	Original	Final	Original	Final	Original	Final
Revenues												
Fund financial	\$ 231,189	\$ 231,189	\$ 157,946	\$ 157,946	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	231,189	231,189	157,946	157,946	-	-	-	-	-	-	-	-
Expenditures												
Debt service	215,934	215,934	157,943	157,943	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	215,934	215,934	157,943	157,943	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	15,255	15,255	3	3	-	-	-	-	-	-	-	-
Other financing sources (uses)												
Operating transfers in	-	-	257,333	(257,333)	-	-	8,443	8,443	-	-	-	-
Transfers in	(15,265)	(15,265)	-	-	-	-	-	-	-	-	-	-
Total other financing source (uses)	(15,265)	(15,265)	257,333	(257,333)	-	-	8,443	8,443	-	-	-	-
Net change in fund balances	-	-	257,336	(257,336)	-	-	8,443	8,443	-	-	-	-
Fund balances - beginning	3,861	3,861	3,888	(3)	-	-	47,101	47,101	-	-	-	5,000
Fund balances - ending	\$ 3,861	\$ 3,861	\$ 3,891	\$ 257,329	\$ 42,101	\$ 42,101	\$ 55,544	\$ 55,544	\$ -	\$ -	\$ -	\$ 10,000

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CITY OF NORTH MIAMI, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds				Justice Assistance Grant			
	Federal Forfeiture		Variance with Final Budget		Budgeted Amounts		Actual Amounts	
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES								
Intergovernmental	\$ -	\$ -	\$ 36,732	\$ 36,732	\$ 112,769	\$ 112,769	\$ 38,421	\$(74,348)
Total revenues	-	-	36,732	36,732	112,769	112,769	38,421	(74,348)
EXPENDITURES								
Public safety	200,000	217,644	61,606	156,038	85,623	163,077	37,780	(125,297)
Debt service	-	-	-	-	-	-	-	-
Capital outlay	334,159	316,515	112,545	203,970	27,146	1,907	641	(1,266)
Total expenditures	534,159	534,159	174,151	360,008	112,769	164,984	38,421	(126,563)
Excess (deficiency) of revenues over expenditures	\$(534,159)	\$(534,159)	\$(137,419)	\$(396,740)	-	\$(52,215)	-	\$2,215
OTHER FINANCING SOURCES (USES)								
Operating contributions	534,159	534,159	-	534,159	-	52,215	-	\$(52,215)
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing source (uses)	534,159	534,159	-	534,159	-	52,215	-	\$(52,215)
Net change in fund balances	-	-	\$(137,419)	137,419	-	-	-	-
Fund balances - beginning	341,487	341,487	502,017	160,530	-	-	7,712	7,712
Fund balances - ending	\$ 341,487	\$ 341,487	\$ 364,598	\$ 297,949	\$ -	\$ -	\$ 7,712	\$ 7,712

Continued

CITY OF NORTH MIAMI, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds				State Housing Initiative Program			
	Neighborhood Stabilization Program		Variance with Final Budget		Budgeted Amounts		Actual Amounts	
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES								
Intergovernmental	\$ 564,451	\$ 564,451	\$ 163,603	\$(400,848)	\$ 173,909	\$ 173,909	\$ 145,904	\$(28,005)
Total revenues	564,451	564,451	163,603	(400,848)	173,909	173,909	145,904	(28,005)
EXPENDITURES								
Housing and urban development	89,954	89,954	67,764	22,190	173,909	173,909	145,904	(28,005)
Debt service	-	-	-	-	-	-	-	-
Capital outlay	434,650	434,650	27,481	-	-	-	-	-
Total expenditures	524,604	524,604	95,245	22,190	173,909	173,909	145,904	(28,005)
Excess (deficiency) of revenues over expenditures	39,847	39,847	68,358	\$(28,511)	-	-	-	-
Other financing sources (uses)								
Operating contributions	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	\$(39,847)	\$(39,847)	-	\$(39,847)	-	-	-	-
Total other financing source (uses)	\$(39,847)	\$(39,847)	-	\$(39,847)	-	-	-	-
Net change in fund balances	-	-	68,358	(68,358)	-	-	-	-
Fund balances - beginning	375,530	375,530	714,456	338,926	10,986	10,986	10,986	-
Fund balances - ending	\$ 375,530	\$ 375,530	\$ 782,814	\$ 270,568	\$ 10,986	\$ 10,986	\$ 10,986	\$ -

Continued

CITY OF NORTH MIAMI, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds				Development Impact Fees			
	1/2 Cent Transportation		Variance with Final Budget		Budgeted Amounts		Actual Amounts	
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES								
Charges for services	\$ 100,000	\$ 100,000	\$ 107,903	\$ 7,903	\$ -	\$ -	\$ 60,570	\$ 60,570
Intergovernmental	2,125,663	2,125,663	2,371,513	245,850	-	-	-	-
Interest and other earnings	-	-	-	-	-	-	1,725	1,725
Total revenues	2,225,663	2,225,663	2,479,416	253,753	-	-	62,295	62,295
EXPENDITURES								
Transportation	2,615,357	2,518,720	1,777,590	741,130	-	-	-	-
Physical environment	-	-	-	-	59,781	59,781	-	(59,781)
Debt service	-	-	-	-	-	-	-	-
Capital outlay	735,099	1,204,099	605,113	598,986	-	-	-	-
Total expenditures	3,350,456	3,722,819	2,382,703	1,340,116	59,781	59,781	-	(59,781)
Excess (deficiency) of revenues over expenditures	\$(1,124,793)	\$(1,497,156)	96,713	\$(1,293,869)	\$(59,781)	\$(59,781)	62,295	122,076
OTHER FINANCING SOURCES (USES)								
Operating contributions	1,122,993	1,497,156	-	1,497,156	-	-	-	-
Transfers in	1,800	-	-	-	59,781	59,781	-	(59,781)
Transfers out	-	-	-	-	-	-	-	-
Total other financing source (uses)	1,124,793	1,497,156	-	1,497,156	59,781	59,781	-	(59,781)
Net change in fund balances	-	-	96,713	(96,713)	-	-	62,295	62,295
Fund balances - beginning	1,112,312	1,112,312	1,454,979	342,667	47,399	47,399	75,494	28,095
Fund balances - ending	\$ 1,112,312	\$ 1,112,312	\$ 1,551,692	\$ 245,954	\$ 47,399	\$ 47,399	\$ 137,789	\$ 90,390

Continued

CITY OF NORTH MIAMI, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds				Law Enforcement Trust			
	Police Training		Variance with Final Budget		Budgeted Amounts		Actual Amounts	
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES								
Intergovernmental	\$ 11,000	\$ 11,000	\$ 9,097	\$(1,903)	-	-	34,067	34,067
Total revenues	11,000	11,000	9,097	(1,903)	-	-	34,067	34,067
EXPENDITURES								
Public safety	17,000	11,000	10,287	713	-	-	107,878	107,878
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	17,000	11,000	10,287	713	-	-	107,878	107,878
Excess (deficiency) of revenues over expenditures	\$(6,000)	-	\$(1,190)	1,190	-	-	\$(73,811)	\$(73,811)
OTHER FINANCING SOURCES (USES)								
Operating contributions	6,000	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing source (uses)	6,000	-	-	-	-	-	-	-
Net change in fund balances	-	-	\$(1,190)	1,190	-	-	\$(73,811)	\$(73,811)
Fund balances - beginning	-	-	\$(4,123)	\$(4,123)	393,620	393,620	352,894	\$(40,726)
Fund balances - ending	\$ -	\$ -	\$ (5,313)	\$(2,933)	\$ 393,620	\$ 393,620	\$ 279,083	\$ (114,537)

Continued

- Financial Trends
- Revenue Capacity
- Debt Capacity
- Demographic and Economic Information
- Operating Information

III. Statistical Section



CITY OF NORTH MIAMI, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds				Debt Service Fund			
	Miscellaneous Grants & Other		Actual Amounts	Variance with Final Budget (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget (Negative)
	Budgeted Original	Final			Budgeted Original	Final		
REVENUES								
Intergovernmental	\$ -	\$ (6,416)	\$ 488,198	\$ 494,614	\$ -	\$ -	\$ -	\$ -
Total revenues	-	(6,416)	488,198	494,614	-	-	-	-
EXPENDITURES								
General government	-	-	19,894	(19,894)	-	-	-	-
Public safety	-	(5,167)	136,740	(141,907)	-	-	-	-
Culture and recreation	-	48,251	40,829	7,422	-	-	1,150,357	(1,150,357)
Debt service	-	-	-	-	-	-	625,000	(625,000)
Capital outlay	-	500	523,819	(523,319)	-	-	-	-
Total expenditures	-	43,584	721,282	(677,698)	-	-	1,775,357	(1,775,357)
Excess (deficiency) of revenues over expenditures	-	(50,000)	(233,084)	(183,084)	-	-	(1,775,357)	1,775,357
OTHER FINANCING SOURCES (USES)								
Operating contributions	-	-	26,284	(26,284)	-	-	-	-
Transfers in	-	50,000	-	(50,000)	1,786,450	1,786,450	1,786,450	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing source (uses)	-	50,000	26,284	(76,284)	1,786,450	1,786,450	1,786,450	-
Net change in fund balances	-	-	(206,800)	206,800	1,786,450	1,786,450	11,093	1,775,357
Fund balances - beginning	-	667,557	4,817	(662,740)	3,861	3,861	(263,186)	(267,047)
Fund balances - ending	\$ -	\$ 667,557	\$ (201,983)	\$ 869,540	\$ 1,790,311	\$ 1,790,311	\$ (252,093)	\$ 1,508,310

CITY OF NORTH MIAMI, FLORIDA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Invested in capital assets, net of related debt	\$ 48,559,359	\$ 48,177,635	\$ 51,307,271	\$ 52,647,349	\$ 53,763,596	\$ 56,538,875	\$ 6,437,906	\$ 66,674,275	\$ 67,178,164	\$ 55,314,367
Restricted	7,474,901	9,635,581	12,160,105	14,208,083	16,077,827	30,787,542	8,706,305	17,939,652	16,375,077	17,238,381
Unrestricted	(1,568,424)	2,886,045	(28,118,766)	(33,805,171)	(42,781,738)	(62,194,486)	24,390,475	(11,995,241)	(10,892,183)	(35,615,832)
Total governmental activities net position	\$ 54,465,836	\$ 60,699,261	\$ 35,248,610	\$ 33,050,261	\$ 27,059,685	\$ 25,131,911	\$ 39,534,686	\$ 72,618,686	\$ 72,661,058	\$ 36,936,916
Business-type activities:										
Invested in capital assets, net of related debt	\$ 26,217,827	\$ 28,181,589	\$ 32,417,627	\$ 33,191,210	\$ 32,760,429	\$ 36,851,552	\$ 35,913,554	\$ 36,003,493	\$ 38,424,467	\$ 39,868,520
Restricted	2,976,542	-	6,358,478	15,046,871	16,467,964	15,843,241	16,044,755	18,099,926	18,099,926	13,060,381
Unrestricted	(4,169,244)	8,085,782	6,460,488	4,427,730	6,978,827	6,268,738	7,808,454	7,855,776	12,000,092	20,111,189
Total business-type activities net position	\$ 33,365,131	\$ 36,267,371	\$ 45,236,593	\$ 52,666,811	\$ 56,207,220	\$ 58,963,521	\$ 59,766,763	\$ 61,939,195	\$ 68,564,445	\$ 73,042,090
Net position:										
Invested in capital assets, net of related debt	\$ 74,777,186	\$ 76,359,224	\$ 83,724,898	\$ 85,838,559	\$ 86,524,025	\$ 93,390,427	\$ 42,351,460	\$ 102,677,768	\$ 105,662,631	\$ 95,182,887
Restricted	10,451,443	9,635,581	18,518,583	29,254,954	32,545,791	46,630,783	24,751,060	36,039,578	34,475,003	30,298,762
Unrestricted	2,599,820	10,971,827	(21,658,278)	(29,382,441)	(35,802,911)	(55,925,758)	32,198,929	(4,159,465)	1,147,869	(15,502,643)
Total net position	\$ 87,828,449	\$ 96,966,632	\$ 80,585,203	\$ 85,711,072	\$ 83,266,905	\$ 84,095,452	\$ 99,301,449	\$ 134,557,881	\$ 141,225,503	\$ 109,979,006



CITY OF NORTH MIAMI, FLORIDA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Continued)
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes:										
Property taxes	\$ 18,896,748	\$ 22,342,137	\$ 21,710,957	\$ 21,247,507	\$ 19,360,306	\$ 19,361,195	\$ 16,827,107	\$ 17,773,329	\$ 16,156,844	\$ 17,138,805
Utility service tax	2,545,881	2,550,715	2,473,248	2,445,124	2,644,278	2,696,457	2,780,568	2,986,873	3,328,202	4,210,073
Communication service tax	2,113,436	2,116,844	2,151,632	2,416,966	2,102,527	1,933,235	1,777,062	1,556,784	1,407,118	1,415,105
Franchise taxes	3,773,867	4,017,409	3,746,580	3,705,277	3,340,179	3,361,008	3,327,030	3,459,702	3,662,902	3,539,715
Unrestricted investment earnings	925,796	1,375,346	839,446	175,204	113,131	126,461	101,403	152,253	75,073	86,549
Miscellaneous	500,878	967,449	1,930,249	903,758	936,875	561,783	3,081,160	40,996,820	14,204,424	12,290,361
Transfers	137,252	(288,909)	187,725	239,827	195,275	38,582	(203,602)	3,716,201	2,102,292	187,739
Total governmental activities	28,804,159	33,080,991	33,039,837	31,233,753	28,697,569	28,078,721	27,609,428	70,644,964	39,044,855	38,868,347
Business-type activities:										
Unrestricted investment earnings	330,030	363,518	197,977	62,726	50,134	-	92,675	-	-	-
Miscellaneous	69,925	77,613	381,931	135,117	86,443	199,856	1,054,813	-	10,457	55,368
Transfers	(137,553)	288,609	(187,725)	(339,827)	(195,273)	(38,582)	203,602	(3,716,203)	(210,292)	(187,739)
Total business-type activities	262,402	730,040	392,183	(141,984)	(58,696)	161,274	1,351,090	(3,716,203)	(199,835)	(132,371)
Total	29,156,561	33,811,031	33,432,020	31,091,769	28,638,873	29,041,518	66,928,761	38,845,020	38,735,976	
CHANGES IN NET POSITION										
Governmental activities	4,396,292	6,233,425	(25,330,651)	(2,298,349)	(5,990,570)	(1,927,754)	14,295,462	33,083,800	6,290,425	1,756,773
Business-type activities	2,046,039	2,904,758	8,969,222	7,424,218	3,346,409	2,756,301	700,570	2,171,653	6,650,238	8,196,256
Total	\$ 6,442,331	\$ 9,138,183	\$ (16,381,429)	\$ 5,125,869	\$ (2,644,167)	\$ 828,547	\$ 14,996,232	\$ 35,255,453	\$ 12,930,663	\$ 9,953,029

- (1) In fiscal year 2006, includes police and
- (2) In fiscal year 2006, revenues and expenses previously classified under community planning & development were reclassified to general government, economic environment and public safety.
- (3) In fiscal year 2006, includes \$4,341,132 in disaster related expenditures.
- (4) In fiscal year 2006, includes \$3,890,322 in reimbursements for disaster related expenditures.
- (5) In fiscal year 2008, includes recognition of additional \$23.4 million liability for remediation and closure of landfill site.
- (6) In fiscal year 2010 includes a swap termination payment of \$4,120,000.
- (7) In fiscal year 2013 miscellaneous includes \$30M landfill closure and \$8M for intergovernmental
- (8) In fiscal year 2013 the solid waste fund was closed

CITY OF NORTH MIAMI, FLORIDA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund:										
Reserved	\$ 1,866,535	\$ 1,952,396	\$ 5,106	\$ 93,606	\$ 19,526	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,040,481	11,964,329	8,571,829	2,703,006	(893,483)	-	57,442	22,585	1,607,840	313,403
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	5,000,000	-	-	-
Committed	-	-	-	-	-	-	6,500,000	6,500,000	-	-
Assigned	-	-	-	-	-	-	-	-	-	4,544,241
Unassigned	-	-	-	-	-	328,906	11,517,432	6,539,393	4,371,591	9,114,161
Total general fund	\$ 8,907,016	\$ 13,916,725	\$ 8,576,935	\$ 2,796,612	\$ (873,957)	\$ 386,348	\$ 16,540,017	\$ 20,249,762	\$ 16,789,444	\$ 13,799,997
All other governmental funds:										
Reserved	\$ 25,953,329	\$ 26,728,600	\$ 28,066,972	\$ 28,540,423	\$ 29,555,664	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	5,158,075	4,924,405	6,043,601	4,985,657	4,838,835	-	-	-	-	-
Debt service funds	(1,565)	(1,815)	6,621	-	-	-	-	-	-	-
Capital projects funds	1,163,001	3,089,693	2,986,400	4,826,209	6,055,920	-	-	-	-	-
Non-spendable:										
Assets held for sale	-	-	-	-	-	3,241,856	3,245,256	652,368	731,320	652,368
Inventories	-	-	-	-	-	6,247	-	4,064	3,399	-
Notes receivable	-	-	-	-	-	-	-	-	-	261,184
Restricted	-	-	-	-	-	28,496,680	19,248,154	16,361,135	16,603,444	16,928,309
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	5,409,014	-	2,089,652	1,736,561	2,800,546
Unassigned	-	-	-	-	-	272,748	5,524,256	-	(259,248)	(965,261)
Total all other governmental funds	\$ 32,272,840	\$ 34,740,883	\$ 37,103,594	\$ 38,352,289	\$ 40,450,419	\$ 37,426,545	\$ 28,017,866	\$ 19,017,219	\$ 18,815,276	\$ 19,677,156

CITY OF NORTH MIAMI, FLORIDA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Continued)
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EXPENDITURE										
Governmental activities:										
General government (3)	\$ 20,715,616	\$ 20,940,620	\$ 23,245,133	\$ 19,498,261	\$ 16,340,034	\$ 19,241,452	\$ 12,280,475	\$ 13,670,164	\$ 17,919,295	\$ 18,723,835
Transportation	3,692,943	3,982,279	4,099,284	4,070,956	4,732,376	4,113,917	5,174,884	5,677,229	-	5,605,540
Public safety (1)(2)	16,994,486	18,729,405	19,153,683	20,447,256	24,368,670	24,561,894	25,714,309	27,150,284	26,006,919	26,983,295
Parks and community services (Culture & recreation)	6,459,492	7,385,210	6,958,907	6,696,682	6,801,881	3,294,271	6,253,611	7,352,980	7,204,954	10,985,337
Community planning and development (2)	-	-	-	-	-	-	-	-	-	1,911,045
Physical environment (5)	-	-	-	-	-	-	-	-	-	1,665,466
Economic environment (2)	900,111	314,177	24,711,143	203,208	120,466	6,854,468	6,514,175	6,699,659	3,020,021	-
Interest and fiscal charges (6)	3,640,625	4,584,838	7,965,399	7,767,405	10,377,383	5,872,341	2,968,567	4,203,130	3,513,528	1,069,839
Interest and fiscal charges (6)	1,234,902	1,184,010	1,639,371	1,476,347	4,391,920	2,682,590	1,598,470	984,926	2,221,435	1,256,720
Total governmental activities expenses	52,338,175	56,474,519	87,682,930	60,758,115	67,132,740	66,020,933	60,213,401	65,738,372	69,886,152	68,138,717
Business-type activities:										
Water and sewer	19,962,083	20,411,738	21,099,133	20,222,256	21,257,994	22,226,942	21,741,967	22,478,172	23,951,276	26,685,028
Solid waste (3)(8)	10,346,693	6,032,812	6,451,224	6,678,308	6,259,317	5,762,137	6,099,743	-	-	-
Stormwater	2,010,787	2,099,975	2,195,360	2,298,384	2,307,539	2,230,457	2,375,777	2,641,893	2,248,332	2,123,669
Total business-type activities expenses	32,319,563	28,544,525	29,755,717	29,198,958	29,824,850	30,219,536	30,217,887	25,120,065	26,199,608	28,808,697
Total expenses	\$ 84,657,738	\$ 85,019,044	\$ 117,438,647	\$ 89,957,073	\$ 96,957,590	\$ 96,240,469	\$ 90,431,288	\$ 91,258,437	\$ 96,085,760	\$ 96,947,414

(Continued)

CITY OF NORTH MIAMI, FLORIDA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Continued)
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	\$ 6,822,327	\$ 11,108,270	\$ 8,571,957	\$ 8,464,748	\$ 8,699,308	\$ 14,512,033	\$ 7,986,221	\$ 12,762,768	\$ 11,304,253	\$ 7,034,086
Transportation	60,952	51,404	64,119	226,614	232,402	2,376,456	116,265	147,453	132,658	835,931
Public safety	2,851,889	2,190,227	2,852,609	2,259,765	3,288,052	2,711,202	5,237,148	3,123,181	4,723,934	6,646,252
Culture / recreation	476,990	448,849	429,903	456,614	413,356	413,112	469,914	359,463	118,730	2,785,645
Community planning and development	-	-	-	-	-	-	-	-	-	134,132
Physical environment	-	-	-	-	-	974,420	32,754	2,728,558	2,573,756	1,915,022
Economic environment (housing & planning)	-	159,101	1,420,386	1,209,693	841,134	29,871	61,110	973,625	467,411	1,984,763
Operating grants and contributions	16,979,429	14,940,647	14,693,998	14,290,842	18,272,691	12,474,244	28,322,616	8,382,304	7,006,123	3,603,994
Capital grants and contributions	647,721	728,475	1,259,470	319,737	694,652	2,532,120	4,569,697	99,709	794,857	6,677,318
Total governmental activities program revenues	27,840,308	29,628,973	29,592,442	27,224,013	32,449,595	36,014,458	46,818,725	28,177,258	27,121,722	31,027,143
Business-type activities:										
Charges for services:										
Water and sewer	20,223,027	19,977,518	26,349,394	25,596,486	23,658,141	23,244,429	22,487,389	28,528,757	30,523,694	34,849,639
Solid waste	6,033,293	6,319,497	6,398,202	6,762,983	6,767,423	6,633,169	4,757,902	-	-	-
Stormwater	2,146,193	2,266,385	2,275,291	2,419,881	2,424,453	2,408,384	2,321,676	2,479,164	3,525,987	2,287,685
Operating grants and contributions	4,110,872	993,039	58,669	315	-	-	-	-	-	-
Capital grants and contributions	1,699,815	1,348,804	2,351,200	1,985,395	581,940	526,581	-	-	-	-
Total business-type activities program revenues	34,103,200	30,710,243	38,332,756	36,762,169	33,429,859	33,814,569	29,566,867	31,007,921	33,049,681	37,137,324
Total program revenues	\$ 61,943,508	\$ 60,340,216	\$ 67,925,198	\$ 63,991,173	\$ 65,879,454	\$ 69,829,027	\$ 76,385,692	\$ 59,185,179	\$ 60,17	

CITY OF NORTH MIAMI, FLORIDA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES										
Taxes	\$ 24,226,082	\$ 31,881,844	\$ 30,000,086	\$ 30,588,107	\$ 28,198,001	\$ 26,335,560	\$ 24,696,132	\$ 26,092,235	\$ 24,051,638	\$ 23,697,860
License and permits	1,801,746	1,832,123	2,555,000	1,899,631	1,503,747	1,954,261	1,972,930	2,066,607	2,066,607	2,428,695
Charges for services	6,542,242	7,294,563	7,018,063	7,074,631	7,445,653	7,498,886	7,335,891	5,857,578	8,418,548	8,035,835
Other non-tax revenue	1,851,979	796,301	4,611,317	278,108	3,514,090	1,663,930	16,331,084	8,275,524	4,496,992	4,157,062
Total revenues	34,682,729	43,406,201	42,625,467	41,852,147	39,671,591	37,452,627	39,177,040	42,262,437	39,032,775	38,320,452
EXPENDITURES										
Public safety (6)	10,379,402	17,146,104	10,977,093	17,523,441	10,527,527	9,426,236	10,342,074	13,066,334	13,001,136	10,241,793
Public utility (16)	12,520,249	17,469,398	18,133,298	19,909,031	24,877,618	24,561,894	23,833,245	24,666,128	24,899,973	26,374,777
Transportation (4)	3,349,306	3,467,085	4,031,296	4,049,020	4,244,240	4,585,366	4,645,827	4,633,519	4,645,827	4,645,338
General government (8)	1,469,040	1,496,503	1,498,586	1,517,963	1,579,463	1,604,307	1,607,167	1,607,167	1,607,167	1,607,167
Economic development (5)(6)	1,499,906	1,499,906	1,499,906	1,499,906	1,499,906	1,499,906	1,499,906	1,499,906	1,499,906	1,499,906
Park and community services	5,741,663	5,311,457	6,098,541	5,801,827	6,490,987	2,580,085	5,385,996	5,970,668	6,317,176	7,610,932
Capital outlay	1,498,838	4,665,614	5,694,485	5,451,378	3,559,202	2,500,000	3,000,000	10,728,157	2,903,386	3,770,231
Debt service - financing & development (5)	-	-	-	-	-	-	-	-	-	-
Capital outlay - equipment (9)	1,151,111	1,151,111	1,151,111	1,151,111	1,151,111	1,151,111	1,151,111	1,151,111	1,151,111	1,151,111
Principal retirement (9)	1,151,111	1,151,111	1,151,111	1,151,111	1,151,111	1,151,111	1,151,111	1,151,111	1,151,111	1,151,111
Total expenditures	33,127,241	53,632,225	50,301,488	63,553,248	65,687,201	60,134,726	65,671,811	62,317,318	61,866,266	67,241,102
Excess (deficiency) of revenues over (under) expenditures	2,465,292	6,713,977	4,024,041	(6,077,201)	(5,975,721)	(6,582,127)	(6,999,202)	(6,699,202)	(6,999,202)	(6,582,127)
Capital assets (18)	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	599,512	921,250	21,660	1,120,000	17,665,000	-	-	178,707	83,318	-
Debt refunding (7)(9)	-	-	-	(1,510,000)	-	-	-	-	-	-
Transfer in	4,266,073	12,338,073	11,691,620	12,414,115	9,807,213	2,306,000	1,751,360	2,596,126	1,500,000	1,500,000
Transfer out	(4,092,637)	(14,501,237)	(10,031,560)	(12,009,132)	(9,557,428)	(6,474,246)	(1,620,216)	(1,714,130)	(1,884,667)	(1,884,667)
Net change in fund balance	\$ 3,069,260	\$ 2,127,060	\$ 6,297,660	\$ 4,531,286	\$ 1,524,775	\$ 2,920,149	\$ 3,111,115	\$ 2,011,235	\$ 1,522,235	\$ 1,129,762
Debt service (including issuance cost)	4.8%	3.2%	11.4%	3.4%	8.9%	3.8%	4.2%	2.9%	3.6%	2.9%

(1) In fiscal year 2006, includes public utility previously classified under community planning & development.
 (2) In fiscal year 2006, includes general operations and library. Beginning in fiscal year 2006 also includes North Miami Community Redevelopment Agency (CRA).
 (3) In fiscal year 2006, economic development includes North Miami Community Redevelopment Agency (CRA).
 (4) In fiscal year 2006, includes general operations and library. Beginning in fiscal year 2006 also includes North Miami Community Redevelopment Agency (CRA).
 (5) In 2010, includes issuance of promissory note to current refund (Obligation book Series 2002 (Pension) and to pay a termination fee with respect to a related interest rate swap.
 (6) Beginning in fiscal year 2006, economic development includes North Miami Community Redevelopment Agency (CRA).
 (7) In 2010, includes issuance of promissory note to current refund (Obligation book Series 2002 (Pension) and to pay a termination fee with respect to a related interest rate swap.
 (8) In 2010, includes issuance of promissory note to current refund (Obligation book Series 2002 (Pension) and to pay a termination fee with respect to a related interest rate swap.
 (9) In 2010, includes issuance of promissory note to current refund (Obligation book Series 2002 (Pension) and to pay a termination fee with respect to a related interest rate swap.

CITY OF NORTH MIAMI, FLORIDA
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Franchise 105-110	Sales and Use Tax	Utility Service Tax	Communication Services Tax (1)	Total
2006	18,896,748	3,773,867	896,150	2,545,881	2,113,436	28,226,082
2007	22,342,137	4,017,409	856,739	2,550,715	2,116,844	31,881,844
2008	21,710,957	3,746,580	817,669	2,473,248	2,151,632	30,900,086
2009	21,247,507	3,705,277	773,293	2,445,124	2,416,966	30,588,167
2010	19,360,306	3,340,179	751,111	2,644,278	1,777,062	28,198,001
2011	17,569,249	3,361,008	775,608	2,696,457	1,933,235	26,335,560
2012	15,433,779	3,327,030	746,246	2,780,568	1,777,062	24,051,638
2013	14,500,958	3,459,702	759,659	2,986,873	1,556,784	23,263,976
2014	15,246,402	3,662,902	774,414	3,328,202	1,407,118	24,419,038
2015	17,138,805	3,539,715	805,838	3,404,235	1,415,105	26,303,698
Change 2006-2015	9.30%	6.20%	10.08%	-33.72%	33.04%	6.81%

CITY OF NORTH MIAMI, FLORIDA
ASSESSED VALUE OF ALL TAXABLE PROPERTY (1)
LAST TEN FISCAL YEARS

Fiscal Year	Real Property	Personal 105-110	Centrally Assessed Property	Taxable Gross Total	Real Estate Adjustments	Net Assessed Property Value	Total Direct Tax Rate (2)
2004	1,574,569,163	109,803,581	849,185	1,685,221,929	18,813,919	1,666,408,010	8.75%
2005	1,809,772,258	106,472,379	968,486	1,917,212,123	19,523,012	1,897,695,111	8.73%
2006	2,172,142,450	109,575,441	1,094,458	2,282,812,349	26,930,784	2,255,881,565	8.69%
2007	2,683,257,831	105,368,853	1,185,909	2,789,812,593	29,781,958	2,760,030,635	8.46%
2008	3,123,646,463	110,465,189	1,183,875	3,235,295,527	4,000,392	3,231,295,135	6.93%
2009	3,161,711,819	90,781,163	1,171,067	3,253,664,049	150,168,473	3,103,495,576	7.05%
2010	2,726,119,911	95,800,541	1,754,347	2,823,674,799	19,929,734	2,803,745,065	7.49%
2011	2,138,856,648	96,351,619	1,236,447	2,236,444,714	65,073,418	2,171,371,296	8.41%
2012	1,984,176,233	93,286,553	1,314,055	2,078,776,841	2,245,132	2,076,531,709	8.41%
2013	1,961,574,942	100,021,455	1,409,906	2,063,006,293	2,293,529	2,060,712,764	7.93%
2014	2,090,641,105	109,820,351	1,548,020	2,202,009,476	10,700,032	2,191,309,444	7.94%
2015	2,288,960,375	102,767,681	1,448,606	2,393,176,662	5,791,134	2,387,385,528	7.93%

Source: Miami-Dade County Property Appraiser
 (1) The basis of assessed value is approximately 100% of actual value. For each fiscal year ending September 30, property is valued as of January 1st of the preceding year.
 (2) From Table 7.

CITY OF NORTH MIAMI, FLORIDA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATION)
LAST TEN FISCAL YEARS

Fiscal Year	City of North Miami			Miami-Dade County			School District	So. Fl. Water Mgt.	Total Millage
	Operating Millage (1)	Debt Service Millage	Total	Operating Millage	Debt Service Millage	Total			
2006	8.500	0.193	8.693	8.925	0.285	9.210	8.438	0.7355	27.076
2007	8.300	0.163	8.463	8.688	0.285	8.973	8.105	0.7355	26.276
2008	6.794	0.138	6.932	7.250	0.285	7.535	7.948	0.6585	23.973
2009	6.919	0.138	7.057	7.486	0.285	7.771	7.797	0.6585	23.283
2010	7.339	0.158	7.497	7.565	0.285	7.850	7.995	0.6585	24.001
2011	8.196	0.240	8.436	8.523	0.445	8.968	8.249	0.6585	26.311
2012	8.196	0.233	8.429	7.768	0.285	8.053	8.005	0.4708	24.957
2013	7.934	0.333	8.267	4.704	0.422	5.126	7.644	0.0345	21.971
2014	7.934	0.199	8.133	4.667	0.450	5.117	7.775	0.1577	21.182
2015	7.934	0.199	8.133	4.667	0.450	5.117	7.413	0.1459	20.808

Source: Miami-Dade County Property Appraiser.
 (1) Includes general operations and library. Beginning in fiscal year 2006 also includes North Miami Community Redevelopment Agency (CRA).

CITY OF NORTH MIAMI, FLORIDA
Enterprise Bonds and Utility Rates
LAST TEN FISCAL YEARS

Fiscal Year	Water		Sewer		Capital Improvement Fees		Sanitation		Monthly Charge (Res.)	Monthly Charge (Com.)
	Rate per 1000 Gallons	Rate per 1000 Gallons	Rate per 1000 Gallons	Rate per 1000 Gallons	Residential	Commercial	Residential	Commercial		
2006	8.16	0.99	1.76	3.3%	36%	36%	3.36	5.20	4.90	5.20
2007	9.35	0.99	1.76	3.3%	36%	36%	3.36	5.20	4.90	5.20
2008	10.33	1.02	1.82	3.3%	36%	36%	3.36	5.20	4.90	5.20
2009	10.84	1.07	1.91	3.3%	36%	36%	3.36	5.20	4.90	5.20
2010	10.84	1.07	1.91	3.3%	36%	36%	3.36	5.20	4.90	5.20
2011	10.93	1.08	1.95	3.3%	36%	36%	3.36	5.20	4.90	5.20
2012	11.65	1.76	1.60	N/A	N/A	N/A	N/A	N/A	N/A	6.05
2013	15.73	1.81	1.72	N/A	N/A	N/A	N/A	N/A	N/A	6.19
2014	12.51	1.81	1.72	N/A	N/A	N/A	N/A	N/A	N/A	6.19

Source: City Utility Billing Department
 (1) Rates are based on 3/4" meter for single family residence. Monthly rate per 5,000 gallons.
 (2) Overage is based on water usage over 5,000 gallons per month.
 (3) 750 gallons (6.67 imp. gal.) of imp. water used for commercial systems. For residential accounts, each residential unit is assessed a 1.00.
 (4) In 2008, monthly fees charged to finance building of raw water plant and raw water treatment plant. Rates effective November 2007 for commercial units and January 2008 for residential units.
 (5) In 2008, monthly fees charged to finance building of raw water plant and raw water treatment plant. Rates effective November 2007 for commercial units and January 2008 for residential units.
 (6) Fees charged to upgrade sewer system on per fiscal mandate.
 (7) In February 2009, City Council approved reducing capital improvement fees for residential accounts but only \$75.00 was assessed in the first year (only 77.00% when a temporary reduction was applied based on meter size).
 (8) In February 2009, City Council approved reducing capital improvement fees for residential accounts but only \$75.00 was assessed in the first year (only 77.00% when a temporary reduction was applied based on meter size).
 (9) In February 2009, City Council approved reducing capital improvement fees for residential accounts but only \$75.00 was assessed in the first year (only 77.00% when a temporary reduction was applied based on meter size).
 (10) Consumption based rate structure was implemented. Residential rate charged for usage in incremental units of 5,000 gallons. Detailed rate structure can be found at www.northmiami.gov

Note: The City bills residents for the aforementioned services on a quarterly basis except for the period from January 2002 to October 2006 when residential accounts were billed monthly. All commercial accounts are billed monthly.

CITY OF NORTH MIAMI, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Population, (1)	Per Capita Income, (1)	Percentage of Personal Income, (1)
	Pension Obligation Ratio, (2)	Capital Leases, (3)	Notes Payable, (4)	Sewer Revenue Ratio, (5)	Capital Leases, (6)	Notes Payable, (7)				
2006	14.130,000	548,731	3	1,087,770	2,759,112	4,800,000	23,305,613	59,734	390	2.68%
2007	13,840,000	1,021,502	-	954,328	3,398,540	4,352,000	23,899,370	60,275	397	2.72%
2008	13,735,000	1,038,641	-	791,848	3,899,111	4,380,000	27,849,690	59,688	467	2.61%
2009	13,510,000	1,656,210	-	622,688	3,134,686	4,165,000	27,088,584	58,469	463	2.49%
2010	-	1,263,014	-	446,572	2,424,079	3,930,000	11,663,665	58,786	198	1.13%
2011	-	880,480	-	240,595	1,685,304	3,685,000	6,491,379	58,786	100	0.64%
2012	-	864,702	-	504,500	790,674	3,430,000	5,135,826	60,143	85	0.48%
2013	-	657,312	-	371,189	3,160,000	95,751	4,284,232	60,312	71	0.39%
2014	-	2,318,819	-	233,089	2,616,357	2,148,400	3,156,501	61,578	51	0.28%
2015	-	2,783,317	-	-	100,765	2,295,681	4,715,311	58,786	80	0.44%

(1) Divided by the City's Personal Income From Table 10a - Demographic and Economic Statistics
 (2) Pension Obligation Ratio
 (3) Capital Leases
 (4) Notes Payable
 (5) Sewer Revenue Ratio
 (6) Capital Leases
 (7) Notes Payable
 (8) In February 2010, the City issued Taxable Promissory Note, Series 2010 for the purpose of refunding the City's outstanding Pension Obligation Bonds, Series 2002 and to pay a termination fee with respect to a locked interest rate swap.

CITY OF NORTH MIAMI, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO

Taxpayer	2015			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
STELLAR BISCAYNE LP	\$ 56,427,662	1	18.53%			
COUNTYLINE AUTO CENTER INC	55,539,242	2	18.17%			
FLORIDA POWER & LIGHT COMPANY	52,994,365	3	17.40%			
WRPV XI WATERMARK MIAMI LLC	32,838,403	4	10.78%			
CITY OF NORTH MIAMI	29,834,949	5	9.80%			
CAUSEWAY SQUARE LLC	16,700,000	6	5.48%			
PUBLIX SUPER MARKETS INC (LESSEE)	16,661,758	7	5.47%			
JVR INVESTMENTS GREEN ACRES INC &	16,074,000	8	5.28%			
YALE STEAM CENTER COURT LLC	14,700,000	9	4.83%			
RK CAUSEWAY PLAZA LLC	13,000,000	10	4.27%			
STELLAR BISCAYNE				\$ 54,200,000	1	20.17%
KING APARTMENTS				40,910,201	2	15.22%
CITY OF NORTH MIAMI/BISCAYNE LANDING LLC				36,689,336	3	13.65%
FLORIDA POWER & LIGHT CORPORATION				27,998,691	4	10.42%
ALLIANCE LTD PARTNERSHIP				26,500,000	5	9.86%
SAN SOLCI LLC				22,000,000	6	8.19%
KEYSTONE TOWERS				20,000,000	7	7.44%
CENTER COURT ASSOCIATES LTD				13,800,000	8	5.14%
127TH STREET SHOPPING CENTER, INC				13,360,093	9	4.97%
CAUSEWAY PLAZA				13,281,536	10	4.84%
Totals	\$ 304,590,379		100.00%	\$ 268,740,257		100.00%

Source: Miami-Dade County Property Appraiser

CITY OF NORTH MIAMI, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy (2)	(3) Current Tax Collected	Percent of Current Taxes Collected	(3) Delinquent Tax Collections	Total Tax Collections	Ratio Tax Collections to Total Tax Levy
2006	19,843,802	17,836,632	89.89%	1,060,116	18,896,748	95.23%
2007	23,609,625	20,782,929	88.03%	1,559,208	22,342,137	94.63%
2008	22,426,422	19,435,809	86.66%	2,275,148	21,710,957	96.81%
2009	22,991,073	19,192,158	83.48%	2,055,349	21,247,507	92.42%
2010	21,169,937	17,066,199	80.62%	2,294,107	19,360,306	91.45%
2011	19,652,115	15,860,401	80.71%	1,708,848	17,569,249	89.40%
2012	17,491,452	15,365,264	87.84%	1,461,842	16,827,106	96.20%
2013	16,889,000	13,865,000	82.09%	1,105,019	14,970,019	88.64%
2014	16,294,324	15,652,829	96.06%	285,570	15,938,399	97.82%
2015	16,890,022	15,201,020	90.00%	300,000	15,501,020	91.78%

Source: Miami-Dade County Property Appraiser and internally generated data.

- (1) Includes levies and collections for personal and real properties.
- (2) Includes levies for general operations, and debt service. Beginning in fiscal year 2006, total tax levy also includes tax-increment financing for the North Miami Community Redevelopment Agency (CRA).
- (3) Restated to reclass tax certificate sales from current tax collected to delinquent tax collections.

CITY OF NORTH MIAMI, FLORIDA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND
NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Fiscal Year	(1) Population*	(2) Assessed Value*	(3) Gross Bonded Debt*	(4) Less Debt Service Fund*	Net Bonded Debt*	Ratio of Net Debt to Assessed Value	Net Bonded Debt Per Capita
2006	60	2,255,882	2,180	-	2,180	10%	36
2007	60	2,760,031	1,855	-	1,855	7%	31
2008	60	3,231,295	1,515	7	1,508	5%	25
2009	58	3,107,696	1,165	-	1,165	4%	20
2010	59	2,803,745	795	-	795	3%	13
2011	59	2,171,371	405	-	405	2%	7
2012	60	2,076,532	-	-	-	0%	-
2013	60	2,060,713	-	-	-	0%	-
2014	61	2,191,309	-	-	-	0%	-
2015	59	2,387,386	-	-	-	0%	-

*Amounts expressed in thousands.

Source: City of North Miami Finance Department.

(1) From Table 19.

(2) From Table 6.

(3) Amount does not include special obligation bonds or note payable. All general obligation bonded debt is expected to be repaid through general governmental resources.

(4) Amount available for repayment of FMLC loan (general obligation debt).

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CITY OF NORTH MIAMI, FLORIDA
SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS (1)
(IN THOUSANDS)

SEPTEMBER 30, 2015

Jurisdiction	Taxable Property Value	Net General Obligation Bonded Debt Outstanding	Percentage Applicable To North Miami	Amount Applicable To North Miami
Direct:				
City of North Miami (1)	\$ 2,393,177	\$ -	100.00%	\$ -
Overlapping:				
Miami-Dade County (2)	292,999,233	1,508,197	0.82% (4)	12,319
Miami-Dade County Schools (3)	262,127,456	349,151	0.91% (4)	3,188
Total overlapping debt		1,857,348		15,506
Total direct and overlapping debt		\$ 1,857,348		\$ 15,506

(1) Excludes the City of North Miami's taxable promissory note issued in 2010, which is not payable from property taxes (see Table 12).

(2) Source: Miami-Dade County Property Appraiser - Taxable Property Estimated Value as of July 1, 2015, amounts and Net General Obligation Bonded Debt Outstanding figures are as of September 30, 2015.

(3) Source: School Board of Miami-Dade County Division of Accounting - Taxable Property Value reflects September 30, 2015 amounts and Net General Obligation Bonded Debt Outstanding figures are as of June 30, 2015.

(4) Based on the percentage of the County's/School Board's tax roll valuation comprised of real and personal property situated in the City of North Miami.

The percentage applicable to North Miami is estimated using taxable assessed property values. Value that is within the City's boundaries and dividing it by the County's and School Board's total 2015 preliminary taxable value.

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CITY OF NORTH MIAMI, FLORIDA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR BONDED DEBT (1)
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS
(IN THOUSAND DOLLARS)

Fiscal Year	Principal	Interest (2)	Total Debt Service	Total General Governmental Expenditures (3)	Ratio of Debt Service to General Governmental Expenditures
2006	485	1,139	1,624	52,480	3.0%
2007	515	1,104	1,619	53,122	3.0%
2008	545	1,336	1,881	60,773	3.0%
2009	575	1,382	1,957	63,100	3.0%
2010	400	5,156	5,556	63,299	9.0%
2011	440	1,643	2,083	60,105	3.0%
2012	860	985	1,845	60,177	3.0%
2013	545	916	1,461	58,676	2.0%
2014	585	1,494	2,079	58,146	4.0%
2015	625	1,150	1,775	63,138	3.0%

(1) Includes debt service for general obligation and special obligation debt.

(2) Includes debt issuance and other costs. In 2010, includes a swap termination payment of \$4,120,000.

(3) Does not include expenditures for capital projects funds.

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CITY OF NORTH MIAMI, FLORIDA
SCHEDULE OF REVENUE BOND COVERAGE
WATER & SEWER ENTERPRISE FUND
(IN THOUSANDS)
LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		Total	Coverage
	\$	\$	\$	Principal	Interest (3)	\$	
2006	(5) 20,506	18,870	1,636	112	40	152	10.76
2007	20,603	18,570	2,033	156	41	197	10.32
2008	(6) 28,993	19,684	9,309	162	134	296	31.45
2009	(7) 25,657	18,404	7,253	169	177	346	20.96
2010	24,036	19,574	4,462	576	168	744	6.00
2011	(8) 23,244	22,052	1,192	377	145	522	2.28
2012	22,680	19,735	2,945	190	160	350	8.41
2013	28,485	21,604	6,881	300	152	452	15.22
2014	30,497	23,422	7,075	300	152	452	15.65
2015	34,850	26,672	8,178	315	137	452	18.09

(1) Total operating revenues, plus interest income and operating grants.

(2) Total operating expenses exclusive of depreciation.

(3) Including fiscal charges.

(5) In fiscal year 2006, the City issued \$1.2 million in Water & Sewer Revenue Bonds-Series 2005 due December 1, 2012.

(6) In October 2007, the City implemented a capital improvement fee (CIF) to fund three water and sewer capital improvement projects and to pay debt the maturity on the original series 2008A Note and to modify the principal payment terms on the original note.

(7) In fiscal year 2009, the City issued a \$4 million Water and Sewer Public Improvement Revenue Note, Series 2008A to extend the maturity on the original series 2008A Note and to modify the principal payment terms on the original note.

(8) The new Series 2008A Note matured on August 28, 2011.

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**CITY OF NORTH MIAMI, FLORIDA
FISCAL YEAR BUDGETED AND HISTORIC NON-AD VALOREM FUNDS
FISCAL YEAR ENDS SEPTEMBER 30, 2015**

	Sources of Funds									
	2016 (Budgeted)	2015	2014	2013	2012	2011	2010	2009		
General government funds (1):	\$ 3,315,687	\$ 3,353,975	\$ 3,662,901	\$ 3,459,702	\$ 3,327,030	\$ 3,361,088	\$ 3,340,179	\$ 3,702,277		
Franchise fees	2,865,078	3,404,235	3,328,201	2,986,873	2,780,568	2,696,457	2,644,278	2,485,124		
Utility taxes	1,620,000	1,415,105	2,166,777	2,216,443	2,523,308	2,708,843	2,853,638	3,190,259		
Communication services tax	1,489,000	2,428,695	2,086,697	1,927,295	1,871,538	1,954,261	1,505,747	1,890,651		
License and permits	8,579,996	7,839,966	7,338,083	6,110,680	5,791,752	7,172,527	5,112,598	5,512,098		
Intergovernmental revenues (2)	10,447,252	18,510,852	9,411,235	7,644,468	7,535,896	7,498,468	7,498,468	7,078,951		
Charges for services (3)	826,277	2,851,842	8,211,235	5,551,468	4,000,000	4,000,000	1,764,832	1,564,832		
Other (5)	3,315,687	3,887,607	4,953,386	7,401,828	15,612,532	11,278,310	2,639,511	1,981,529		
Total general government non-ad valorem funds	29,151,330	33,026,287	34,534,873	37,418,205	44,187,469	29,140,601	27,506,434	26,266,773		
Enterprise funds (4):										
Water and sewer utility	48,763,864	34,849,639	30,497,436	28,073,814	22,487,390	23,244,429	23,658,141	24,596,486		
Solid waste services	-	-	-	-	4,757,902	6,635,169	6,761,121	6,762,983		
Stormwater utility	3,046,642	2,287,684	2,525,986	2,461,783	2,321,636	2,408,384	2,424,453	2,419,981		
Total enterprise funds non-ad valorem funds	31,810,506	37,137,323	33,023,422	30,535,597	29,566,968	32,837,982	32,843,715	34,779,450		
Total non-ad valorem funds	\$ 80,961,836	\$ 70,164,110	\$ 67,558,295	\$ 67,953,802	\$ 73,754,467	\$ 61,978,583	\$ 60,350,149	\$ 61,046,223		

(1) Includes general funds, special revenue funds and debt service funds, excludes capital project funds.
 (2) Includes state and federal grants, excluding specific use and not available to fund debt service. Has been evaluated from this category.
 (3) Includes interfund services provided and used.
 (4) Only operating revenues are shown.
 (5) Includes revenues legally restricted for specific use and not available to fund debt service. Includes \$12.5M Bioscience Landing funds in 2011.
 (6) As originally budgeted.

**CITY OF NORTH MIAMI, FLORIDA
DEBT SERVICE PAYABLE FROM PORTIONS OF THE NON-AD VALOREM FUNDS**

Year	FMLC Series 2001A Stormwater Utility Revenue Bonds (1)
2016	433,913
2017	436,063
2018	432,294
2019	433,568
2020	865,900
Total	\$ 2,601,738

(1) In November 2001, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$5,545,000. The purpose of the loan was to finance capital improvements to the City's stormwater system. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC Revenue Bonds, Series 2001A).
 (2) In August 2009, the City issued a Water and Sewer Public Improvement Revenue Note Series 2008A in the principal amount of \$4,000,000 for the purpose of extending the maturity on the original Series 2008A Note, and to modify the principal payment terms on the original note. The new series 2008A Note matured on August 28, 2011.
 Source: City of North Miami, Florida Finance Department 127-129

**CITY OF NORTH MIAMI, FLORIDA
DEBT SERVICE REQUIREMENTS AND COVERAGE
OUTSTANDING AND PROPOSED
PAYABLE FROM NON-AD VALOREM FUNDS**

Fiscal Year	Outstanding Debt Service (1)	City of North Miami (3)		Total	Total Principal Debt Service	Non-Ad Valorem Funds (2)	Coverage Ratio Percentage
		2010 Taxable Promissory Note (Pension)					
		Principal	Interest				
2016	433,913	670,000	1,116,138	1,786,138	2,220,051	80,961,836	36.47
2017	436,063	720,000	1,067,563	1,787,563	2,223,626	80,961,836	36.41
2018	432,294	770,000	1,015,563	1,785,563	2,217,657	80,961,836	36.51
2019	433,568	830,000	899,538	1,789,538	2,223,106	80,961,836	36.42
2020	865,900	885,000	899,363	1,784,363	2,650,263	80,961,836	30.55
2021	-	950,000	835,200	1,785,200	1,785,200	80,961,836	45.35
2022	-	1,020,000	766,324	1,786,324	1,786,324	80,961,836	45.32
2023	-	1,095,000	692,376	1,787,376	1,787,376	80,961,836	45.30
2024	-	1,175,000	612,987	1,787,987	1,787,987	80,961,836	45.28
2025	-	1,260,000	527,800	1,787,800	1,787,800	80,961,836	45.29
2026	-	1,350,000	436,450	1,786,450	1,786,450	80,961,836	45.32
2027	-	1,450,000	338,576	1,788,576	1,788,576	80,961,836	45.27
2028	-	1,555,000	233,450	1,788,450	1,788,450	80,961,836	45.27
2029	-	1,665,000	120,715	1,785,715	1,785,715	80,961,836	45.34
	\$ 2,601,738	\$ 15,395,000	\$ 9,621,841	\$ 25,016,841	\$ 27,618,579	\$ 1,133,465,704	

(1) This assumes that total debt service for this debt is paid from Non-Ad Valorem Funds (see Table 18).
 (2) This reflects the budgeted funds available for the fiscal year ending September 30, 2016 from General Government Non-Ad Valorem Funds and Enterprise Funds (see Table 16).
 (3) Reflects new debt issuance. The Taxable Special Obligation Refunding Bonds Series 2002 (Pension) were in February 2010 refunded through the issuance of City of North Miami Taxable Promissory Note, Series 2010.

**CITY OF NORTH MIAMI, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	(1) Population	Personal Income (in thousands)	(2) Per Capita Personal Income \$	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate Percentage
2006	59,734	870,981	14,581	32	365,784	5.6
2007	60,275	878,870	14,581	32	353,283	4.7
2008	59,688	1,066,804	17,873	32	347,774	6.6
2009	58,469	1,085,886	18,572	32	345,150	12.1
2010	58,786	1,034,928	17,605	32	345,458	13.6
2011	58,786	1,014,882	17,264	32	347,133	12.4
2012	60,585	1,084,956	17,908	34	349,945	11.1
2013	60,312	1,106,655	18,266	32	356,944	11.1
2014	61,420	1,109,675	18,067	34	323,301	7.3
2015	58,786	1,131,869	18,428	34	349,822	9.8

(1) University of Florida, Bureau of Economic & Business Research. U.S. Census Bureau, Census 2010.
 (2) Data 2004-2007 based on U.S. Census of Population 2000. Data for 2009 and 2008 reflects 2008, and 2007 inflation adjusted dollars, respectively. Data for 2010 reflects 2009 inflation adjusted dollars.
 (3) U.S. Census Bureau, Census 2010.
 (4) Source: Miami-Dade County School Board. Data is for the School District of Miami-Dade County.
 (5) U.S. Department of Labor, Bureau of Labor Statistics.



IV. Compliance Section



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HCT Certified Public Accountants & Consultants, LLC

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*

To the Honorable Mayor and Members of the City Council
City of North Miami, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of North Miami, Florida, (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 31, 2016.

Our report includes a reference to other auditors who audited the financial statements of the Fiduciary Funds, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

West Palm Beach
Phone (561) 455-2644

Miami
Phone (305) 331-8768
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Hollywood
Phone (954) 964-4435

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor and Members of City Council
City of North Miami, Florida

Report on Compliance for Each Major Federal Program

We have audited City of North Miami, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 which are described in the accompanying Schedule of Findings and Questioned Costs as items **2015-01 to 2015-05**.

City of North Miami, Florida's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City'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.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida
May 31, 2016

West Palm Beach
Phone (561) 655-2664

Miami
Phone (305) 331-8768
141

Hollywood
Phone (954) 966-4435

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Basis for Qualified Opinion on U.S. Department of Housing and Urban Development, Community Development Block Grant

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding the U.S. Department of Housing and Urban Development, CFDA 14.218 Community Development Block Grant as described in finding number **2015-05** for basis of accounting used for reporting. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on U.S. Department of Housing and Urban Development, Community Development Block Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on U.S. Department of Housing and Urban Development, Community Development Block Grant for the year ended September 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item **2015-05**. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing

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their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items **2015-05** to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida
May 31, 2016

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CITY OF NORTH MIAMI, FLORIDA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

CITY OF NORTH MIAMI, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule of Expenditures of Federal Award (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

NOTE 2 – BASIS OF PRESENTATION

The accompanying Schedule includes the federal and state grant activities of the City. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audit of States, Local Governments, and Non-Profit Organization. For purposes of the Schedule, federal awards include all grants and contracts entered into directly between the City and agencies and departments of the federal government and pass-through agencies, as applicable.

FEDERAL AGENCY/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL/ STATE OMB/CSEA NUMBER	GRANT OR IDENTIFYING NUMBER	EXPENDITURES
U.S. DEPT OF HOUSING AND URBAN DEVELOPMENT			
COMMUNITY DEVELOPMENT BLOCK GRANT ENTITLEMENT	14218	B-13MC-12-0039	\$ 206,261
COMMUNITY DEVELOPMENT BLOCK GRANT ENTITLEMENT	14218	B-14MC-12-0039	478,777
Sub-total	14218		685,038
HOME INVESTMENT PARTNERSHIPS PROGRAM	14239	M-13MC-12-0231	121,101
HOME INVESTMENT PARTNERSHIPS PROGRAM	14239	M-14MC-12-0231	38,466
Sub-total	14239		159,567
NEIGHBORHOOD STABILIZATION PROGRAM I	14264	B-08-MN-12-0019	95,245
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			938,215
U.S. DEPARTMENT OF JUSTICE			
PASS THROUGH THE STATE OF FLORIDA OFFICE OF THE ATTORNEY GENERAL VICTIMS INTERVENTION PROGRAM (VICA) FY1213 CRIME VICTIM ASSISTANCE	16375	V221-1428	52,851
BULLETPROOF VEST PARTNERSHIP (GRANT PROGRAM-03)	16407	N/A	12,965
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16738	2012-DJ-4RX-0050	26,691
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16738	2013-DJ-4RX-0291	3,602
PASS THROUGH MIAMI DADE COUNTY EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16738	2014-JAG-DADE-15-07-164	8,129
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16738		18,452
Sub-total	16738		56,875
LAW ENFORCEMENT AGENCY/EQUITABLE SHARING FUND FROM JUSTICE	16922	N/A	63,962
TOTAL U.S. DEPARTMENT OF JUSTICE			180,229
U.S. DEPARTMENT OF TRANSPORTATION, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION			
PASS THROUGH THE STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION NORTH MIAMI POLICE DEPARTMENT OCCUPANT PROTECTION PROGRAM	20460	ARM-58	44,155
FLORIDA BICYCLE SAFETY AND ENFORCEMENT CAMPAIGN (BICYCLE & PEDESTRIAN)	20205	TWO-945-1	26,284
MIAMI DADE METROPOLITAN ORGANIZATION (MPO)	20205	ARK-62	47,544
Sub-total	20205		117,983
FLORIDA DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES FEDERAL MOTOR CARBER SAFETY ADMINISTRATION (FMCSA)	20224	FM-SAD-0016-12-01-00	30,427
TOTAL U.S. DEPARTMENT OF TRANSPORTATION, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION			143,419
U.S. DEPARTMENT OF TREASURY			
LAW ENFORCEMENT AGENCY/EQUITABLE SHARING FUND FROM TREASURY	21000	N/A	110,180
TOTAL U.S. TREASURY DEPARTMENT			110,180
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,268,844

See Notes to the Schedule of expenditures of federal awards

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CITY OF NORTH MIAMI, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED SEPTEMBER 30, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? Yes X No

Type of auditors' report issued on compliance for major federal programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X Yes No

Identification of major programs:

Federal Program	Federal CFDA
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Community Development Block Grant	14.218
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Dollar threshold used to distinguish between Type A and Type B Federal Programs: \$300,000

Auditee qualified as low-risk auditee for federal award programs? Yes X No

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CITY OF NORTH MIAMI, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED SEPTEMBER 30, 2015

SECTION II - PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Matters that are repeated in the accompanying Schedule of Findings and Questioned Costs
 None.

Matters that are not repeated

2013-01 – Balance Sheet Schedules (Revised and included in 2014-01)

We recommended the City determine the appropriate level of financial staffing resources and software application training required to support compliance requirements and financial reporting.

Status: Implemented

PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Matters that are repeated in the accompanying Schedule of Findings and Questioned Costs
 None.

Matters that are not repeated

2014-01 Reconciliation to General Ledger Accounts (Repeat Finding)

We recommend the City determine the appropriate level of financial staffing resources and software application training required to support compliance requirements and financial reporting.

Status: Implemented

2014-02 Material Adjustments

We recommend the City to consider hiring more staff in the accounting department to handle scheduling and reconciliation tasks so that adjustments do not occur or can be made on timely manner.

Status: Implemented

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CITY OF NORTH MIAMI, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED SEPTEMBER 30, 2015

SECTION III – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

CONTROL DEFICIENCY, SIGNIFICANT DEFICIENCY, AND MATERIAL WEAKNESS

2015-01 Material Adjustments

Condition

Material adjustments were posted by the auditee which affected prior year balances.

Criteria

Statement of Auditing Standards (SAS) No. 115 indicates that the "Identification by the Auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the Entity's internal control" should be regarded as a material weakness in internal controls.

Cause

Due to the inadequate capital assets inventory monitoring material adjustments were recorded to properly reflect capital assets.

Effect

Without the adjustments, the financial statements would not be properly presented under GAAP.

Recommendation

We recommend the City undertake a physical inventory count for capital assets so that adjustments can be made in a timely manner.

View of Responsible Officials and Planned Corrective Actions

Management agrees with the finding and will implement the recommendation in the coming year.

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CITY OF NORTH MIAMI, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED SEPTEMBER 30, 2015

2015-02 Utility Billings – (continued)

Recommendation: The City is recommended to provide bills to customers at regular intervals with no penalty to its customers, adequately staff the Utility Billing department, and design controls to meet the timeliness objectives of utility billing.

View of Responsible Officials and Planned Corrective Actions: Management concurs with the recommendation. Management has hired a Utility Billing Business Process Improvement Coordinator whose primary responsibility is to address and resolve all delays in sending out utility bills in a timely manner. At the time of this response, the City was up-to-date with billings. Additional mandatory training is also being provided to all utility billing staff and other customer service staff.

2015-03 Inventories

Condition: The City's physical inventory revealed discrepancies in the inventory on hand and the perpetual count maintained by the inventory recordkeeping system.

Criteria: The City should have the ability to limit material discrepancies in the inventory system during the fiscal year.

Effect: The auditee did not provide adequate explanation for the significant discrepancy of approximately \$134,000 identified during the year end inventory count.

Recommendation: We recommend that the city perform inventory reconciliations on a regular basis in order to ensure that amounts recorded in the inventory recordkeeping system are in agreement with amounts on hand so that differences are investigated on a timely basis and properly adjusted.

View of Responsible Officials and Planned Corrective Actions

Management agrees with the finding and will implement the recommendation in the coming year.

2015-04 Entity Wide Controls/Policies and Procedures

Condition: The City did not present its written policies and procedures in order to demonstrate that control activities were adequately considered by management.

Criteria: Applicable auditing standards indicate that the auditee must have written policies and procedures in order to demonstrate that control activities were adequately considered by management. These written policies and procedures should be in place in order to mitigate the strategic, financial, regulatory (compliance), reputational, and operational risks.

Effect: The City may not have reasonable assurance that adequate policies and procedures are in place in order to safeguard its assets and to ensure that assets are efficiently deployed and managed. Also, we were unable to determine whether strategic, financial, regulatory (compliance), reputational, and operational risks were properly and adequately assessed.

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CITY OF NORTH MIAMI, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED SEPTEMBER 30, 2015

2015-02 Utility Billings

Condition: The City does not provide bills to customers at regular intervals. 15 of the 15 sections tested were not billed on regular intervals, with bills being sent to customers between 40 to 155 days after the meter reading date.

Cause: The City's utility billings were not sent to customers on a timely basis, due to "staffing issues in the utility billing department". The City has no procedures designed to monitor timeliness of processing utility billings.

Criteria: Florida Administrative Code (FAC): 25-30.335 Customer Billing

(1) Except as provided in this rule, a utility shall render bills to customers at regular intervals, and each bill shall indicate: the billing period covered; the applicable rate schedule; beginning and ending meter reading; the amount of the bill; the delinquent date or the date after which the bill becomes past due; and any authorized late payment charge.

(2) When a utility is unable to obtain an actual meter read, estimated bills may be provided.

(a) If the utility estimates a bill, the bill statement shall prominently show the word "Estimated" on the face of the bill.

(b) The utility is obligated to timely correct any problems within the utility's control causing the need to estimate bills. In no event shall a utility provide an estimated bill to any one customer more than four times in any 12-month period due to circumstances that are within the utility's control and service obligations.

(c) Upon issuance of a second estimated bill in a 6 month period, the utility shall provide the customer with an explicit written explanation for the estimation, along with the utility contact information and the Commission toll-free complaint number, 1(800) 342-3552.

(d) The utility shall maintain records, for a minimum of two years, detailing the number, frequency, and causes of estimated bills, which shall be made available upon request to the Commission or to any party to a rate proceeding for the utility.

Rulemaking Authority 350.127(2), 367.121 FS. Law Implemented 367.091, 367.121 FS. History—New 9-14-74, Amended 6-21-79, Formerly 25-10.97, 25-10.097, Amended 11-10-86, 11-30-93, 6-17-13.

Effect: Due to back log in sending out bills, Unbilled Accounts Receivable was overstated, and Utility Billing Accounts Receivable was understated, both in the amount of \$5,473,950

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CITY OF NORTH MIAMI, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED SEPTEMBER 30, 2015

2015-04 Entity Wide Controls/Policies and Procedures – (continued)

Recommendation: We recommend that the City provide the auditors with its written policies and procedures.

View of Responsible Officials and Planned Corrective Actions: Management disagrees with this finding. The City, as a whole, has an existing policies and procedures document. In its existing format, this document may seem to be fragmented. Nevertheless, these documents have been used by the City for many years. The policies and procedures manual for the finance department in particular, are being updated and, are available for audit review.

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

CONTROL DEFICIENCY

2015-05 Improper Method of Accounting Used for Expenditure Reporting

Condition

Grant reimbursements requests should be made on the same basis of accounting on which the books should be maintained. They are requested based on when certain invoices are received rather than when they should be accrued. This is a cash management compliance finding.

Criteria

OMB Circular A-133 Cash Management requires that grant reimbursement requests be made using the same basis of accounting as required for the books.

Cause

Due to the limited staff in the City's accounting and grants administrative departments and the delay in receiving certain contractor invoices, some year end invoices were not recorded timely in the general ledger.

Effect

Grant reimbursement requests not filed using the same basis of accounting will not properly reflect the period expenditures as stated in the grant agreements. Not reporting the grant program expenditures delays the receipt of funds the City has already expended.

Recommendation

We recommend that the City consider hiring more staff for grant administration and to adjust their procedures to allow for the delivery of grant related invoices in a timely manner.

View of Responsible Officials and Planned Corrective Actions

Management concurs with recommendation and will meet with the relevant division to assess staffing requirements

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

To the Honorable Mayor and City Council
City of North Miami, Florida

Report on the Financial Statements

We have audited the financial statements of the City of North Miami, Florida, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 31, 2016.

Auditor's Responsibility

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 31, 2016, 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. Corrective actions have been taken to address the finding and recommendation made in the preceding annual financial report which is described in the accompanying Schedule of Findings and Questioned Costs as item **2014-01 and 2014-02**.

West Palm Beach
Phone (561) 655-2664

Miami
Phone (305) 331-8768
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Hollywood
Phone (954) 966-4435

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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 other granting agencies, the Commissioners, Council Members and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the management and staff of the City for their assistance and courtesy during the engagement. Please feel free to contact us with any questions or comments, as we would be pleased to meet with you at your convenience.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida
May 31, 2016

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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. All related disclosures have been made in the notes to the financial statements.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City 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 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City'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.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, findings and recommendations are incorporated in the accompanying Schedule of Findings and Questioned Costs as findings numbered **2015-01 through 2015-05**.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION
218.415, FLORIDA STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES**

To the Honorable Mayor and Members of City Council
City of North Miami, Florida

We have audited the financial statements of the City of North Miami, Florida (the City) as of and for the year ended September 30, 2015, and have issued our report thereon dated May 31, 2016.

Auditor's Responsibility

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; (if applicable) OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; (as applicable) Schedule of Findings and Questioned Costs; the Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General and the management letter in accordance with the rules of the Auditor General of the State of Florida. Disclosures in those reports and schedule, which are dated May 31, 2016, should be considered in conjunction with this report.

Local Government Investment Policies

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

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

West Palm Beach
Phone (561) 655-2664

Miami
Phone (305) 331-8768
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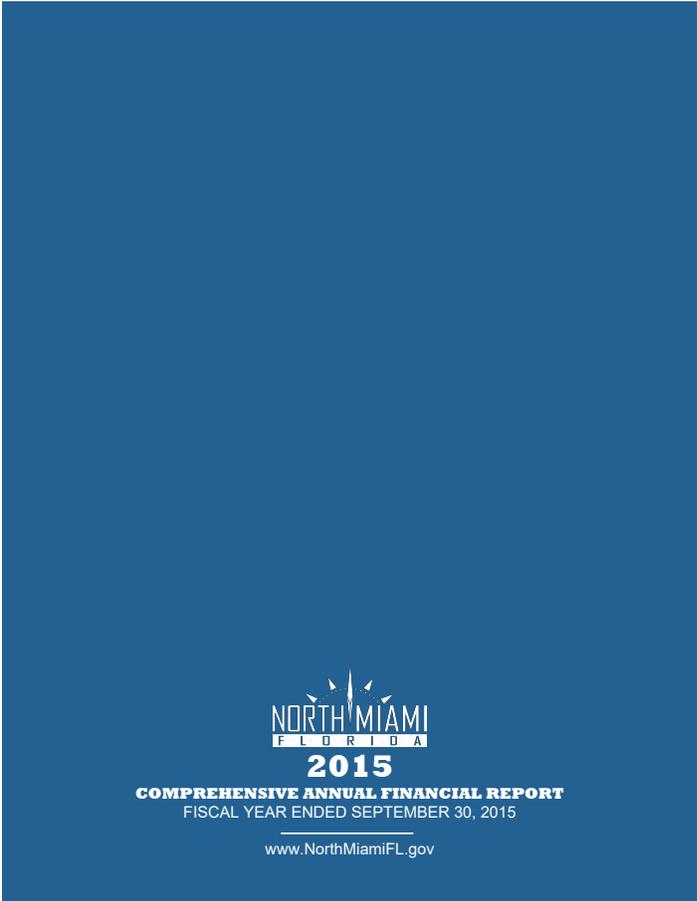
Hollywood
Phone (954) 966-4435

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015. This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida
May 31, 2016

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APPENDIX K

FINANCIAL INFORMATION REGARDING TOWN OF OAKLAND

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September 30, 2015

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FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2015
 TOWN OF OAKLAND, FLORIDA

The Town of Oakland (the "Town") Management's Discussion and Analysis (the "MD&A") presents an overview of the Town's financial activities for the year ended September 30, 2015. Please read it in conjunction with the Town's financial statements following the MD&A.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of fiscal year 2015 by \$6,254,313 (net position). Of this amount, \$709,777 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$332,695 (or 5%) over the previous fiscal year.
- At September 30, 2015, the Town's governmental funds reported combined ending fund balances of approximately \$2,258,051, a decrease of \$323,532 in comparison with the prior year.
- At September 30, 2015, unassigned and assigned fund balance for the general fund was a negative \$87,040 caused by unrestricted liabilities that exceed unrestricted assets.
- Governmental funds revenue increased \$231,174 or 3%.
- The Town's outstanding long-term debt increased approximately \$440,000 or 4% during fiscal year 2015. The main increase in the Town's long-term debt is the State of Florida Department of Environmental Protection loan DW 4803C used to fund the water tank project in the enterprise fund.

Overview of the Financial Statement

The financial statements are presented in compliance with pronouncement 34 of the Governmental Accounting Standards Board (GASB 34). This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements consisting of the statement of net position and statement of activities are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the Town's assets, liabilities, and deferred inflows and outflows of resources with the residual measure reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the Town'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 items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the Town include general government administration, public safety, charter school operation, refuse collection, streets, and parks and recreation. The business-type activities

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MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2015
 TOWN OF OAKLAND, FLORIDA
 (Continued)

of the Town are comprised of the water and wastewater utility. The government-wide financial statements can be found on pages 3-4 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary or enterprise funds.

Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Town maintained three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, impact fee fund and the charter school fund, which are considered to be major funds. The basic governmental fund financial statements can be found on pages 5-8 of this report.

The Town adopts an annual appropriated budget for its general fund, and some but not all special revenue funds. Budgetary comparison schedules have been provided for the budgeted funds to demonstrate budgetary compliance. The basic governmental fund financial statements may be found immediately following the government-wide financial statements.

Proprietary or enterprise funds – Proprietary or enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town maintains one fund in this category, which accounts for the water and wastewater operations and it is considered to be a major fund of the Town. The basic proprietary fund financial statements can be found on pages 9-11 of this report. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2015
 TOWN OF OAKLAND, FLORIDA
 (Continued)

Notes to the financial statements - Notes to the financial statements are additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on pages 12-30 of this report.

Other information – Required supplementary information is presented in addition to the basic financial statements and accompanying notes, and concerns the Town's compliance with its general fund and charter school special revenue fund budgets. Required supplementary information can be found on pages 31-32 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities by \$6,254,313 as of September 30, 2015. The following is a summary of the Statement of Net Position found on page 3 of this report:

**Statement of Net Position (Summary)
 as of September 30,**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 2,678,839	\$ 2,921,255	\$ 847,975	\$ 836,034	\$ 3,526,814	\$ 3,757,289
Capital assets	8,973,808	9,094,154	4,545,800	4,435,756	13,519,608	13,529,910
Total assets	11,652,647	12,015,409	5,393,775	5,271,790	17,046,422	17,287,199
Deferred Outflows of Resources	109,837	126,987	-	-	109,837	126,987
Current and other liabilities	522,524	452,091	(49,725)	423,088	472,799	875,179
Long-term liabilities	8,007,336	8,447,692	2,421,811	1,504,307	10,429,147	9,951,999
Total liabilities	8,529,860	8,899,783	2,372,086	1,927,395	10,901,946	10,827,178
Net position:						
Net investment in capital assets	1,173,645	836,141	2,126,526	2,482,203	3,300,171	3,318,344
Restricted	2,228,001	2,237,538	16,364	14,486	2,244,365	2,252,024
Unrestricted	(169,022)	168,934	878,799	847,706	709,777	1,016,640
Total net position	\$ 3,232,624	\$ 3,242,613	\$ 3,021,689	\$ 3,344,395	\$ 6,254,313	\$ 6,587,008

Approximately 53% percent of the Town's net position reflects its investment in capital assets (land, buildings, improvements, infrastructure, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding, compared to 50% in the prior year. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town has restricted net position of \$2,244,365 which is restricted for debt service, charter school operations and capital projects. The remaining balance of unrestricted net position, \$709,777, may be used to meet the Town's ongoing obligations to citizens and creditors.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2015
 TOWN OF OAKLAND, FLORIDA
 (Continued)

The following is a summary of the information presented in the Statement of Activities found on page 4 of this report:

**Statement of Activities (Summary)
 For the year ended September 30,**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$5,091,932	\$ 4,980,051	\$ 599,906	\$ 570,629	\$ 5,691,838	\$ 5,550,680
Operating grants and contributions	402,513	347,710	-	-	402,513	347,710
Capital grants and contributions	33,306	131,390	-	-	33,306	131,390
<i>General revenues:</i>						
Property taxes	1,329,036	1,251,925	-	-	1,329,036	1,251,925
Franchise/Public Ser. Tax	431,412	438,989	-	-	431,412	438,989
Fuel taxes	88,439	88,557	-	-	88,439	88,557
State shared revenues	487,230	453,037	-	-	487,230	453,037
Other	12,526	7,325	16,194	1,546	28,720	8,871
Total revenues	7,876,394	7,698,983	616,100	572,175	8,492,494	8,271,158
Expenses:						
General government	765,274	1,094,218	-	-	765,274	1,094,218
Comprehensive planning	243,621	-	-	-	243,621	-
Code enforcement	34,769	-	-	-	34,769	-
Police	1,056,683	950,127	-	-	1,056,683	950,127
Fire protection	449,628	426,020	-	-	449,628	426,020
Charter school	4,345,200	4,145,510	-	-	4,345,200	4,145,510
Housing rehabilitation	-	51,066	-	-	-	51,066
Refuse collection	176,195	176,545	-	-	176,195	176,545
Streets	410,503	369,503	-	-	410,503	369,503
Parks and recreation	83,400	43,892	-	-	83,400	43,892
Interest on long-term debt	321,110	336,913	-	-	321,110	336,913
Water	-	-	790,003	796,064	790,003	796,064
Wastewater	-	-	148,803	-	148,803	-
Total expenses	7,886,383	7,593,794	938,806	796,064	8,825,189	8,389,858
Change in Net Position	(9,989)	105,189	(322,706)	(223,889)	(332,695)	(118,700)
Transfers	-	-	(27,918)	-	(27,918)	-
Net position - beginning	3,242,613	3,137,424	3,344,395	3,596,202	6,587,008	6,733,626
Net position - ending	\$3,232,624	\$ 3,242,613	\$ 3,021,689	\$ 3,344,395	\$ 6,254,313	\$ 6,587,008

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MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2015
 TOWN OF OAKLAND, FLORIDA
 (Continued)

Governmental activities

Governmental activities decreased the Town's net position by \$9,989. In the prior year, governmental activities net position increased by \$105,189. In 2015, revenues increased by \$177,411 or 2% and expenses increased by \$292,589 or 4%.

Business-Type Activities

Business-type activities decreased the Town's net position by \$322,706. In the prior year, net position decreased by \$251,807. The 2015 decrease was \$70,899 more than the 2014 decrease due to an 8% increase in revenue and an 18% increase in expenses.

The Town is currently constructing the wastewater collection and distribution system and, while not generating revenue, has incurred expenses totaling \$148,803 for the year ended September 30, 2015.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Town's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, assigned and unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At September 30, 2015, the Town's governmental funds reported combined ending fund balances of \$2,258,051 a decrease of \$323,532 when compared to the previous year.

The general fund is the chief operating fund of the Town. At September 30, 2015, unassigned and assigned fund balance for the General Fund was negative \$87,040 compared to a positive \$158,799 in the prior year. When the current unassigned and assigned fund balance is compared to the prior year balances, there was a current year decline of \$245,839. This decline was mainly caused by an excess of expenditures over revenues in the general fund and the pledging of \$800,000 as loan collateral as discussed above.

Proprietary Fund

The Town's enterprise fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town has one proprietary fund for the water and wastewater departments and it is considered a major fund. Unrestricted net position of the proprietary fund at September 30, 2015 was \$878,799 which is a \$31,093 increase from 2014.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2015
 TOWN OF OAKLAND, FLORIDA
 (Concluded)

Long-Term Debt

The following is a summary of the long-term debt outstanding:

Revenue Notes and Notes Payable
 as of September 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenue notes	\$ 6,040,000	\$ 6,450,000	\$ 146,700	\$ 152,400	\$ 6,186,700	\$ 6,602,400
Notes payable	1,870,000	1,935,000	2,272,574	1,351,907	4,142,574	3,286,907
Less amount due in one year	(495,000)	(475,000)	(532,865)	(28,095)	(1,027,865)	(503,095)
Total	\$ 7,415,000	\$ 7,910,000	\$ 1,886,409	\$ 1,476,212	\$ 9,301,409	\$ 9,386,212

Additional information on the Town's debt can be found in Note 6 of this report.

Requests for Information

The financial report is designed to present users with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dennis Foltz, Town Manager, 220 North Tubb Street, Oakland, Florida, 34760.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2015
 TOWN OF OAKLAND, FLORIDA
 (Continued)

Governmental Fund Budgetary Highlights

The budgetary comparison schedule for the governmental funds can be found on pages 30-31 of this report in the required supplementary information section. In the general fund, actual revenue was \$29,125 less than budgeted revenue and actual expenditures were \$46,432 more than budgeted expenditures resulting in an overall decrease in fund balance that was \$75,557 more than budgeted. The charter school special revenue fund had a favorable overall variance from the budget of \$77,649.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2015 amounts to \$13,519,608, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, machinery and equipment, land improvements, water and wastewater systems, and vehicles. The total capital asset additions of the Town totaled approximately \$608,023 during fiscal year 2015. The capital asset increases during 2015 resulted from costs associated with police communication equipment, Town-wide phone system, water tank expansion costs and land purchased for the new wastewater system.

Following is a summary of capital assets:

Capital Assets Activity
 (net of depreciation)
 as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 287,957	\$ 287,957	\$ 39,438	\$ 10,500	\$ 327,395	\$ 298,457
Buildings and improvements	11,099,064	10,791,472	6,441,154	4,465,182	17,540,218	15,256,654
Vehicles and equipment	2,973,716	2,832,388	342,461	334,068	3,316,177	3,166,466
Infrastructure	276,610	276,610	-	-	276,610	276,610
Construction in progress	155,087	305,468	158,186	1,862,005	313,273	2,167,473
Less: Accumulated depreciation	(5,818,626)	(5,399,741)	(2,435,439)	(2,235,999)	(8,254,065)	(7,635,740)
Total	\$ 8,973,808	\$ 9,084,154	\$ 4,545,800	\$ 4,435,756	\$ 13,519,608	\$ 13,529,910

Additional information regarding the Town's capital assets can be found in Note 5 of this report.

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Town Commission
Town of Oakland, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Town of Oakland, Florida as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages M1 through M7 and 30 through 31 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.

Honorable Mayor and Members of the Town Commission
Town of Oakland, Florida

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Oakland, Florida's basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2016, on our consideration of the Town of Oakland, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Town of Oakland, Florida's internal control over financial reporting and compliance.

Other Reporting Required by Chapter 10.550, Rules of the Auditor General

In accordance with Chapter 10.550, Rules of the Auditor General, we have also issued our report dated June 29, 2016 on our examination of compliance with requirements of Section 218.415, Florida Statutes. The purpose of that report is to describe the scope of our examination and the issuance of an opinion on the Town of Oakland, Florida's compliance with requirement of Section 218.415, Florida Statutes.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 29, 2016

307 Pontotoc Plaza ■ Auburndale, Florida 33823 ■ Phone 800.368.3959 ■ Fax 863.583.0872

Brynjulfson CPA, P.A. www.myfloridacpas.com

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TOWN OF OAKLAND, FLORIDA
GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 97,672	\$ 687,007	\$ 784,679
Receivables, current:			
Customer accounts, net	15,902	49,051	64,953
Intergovernmental	14,325	-	14,325
Franchise and public service taxes	28,756	-	28,756
Other	50,967	-	50,967
Prepaid expenses	1,360	4,447	5,807
Restricted assets:			
Cash and cash equivalents	2,412,502	107,470	2,519,972
Intergovernmental receivable	57,355	-	57,355
Capital assets:			
Non-depreciable	443,044	197,624	640,668
Depreciable, net	8,530,764	4,348,176	12,878,940
TOTAL ASSETS	11,652,847	5,393,775	17,046,622
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	109,837	-	109,837
TOTAL DEFERRED OUTFLOWS OF RESOURCES	109,837	-	109,837
LIABILITIES			
Accounts payable and accrued payroll	237,676	7,517	245,193
Due to other governments	6,525	-	6,525
Accrued interest payable	106,418	1,953	108,371
Internal balances (Note 8)	150,251	(148,347)	1,904
Unearned revenue	14,154	-	14,154
Customer deposits	7,500	89,152	96,652
Long-term liabilities:			
Due within one year	495,000	532,865	1,027,865
Due in more than one year	7,512,336	1,888,946	9,401,282
TOTAL LIABILITIES	8,529,860	2,372,086	10,901,946
NET POSITION			
Net investment in capital assets	1,173,645	2,126,526	3,300,171
Restricted for:			
Debt service	430,157	16,364	446,521
Loan collateral	800,000	-	800,000
Charter school operations	491,045	-	491,045
Water system improvements	49,852	-	49,852
Wastewater system improvements	105,452	-	105,452
Parks and recreation improvements	4,495	-	4,495
Transportation improvements	333,066	-	333,066
Law enforcement improvements	4,172	-	4,172
Administrative facilities improvements	5,875	-	5,875
Fire protection improvements	3,887	-	3,887
Unrestricted	(169,022)	878,799	709,777
TOTAL NET POSITION	\$ 3,232,624	\$ 3,021,689	\$ 6,254,313

See Accompanying Notes to Financial Statements

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TOWN OF OAKLAND, FLORIDA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
for the year ended September 30, 2015

	Program Revenues		Capital Grants and Contributions		Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Contributions	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
FUNCTIONS/PROGRAMS:						
PRIMARY GOVERNMENT:						
General government:	\$ 765,274	\$ 985,665	\$ 9,100	\$ 229,491	\$ -	\$ 229,491
Comprehensive planning	243,621	49,706	-	(183,915)	-	(183,915)
Police	1,056,688	33,036	-	(22,723)	-	(22,723)
Code enforcement	1,056,688	33,036	12,927	(4,072)	-	(4,072)
Fire protection	449,628	14,380	973	(434,275)	-	(434,275)
Charter school	3,614,310	402,513	-	(128,377)	-	(128,377)
Waste collection	1,195	-	-	(387,602)	-	(387,602)
Streets	410,305	3,995	8,906	(82,000)	-	(82,000)
Parks and recreation	83,400	-	1,400	(321,110)	-	(321,110)
Interest on long term debt	321,110	-	-	(2,359,632)	-	(2,359,632)
Total governmental activities	7,896,383	5,091,932	402,513	(2,359,632)	(190,097)	(190,097)
Business-type activities:						
Water utility	790,003	599,906	-	-	(190,097)	(190,097)
Wastewater utility	148,803	599,906	-	-	(148,803)	(148,803)
Total business-type activities	938,806	1,199,812	-	-	(338,900)	(338,900)
TOTAL PRIMARY GOVERNMENT	\$ 8,835,189	\$ 6,291,744	\$ 402,513	\$ (2,359,632)	\$ (528,997)	\$ (528,997)
GENERAL REVENUES:						
Taxes:						
Property taxes, levied for general purposes					1,320,036	1,320,036
Sales taxes					307,016	307,016
Public service taxes					88,439	88,439
Fuel taxes levied for transportation					46,720	46,720
State income tax					6,720	6,720
Miscellaneous					6,662	6,662
Total General Revenues					2,384,837	2,384,837
CHANGE IN NET POSITION					(9,989)	(9,989)
NET POSITION - beginning of year					3,242,613	3,242,613
NET POSITION - end of year					\$ 3,232,624	\$ 3,021,689
						\$ 6,254,313

See Accompanying Notes to Financial Statements

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TOWN OF OAKLAND, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
 September 30, 2015

	General Fund	Impact Fee Special Revenue	Charter School Special Revenue	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 97,672	\$ 517,846	\$ 593,377	\$ 1,208,895
Receivables, net:				
Customer accounts	15,902	-	-	15,902
Intergovernmental	14,325	-	57,355	71,680
Franchise and public service taxes	28,756	-	-	28,756
Other	44,606	-	6,361	50,967
Due from impact fee fund	5,847	-	-	5,847
Due from general fund	-	-	27,463	27,463
Restricted cash and cash equivalents	1,301,279	-	-	1,301,279
Prepaid expenditures	500	-	860	1,360
TOTAL ASSETS	\$ 1,508,887	\$ 517,846	\$ 685,416	\$ 2,712,149
LIABILITIES AND FUND BALANCE				
Accounts payable and accrued payroll	\$ 93,455	\$ -	\$ 144,221	\$ 237,676
Due to other governments	6,525	-	-	6,525
Due to enterprise fund	143,147	5,200	-	148,347
Due to general fund	-	5,847	-	5,847
Due to charter school fund	29,367	-	-	29,367
Customer deposits	7,500	-	-	7,500
Unearned revenue	14,154	-	-	14,154
TOTAL LIABILITIES	294,148	11,047	144,221	449,416
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	4,682	-	-	4,682
FUND BALANCE:				
Nonspendable	500	-	-	500
Restricted for:				
Debt service	496,597	-	-	496,597
Loan collateral	800,000	-	-	800,000
Charter school operations	-	-	541,195	541,195
Water system improvements	-	49,852	-	49,852
Wastewater system improvements	-	105,452	-	105,452
Parks and recreation improvements	-	4,495	-	4,495
Law enforcement improvements	-	4,172	-	4,172
Transportation improvements	-	333,066	-	333,066
Administrative facilities improvements	-	5,875	-	5,875
Fire protection improvements	-	3,887	-	3,887
Unassigned:	(87,040)	-	-	(87,040)
TOTAL FUND BALANCE	1,210,057	506,799	541,195	2,258,051
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,508,887	\$ 517,846	\$ 685,416	\$ 2,712,149

See Accompanying Notes to Financial Statements

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TOWN OF OAKLAND, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 September 30, 2015

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,258,051
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	8,973,808
Revenues not received within the "availability" period are deferred at the fund level and recognized in the statement of activities	4,682
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds.	(106,418)
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	
Total long term liabilities	(8,007,336)
Total redemption premium reported as a deferred outflow of resources	109,837
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 3,232,624

See Accompanying Notes to Financial Statements

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TOWN OF OAKLAND, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 for the year ended September 30, 2015

	General Fund	Impact Fee Special Revenue	Charter School Special Revenue	Total Governmental Funds
REVENUES:				
Taxes	\$ 1,846,127	\$ -	\$ -	\$ 1,846,127
Licenses and permits	43,796	-	-	43,796
Intergovernmental revenue	513,872	-	4,097,018	4,610,890
Charges for services	307,198	-	-	307,198
Fines and forfeitures	30,178	-	-	30,178
Other	889,896	23,823	119,805	1,033,524
Total revenues	3,631,067	23,823	4,216,823	7,871,713
EXPENDITURES:				
General government	860,030	-	-	860,030
Public safety	1,450,003	-	-	1,450,003
Physical environment	166,908	-	-	166,908
Transportation	372,419	-	-	372,419
Culture/recreation	64,967	-	4,306,053	4,371,010
Debt service	784,960	-	-	784,960
Capital outlay	189,915	-	-	189,915
Total expenditures	3,889,192	-	4,306,053	8,195,245
NET CHANGE IN FUND BALANCE	(258,125)	23,823	(89,230)	(323,532)
FUND BALANCE, beginning of year	1,468,182	482,976	630,425	2,581,583
FUND BALANCE, end of year	\$ 1,210,057	\$ 506,799	\$ 541,195	\$ 2,258,051

See Accompanying Notes to Financial Statements

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TOWN OF OAKLAND, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 for the year ended September 30, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (323,532)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
This is the amount of capital assets recorded in the current period	298,539
This is the amount of depreciation recorded in the current period	(418,885)
Revenues not received within the "availability" period are not reported as revenues at the fund level and are recognized as revenue in the statement of activities	
This represents the change caused by the "availability" criterion	4,682
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position.	
This amount represents long-term debt repayments.	475,000
This amount the amortization of redemption premium	(17,149)
This amount represents the change in compensated absences	(34,644)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities but it does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in the governmental funds. The following amount represents the change in accrued interest payable from the prior year.	6,000
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (9,989)

See Accompanying Notes to Financial Statements

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TOWN OF OAKLAND, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUND
September 30, 2015

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 687,007
Customer accounts receivable, net	49,051
Prepaid expenses	4,447
Due from impact fee fund	5,200
Due from general fund	143,147
Total current assets	<u>888,852</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	107,470
Capital assets, net:	
Non-depreciable	197,624
Depreciable, net	4,348,176
Total noncurrent assets	<u>4,653,270</u>
TOTAL ASSETS	<u>5,542,122</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued payroll	7,517
Bonds and notes payable, current portion	532,865
Total current liabilities	<u>540,382</u>
Noncurrent liabilities:	
Customer deposits	89,152
Accrued interest payable	1,953
Compensated absences	2,537
Bonds and notes payable, noncurrent portion	1,886,409
Total noncurrent liabilities	<u>1,980,051</u>
TOTAL LIABILITIES	<u>2,520,433</u>
NET POSITION	
Net investment in capital assets	2,126,526
Restricted for:	
Debt service	16,364
Unrestricted	878,799
TOTAL NET POSITION	<u>\$ 3,021,689</u>

See Accompanying Notes to Financial Statements

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TOWN OF OAKLAND, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
for the year ended September 30, 2015

	<u>Enterprise Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 599,906
Total operating revenues	<u>599,906</u>
OPERATING EXPENSES:	
Personnel services	297,099
Operating expenses	364,732
Depreciation	199,440
Total operating expenses	<u>861,271</u>
OPERATING INCOME	<u>(261,365)</u>
NONOPERATING REVENUE (EXPENSE):	
Interest revenue	857
Interest expense and fiscal charges	(77,535)
Other, net	15,337
Total nonoperating revenues (expenses)	<u>(61,341)</u>
CHANGE IN NET POSITION	<u>(322,706)</u>
TOTAL NET POSITION - beginning of year	<u>3,344,395</u>
TOTAL NET POSITION - end of year	<u>\$ 3,021,689</u>

See Accompanying Notes to Financial Statements

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TOWN OF OAKLAND, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the year ended September 30, 2015

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 621,024
Payments to suppliers	(377,148)
Payments for salaries and benefits	(291,267)
Net cash flows from operating activities	<u>(47,391)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Intergovernmental contribution	15,337
Increase (decrease) in due to (from) other funds, net of interfund transfers	(25,466)
Net cash flows from noncapital financing activities	<u>(10,129)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(758,730)
Principal paid on notes, bonds and lease obligations	(5,700)
Proceeds from borrowing	920,667
Interest paid on borrowings	(75,582)
Net cash flows from capital and related financing activities	<u>80,655</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on invested funds	857
Net cash flows from investing activities	<u>857</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>23,992</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>770,485</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 794,477</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (261,365)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	199,440
(Increase) decrease in customer accounts receivable	12,051
Increase (decrease) in customer deposits	9,067
Increase (decrease) in accounts payable and accrued expenses	(6,584)
Net cash flows from operating activities	<u>\$ (47,391)</u>
Noncash financing and investing activities:	<u>\$ -</u>

See Accompanying Notes to Financial Statements

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TOWN OF OAKLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its statements (GASBS) and Interpretations (GASBI). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

The Town of Oakland, Florida is a political subdivision of the State of Florida created in 1887 by Chapter 59-1619, Laws of the State of Florida. The Town operates under a mayor-commission-manager form of municipal government and provides general municipal services, including public safety, public works, culture, recreation, community development, and water utility services. These financial statements include all of the funds, organizations, agencies, and departments of the Town (the "primary government") and any "legally" separate entities ("component units") required by generally accepted accounting principles to be included in the reporting entity.

The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Criteria for determining if other entities are potential component units of the Town which should be reported with the Town's basic financial statements are identified and described in the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the Town is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. The Town does not exert significant influence over any legally separate entities, nor are there any entities for which financial relationships with the Town are significant. As a result, the financial reporting entity does not include or exclude any component units.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

B. BASIC FINANCIAL STATEMENTS

The basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-wide financial statements - The required government-wide financial statements are the Statement of Net Position and the Statement of Activities, which report information on all of the nonfiduciary activities of the Town. The Town has no fiduciary funds, however if it did they would be excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support. During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities (i.e. Governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation. The Town does not allocate the interest expense of governmental fund debt or indirect costs such as finance, personnel, legal, etc. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Cod. Sec 2200 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Non-major funds by category are summarized into a single column. Due to the Town's fund structure, there were no non-major funds. The various funds are reported by type within the financial statements.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING

The government-wide financial statements and the proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise and public service taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e. revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria. All other revenue items are considered to be measurable and available only when cash is received by the government.

Imposed nonexchange resources (property taxes, fines) are reported as deferred inflows if received before the tax is levied or before the date when use is first permitted. Government mandated nonexchange transactions and voluntary nonexchange transactions resources are reported as liabilities until the eligibility requirements are met and as deferred inflows if received before time requirements are met.

The proprietary fund is reported *economic measurement focus* and the *accrual basis of accounting*. Proprietary fund operating revenues result from producing and providing potable water services to area residents. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

The following fund types and funds are used and reported by the Town:

a) Governmental Funds:

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- **General fund** is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Impact fee special revenue fund** is used to account for the receipt and disbursement of impact fees.
- **Charter school special revenue fund** is used to account for the activities of the Oakland Avenue Charter School (the "School"). The School has a fiscal year ending on June 30th which differs from the Town's fiscal year end. However, the year ends are treated consistently each year. See note 8 for more detail about interfund receivable and payable balances at September 30, 2015.

b) Proprietary Funds:

The focus of the proprietary fund's measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- **Enterprise Funds** - are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Town has one *Enterprise Fund* which accounts for the activities associated with providing potable water supply, treatment, transmission and distribution and sewer collection services to area residents. Prior to October 1, 2014, the enterprise fund only accounted for the potable water supply system. The Town is currently developing a sanitary sewer collection system that will be accounted for as a separate function of this single enterprise fund.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

CASH AND CASH EQUIVALENTS - Includes all short-term highly liquid investments with a maturity of three months or less when purchased, and all bank demand deposits, certificates of deposit, money-market and savings accounts. At September 30, 2015, all of the Town's cash and investments met this definition.

INVESTMENTS - Debt securities owned are reported at cost plus accrued interest which approximates market. Purchases and sales of investments are reflected on trade dates. Net realized gains or losses on sales of investments are based on the cost of investments applied on a first-in, first-out basis and are reflected in current operating results.

CUSTOMER ACCOUNTS RECEIVABLE - The Town accrues its unbilled utility service fees. This represents the estimated value of service from the last billing date to year end and totalled \$10,257 at September 30, 2015. A reserve for doubtful accounts is maintained in each fund equal to the value of the utility customer receivables that are not expected to be collected. As of September 30, 2015, such reserves for all funds totalled \$2,131. Receivables are reported in the financial statements net of the reserve for doubtful accounts.

INTERFUND RECEIVABLES AND PAYABLES - To the extent any interfund balances exist, management anticipates they will generally be settled in cash as opposed to a permanent transfer.

INVENTORIES - Supply inventories of the general fund and the enterprise funds are immaterial and not recorded as assets. Such items are charged to expense when purchased.

CAPITAL ASSETS - In the government-wide financial statements capital assets include land, buildings, improvements, utility plant, and furniture and equipment. Capital assets are defined by Town policy as tangible property with an individual cost of \$1,000 or improvements having an initial cost of \$25,000 and an estimated useful life in excess of one year as defined by Town resolution. Such assets are recorded at historical cost, if purchased, and at fair market value at date of gift, if donated. Major additions are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense. Governmental fund infrastructure assets (e.g., roads, bridges, sidewalks, streets, drainage systems and lighting system), acquired prior to October 1, 2003, have not been reported.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (cont...)

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives of the related assets, as follows:

	<u>Years</u>
Water system	40
Buildings and improvements	45
Land improvements	10
Street paving	10
Machinery and equipment	5-10
Well	20
Drainage system	50

RESTRICTED ASSETS - Includes cash and investments that are legally restricted to specific uses by external parties. The Town generally uses restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

INTEREST COSTS - Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. Interest costs totaling \$14,708 were capitalized in the business-type activities for the year ended September 30, 2015 related to the water system improvements project funded by the Florida Department of Environmental Protection loan agreement DW4803C0.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure).

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applied to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues that are deferred and recognized as an inflows of resources in the period that the amounts become available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (cont...)

INTERFUND TRANSFERS (concluded)

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 cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

EQUITY CLASSIFICATIONS -

Government-wide Statements - The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and displayed in three components:

- a) 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, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - Consists of restricted assets reduced by liabilities related to those assets. The government-wide statement of net position reports \$2,279,049 of restricted net position, of which \$506,799 is restricted by enabling legislation.
- c) Unrestricted net position - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Fund Statements - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor the constraints on the specific purposes for which amounts in those funds can be spent. Spendable resources are to be shown as restricted, committed, assigned and unassigned as considered appropriate in the Town's circumstances. The following classifications describe the relative strength of the spending constraints:

Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Town has nonspendable fund balance consisting of prepaid expenditures as of September 30, 2015.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (cont...)

LONG-TERM OBLIGATIONS - In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Debt issuance costs are reported as an expense in the period incurred. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is the shorter. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

COMPENSATED ABSENCES - Effective October 1, 2013, the Town adopted a new employee handbook that removed the distinction between sick and vacation leave and replaced these items with personal leave. The employee handbook provides that all full-time and probationary full-time employees shall be entitled to earn and accrue personal leave on a biweekly basis in amounts depending on years of service ranging from 144 hours to 260 hours per year. Employees may use personal leave hours at their discretion and all leave requests must be approved by the employee's department head. The employee handbook also allows for unused personal leave to be carried forward to future years up to a maximum accrual of 480 hours. Employees who terminate employment in good standing from the Town shall be paid a lump sum amount for all accrued personal leave. The liability for these compensated absences is recorded as long-term in the government-wide statements and in the proprietary fund financial statements because the maturities are not determinable. In the fund financial statements, the governmental funds do not report the compensated absence liability because it is generally not payable from expendable available financial resources.

CONNECTION FEES AND IMPACT FEES - Connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities, and are recorded as operating revenue when received. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Prepaid impact fees received which reserve capacity in the Town's future water or sewer facilities are deferred and reported as capital contributions when the requirements of the Developer agreements are met by the Town.

INTERFUND TRANSFERS - 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". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (cont...)

EQUITY CLASSIFICATIONS (concluded)

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The Town has classified debt service balances, loan collateral, impact fees and the charter school special revenue fund balance as being restricted because their use is restricted by State Statute, local ordinance or by contract.

Committed — amounts constrained to specific purposes by formal action (ordinance) of the Town using its highest level of decision making authority (the Town Commission). To be reported as committed, amounts cannot be used for any other purpose unless the Town Commission takes the same highest level action (ordinance) to remove or change the constraint. The Town did not have any committed resources as of September 30, 2015.

Assigned — amounts constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Commission or through the Town Commission delegating this responsibility to the Town manager through the budgetary process. In prior years, amounts reported as assigned fund balance included the major emergency reserve as established by Resolution 2010-04 to be used for catastrophes due to natural or human causes, major lawsuits, buffering for bonded debt, unforeseen replacement of infrastructure or similar other needs. The Town Commission repealed Resolution 2010-04 effective September 22, 2015. The Town did not have any assigned resources as of September 30, 2015.

Unassigned — all other spendable amounts.

The details of the fund balances are included in the governmental funds balance sheet. The Town uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTE 2 - PROPERTY TAX CALENDAR

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 Orange County Property Appraiser and Orange County Tax Collector. The tax levy of the Town is established by the Town Commission prior to October 1 of each year and the Orange County Property Appraiser incorporates the millage into the total tax levy, which includes the municipalities, the County, independent districts and the Orange County School Board tax requirements. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The Town's millage rate in effect for the fiscal year ended September 30, 2015 was 6.75

TOWN OF OAKLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - PROPERTY TAX CALENDAR (concluded)

All taxes are due and payable on November 1 (levy date) of each year and unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment as follows: 4% in of November, 3% in December, 2% in January, 1% in February. The taxes paid in March are without discount. Delinquent taxes on real and personal property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property.

NOTE 3 - BUDGETARY LAW AND PRACTICE

The budget is adopted by Ordinance on a Town-wide basis for all Town funds on or before October 1 of each year as required by State Statute. Town Ordinance establishes the legal level of budgetary control at the fund level. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations subject to notification of the Town Commission. For the year ended September 30, 2015, general fund expenditures exceeded budgeted appropriations by \$46,432. For the charter school special revenue fund fiscal year ended June 30, 2015, actual expenditures exceeded budgeted appropriations by \$58,987.

NOTE 4 - DEPOSITS AND INVESTMENTS

DEPOSITS IN FINANCIAL INSTITUTIONS - The Town's deposits are insured by the FDIC up to \$250,000 per financial institution. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the Chief Financial Officer, State of Florida ("CFO") in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the CFO will implement procedures for payment of losses according to the validated claims of the Town pursuant to Section 280.08, Florida Statutes.

The captions on the government-wide statement of net position for "cash and cash equivalents", both restricted and unrestricted, are summarized below:

Cash and cash equivalents:	
Cash on hand	\$ 400
Deposits in financial institutions:	
Insured or fully collateralized bank deposits.	3,304,251
Total cash and cash equivalents	<u>\$ 3,304,651</u>

INVESTMENTS - The types of investments in which the Town may invest are governed by Town ordinance No. 2001-02. According to the Ordinance, the Town is authorized to invest in the following instruments: Local Government Surplus Funds Trust Fund, Florida counties investment trust fund, fixed interest mutual funds, interest-bearing time deposits and savings accounts in qualified public depositories; direct obligations of the U.S. Treasury and federal agencies and instrumentalities or repurchase agreements fully collateralized by such securities. The Town maintained no investments during the year other than deposits in financial institutions.

TOWN OF OAKLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 5 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:	
General government	\$ 74,108
Law enforcement	54,412
Fire protection	14,111
Parks and recreation	17,336
Streets	12,410
Charter school	<u>246,508</u>
Total depreciation expense - governmental activities	<u>\$ 418,885</u>
Business-type Activities:	
Water	\$ 199,440
Total depreciation expense - business-type activities	<u>\$ 199,440</u>

TOWN OF OAKLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 5 - CAPITAL ASSETS

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

	Balance October 1, 2014	Reclassifications	Additions	Deletions	Balance September 30, 2015
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 287,957	\$ -	\$ -	\$ -	\$ 287,957
Construction in process	305,468	(348,135)	197,754	-	155,087
Total	<u>\$ 593,425</u>	<u>\$ (348,135)</u>	<u>\$ 197,754</u>	<u>\$ -</u>	<u>\$ 443,044</u>
Capital assets being depreciated:					
Land improvements	\$ 436,947	\$ -	\$ -	\$ -	\$ 436,947
Buildings and improvements	10,354,525	307,592	-	-	10,662,117
Equipment	2,832,388	40,543	100,785	-	2,973,716
Infrastructure					
Road systems	276,610	-	-	-	276,610
Total	<u>13,900,470</u>	<u>348,135</u>	<u>100,785</u>	<u>-</u>	<u>14,349,390</u>
Total all capital assets	<u>14,493,895</u>	<u>-</u>	<u>298,539</u>	<u>-</u>	<u>14,792,434</u>
Less accumulated depreciation for:					
Land improvements	(209,027)	-	(8,537)	-	(217,564)
Buildings and improvements	(2,610,367)	-	(296,168)	-	(2,906,535)
Equipment	(2,502,437)	-	(96,173)	-	(2,598,610)
Infrastructure					
Road systems	(77,910)	-	(18,007)	-	(95,917)
Total accumulated depreciation	<u>(5,399,741)</u>	<u>-</u>	<u>(418,885)</u>	<u>-</u>	<u>(5,818,626)</u>
Depreciable capital assets, net	<u>\$ 8,500,729</u>	<u>\$ 348,135</u>	<u>\$ (318,100)</u>	<u>\$ -</u>	<u>\$ 8,530,764</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 10,500	\$ -	\$ 28,938	\$ -	\$ 39,438
Construction in process	1,862,005	(1,949,075)	245,256	-	158,186
Total	<u>\$ 1,872,505</u>	<u>\$ (1,949,075)</u>	<u>\$ 274,194</u>	<u>\$ -</u>	<u>\$ 197,624</u>
Capital assets being depreciated:					
Water system	\$ 4,465,182	\$ 1,940,682	\$ 35,290	\$ -	\$ 6,441,154
Equipment	334,068	8,393	-	-	342,461
Total	<u>4,799,250</u>	<u>1,949,075</u>	<u>35,290</u>	<u>-</u>	<u>6,783,615</u>
Total all capital assets	<u>6,671,755</u>	<u>-</u>	<u>309,484</u>	<u>-</u>	<u>6,981,239</u>
Less accumulated depreciation for:					
Water system	(1,968,611)	-	(183,654)	-	(2,152,265)
Equipment	(267,388)	-	(15,786)	-	(283,174)
Total accumulated depreciation	<u>(2,235,999)</u>	<u>-</u>	<u>(199,440)</u>	<u>-</u>	<u>(2,435,439)</u>
Depreciable capital assets, net	<u>\$ 2,563,251</u>	<u>\$ 1,949,075</u>	<u>\$ (164,150)</u>	<u>\$ -</u>	<u>\$ 4,348,176</u>

TOWN OF OAKLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2015:

	Balance October 1, 2014	Additions	Reductions	Balance September 30, 2015	Amounts Due within One Year
Governmental Activities					
Long-term debt:					
Notes payable:					
Series 2002A FMLC Revenue Note	\$ 1,935,000	\$ -	(65,000)	\$ 1,870,000	\$ 70,000
Bonds payable					
Series 2013 Charter School Refunding	6,450,000	-	(410,000)	6,040,000	425,000
Revenue Bonds	8,385,000	-	(475,000)	7,910,000	495,000
Total long-term debt	<u>16,770,000</u>	<u>-</u>	<u>(550,000)</u>	<u>16,220,000</u>	<u>1,090,000</u>
Other liabilities:					
Compensated absences	62,692	34,644	-	97,336	-
Total long-term liabilities	<u>\$ 8,447,692</u>	<u>\$ 34,644</u>	<u>\$ (475,000)</u>	<u>\$ 8,007,336</u>	<u>\$ 495,000</u>
Less amount due in one year				(495,000)	
Net long-term debt due after one year				<u>\$ 7,512,336</u>	
Business-type Activities					
Long-term debt:					
Revenue certificates:					
Series 1991 USDA Water Revenue Bonds	\$ 152,400	\$ -	(5,700)	\$ 146,700	\$ 6,000
Notes payable:					
DW 4803CO installment note to FDEP	1,101,907	685,667	-	1,787,574	41,865
Bank promissory note	250,000	235,000	-	485,000	485,000
Total long-term debt	<u>1,504,307</u>	<u>920,667</u>	<u>(5,700)</u>	<u>2,419,274</u>	<u>532,865</u>
Other liabilities:					
Compensated absences	-	2,537	-	2,537	-
Total long-term liabilities	<u>\$ 1,504,307</u>	<u>\$ 923,204</u>	<u>\$ (5,700)</u>	<u>\$ 2,421,811</u>	<u>\$ 532,865</u>
Less amount due in one year				(532,865)	
Net long-term debt due after one year				<u>\$ 1,888,946</u>	

Notes to Long-Term Obligations Table

Governmental Activities:

- Series 2013 Charter School Refunding Revenue Bonds - The bonds were issued through private placement on August 21, 2013 to refund the Series 2002 Charter School Revenue Bonds and the Series 2003 Charter School Revenue Completion Bonds with a par value of \$6,695,000. The bonds that were refunded were used to finance land acquisition and the construction and equipping of an elementary charter school. The Series 2013 bonds are payable in annual principal amounts which vary from \$245,000 to \$555,000 with a final maturity of December 1, 2027. Interest of 3.3% of the outstanding balance is due semiannually. The Series 2013 bonds are limited obligations of the Town, payable principally from charter school revenues and, to the extent necessary, non-advallorem revenues of the Town. The bonds require the maintenance of debt service sinking and an enrollment stabilization fund.
- Series 2002A Florida Municipal Loan Council Revenue Note - The Town entered into a loan agreement with the Florida Municipal Loan Council whereby the Town borrowed funds in the amount of \$2,545,000 for the purpose of acquiring real estate and construction of municipal facilities, including a new town hall, public meeting hall, and public safety buildings. Funds were also used to renovate the existing historic town hall. The loan is payable in annual principal payments which vary from \$40,000 to \$160,000 beginning on May 1, 2004 and continuing until maturity on May 1, 2032. Interest is due in semiannual payments beginning on November 1, 2003 at rates which vary from 3.25% to 5.125%. The loan has been pledged and assigned as security for revenue bonds issued by the Florida Municipal Loan Council. The loan is payable from non-ad valorem revenues only, and is not an obligation of the Florida Municipal Loan Council, the State of Florida, or any political subdivision.

Business-Type Activities:

- Series 1991 Water Revenue Bonds - The Series 1991 bond proceeds were used for water system expansion and are secured by the gross revenues of the water system. The Series 1991 bonds bear interest at 5.0% and are payable annually on September 1 of each year with a final maturity of September 1, 2031. The ordinance authorizing the bonds includes various restrictions including the requirement to maintain a debt service sinking and reserve fund.
- The State of Florida Department of Environmental Protection Revolving Fund Water Loan Agreement DW 4803C0 (the "DW 4803C0 installment note to FDEP") is secured by the net revenues of the water system. The loan is payable semiannually with principal and interest payments due on March 15 and September 15. The total loan amount of \$1,973,322 was awarded on September 26, 2013 of which \$1,787,574 has been drawn as of September 30, 2015. The loan bears interest at a weighted average rate of 2.12% with a final maturity of March 15, 2041 based upon the fixed semiannual payment of \$45,984 and the amount of the loan drawn as of year-end. When all loan proceeds are drawn, the maturity date will be September 15, 2045. The loan agreement requires that funds be deposited into a sinking fund monthly at amounts which will fully fund the next succeeding principal and interest payments when due. The loan proceeds were used to upgrade and expand the Town's water system facilities.

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NOTE 8 - INTERFUND TRANSACTIONS

Interfund receivables and payables as of September 30, 2015 consisted of:

	Interfund (payable) / receivable				
	Interfund receivable	Charter School Revenue Fund	Impact Fee Special Revenue Fund	General Fund	Timing Difference
Governmental Activities:					
General fund	\$ 5,847	\$ -	(5,847)	-	-
Charter school special revenue fund	27,463	-	-	(29,367)	(1,904)
Business-Type Activities:					
Enterprise fund	5,200	-	(5,200)	-	-
Enterprise fund	143,147	-	-	(143,147)	-
Totals	\$ 181,657	\$ -	\$ (11,047)	\$ (172,514)	\$ (1,904)

The timing differences noted above between the amounts due from the charter school special revenue fund to the general, water and debt service fund arose from transactions that took place subsequent to the charter school special revenue fund's fiscal year end of June 30, 2015. The result of these timing differences resulted in an inconsistency in the financial statements in that the receivable balance as reported in the general fund does not reflect the equal reciprocal payable balances for the charter school special revenue fund.

Interfund services provided and used for the year ending September 30, 2015 consisted of:

The charter school special revenue fund leases the school facilities from the general fund pursuant to a 15 year lease agreement expiring on June 30, 2028. Rental payments of \$720,000 per year are due in equal monthly installments. The general fund provides for finance, payroll and administrative services for charter school special revenue fund for which it charged a management fee which totaled \$162,656 for the year ended September 30, 2015. These amounts are recorded as a revenue for the general fund and an expenditure of the charter school special revenue fund in accordance with GASB Cod. Sec. 1800.102. These amounts are not eliminated in the government-wide statement of activities in accordance with GASB Cod. Sec 1800.105.

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NOTE 6 - LONG-TERM OBLIGATIONS (cont...)

Business-Type Activities:

- The Bank promissory note dated August 5, 2014 bears interest at 2.50% and is collateralized by a \$800,000 certificate of deposit pledged for loan repayment. The \$800,000 certificate of deposit was purchased from the lending bank and is reported as restricted cash in the general fund as the general fund pledged the collateral on behalf of the enterprise fund. Proceeds were used to pay for the wastewater phase 1A design costs. Interest only payments on the note are due monthly with a payment of all outstanding principal and accrued interest on August 5, 2016.

Maturities:

Annual requirements to repay all long-term bonds and notes payable as of September 30, 2015, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 495,000	\$ 288,258	\$ 532,865	\$ 54,817
2017	460,000	271,043	61,387	43,916
2018	480,000	253,965	62,866	42,422
2019	500,000	236,118	64,371	40,887
2020	520,000	217,500	66,001	39,312
2021 - 2025	2,875,000	790,285	355,000	171,340
2026 - 2030	2,270,000	263,854	401,857	124,723
2031 - 2035	310,000	24,088	404,219	73,996
2036 - 2040	-	-	429,922	29,918
2041 - 2045	-	-	40,786	434
Total	\$ 7,910,000	\$ 2,345,111	\$ 2,419,274	\$ 621,765

NOTE 7 - FUTURE REVENUES THAT ARE PLEDGED

The Town has pledged various future revenue sources for various debt issues. For the water system and the charter school, the Town has pledged future revenues. The following table provides a summary of the pledged revenues for the Town's outstanding debt issues. Additional information regarding the Town's pledged revenue can be found in note 6.

Pledged Revenue	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Revenue	% of Revenues to Principal and Interest Paid
Water system net revenue	\$ 2,544,850	\$ 74,574	\$ 103,072	138%
Charter school revenue	\$ 7,416,265	\$ 616,085	\$ 4,216,823	684%

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NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN

The Town Commission has established by Resolution an Internal Revenue Code Section 457 and a 401(a) defined contribution pension plan covering all employees who are over 21 years of age and who have completed one year service or, if earlier, three consecutive full calendar months of service. An employee is deemed to have completed a full calendar month of employment for any calendar month during which the employee is continuously employed without interruption for that entire calendar month and is credited with at least 80 hours of service. The plan trust is administered by the Primerica Financial Services, Inc. and the assets of the plan are not considered part of the Town's reporting entity. Benefits vest at a rate of 20% per year of service up to 100% vesting upon completion of the fifth year of service. Participation is mandatory and the employee may elect to contribute the lesser of 100% of "includible compensation or the applicable dollar limit. The Town contributes 4% of the non-charter school employee participants' compensation. The Town makes a 5% matching contribution to the plan on behalf of the Oakland Avenue Charter School employees. Most employees of the Town were eligible and did participate in the plan during the year ended September 30, 2015. Pension costs are accrued and funded on a current basis and all required contributions for the year were made. Total contributions to the plan for the fiscal year ended September 30, 2015 totaled approximately \$150,400. Total Town contributions made on behalf on non-charter school employees was approximately \$46,000 and \$37,200 for charter school employees. Employee contributions for non-charter school employees was approximately \$20,000 and \$47,500 for charter school employees.

NOTE 10 - RISK MANAGEMENT AND LITIGATION

During the ordinary course of its operations, the Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The Town maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the Town. There have been no significant reductions in coverage nor have settlement amounts exceeded the Town's coverage during the year ended September 30, 2015 or the previous two years. In the opinion of the Town's management and legal counsel, legal claims and litigation are not anticipated to have material impact on the financial position of the Town. The Town's workers compensation coverage is provided through a nonassessable, nonprofit, tax-exempt risk sharing pool.

NOTE 11 - LEASED FACILITIES

The Town leases facilities used as a post office to the Federal government. The rental agreement calls for annual rent payments of \$10,200 payable monthly at \$850. The current agreement will end on November 30, 2018.

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NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Town has outstanding debt secured by its water revenues. The water and wastewater operations are accounted for in a single enterprise fund. Because many of the assets and liabilities of the enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivable, accounts payable, etc.), it is not possible to present segment information disclosures for cash flows and some components of net position. Segment financial information that can be separately identified for the water and wastewater system operations as and for the year ended September 30, 2015, is presented below:

	Water System	Wastewater System	Total
Condensed statement of revenues, expenses and changes in net position:			
Operating revenues	\$ 599,906	\$ -	\$ 599,906
Personnel services	(248,040)	(49,059)	(297,099)
Operating expenses	(264,988)	(99,744)	(364,732)
Depreciation	(199,440)	-	(199,440)
Non-operating revenues (expenses):			
Interest expense	(77,535)	-	(77,535)
Interest revenue	857	-	857
Other, net	15,337	-	15,337
Change in net position	<u>\$ (173,903)</u>	<u>\$ (148,803)</u>	<u>\$ (322,706)</u>

Summary information from statement of net position:

Capital assets, net	\$ 4,516,862	\$ 28,938	\$ 4,545,800
Long-term debt, including current portion	\$ 2,419,274	\$ -	\$ 2,419,274

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS

Pursuant to the provisions of section 112.08011, Florida Statutes, former employees and eligible dependents who retire from the Town may continue to participate in the Town's fully insured health and hospitalization plan. These retirees are completely responsible for payment of their insurance premiums and the Town does not contribute toward this payment. Based upon prior experience, the assumed participation rate is zero percent and current insurance premiums are not affected by the requirements of section 112.08011, Florida Statutes. An actuarial projection with a zero assumed participation rate, which is consistent with actual results, would result in a Other Post Employment Benefit (OPEB) obligation of zero. Accordingly there is no OPEB obligation recorded in the financial statements. It is possible that conditions could change whereby the Town may have some cost in the future which would be evaluated at that time.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

- On October 5, 1993, the Town entered into an agreement with Orange County, whereas the County is to provide fire and related services within the Town's geographical jurisdiction. This agreement is for twenty years commencing November 2002, with a yearly cost equal to the County's Fire Protection and Emergency Medical Services millage rate set by the County which totaled \$435,517 for the year ended September 30, 2015.
- The Town participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to non-compliance with grant program regulations, the Town may be required to reimburse the grantor government/agency. As of September 30, 2015, the Town believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Town.
- The Town entered into an inter-local agreement with the Orange County School Board to operate a charter elementary school within the Town. The Town secured revenue bonds and built the school facilities, which are properly reflected in the Town's financial statements. As of July 1, 2006, the Town took over the management of the school. The Town records, as revenue, amounts received from the Orange County School Board, makes debt service payments and pays the expenses of the school. The charter school is not a separate legal entity and is reflected on the Town's financial statements as part of the Town's governmental funds.
- In accordance with Florida Statutes, all property and improvements, furnishings and equipment purchased with public funds provided to the Oakland Avenue Charter School through the Orange County School Board will automatically revert to full ownership by the Orange County School Board upon the non-renewal or termination of the charter agreement.

REQUIRED SUPPLEMENTARY INFORMATION



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TOWN OF OAKLAND, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
for the year ended September 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RESOURCES (inflows):				
Taxes	\$ 1,792,691	\$ 1,858,969	\$ 1,846,127	\$ (12,842)
Licenses and permits	22,300	43,796	43,796	-
Intergovernmental revenue	508,271	501,031	513,872	12,841
Charges for services	249,868	311,655	307,198	(4,457)
Fines and forfeitures	35,500	25,881	30,178	4,297
Other	884,490	889,665	889,896	231
Interfund transfer	26,176	29,195	-	(29,195)
Total resources (inflows)	<u>3,519,296</u>	<u>3,660,192</u>	<u>3,631,067</u>	<u>(29,125)</u>
CHARGES TO APPROPRIATIONS (outflows):				
General government	599,114	833,617	860,030	(26,413)
Public safety	1,455,922	1,430,664	1,450,003	(19,339)
Physical environment	160,740	166,908	166,908	-
Transportation	372,419	371,739	372,419	(680)
Culture/recreation	78,939	64,957	64,957	-
Debt service	702,850	784,960	784,960	-
Capital outlay	220,528	189,915	189,915	-
Total charges to appropriations (outflows)	<u>3,590,512</u>	<u>3,842,760</u>	<u>3,889,192</u>	<u>(46,432)</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS				
	(71,216)	(182,568)	(258,125)	(75,557)
Budgeted reserve carried forward	71,216	182,568	-	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (258,125)</u>	<u>\$ (75,557)</u>

TOWN OF OAKLAND, FLORIDA
BUDGETARY COMPARISON SCHEDULE - CHARTER SCHOOL SPECIAL REVENUE FUND
for the year ended September 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RESOURCES (inflows):				
Intergovernmental revenue	\$ 4,004,337	\$ 4,004,337	\$ 4,097,018	\$ 92,681
Other sources	75,850	75,850	119,805	43,955
Total resources (inflows)	<u>4,080,187</u>	<u>4,080,187</u>	<u>4,216,823</u>	<u>136,636</u>
CHARGES TO APPROPRIATIONS (outflows):				
Culture/recreation	4,247,066	4,247,066	4,306,053	(58,987)
Total charges to appropriations (outflows)	<u>4,247,066</u>	<u>4,247,066</u>	<u>4,306,053</u>	<u>(58,987)</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS				
	(166,879)	(166,879)	(89,230)	77,649
NET CHANGE IN FUND BALANCE	<u>\$ (166,879)</u>	<u>\$ (166,879)</u>	<u>\$ (89,230)</u>	<u>\$ 77,649</u>

Notes to Required Supplementary Information

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The Town did not prepare a budget, nor were they legally required to prepare a budget for the impact fee special revenue fund for the year ended September 30, 2015. Therefore, budget comparison information for the impact fee special revenue fund is not included in the Town's financial statements.



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OTHER REPORTS



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

Honorable Mayor and Members of the Town Commission
Town of Oakland, 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 Town of Oakland, Florida as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Oakland, Florida's basic financial statements, and have issued our report thereon dated June 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Oakland, 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 Town of Oakland, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Oakland, 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. We consider the deficiencies 10-01, 10-05 and 11-5 described in the accompanying summary schedule of prior audit recommendations to be material weaknesses.

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. We consider the deficiencies 10-06 and 14-002 described in the accompanying summary schedule of prior audit recommendations to be significant deficiencies.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Oakland, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

307 Pontotoc Plaza ■ Auburndale, Florida 33823 ■ Phone 800.368.3959 ■ Fax 863.583.0872

Brynjulfson CPA, P.A. www.myfloridacpas.com



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

Honorable Mayor and Members of the Town Commission
Town of Oakland, Florida

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

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

In our opinion, Town of Oakland, Florida complied, in all material respects, with the aforementioned requirements of Section 218.415, Florida Statutes for the year ended September 30, 2015.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 29, 2016

307 Pontotoc Plaza ■ Auburndale, Florida 33823 ■ Phone 800.368.3959 ■ Fax 863.583.0872

Brynjulfson CPA, P.A. www.myfloridacpas.com

Honorable Mayor and Members of the Town Commission
Town of Oakland, Florida

Town of Oakland, Florida's Responses to Findings

Town of Oakland, Florida's responses to the findings identified in our audit are described in the accompanying summary schedule of prior audit recommendations. Town of Oakland, Florida's responses were 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.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 29, 2016

MANAGEMENT LETTER

Honorable Mayor and Members of the Town Commission
Town of Oakland, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Oakland, Florida as of and for the year ended September 30, 2015, and have issued our report thereon dated June 29, 2016.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards; Independent Auditor's Report on Compliance for each Major State Project and on Internal Control over Compliance; Schedule of Findings and Questioned Costs Related to State Financial Assistance; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance with the requirements of Section 218.415, Florida Statutes in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 29, 2016, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted in the accompanying summary schedule of prior audit recommendations.

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. For the legal authority of Town of Oakland, Florida, see footnote A of the summary of significant accounting policies in the notes to financial statements.

Financial Condition

Section 10.554(1)(i)5.a and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not Town of Oakland, 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 of the financial statements of the Town of Oakland, Florida, the results of our tests did not indicate the Town of Oakland, Florida met any of the specified conditions of a financial emergency described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Town of Oakland's, 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.

307 Pontotoc Plaza ■ Auburndale, Florida 33823 ■ Phone 800.368.3959 ■ Fax 863.583.0872

Brynjulfson CPA, P.A. www.myfloridacpas.com

Annual Financial Report

Section 10.5544(1)(5) b. Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Town of Oakland, Florida for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.52(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. Our comparison of these two reports resulted in no material differences.

Other Matters

Section 10.5544(1)(2). Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following recommendation.

Section 10.5544(1)(3). Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we have the following finding.

15.001. Vehicle Allowance. During our audit we noted one employee was provide a monthly car allowance however this monthly allowance was not included in the employee's W-2, Wage and Tax Statement to the Internal Revenue Service (IRS). The State's Treasury Regulations generally requires that car allowances under a reimbursement arrangement be included in the employee's gross income in accordance with the United States' such car allowances in the employee's gross income in accordance with the United States' Treasury Regulations.

Management Response: Management agrees with comment and has implemented the change.

15.002. Cash Disbursements. During our audit we noted the following:

- a) Two checks cleared the Town bank with no signatures for a total of \$30 and three checks cleared with one signature for a total of \$465. Per Town policy, two signatures are required on all checks.
- b) The Town paid the same invoice twice with the same check. The amount of the invoice was \$6,308.80. Adequate review of the invoices by the accounts payable function should have prevented the duplicate payment.

We recommend that management design and implement adequate internal controls over the cash disbursement transaction cycle to prevent duplicate payments and prevent the release of completed checks without supervisor review and signature in accordance with Town policy.

Management Response: Management has procedures in place that will be tightened up to prevent future incidents.

**SUMMARY SCHEDULE OF PRIOR AUDIT RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
TOWN OF OAKLAND, FLORIDA**

Audit Finding Number	Title	Brief Description	Status	Comments
10-01	Utility Billing Subledgers should be Reconciled to the General Ledger (material weakness)	In the past six audits we have recommended that management implement monthly reconciliations between the detailed utility customer accounts receivable and customer deposit subsidiary ledgers to the general ledger control accounts. <i>Management's Response: We concur with the auditor's finding and are in the process of implementing the recommendation.</i>	Not Resolved	Based upon the results of our audit procedures we proposed immaterial adjustments to the general ledger control accounts to reconcile them to the detail customer accounts receivable subsidiary ledger. We also noted that a monthly analysis is not taking place as recommended.
10-04	Payroll (management letter comment)	In prior years we noted the following conditions where the internal control procedures over payroll processing and human resources have not been adequately designed or were not operating properly. - Payroll data is being entered incorrectly into the Town's general ledger and there is no reconciliation of payroll related liabilities to the actual amounts paid. <i>Management's Response: We concur with the auditor's finding and are in the process of implementing the recommendation.</i>	Not Resolved	Payroll related activity is still being posted to the general ledger incorrectly and without reconciliation between the accrued liabilities and the actual amounts paid for benefits.
10-05	Internal Control over Financial Reporting (material weakness)	In prior years we noted the Town's internal control over financial reporting failed to detect many financial statement misstatements resulting in audit adjustments. <i>Management's Response: We concur with the auditor's finding and are in the process of implementing the recommendation.</i>	Not Resolved	During our current year audit we continued to find many financial statement misstatements, some considered material.
10-06	Restricted cash Monitoring needs Improvement (significant deficiency)	We noted that management was not always monitoring the restrictions places on revenues that are restricted as to use by enabling legislation or contract. <i>Management's Response: We concur with the auditor's finding and are in the process of implementing the recommendation.</i>	Not Resolved	We noted the amount of cash set aside in the water fund fund was approximately \$83,000 less than required and cash set aside in the general fund was approximately \$497,000 less than required.

**SUMMARY SCHEDULE OF PRIOR AUDIT RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
TOWN OF OAKLAND, FLORIDA**

Audit Finding Number	Title	Brief Description	Status	Comments
11-5	Approval and support of Journal Entries (material weakness)	In prior years we have recommended that management adopt procedures that ensure that all journal entries are supported by adequate documentation and are subject to supervisory review. <i>Management's Response: We concur with the auditor's finding and are in the process of implementing the recommendation.</i>	Not Resolved	This recommendation has not been implemented. We continue identify journal entries that lack adequate documentation and evidence of supervisory review.
12-3	Capital Asset Inventory (management letter recommendation)	In prior years we have recommended that the Town implement procedures to ensure that a physical inventory of all capital asset property is completed annually and in accordance with Florida Administrative Code 69B.73.005. <i>Management's Response: We concur with the auditor's finding and are in the process of implementing the recommendation.</i>	Not Resolved	An inventory of the Town's capital asset property for the fiscal year ended September 30, 2015 was not performed.
12-4	Refuse Collection (management letter recommendation)	In prior years we have recommended that management amend the Town code of ordinances to reflect the current refuse collection rates. <i>Management's Response: We concur with the auditor's finding and are in the process of implementing the recommendation.</i>	Not Resolved	We noted that the Town code of ordinances has not been amended to reflect the refuse collection rates being charged. We did observe resolution 2015-01 that sets forth the desired refuse collection rates of the Town Commission but it is our understanding that to remove the codified rate, a ordinance would be required.
14-002	Accounts Payable Reconciliation (significant deficiency)	In the prior year we recommended that management implement procedures to ensure that a monthly reconciliation of the general ledger control accounts to the accounts payable detailed listing is performed and questionable entries or reconciling items are investigated and corrected in a timely manner. <i>Management's Response: We concur with the auditor's finding and are in the process of implementing the recommendation.</i>	Not Resolved	We noted that the Town was unable to provide an accurate detailed listing of the Town's accounts payable as of year-end
14-006	Budgetary Control (management letter recommendation)	In the prior year we recommended that the Town amend their budget to ensure that the actual expenditures do not exceed the budgeted appropriations. <i>Management's Response: We concur with the auditor's finding and are in the process of implementing the recommendation.</i>	Not Resolved	We noted that the Town Commission approved a budget amendment on November 10, 2015 but the actual expenditures still exceeded the amended appropriations. Furthermore, Section 168.241, Florida Statutes requires that a budget amendment must be adopted in the same manner as the original budget. The original budget was adopted by resolution while the November 10, 2015 budget amendment was adopted by a motion recorded in the minutes.

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 other granting agencies, members of the Town Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Bryntison CPA, P.A.
Bryntison CPA, P.A.
Altamonte, Florida
June 29, 2016

SINGLE AUDIT SECTION



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Honorable Mayor and Members of the Town Commission
Town of Oakland, Florida

Report on Compliance for Each Major State Project

We have audited Town of Oakland's (the "Town") compliance with the types of compliance requirements described in the Department of Financial Services State Projects Compliance Supplement that could have direct and material effect on each of the state projects for the year ended September 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America...

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major State Project

In our opinion, Town of Oakland, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances...

Honorable Mayor and Members of the Town Commission
Town of Oakland, Florida

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 29, 2016

TOWN OF OAKLAND, FLORIDA
T.I.N. 59-1237784
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
for the year ended September 30, 2015

<u>State Agency, pass-through entity, state project</u>	<u>CSFA #</u>	<u>Contract / Grant #</u>	<u>Expenditures</u>
State of Florida Department of Environmental Protection			
Direct Projects			
Drinking Water Facility Construction	37.076	DW4803C0	\$ 670,958
Total State of Florida Department of Environmental Protection			<u>670,958</u>
Total expenditures of State Financial Assistance			<u>\$ 670,958</u>

Notes to the Schedule of Expenditures of State Financial Assistance

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance presents the State of Florida grant and loan activity of **Town of Oakland, Florida** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *State Financial Assistance*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - BASIS OF ACCOUNTING

Grant monies received and disbursed by the Town are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Town does not believe that such disallowances, if any would have a material effect on the financial position of the Town. As of September 30, 2015, there were no material questioned or disallowed costs as a result of grant or loan audits in process or completed.

NOTE C - MAJOR PROJECTS

Major state projects are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs related to State Financial Assistance.

TOWN OF OAKLAND, FLORIDA
T.I.N. 59-1237784
SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE FINANCIAL ASSISTANCE
Year Ended September 30, 2015

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of Auditor's Report Issued:	<u>Unmodified Opinion</u>	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weakness(es) identified?	<u>X</u>	
Significant deficiency(ies) identified?	<u>X</u>	
Noncompliance material to the financial statements reported?		<u>X</u>

State Financial Assistance

Type of Auditor's Report Issued on Compliance for Major State Projects	<u>Unmodified Opinion</u>	
	<u>Yes</u>	<u>No</u>
Internal control over major State projects:		
Material weakness(es) identified?		<u>None reported</u>
Significant deficiency(ies) identified?		<u>None reported</u>
Noncompliance material to a major State projects reported?		<u>None reported</u>
Any audit findings disclosed that are required to be reported in accordance with Rule 10.557, <i>Rules of the Auditor General</i>		<u>Yes</u>
Major State Project(s):		
37.076 - State of Florida Department of Environmental Protection - Drinking Water Facility Construction		
Dollar threshold used to distinguish between Type A and Type B projects:	\$	<u>201,272</u>

Section II - Summary Schedule of Prior Audit Findings Related to State Projects

- 14-003: Project Costs - Financial Reporting;** Corrective action was taken to address this finding.
- 14-004: Project Costs - Overpayment;** Corrective action was taken to address this finding.

Section III - Findings Related to Financial Statements Required to be Reported in Accordance with Government Auditing Standards

See accompanying Independent Auditor's Report on Internal Control over Financial reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* on page 33 and 34 and the accompanying Schedule of Prior Audit Recommendations on page 39 to 40.

APPENDIX L

FINANCIAL INFORMATION REGARDING CITY OF PORT RICHEY

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COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
CITY OF PORT RICHEY, FLORIDA
FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2015

CITY OF PORT RICHEY, FLORIDA

**Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2015**

Prepared by:
Finance Department
City of Port Richey, Florida

City of Port Richey, Florida
 Listing of City Officials

Council – Manager Form of Government

As of September 30, 2015

Elected Officials

Acting Mayor – Councilor	William Colombo
Councilor	Nancy Britton
Interim Councilor	Phyllis Grae
Councilor	Steven O’Neill
Councilor	Terrence Rowe

Appointed Officials

City Manager	Thomas O’Neill
City Attorney	Joseph A. Poblick

Department Directors

Fire	Timothy Fussell
Police	Robert Lovering
Public Works	Patrick Stewart
Public Utilities	Patrick Stewart
Building Official	John Cosmo
City Clerk	Tammy Schuck
Finance Director	Erin Applegate

INTRODUCTORY SECTION

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June 21, 2016

LETTER OF TRANSMITTAL

Honorable Mayor and City Council
City of Port Richey, Florida

The Comprehensive Annual Financial Report of the City of Port Richey, Florida, for the fiscal year ended September 30, 2015 is hereby submitted in compliance with Florida law. The staff of the Finance Department prepared this Comprehensive Annual Financial Report with assistance from other departments. The responsibility for both the integrity of the data and the completeness and fairness of the presentation, including all disclosures and supplementary information, rests with the City's management. The report summarizes the City's financial position and results of operations for its citizens, the City Council, the financial community and any other persons interested in the financial affairs of the City of Port Richey. All data is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. We have included all necessary disclosures to enable the reader to gain the maximum understanding of the City's financial activity.

The financial statements include the provisions of Governmental Accounting Standards Board Statement Number 34, "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments". This reporting format is further discussed in Management's Discussion and Analysis beginning on page 3. This letter of transmittal is designed to complement Management's Discussion and Analysis and should be read in conjunction with it.

The Comprehensive Annual Financial Report is designed to meet the needs of a broad spectrum of readers and is presented in three sections:

- Section I:** Introductory Section
- Section II:** Financial Section
 - a) Management's Discussion and Analysis
 - b) Basic financial statements
 - c) Required supplementary information
 - d) Other supplementary schedule
- Section III:** Statistical Section

The introductory section includes the table of contents, this transmittal letter, the City's organizational chart and a list of principal officials.

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The financial section of the report contains the government-wide financial statements, the fund financial statements - governmental funds and proprietary funds, notes to the financial statements, required supplementary information and other supplementary schedules which present fairly the financial position and results of the operations for the fiscal year ended September 30, 2015. These statements are divided into four parts.

- 1) Government-wide financial statements, which display financial data of the City as a whole.
- 2) Fund financial statements, which present the governmental and proprietary major funds financial statements.
- 3) Required supplementary information, which present budgetary comparison schedules for the general and special revenue funds and the schedule of changes to the net pension liability.
- 4) Other supplementary schedules, which present additional financial information for the reader.

The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

THE REPORTING ENTITY

The City of Port Richey was incorporated in 1925 and was chartered by Chapter 110334, Special Acts of Florida, 1925 with a Mayor-Council form of government.

On April 12, 1994 the electors of Port Richey enacted a new Charter, which replaced the Mayor-Council form of government with the Council-Manager system. The City Council consists of a mayor and four council members elected on a non-partisan basis for three-year staggered terms of office.

This report includes all funds, organizations, authorities, and agencies that the City is accountable for financially. The City provides a full range of municipal services. These services include public safety (police and fire), public works, storm water management, parks and recreation, building and code enforcement, planning and zoning, and general administration services. The City also provides water treatment and distribution and wastewater collection (Water and Sewer Fund) and stormwater management (Stormwater Utility Fund).

LOCAL ECONOMIC CONDITION AND OUTLOOK

The City has been affected by the decline in property values that had continued into the last fiscal year (2014), and the impact that it had on the City's revenue sources. Beginning in fiscal year 2015, the City is starting to see a greater increase in the property values of higher end housing. The City is continuing to develop programs through the use of funds available in Port Richey Community Redevelopment Agency (CRA) to promote redevelopment and improve the community's economic condition and outlook. The City has been working in conjunction with Pasco County to redevelop the U.S.19 corridor and encourage private investment in the City's Waterfront District. The City has seen increased commercial activity along U.S. 19, as well as the Waterfront District.

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MAJOR INITIATIVES

An initiative that was begun in fiscal year 2011 that has continued into fiscal year 2015 is the revitalization of the City's financial well being. The City ended fiscal year 2010 with a deficit balance of \$342,617 in the Governmental Activities Unrestricted Net Assets and a deficit balance of \$867,969 in the Business-type Activities Unrestricted Net Assets. Additionally, the Water and Sewer Fund had a history of many years of continued losses. Through initiatives such as a Water and Sewer utility rate increases, the re-instatement of the Electric Utility tax that went into effect January 1, 2011, and the ability to utilize Red Light Cameras for all of fiscal years 2011 and 2012 and for a portion of fiscal years 2013, 2014 and 2015, the City has been able to considerably improve upon its financial position. A new rate structure for the City Water and Sewer Utility was adopted on October 15, 2013 which will help increase the fund balance.

As of September 30, 2015, the Governmental Activities Unrestricted Net Position had a negative balance of \$1,759,331, and the Business-type Activities Unrestricted Net Position had a positive balance of \$475,489. It is very important for the user of the City's Comprehensive Annual Financial Report to understand why the Governmental Activities Unrestricted Net Position now has a negative balance of \$1,759,331. The City adopted Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for fiscal year ended September 30, 2015. As a result of the implementation of GASB Statements 68 and 71, the City reported a restatement for the change in accounting principle as of October 1, 2014 for the City's proportionate interest in the Florida Retirement System cost sharing - multiple employer plan. This resulted in the City recording a prior period adjust in the Statement of Activities (pages 22 and 23 of the report) as of October 1, 2014 in the total amount of \$2,531,904. The recording of the prior period adjustment reduced the Governmental Activities Unrestricted Net Position by \$2,319,391 and the Business-type Activities Unrestricted Net Assets by \$212,513.

Said another way, the City's Governmental Activities Unrestricted Net Position would have a positive balance of \$560,060 as of September 30, 2015 and the Business-type Activities Unrestricted Net Assets would have a balance of \$688,002 if the City was not required to record its proportionate share of the Florida Retirement System net pension liability.

Unrestricted net assets are a barometer of the City's financial condition as they represent the equity accumulated by the City that is available, without restriction, to fund its daily, on-going municipal activities.

Another indicator of the significant improvement that has been achieved since 2011 in the City's financial condition is that the General Fund Unassigned Fund Balance was \$1,152,156 as of September 30, 2015. The General Fund Unassigned Fund Balance is that portion of the fund equity that is available to pay for the on-going activities of the City.

The City expended \$456,552 in fiscal year 2015 for infrastructure improvements and equipment additions including improvements to two lift stations costing \$166,722, the acquisition of 4 new vehicles for the police and public works departments for \$112,757, the acquisition of a bucket loader for \$87,040 and improvements to the fire station with a cost of \$30,452. The City will continue on with efforts to improve its water and sewer infrastructure.

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FINANCIAL INFORMATION

Basis of accounting – The government-wide financial statements are presented using a full accrual, economic resource basis, which incorporates long-term assets and long-term liabilities. Revenues are recorded when earned and expenses are recorded as incurred without regard to the receipt of payment or its equivalent.

The Governmental Funds utilize the modified accrual basis of accounting. Under this method, revenues are recorded when received in cash, except for those susceptible to accrual, which are recorded as revenue when they become both measurable and available to finance current City operations. Expenditures are recorded when the liability is incurred except for interest on long-term debt, which is recorded when paid. The financial statements of the proprietary funds are reflected on the accrual basis of accounting; revenues are recorded when earned and expenses are recorded in the period incurred.

Capital Assets - Property and Equipment – Capital assets are stated at cost or if donated, fair market value at the date of donation. Expenditures which materially extend the useful life of existing properties are capitalized. The City's governmental infrastructure assets – roadways, sidewalks, etc. are reported in the government-wide financial statements net of accumulated depreciation. Depreciation on property and equipment is recorded in the government-wide and proprietary fund financial statements and is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to sixty years.

In developing and evaluating the City's internal control structure, consideration is given to the adequacy of internal control procedures. Internal control procedures are designated to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. However, one should remember that the cost of a control should not exceed its benefits. The City believes that its internal controls adequately safeguard the City's assets and provide reasonable assurance of the proper recording of financial transactions.

BUDGETING CONTROLS

The following procedures are utilized in establishing the budgetary data reflected in the financial statements.

1. At least sixty (60) days prior to October 1, the City Manager submits to the City Council an operating budget and an explanatory message. The budget message contains an outline of the proposed financial policies for the fiscal year, (1) identifying any important changes from the current year in revenue items or appropriations; and (2) listing any new funding sources that are pending.
2. Public Hearings are conducted by the City Council as required by State and Federal law to obtain taxpayers' comments on the proposed budget.
3. The budget is adopted by a majority of all members of the City Council prior to October 1.
4. Each Department Head, with the City Manager's authority, may transfer any unencumbered appropriation or portion thereof between general classifications of expenditures within their assigned department and service, function or activity. The City Council may, by resolution, make appropriations to meet a need for public expenditures to protect the public health, safety, and welfare or may transfer an unencumbered appropriation from any office, agency, and department or from contingency to another office, agency, department or contingency.

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PERSPECTIVE

The City of Port Richey is a political subdivision of the State of Florida, located in the western section of Pasco County. It is four square miles in area with nineteen miles of paved streets. Located within the four square miles are many small retailers, two industrial parks, two medical complexes and several manufacturers. There are also two mobile home parks, a large condominium project and a Super Wal-Mart Center located within the City's boundaries. Accordingly, the entire Tampa Bay area affects the City's economic conditions.

The City Council and management remain committed to improving the financial soundness of the City as demonstrated by the increase in Water and Sewer rates and the reinstatement of the Electric Utility Tax. The City Council should be commended for maintaining sound fiscal policy and the commitment to a balanced budget.

During the 1985 session, the State Legislature passed the Growth Management Act that requires the State and local governments to develop five-year comprehensive plans addressing growth related issues for the particular political division. The State requires each unit of local government's plan to be concurrent with the County plan in which the municipality is located and with the Regional Planning Council, and to ensure that adequate attention is being placed on the infrastructure needs of the State. That five-year plan has been completed and submitted to the State as required.

In compliance with the requirements of the Comprehensive Land Use Plan adopted by the City, the City developed a Land Development Code (Code) in 1992. The Code has a great impact on all land development and land uses and continues to be utilized.

INDEPENDENT AUDIT

The Florida Statutes and the City's Charter require an annual audit of the books of accounting and financial records of the City of Port Richey by an independent certified public accountant selected by the City Council. This requirement has been complied with by retaining the firm of Powell & Jones, Certified Public Accountants to serve as the City's independent auditors. The independent auditor's opinion has been included in the report.

ACKNOWLEDGEMENTS

The preparation of this report could not be accomplished without the efficient and dedicated work of the entire staff of the Finance Department, City Clerk's Department and the Utility Department. We wish to express our appreciation to all the members of the City's staff and the independent auditors for their contributions to this report.

We also wish to thank the members of City Council for their interest and support in planning and conducting the financial operations of the City in a responsive and progressive manner.

Respectfully submitted,

James Mathieu

James Mathieu
Interim City Manager

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As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

ENTERPRISE OPERATIONS

The City of Port Richey has two Enterprise Funds: the Water and Sewer Fund and the Stormwater Utility Fund. The Water and Sewer Fund is of much greater financial significance and is highlighted below.

WATER AND SEWER FUND

The City provides utility service to approximately 2,400 residential customers and 430 commercial customers. The service population is approximately 10,000 customers. This represents customers both within and outside of the City's limits. The City owns its well field and water treatment facility. This Water Treatment Plant facility has a treatment capacity of approximately 1.2 million gallons of water per day. The safe yield of the City well field has been estimated at .450 million gallons per day.

The utility rates have been structured using a tiered approach which is intended to increase the cost to larger volume users. Also, base rates have been established that are billed to all customers, regardless of whether any usage has occurred during the billing period. This fee structure is intended to target customers that do not consume any water during a portion of the year but yet the City continues to incur the cost of making water available to these customers.

DEBT ADMINISTRATION

Revenue Bonds Payable, Series 2005C: On July 12, 2005, the City issued \$1,155,000 of bonds through the Florida Municipal Loan Council for the purpose of advance refunding a portion of the Revenue Bonds Payable Series 2000A. As a result, \$1,055,000 of the Revenue Bonds Payable Series 2000A were defeased and subsequently paid-off on April 1, 2010 from the amount being held in escrow. The 2005C Bonds were issued to reduce the City's overall interest costs. The balance outstanding on the Revenue Bonds Payable, Series 2005C as of September 30, 2015, is \$615,000.

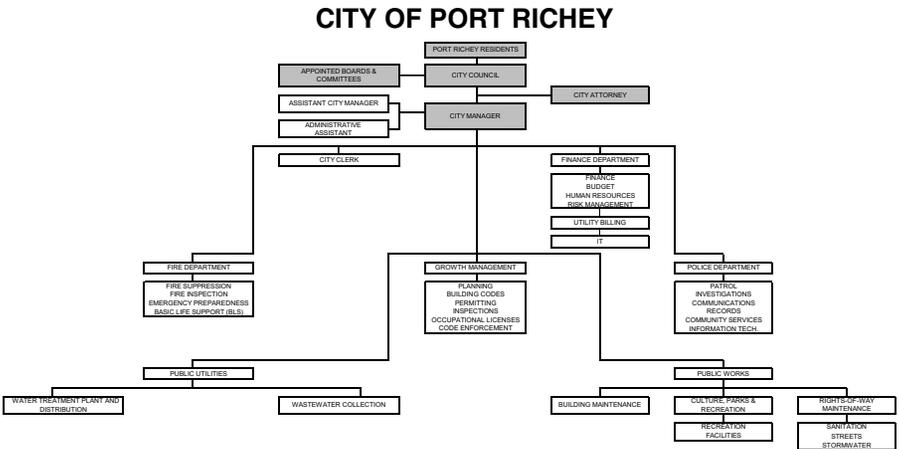
Revenue Bonds Payable, Series 2005D: On September 23, 2005, the City issued \$4,545,000 of bonds through the Florida Municipal Loan Council for the purpose of refunding the remaining amount due on the Water and Sewer Revenue Bonds, Series 1994, in the amount of \$1,240,000 and to provide \$3,305,000 of funding to construct water and sewer improvements. The bond refunding was undertaken to reduce the City's overall interest costs. The balance outstanding on the Revenue Bonds Payable, Series 2005D as of September 30, 2015 is \$2,615,000.

Revenue Note, Series 2010: On July 28, 2010, the City entered into a loan agreement to borrow \$203,487 for the purpose of financing the acquisition of real estate located within the City's Community Redevelopment Agency (CRA) district. The loan is secured by the incremental tax revenues of the CRA fund. The balance outstanding on the Revenue Note, Series 2010 as of September 30, 2015 is \$107,143.

Finally, in accordance with the City Code of Ordinances, the City Attorney is required to review, analyze, research and approve, prior to the execution by the City and its authorized agents, any document or instrument of any nature or kind, which has a legal effect upon the City.

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ORGANIZATION CHART



XI

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XII

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

This section contains the following subsections:

- Independent Auditor's Report
- Required Supplemental Information Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplemental Information other than Management's Discussion and Analysis
- Other Supplementary Schedules

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Port Richey, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Richey, Florida, (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Port Richey, Florida's basic financial statements.

The prior year comparative information has been derived from the City's 2014 financial statements and, in our report dated June 11, 2015, we expressed an unqualified opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 an opinion 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 from material misstatement.

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 17 and 53 - 57 and pension schedule on page 60 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 providing 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Port Richey, Florida's basic financial statements. The introductory section, other supplementary schedules, and statistical sections as listed in the table of contents are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

The other supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016, on our consideration of the City of Port Richey, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 City of Port Richey, Florida's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Richey, Florida's 2014 financial statements, and in our report dated June 11, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Richard C. Powell, Jr.

POWELL & JONES
Certified Public Accountants
June 21, 2016

**REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

The City of Port Richey's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements (beginning on page 20).

HIGHLIGHTS

Financial Highlights

- For the fiscal year ended September 30, 2015, citywide expenses of \$8,095,154 net of program revenues of \$4,591,664 resulted in a net cost of providing city services of \$3,503,490. This net cost amount is generally the amount that needs to be funded by the General Revenues of the City. The net cost of providing city services for September 30, 2014 was \$4,540,226. The decrease in net cost of providing city services of \$1,036,736 compared to the prior year is attributable to governmental activities expenses decreasing by \$281,205 and business-type activities program revenues increasing by \$723,082.
- The net cost of providing city services in the governmental activities was \$3,670,430 compared to \$3,945,136 in 2014.
- For the business-type activities (water and sewer and stormwater utility operations) program revenues exceeded program expenses by \$166,940. In 2014 program expenses exceeded revenues by \$595,050 primarily as a result of providing for uncollectible water and sewer accounts receivable (that originated in fiscal years 2012 and 2013) in the amount of \$400,585. The uncollectible accounts receivable were reported as a reduction of 2014 revenues.
- The City's net position decreased by \$177,666 or .1% in 2015 based on the beginning of the year net position before consideration of the prior period adjustment. The governmental net position decreased \$427,356 or 4.1% (exclusive of the impact of the prior period adjustment) and the business-type (Water and Sewer Fund and Stormwater Utility Fund) net position increased by \$249,690 or 2.8% (exclusive of the impact of the prior period adjustment).

- The decrease in the net position of the governmental activities totaling \$427,356 is a direct result of the intended deficit spending in the General Fund and Community Redevelopment Fund. The fiscal year 2015 budgets for the General Fund and Community Redevelopment Fund provided for deficits of \$1,088,310 and \$577,243, respectively. The actual deficits were \$381,961 and \$210,176, respectively.
- The net position of the City (overall equity) exceeded its liabilities at the close of fiscal 2015 by \$16,644,753 (net position). The governmental activities unrestricted net position was a negative \$1,759,331 as of September 30, 2015. Business-type activities unrestricted net position was \$475,489 as of September 30, 2015. The negative balance in the governmental activities unrestricted net position is directly as a result of the first time recording of the City's proportionate interest in the net pension liability of the Florida Retirement System of \$2,129,767 as explained below.
- As noted immediately above, the City was required to implement Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*, during fiscal year 2015. This necessitated the City reporting the net pension liability for the City's proportionate share of the Florida Retirement System (FRS). This resulted in the City recording a prior period adjust in the Statement of Activities (pages 22 and 23) as of October 1, 2014 in the total amount of \$2,531,904. The net pension liability as of September 30, 2015 as reported in the Statement of Net Position (page 21) is \$2,324,906 of which \$2,129,767 pertains to the governmental activities and \$195,139 to the business-type activities. The implementation of GASB 68 did not impact the governmental fund financial statements that are presented on pages 24 and 26 of this report.
- Government-wide unrestricted cash, pooled cash and cash equivalents totaled \$2,695,926 at September 30, 2015. Restricted cash and cash equivalents totaled \$1,493,764 at September 30, 2015.

City Highlights

- The City expended \$248,727 on capital improvements for governmental activities during fiscal year 2015, including \$92,780 for police and public works vehicles (3 vehicles), \$87,040 for a bucket loader, and \$30,452 for fire station improvements.
- The City expended \$207,825 on capital improvements for the business-type activities – in the Water and Sewer Fund - including one vehicle at a cost of \$19,977, improvements to the Bay Boulevard lift station costing \$22,875, and a partial rehabilitation of the Queener Avenue lift station at a cost of \$143,847. The City utilized \$125,112 of proceeds from a FEMA grant for the Queener Avenue lift station improvements.

USING THIS ANNUAL REPORT

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.

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eliminate these transactions and incorporate the capital assets and long-term obligations into the Governmental Activities column (in the Government-wide statements).

Infrastructure Assets

The City presents its comprehensive annual financial report in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement #34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, including the reporting of infrastructure capital assets related to governmental activities. Prior to this accounting standard, a government's largest group of assets (infrastructure – buildings and roads as well as vehicles and equipment) had not been depreciated in government financial statements. GASB Statement #34 requires that these assets be valued and reported within the Governmental column of the Government-wide Statements.

GOVERNMENT-WIDE STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the current year.

	Governmental Activities	Business-type Activities	Total Primary Government
Current assets	\$ 2,009,017	\$ 1,145,738	\$ 3,154,755
Capital assets, net	8,359,595	10,948,348	9,307,943
Non-current assets – cash and investments	1,340,721	60,712	1,401,433
Non-current assets - other	2,030	19,789	21,819
Deferred outflows of resources	503,265	44,818	548,083
Total assets and deferred outflows of resources	12,214,628	12,219,405	24,434,033
Current liabilities	625,341	498,762	1,124,103
Non-current liabilities - Long-term debt outstanding	748,686	2,530,000	3,278,686
Net pension liability	2,129,767	195,139	2,324,906
Other long-term liabilities	415,427	73,813	489,240
Deferred inflows of resources	520,203	52,142	572,345
Total liabilities and deferred inflows of resources	4,439,424	3,349,856	7,789,280
Net position: Net investment in capital assets	7,430,706	8,333,348	15,764,054

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The General Fund, Community Redevelopment Fund, Capital Improvement Fund, Water and Sewer Fund and Stormwater Utility Fund have been reported as major funds within the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements (see pages 20-23) are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to be similar to a bottom line for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities (see pages 22-23) is focused on both the gross and net cost of various activities (including governmental and business-type) which are provided by the government's general tax and other revenues. This statement is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or the subsidy to various business-type activities.

The Governmental Activities reflect the City's basic services, including general government, police, fire, protective inspections, physical environment (public works, transportation and parks and recreation), and human services. Property, sales, and utility services taxes along with franchise fees fund the majority of these services. The Business-type Activities reflect private sector type operations (water and sewer system management and stormwater utility), where the fees for services typically cover all, or most of the cost, of the operation, including depreciation.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus of the Fund Financial Statements is on Major Funds. All of the government type funds of the City of Port Richey are reported as major funds.

The Governmental Major Fund (see pages 24-27) presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith (beginning on page 55).

While the amounts on the Business-type Fund Financial Statements (see pages 28-31) are the same as those within the Business-type column in the Government-Wide Financial Statement, the Governmental Major Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement (see pages 25 and 27). The flow of current financial resources will reflect capital expenditures and debt repayment. The reconciliation will

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	Governmental Activities	Business-type Activities	Total Primary Government
Restricted	2,103,829	60,712	2,164,541
Unrestricted	(1,759,331)	475,489	(1,283,842)
Total net position	\$ 7,775,204	\$ 8,869,549	\$ 16,644,753

For more detailed information see the Statement of Net Position (pages 20-21).

At the end of fiscal 2015, the city-wide net position decreased \$2,709,570 to \$16,644,753. The decrease in net position is attributable to the change in net assets of \$(177,666) (loss) plus the impact of the prior period adjustment pertaining to the implementation of GASB 68 of \$(2,531,904) as of October 1, 2014. Net position for Governmental Activities was \$7,775,204 and net position for Business-type Activities was \$8,869,549. The total net position includes the amount of \$15,764,054 which represents the City's net investment in capital assets and \$2,214,541 represents current and other assets restricted for specific purposes. The portion of net position that is unrestricted equals a negative amount of \$1,283,842. As previously explained, the negative unrestricted net position is directly associated with recording the net pension liability of \$2,324,906 as required by GASB 68.

The Statement of Net Position on pages 20-21 shows the specific restrictions to net position. Restrictions within the City's Governmental Activities include \$1,623,914 for capital projects, which is comprised of unexpended Transportation Impact fees of \$742,848 which must be used to fund transportation infrastructure capital improvements, unexpended Police and Fire Impact fees of \$168,522 which are committed for facility capital projects in these two departments, and \$712,544 of unexpended discretionary sales tax funding that it to be expended on infrastructure improvements, vehicles, or the payment of indebtedness incurred for infrastructure assets. There is a total of \$387,584 that is restricted for community redevelopment, and \$92,331 for police benevolence.

Normal Impacts – Statement of Net Position

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for Capital – which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital Assets – which will reduce current assets and increase capital assets. There is a second impact, an increase in investment in capital assets and an increase in related net debt which will not change the net investment in capital assets.

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Spending of Non-Borrowed Current Assets on New Capital Assets – which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net position and increase net investment in capital assets.

Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net position and increase net investment in capital assets.

Reduction of Capital Assets through Depreciation – which will reduce capital assets and net investment in capital assets and increase unrestricted net position.

Current Year Impacts

The remaining basic transactions directly / indirectly affect the unrestricted net position as indicated in the following schedule. The adjusted results of operations, current assets used for capital and debt principal payments clearly demonstrate the change in unrestricted net position.

**Table 2
Change in Unrestricted Net Position
For the Year Ended September 30, 2015**

	Governmental Activities	Business-type Activities	Total Primary Government
Unrestricted Net Position – Beginning of Year	\$ 903,014	\$ 298,466	\$ 1,201,480
Results of Operations	(427,356)	249,690	(177,666)
Prior period adjustment	(2,319,391)	(212,513)	(2,531,904)
Adjustments- restricted assets			
Capital projects – transportation	3,531	-	3,531
Capital projects – police and fire	(33,672)	-	(33,672)
Capital projects - infrastructure	(148,583)	-	(148,583)
Capital projects – water system	-	(60,712)	(60,712)
Community redevelopment	210,176	-	210,176
Police benevolence	(3,226)	-	(3,226)
Depreciation	443,946	488,383	932,329
Book value of assets disposed	58,809	-	58,809
Total adjustments	530,981	427,671	958,652
Adjusted Results of Operations	(2,215,766)	464,848	(1,750,918)
Capital Expenditures	(248,757)	(207,825)	(456,582)
Debt principal payment	(167,514)	(80,000)	(247,514)
Debt principal forgiven	(30,308)	-	(30,308)
Unrestricted Net Position - End of Year	\$ (1,759,331)	\$ 475,489	\$ (1,283,842)

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Statement of Activities

The following schedule compares the revenues and expenses for the current fiscal year.

**Table 3
Statement of Activities
For the Year Ended September 30, 2015**

	Governmental Activities	Business-type Activities	Total Primary Government
REVENUES			
Program Revenues:			
Charges for services		\$ 3,092,095	\$ 3,092,095
Water and Sewer Fees	\$ -	-	-
Stormwater Utility	-	119,878	119,878
Police Fines & Forfeitures	646,416	-	646,416
Building Inspections and Permits	168,093	-	168,093
Local business tax	61,897	-	61,897
Administrative Fees	333,288	-	333,288
Other Fees	25,572	-	25,572
Capital Grants and Contributions			
Water and Sewer		125,112	125,112
Fire	19,313	-	19,313
General Revenues:			
Property Taxes	1,710,641	-	1,710,641
Franchise Fees	304,574	-	304,574
Communications Service Tax	137,442	-	137,442
Other Utility Taxes	364,249	-	364,249
Half-Cent Sales Tax	154,080	-	154,080
Local Option Gas Tax	62,299	-	62,299
Discretionary Surtax - Infrastructure	353,551	-	353,551
Other Taxes	28,506	-	28,506
State Revenue Sharing	101,057	-	101,057
Impact Fees	-	82,750	82,750
Investment income	4,235	-	4,235
Miscellaneous	22,440	-	22,440
Total Revenues	4,497,653	3,419,835	7,917,488
EXPENSES			
Program Activities			
Primary Government:			
Governmental Activities:			
General Government	1,695,041	-	1,695,041
Police	1,581,571	-	1,581,571
Fire	682,650	-	682,650
Protective Inspections	231,356	-	231,356
Physical Environment	661,618	-	661,618
Human Services	19,877	-	19,877
Interest Expense	52,896	-	52,896
Business-Type Activities:			
Water and Sewer	-	3,034,961	3,034,961
Stormwater Utility	-	135,184	135,184
Total Expenses	4,925,009	3,170,145	8,095,154
Change in Net Assets (Decrease)	(427,356)	249,690	(177,666)
Net Assets – Beginning of Year – as restated	8,202,560	8,619,859	16,822,419
Net Assets- End of Year	\$ 7,775,204	\$ 8,869,549	\$ 16,644,753

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Normal Impacts – Statement of Activities

There are nine basic impacts on revenues and expenses as reflected below.

Revenues

Economic Condition – which can reflect a declining, stable or growing economic environment and has a substantial impact on property, sales, infrastructure, gas or other tax revenue as well as public spending habits for building permits, elective user fees and volumes of consumption for electric or water usage for which the City collects taxes, franchise fees and user fees.

Increase/Decrease in Commission approved rates – while certain tax rates are set by statute, the City Commission has significant authority to impose and periodically increase/decrease rates (water and sewer, permitting, impact fee, property taxes, etc.)

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring) – certain recurring revenues, such as state revenue sharing, may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

Contribution from the Water and Sewer Fund and Stormwater Utility Fund – the City owns and operates the Water and Sewer Utility system and Stormwater Utility system. The City provides considerable administrative support services for the utility systems for which the General Fund assesses \$294,000 in fees to the Water and Sewer Fund and \$39,288 in fees to the Stormwater Utility Fund. The City’s legislative body may, at its discretion, transfer additional amounts out of the Water and Sewer Fund’s profits over to other funds for their operational use. There were no such transfers made during fiscal year 2015.

Market Impacts on Investment income – the City’s investment income consists of interest earned on cash account balances.

Expenses

Introduction of New Programs – within the functional expense categories (General Government, Police, Fire Protection, Physical Environment (Public Works, Transportation, Parks and Recreation) individual programs may be added or deleted to meet changing community needs.

Increase in Authorized Personnel – changes in service demand may cause the City Council to increase or decrease authorized staffing. Staffing costs (salary and related benefits) represented 46% of the City’s 2015 General Fund budget.

Salary Increases (cost of living, merit and market adjustment) – the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

Inflation – while overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities and services such as chemicals, supplies, fuels and group health insurance. Some functions may experience unusual commodity specific increases. Over the last several years, costs of fuel, general insurance, employee health benefits and pension costs have tended to experience increases. Contract services that have these personnel costs factored in can fluctuate based on these inflationary pressures.

Current Year Impacts

Revenues

**Table 4
Governmental Funds
Revenues**

	FY 2015	FY 2014	Increase (Decrease)	Percentage
Revenues				
Taxes (Property, Franchise & Utility)	\$ 2,516,906	\$ 2,500,672	\$ 16,234	00.65 %
Licenses and Permits	229,989	157,095	72,894	46.40 %
Intergovernmental Revenues	718,806	728,510	(9,704)	(01.33)%
Impact Fees	-	277	(277)	(100.00)%
Charges for Services	358,860	357,479	1,381	00.39 %
Fines and Forfeitures	646,416	746,505	(100,089)	(13.41)%
Interest Income	4,235	902	3,333	369.51 %
Miscellaneous Revenues	20,198	9,498	10,700	112.66 %
Total Revenues	\$ 4,495,410	\$ 4,500,938	\$ (5,528)	(00.12)%

Overall, revenues in the City’s Governmental funds decreased \$5,528 or .12% from last year. The primary source of the decrease was from a decline in Fines and Forfeitures – impound lot – \$71,863. Licenses and permits revenues increased, having an offsetting effect to the decline in Fines and Forfeitures, as a result of building permit income increasing by \$76,121.

Expenditures

**Table 5
Governmental Funds
Expenditures**

	FY 2015	FY 2014	Increase (Decrease)	Percentage
Expenditures				
General Government	\$ 1,627,106	\$ 1,694,339	\$ (67,233)	(03.97)%
Public Safety	2,459,087	2,489,721	(30,634)	(01.23)%
Physical Environment	444,829	436,531	8,298	1.90 %
Human Services	19,877	18,840	1,037	5.50 %
Capital Outlay	248,757	363,310	(114,553)	(31.53)%
Debt Service	213,604	444,844	(231,240)	(51.98)%
Total Expenditures	\$ 5,013,260	\$ 5,447,585	\$ (434,325)	(7.97)%

Total expenditures for the Governmental funds were \$5,013,260 for the fiscal year ended September 30, 2015. This compares to \$4,925,009 in expenses shown on the Statement of

Activities for the same governmental funds. The main differences in arriving at the amounts per the Statement of Activities are providing for non-cash depreciation of \$443,946, the removing of capital expenditures of \$248,757, the removing of the principal payments of \$167,514 made on long-term debt and the reduction of pension expense by \$163,557 as a result of implementing GASB 68.

Total current Governmental funds operating expenditures (excluding capital outlay and debt service) totaled \$4,550,899 in 2015 and \$4,639,431 in 2014, an \$88,532 or a 1.91% decrease from 2014. There were no individually significant changes in expenditures within the Governmental Funds. Operating expenditures increased in the General Fund by \$271,314 and decreased by \$473,662 in the Community Redevelopment Fund as the City begins to transition certain areas of expenditures to the General Fund. Debt service expenditures were less in the Capital Improvement Fund as the City re-financed a capital lease in 2014 and paid the balance of the old lease in the amount of \$217,272.

The City Funds

Governmental Funds

**Table 6
General Fund – Change in Fund Balance**

	FY 2015	FY 2014	Increase (Decrease)
Nonspendable:			
Prepaid items	\$ 18,259	\$ 375	\$ 17,884
Restricted:			
Capital Projects - Transportation	742,848	746,379	(3,531)
Capital Projects – Police and Fire	168,522	134,850	33,672
Police Benevolence	92,331	89,105	3,226
Total Restricted Fund Balance	1,003,701	970,334	33,367
Unassigned:	1,152,156	1,585,368	(433,212)
Total General Fund Balance	\$ 2,174,116	\$ 2,556,077	\$ (381,961)

The Fund Balance of the General Fund decreased \$381,961 to \$2,174,116 because expenditures and other financing uses (\$4,097,434) exceeded revenues and other financing sources (\$3,715,473) by \$381,961.

**Table 7
Community Redevelopment Fund – Change in Fund Balance**

	FY 2015	FY 2014	Increase (Decrease)
Restricted for:			
Community Redevelopment	\$ 387,584	\$ 597,760	\$(210,176)
Total Fund Balance	\$ 387,584	\$ 597,760	\$(210,176)

The Fund Balance of the Community Redevelopment fund decreased \$210,176 as a result of expenditures of \$918,492 exceeding revenues plus other financing sources totaling \$708,316.

**Table 8
Community Improvement Fund – Change in Fund Balance**

	FY 2015	FY 2014	Increase (Decrease)
Reserved for:			
Infrastructure	\$712,544	\$563,961	\$ 148,583
Unassigned (deficit)	(263,102)	(188,806)	(74,296)
Total Fund Balance	\$449,442	\$375,155	\$ 74,287

The City implemented the Community Improvement Fund in fiscal year 2010 for the purpose of accounting for capital outlay expenditures designated within the City's Capital Improvement Plan. Funding for these capital projects comes from the One-Cent Infrastructure Sales Surtax "Penny for Pasco". The Fund Balance of the Community Improvement Fund increased \$74,287 as a result of revenues totaling \$372,864 exceeding expenditures of \$298,577.

Proprietary Fund (Business Type Funds)

The net position of the Water and Sewer and Stormwater Utility enterprise funds increased \$37,177 in 2015. This increase is comprised of operating income of \$168,413, impact fee income of \$82,750, less an excess of non-operating expenses over non-operating revenues of \$1,473 less a prior period adjustment of \$212,513 resulting from the implementation of GASB 68.

Net Income (Loss) from Operations is a measure of profit before non-operating revenues and expenses and contributions and measures only the revenues and costs associated with the operation of the business activity. For fiscal 2015, the Water and Sewer Fund and Stormwater Utility Fund combined operating income of \$168,413 compared to an operating loss of \$466,806 in 2014.

The Water and Sewer Fund incurred an overall increase in net position of \$64,157. Charges for services increased by \$598,971 compared to 2014. As discussed in the Financial Highlights and City Highlights at the outset of this discussion and analysis, the Water and Sewer Fund had to provide for a provision for uncollectible accounts receivable in the amount of \$400,585 in 2014. This provision for uncollectible accounts receivable was reported in the Statement of Revenues, Expenses and Changes in Net Position as a reduction of charges for services. Therefore, when evaluating the \$598,971 increase in charges for services in 2015 compared to 2014, the increase should be reduced by the \$400,585 provision which would result in a net increase of \$198,386.

Personnel related costs increased \$69,800 in the Water and Sewer Fund compared to the prior year while wastewater treatment fees paid to the City of New Port Richey and Pasco County decreased \$193,947 compare to 2014.

The City implemented a Stormwater Utility charge in fiscal year 2006 to fund needed stormwater improvements and established a new proprietary fund to account for the activity in this enterprise fund. Total stormwater utility fees received in fiscal year 2015 were \$119,878 and operating expenses were \$135,184, resulting in an operating loss of \$15,306. There was an overall decrease in net position for the Stormwater Utility fund in 2015 of \$26,980 resulting from the operating loss of \$15,306 and the prior period adjustment of \$11,674 resulting from the implementation off GASB 68.

**Table 9
Water and Sewer Fund – Change in Net Assets**

	FY 2015	FY 2014	Increase (Decrease)
Net Investment in Capital Assets	\$ 8,159,556	\$ 8,343,640	\$ (184,084)
Restricted:			
Capital improvement – Water			
Impact fees	60,712	-	60,712
Unrestricted Net Assets	314,262	126,733	187,529
Total Net Assets	\$ 8,534,530	\$ 8,470,373	\$ 64,157

Budgetary Highlights – General Fund

There was no change in the total final budgeted appropriations for the General Fund compared to the original budgeted total amount for 2015. Actual revenues were \$269,053 less than the amount budgeted or 6.8% under budget and expenditures, including transfer - out, were less than the amount budgeted by \$975,402 or 19.2% under budget.

Budgeted revenues were \$3,984,526 compared to actual revenues of \$3,715,473. Revenue budgets are based on projections using historic trend analysis. Actual amounts collected may

vary significantly depending on changing domestic and global economic conditions and consumer spending habits.

A review of the financial statements will reveal that total taxes were \$98,533 in excess of the amount budgeted, licenses and permits were in excess of the amount budgeted by \$108,989, intergovernmental revenues were \$179,146 below budget and fines and forfeitures were \$317,984 less than the amount budgeted.

Budgeted expenditures totaled \$5,072,836 compared to \$4,097,434 in actual cash expenditures for a positive variance of \$975,402.

The significant final budget to actual variances for expenditures in 2015 include the following: non-departmental operating expenditures were under budget by \$251,591 as a result of Red Light Camera Service fees and State of Florida Red Light Camera fees being under budget by \$50,699 and \$149,234, respectively. Police personal services expense was \$42,642 over budget while Police operating expenses were \$105,847 under budget. Fire operating expenses were \$131,778 under budget. Public Works capital outlays were under budget by \$422,000 as a result of anticipated roadway improvements with a budgeted cost of \$400,000 having been deferred into the future

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2015, the City had \$19,307,943 invested in capital assets as compared to \$19,842,499 as September 30, 2014. This represents a net decrease of \$534,556 from the end of last year.

**Table 10
Capital Assets at September 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land, improvements and rights	\$3,000,685	\$3,000,685	\$ 27,000	\$ 27,000	\$ 3,027,685	\$ 3,027,685
Capital Projects in Process	1,598,721	1,598,721	-	-	1,598,721	1,598,721
Buildings and Improvements	2,013,485	1,983,034	451,883	451,883	2,465,368	2,434,917
Improvements and Infrastructure	4,367,138	4,366,253	17,543,513	17,362,753	21,910,651	21,729,006
Other than Buildings	2,583,279	2,547,616	762,339	768,731	3,345,618	3,316,347
Equipment and Vehicles	13,563,308	13,496,309	18,784,735	18,610,367	32,348,043	32,106,676
Total Cost of Assets	(5,203,713)	(4,882,716)	(7,836,387)	(7,381,461)	(13,040,100)	(12,264,177)
Less: Accumulated Depreciation	\$8,359,495	\$8,613,593	\$10,948,348	\$11,228,906	\$19,307,943	\$19,842,499

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the financial statement notes (See Note E to the financial statements - Capital Assets).

Table 11
Change in Capital Assets – (Net)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning Balance 10-1-14	\$ 8,613,593	\$11,228,906	\$19,842,499
Additions / Transfers in	248,757	207,825	456,582
Retirements / Transfers out	(181,758)	(33,457)	(215,215)
Depreciation	(443,946)	(488,383)	(932,329)
Accumulated Depreciation Retirements	122,949	33,457	156,406
Ending Balance 9-30-15	\$ 8,359,595	\$ 10,948,348	\$19,307,943

Debt Outstanding

As of September 30, 2015, the City had \$4,050,710 of outstanding debt, including compensated absences, as compared to \$4,326,595 as of September 30, 2014. This represents a net decrease of \$275,885 from the end of last year.

Table 12
Debt Outstanding at September 30,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenue Bonds, Series 2005C	\$ 615,000	\$ 720,000	\$ -	\$ -	\$ 615,000	\$ 720,000
Revenue Bonds, Series 2005D	-	-	2,615,000	2,695,000	2,615,000	2,695,000
Revenue Note, Series 2010	107,143	127,069	-	-	107,143	127,069
Capital Leases Payable	206,746	279,642	-	-	206,746	279,642
Compensated Absences	426,168	434,454	80,653	70,430	506,821	504,884
Total	\$1,355,057	\$1,561,165	\$2,695,653	\$2,765,430	\$4,050,710	\$4,326,595

For more information regarding the City's Debt, please refer to Note G to the financial statements - Long-term Debt.

ECONOMIC FACTORS

Some of the more significant issues for the year and beyond included:

- After 6 years of decline, fiscal year 2015 marked an upward trend in which real estate property values have increased within the City and also within the Tampa Bay area. Looking to the future it does appear that property values are stabilizing and are beginning to increase steadily.

- The State of Florida, by constitution, does not have a state personal income tax and, therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property and a limited array of other taxes (sales, gasoline, utilities services) and fees (franchise, business tax, and permits) for their governmental activities. There a limited number of state shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

The City will continue to operate within the operating constraints imposed by the annual budget and will provide and maintain the levels of service requested by its citizens with the minimal required tax assessments.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact the City's Finance Department at City Hall at 6333 Ridge Road, Port Richey, Florida 34668, telephone (727) 816-1900.

BASIC FINANCIAL STATEMENTS

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The basic financial statements include the government-wide financial statements, fund financial statements, and notes to the financial statements. The government-wide financial statements present financial information about the reporting government as a whole. The fund financial statements present financial information about major funds individually and nonmajor funds in the aggregate for the governmental and enterprise funds. The notes to the financial statements present information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements.

CITY OF PORT RICHEY, FLORIDA

STATEMENT OF NET POSITION

September 30, 2015
With Comparative Totals for September 30, 2014

	2015		2014	
	Governmental Activities	Business-type Activities	Total	Total
ASSETS				
CURRENT ASSETS				
Cash, pooled cash and cash equivalents	\$ 1,861,444	\$ 834,482	\$ 2,695,926	\$ 3,107,803
Restricted assets:				
Cash and cash equivalents	92,331	-	92,331	89,105
Receivables (Net of allowance):				
Taxes	17,016	-	17,016	52,906
Accounts	-	322,677	322,677	273,854
Internal balances	15,988	(15,988)	-	-
Prepaid expenses	22,238	4,567	26,805	375
Total current assets	<u>2,009,017</u>	<u>1,145,738</u>	<u>3,154,755</u>	<u>3,524,043</u>
NON-CURRENT ASSETS				
Restricted assets:				
Cash and cash equivalents	1,340,721	60,712	1,401,433	1,218,561
Capital assets:				
Land, improvements and land rights	3,000,685	27,000	3,027,685	3,027,685
Buildings	2,013,485	451,883	2,465,368	2,434,917
Improvements and infrastructure other than buildings	4,367,138	17,543,513	21,910,651	21,729,006
Equipment and vehicles	2,583,279	762,339	3,345,618	3,316,347
Capital projects in process	1,598,721	-	1,598,721	1,598,721
Accumulated depreciation	(5,203,713)	(7,836,387)	(13,040,100)	(12,264,177)
Unamortized debt costs - insurance	2,030	19,789	21,819	23,260
Total non-current assets	<u>9,702,346</u>	<u>11,028,849</u>	<u>20,731,195</u>	<u>21,084,320</u>
TOTAL ASSETS	11,711,363	12,174,587	23,885,950	24,608,363
DEFERRED OUTFLOWS OF RESOURCES				
Defined benefit pension plans	489,154	44,818	533,972	-
Deferred charge on refunding of debt	14,111	-	14,111	20,466
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 12,214,628	\$ 12,219,405	\$ 24,434,033	\$ 24,628,829

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	2015		2014	
	Governmental Activities	Business-type Activities	Total	Total
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 148,158	\$ 145,348	\$ 293,506	\$ 426,769
Accrued liabilities	156,401	29,093	185,494	177,343
Customer deposits	-	216,988	216,988	215,316
Unearned revenue	31,132	-	31,132	26,953
Due to other governments	2,905	-	2,905	2,084
Current portion of:				
Capital leases payable	44,401	-	44,401	72,896
Revenue bonds payable	115,000	85,000	200,000	185,000
Revenue note - series 2010	20,802	-	20,802	19,926
Accrued compensated absences	106,542	22,333	128,875	129,305
Total current liabilities	<u>625,341</u>	<u>498,762</u>	<u>1,124,103</u>	<u>1,255,592</u>
NON-CURRENT LIABILITIES				
Net Other Post Employment Benefits	95,801	15,493	111,294	86,867
Net pension liability	2,129,767	195,139	2,324,906	-
Capital leases payable	162,345	-	162,345	206,746
Revenue bonds payable	500,000	2,530,000	3,030,000	3,230,000
Revenue note - series 2010	86,341	-	86,341	107,143
Accrued compensated absences	319,626	58,320	377,946	375,579
Total non-current liabilities	<u>3,293,880</u>	<u>2,798,952</u>	<u>6,092,832</u>	<u>4,006,335</u>
TOTAL LIABILITIES	3,919,221	3,297,714	7,216,935	5,261,927
DEFERRED INFLOWS OF RESOURCES				
Defined benefit pension plans	515,222	47,207	562,429	-
Deferred premium on issuance of debt	4,981	4,935	9,916	12,579
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,439,424	3,349,856	7,789,280	5,274,506
NET POSITION				
Net investment in capital assets	7,430,706	8,333,348	15,764,054	16,020,788
Restricted:				
Capital projects - transportation	742,848	-	742,848	746,379
Capital projects - police and fire	168,522	-	168,522	134,850
Capital projects - infrastructure	712,544	-	712,544	563,961
Stormwater improvements	-	60,712	60,712	-
Community redevelopment	387,584	-	387,584	597,760
Police benevolence - Johnny Cash Reserve	92,331	-	92,331	89,105
Unrestricted	(1,759,331)	475,489	(1,283,842)	1,201,480
TOTAL NET POSITION	7,775,204	8,869,549	16,644,753	19,354,323
TOTAL LIABILITIES AND NET POSITION	\$ 12,214,628	\$ 12,219,405	\$ 24,434,033	\$ 24,628,829

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The notes to the financial statements are an integral part of this statement.

CITY OF PORT RICHEY, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015
With Comparative Amounts for the Fiscal Year Ended September 30, 2014

FUNCTIONS/PROGRAMS	2015			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,695,041	\$ 420,757	\$ -	\$ -
Police	1,581,571	646,416	-	-
Fire	682,650	-	-	19,313
Protective inspections	231,356	168,093	-	-
Physical environment	661,618	-	-	-
Human services	19,877	-	-	-
Interest and fiscal charges on long-term debt	52,896	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	4,925,009	1,235,266	-	19,313
BUSINESS-TYPE ACTIVITIES				
Water and sewer	3,034,961	3,092,095	-	125,112
Stormwater utility	135,184	119,878	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	3,170,145	3,211,973	-	125,112
TOTAL	\$ 8,095,154	\$ 4,447,239	\$ -	\$ 144,425

Governmental Activities	2015		2014
	Net (Expense) Revenue and Changes in Net Assets	Business-type Activities	
	\$ (1,274,284)	\$ -	\$ (1,274,284)
	(935,155)	-	(935,155)
	(663,337)	-	(663,337)
	(63,263)	-	(63,263)
	(661,618)	-	(661,618)
	(19,877)	-	(19,877)
	(52,896)	-	(52,896)
	(3,670,430)	-	(3,670,430)
	-	182,246	182,246
	-	(15,306)	(15,306)
	-	166,940	166,940
	(3,670,430)	166,940	(3,503,490)
			(1,353,909)
			(962,428)
			(752,357)
			(154,007)
			(639,667)
			(18,840)
			(63,928)
			(3,945,136)
			(605,632)
			10,542
			(595,090)
			(4,540,226)

General Revenues	2015	2014
Taxes:		
Ad valorem	1,710,641	1,710,641
Franchise fees	304,574	304,574
Utility taxes	364,249	364,249
Communication services tax	137,442	137,442
Half-cent sales tax	154,080	154,080
Local option gas tax	62,299	62,299
Discretionary sales surtax - infrastructure	353,551	353,551
Other taxes	28,506	28,506
State revenue sharing	101,057	101,057
Impact fees	-	82,750
Investment income	4,235	-
Miscellaneous	22,440	-
Total general revenues	3,243,074	3,325,824
Change in net assets	(427,356)	249,690
Net position - beginning of year	10,521,951	8,832,372
Prior period adjustment - Note Q	(2,319,391)	(212,513)
Net position - beginning of year as restated	8,202,560	8,619,859
Net position - end of year	\$ 7,775,204	\$ 8,869,549

Governmental Activities	Business-type Activities	Total	2014
			1,679,769
			352,568
			324,164
			144,171
			146,394
			135,918
			316,892
			29,260
			100,046
			5,977
			902
			12,122
			3,248,183
			(1,292,043)
			20,646,366
			-
			20,646,366
			19,354,323
			(2,531,904)
			16,822,419
			16,644,753
			19,354,323

The notes to the financial statements are an integral part of this statement.

CITY OF PORT RICHEY, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2015
With Comparative Amounts for September 30, 2014

	2015				2014	
	General	Special Revenue Community Redevelopment	Capital Improvement	Total Governmental Funds	Total	
ASSETS						
Cash, pooled cash and cash equivalents	\$ 1,861,444	\$ -	\$ -	\$ 1,861,444	\$ 2,492,049	
Restricted assets:						
Cash and cash equivalents	1,003,701	-	429,351	1,433,052	1,307,666	
Receivables (Net of allowance):						
Taxes	17,016	-	-	17,016	52,906	
Accounts	-	-	-	-	18,846	
Due from other funds	-	420,183	25,225	445,408	694,597	
Prepaid items	18,259	3,979	-	22,238	375	
TOTAL ASSETS	\$ 2,900,420	\$ 424,162	\$ 454,576	\$ 3,779,158	\$ 4,566,439	
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 141,557	\$ 1,467	\$ 5,134	\$ 148,158	\$ 174,937	
Accrued liabilities	121,290	35,111	-	156,401	154,865	
Deferred revenue	31,132	-	-	31,132	26,953	
Due to other funds	429,420	-	-	429,420	678,608	
Due to other governments	2,905	-	-	2,905	2,084	
TOTAL LIABILITIES	726,304	36,578	5,134	768,016	1,037,447	
FUND BALANCES						
Fund balances						
Nonspendable:						
Prepaid items	18,259	-	-	18,259	375	
Restricted for:						
Police Benevolence - Johnny Cash reserve	92,331	-	-	92,331	89,105	
Capital projects - transportation	742,848	-	-	742,848	746,379	
Capital projects - police and fire	168,522	-	-	168,522	134,850	
Capital projects - infrastructure	-	-	712,544	712,544	563,961	
Community redevelopment	-	387,584	-	387,584	597,760	
Unassigned:						
General fund	1,152,156	-	-	1,152,156	1,585,368	
Capital Improvement Fund (deficit)	-	-	(263,102)	(263,102)	(188,806)	
TOTAL FUND BALANCES	2,174,116	387,584	449,442	3,011,142	3,528,992	
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,900,420	\$ 424,162	\$ 454,576	\$ 3,779,158	\$ 4,566,439	

The notes to the financial statements are an integral part of this statement.

CITY OF PORT RICHEY, FLORIDA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS

September 30, 2015

Fund Balances - total governmental funds	\$ 3,011,142
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.	
Governmental capital assets	\$ 11,964,587
Less accumulated depreciation	(5,203,713)
Capital projects in process	1,598,721
Other assets used in governmental activities presented net of amortization are not financial resources and, therefore, are not reported in the governmental funds.	8,359,595
Capitalized debt issuance costs - insurance	2,030
The difference between the reacquisition price of debt advance refunded and the carrying amount of the refunded debt is not a use of financial resources and is not accounted for in the governmental funds in the year in which the refunding occurs but is reported in governmental activities as a deferred charge to operations and is amortized using an effective interest rate. This item is reported as a deferred outflow of resources, net of amortization, in the statement of net position.	14,111
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Net Other Post Employment Benefits	(95,801)
Net Pension Liability	(2,129,767)
Capital leases payable	(206,746)
Revenue bonds payable	(615,000)
Revenue note - series 2010	(107,143)
Accrued compensated absences	(426,168)
Premium received on revenue bonds issued in prior year that was a financial resource in the governmental funds in the year received but is reported as a deferred inflow of resources net of amortization in the statement of net position.	(4,981)
Deferred inflows and outflows of resources related to pensions are not reported in the governmental funds but will be recognized in pension expense on a long-term basis and are therefore reported in the statement of net position.	
Deferred outflows of resources related to pensions	489,154
Deferred inflows of resources related to pensions	(515,222)
Net position of governmental activities.	\$ 7,775,204

The notes to the financial statements are an integral part of this statement.

CITY OF PORT RICHEY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015
With Comparative Amounts for the Year Ended September 30, 2014

	(1)	(105)	2015	(117)	2014
	General	Special Revenue Community Redevelopment	Capital Improvement	Total Governmental Funds	Total
REVENUES					
Taxes (105-311000)	\$ 2,109,833	\$ 407,073 *1	\$ -	\$ 2,516,906	\$ 2,500,672
Licenses and permits	229,989	-	-	229,989	157,095
Intergovernmental revenue (117-335160)	345,942	-	372,864 *	718,806	728,510
Impact fees	-	-	-	-	277
Charges for services	358,860	-	-	358,860	357,479
Fines and forfeitures	646,416	-	-	646,416	746,505
Interest	4,235	-	-	4,235	902
Miscellaneous revenues	20,198	-	-	20,198	9,498
TOTAL REVENUES	3,715,473	407,073	372,864	4,495,410	4,500,938
EXPENDITURES					
Current					
General government	1,290,981	336,125	-	1,627,106	1,694,339
Public safety	2,007,302	419,408	32,377	2,459,087	2,489,721
Physical environment (537-10,541-10,541-30)	329,604	109,535	5,600	444,829	436,531
Human services	19,877	-	-	19,877	18,840
Capital outlay (559-60)	11,126	8,810	228,821	248,757	363,310
Debt service					
Principal retirement	105,000	36,951	25,563	167,514	388,800
Interest and fiscal charges	32,211	7,663	6,216	46,090	56,044
TOTAL EXPENDITURES	3,796,191	918,492	298,577	5,013,260	5,447,585
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(80,718)	(511,419)	74,287	(517,850)	(946,647)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease	-	-	-	-	220,892
Proceeds from sale of capital assets	-	-	-	-	290,847
Transfers in (105-381000)	-	301,243 *2	-	301,243	(290,847)
Transfers out	(301,243)	-	-	(301,243)	(290,847)
TOTAL OTHER FINANCING SOURCES (USES)	(301,243)	301,243	-	-	220,892
NET CHANGE IN FUND BALANCES	(381,961)	(210,176)	74,287	(517,850)	(725,755)
FUND BALANCES - BEGINNING OF YEAR	2,556,077	597,760	375,155	3,528,992	4,254,747
FUND BALANCES - END OF YEAR	\$ 2,174,116	\$ 387,584	\$ 449,442	\$ 3,011,142	\$ 3,528,992

The notes to the financial statements are an integral part of this statement.

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CITY OF PORT RICHEY, FLORIDA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2015
With Comparative Amounts for September 30, 2014

	2015			2014	
	Water and Sewer	Stormwater Utility	Total	Total	Total
ASSETS					
CURRENT ASSETS					
Cash, pooled cash and cash equivalents	\$ 609,097	\$ 225,385	\$ 834,482	\$ 615,754	
Receivables (Net of allowance):					
Accounts	310,341	12,336	322,677	255,008	
Due from other funds	57,543	-	57,543	57,543	
Prepaid expenses	4,230	337	4,567	-	
Total current assets	981,211	238,058	1,219,269	928,305	
NON-CURRENT ASSETS					
Restricted:					
Cash and cash equivalents	60,712	-	60,712	-	
Capital assets:					
Property, plant, equipment, and infrastructure	18,522,443	262,292	18,784,735	18,610,367	
Less: Accumulated depreciations	(7,747,887)	(88,500)	(7,836,387)	(7,381,461)	
Unamortized debt costs - insurance	19,789	-	19,789	20,779	
Total non-current assets	10,855,057	173,792	11,028,849	11,249,685	
TOTAL ASSETS	11,836,268	411,850	12,248,118	12,177,990	
DEFERRED OUTFLOWS OF RESOURCES					
Defined benefit pension plan	42,356	2,462	44,818	-	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 11,878,624	\$ 414,312	\$ 12,292,936	\$ 12,177,990	
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$ 145,042	\$ 306	\$ 145,348	\$ 251,832	
Accrued liabilities	27,308	1,785	29,093	22,478	
Customer deposits	216,988	-	216,988	215,316	
Due to other funds	15,988	57,543	73,531	73,532	
Revenue bonds payable - current portion	85,000	-	85,000	80,000	
Accrued compensated absences - current portion	20,841	1,492	22,333	20,692	
Total current liabilities	511,167	61,126	572,293	663,850	
NON-CURRENT LIABILITIES					
Net Other Post Employment Benefits liability	14,535	958	15,493	11,676	
Net pension liability	184,419	10,720	195,139	-	
Revenue bonds payable	2,530,000	-	2,530,000	2,615,000	
Accrued compensated absences	54,424	3,896	58,320	49,738	
Total non-current liabilities	2,783,378	15,574	2,798,952	2,676,414	
TOTAL LIABILITIES	3,294,545	76,700	3,371,245	3,340,264	
DEFERRED INFLOWS OF RESOURCES					
Unamortized bond issuance premium	4,935	-	4,935	5,354	
Defined benefit pension plan	44,614	2,593	47,207	-	
TOTAL DEFERRED INFLOWS OF RESOURCES	49,549	2,593	52,142	5,354	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,344,094	79,293	3,423,387	3,345,618	
NET POSITION					
Net investment in capital assets	8,159,556	173,792	8,333,348	8,533,906	
Restricted:					
Water impact fees	60,712	-	60,712	-	
Unrestricted	314,262	161,227	475,489	298,466	
TOTAL NET POSITION	8,534,530	335,019	8,869,549	8,832,372	
TOTAL LIABILITIES AND NET POSITION	\$ 11,878,624	\$ 414,312	\$ 12,292,936	\$ 12,177,990	

The notes to the financial statements are an integral part of this statement.

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CITY OF PORT RICHEY, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

September 30, 2015

Net change in fund balances - total governmental funds			\$ (517,850)
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 lives.			
Expenditures for capital assets	\$ 248,757		
Less current year depreciation	(443,946)	(195,189)	
In the statement of activities, a gain or loss is reported on the disposal of capital assets based on the sale price less the remaining un-depreciated cost, whereas in the governmental funds the proceeds from the sale of capital assets increase financial resources. The remaining un-depreciated cost of assets disposed of results in a decrease in net position.			(58,809)
Un-depreciated cost of capital assets sold as surplus or disposed of			
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			
Revenue bonds		105,000	
Revenue note		19,926	
Capital lease payments		42,588	167,514
A capital lease obligation was forgiven in exchange for the return of the leased asset. This transaction is not recorded in the governmental funds, but the forgiveness of the indebtedness has been offset against the un-depreciated cost of the leased asset in the statement of activities.			30,308
Some revenues (expenses) reported in the statement of activities do not result in the receipt (use) of current financial resources and therefore are not reported as revenues (expenditures) in governmental funds.			
Change in accrued compensated absences		8,286	
Change in Net Other Post Employment Benefits		(20,610)	
Pension expense		163,557	
Amortization of current year bond premium		2,243	
Amortization of current year debt issuance costs		(6,806)	146,670
Change in net position of governmental activities.			\$ (427,356)

The notes to the financial statements are an integral part of this statement.

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CITY OF PORT RICHEY, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended September 30, 2015
With Comparative Amounts for the Year Ended September 30, 2014

	2015			2014	
	Water and Sewer	Stormwater Utility	Total	Total	Total
OPERATING REVENUE					
Charges for services	\$ 3,092,095	\$ 119,878	\$ 3,211,973	\$ 2,614,003	
Total operating revenues	3,092,095	119,878	3,211,973	2,614,003	
OPERATING EXPENSES					
Personal services	528,284	28,897	557,181	486,239	
Contractual services	789,869	36,645	826,514	993,661	
Materials and supplies	282,530	13,880	296,210	230,466	
Purchased water	425,955	-	425,955	452,845	
Utilities	116,029	-	116,029	108,577	
Depreciation	471,909	16,474	488,383	475,733	
Administrative charges	294,000	39,288	333,288	333,288	
Total operating expenses	2,908,376	135,184	3,043,560	3,080,809	
OPERATING INCOME	183,719	(15,306)	168,413	(466,806)	
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental revenue - FEMA Grant	125,112	-	125,112	-	
Interest and fiscal charges	(125,595)	-	(125,595)	(127,295)	
Amortization	(990)	-	(990)	(989)	
Total non-operating revenues (expenses)	(1,473)	-	(1,473)	(128,284)	
INCOME BEFORE CONTRIBUTIONS	182,246	(15,306)	166,940	(595,090)	
Impact fees	82,750	-	82,750	5,700	
CHANGE IN NET POSITION	264,996	(15,306)	249,690	(589,390)	
NET POSITION - BEGINNING OF YEAR	8,470,373	361,999	8,832,372	9,421,762	
Prior period adjustment - Note Q	(200,839)	(11,674)	(212,513)	-	
NET POSITION - BEGINNING OF YEAR AS RESTATED	8,269,534	350,325	8,619,859	9,421,762	
NET POSITION - END OF YEAR	\$ 8,534,530	\$ 335,019	\$ 8,869,549	\$ 8,832,372	

The notes to the financial statements are an integral part of this statement.

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CITY OF PORT RICHEY, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended September 30, 2015
With Comparative Amounts for the Year Ended September 30, 2014

	2015		2014	
	Water and Sewer	Stormwater Utility	Total	Total
Business-type Activities Enterprise Funds				
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,025,680	\$ 119,877	\$ 3,145,557	\$ 3,121,889
Cash paid to suppliers for goods and services	(1,724,816)	(50,944)	(1,775,760)	(2,104,092)
Cash paid for inter-fund services	(294,000)	(39,288)	(333,288)	(333,288)
Cash paid to and for the benefit of employees	(522,624)	(28,887)	(551,511)	(463,985)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	484,240	758	484,998	220,524
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Collection of imposts	82,750	-	82,750	-
Advances (to) from other funds	-	-	-	(120,026)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	82,750	-	82,750	(120,026)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grant	125,112	-	125,112	-
Principal paid on revenue bonds	(80,000)	-	(80,000)	(75,000)
Acquisition and construction of capital assets	(207,825)	-	(207,825)	(139,566)
Interest and fiscal charges paid on indebtedness	(125,595)	-	(125,595)	(127,295)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(288,308)	-	(288,308)	(341,861)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	-	-	-	640,152
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-	-	640,152
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	278,682	758	279,440	404,489
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	391,127	224,627	615,754	211,265
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 669,809	\$ 225,385	\$ 895,194	\$ 615,754
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO BALANCE SHEET				
Unrestricted cash, pooled cash and cash equivalents	\$ 609,097	\$ 225,385	\$ 834,482	\$ 615,754
Restricted cash and cash equivalents	60,712	-	60,712	-
	\$ 669,809	\$ 225,385	\$ 895,194	\$ 615,754

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CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Port Richey ("City") maintains its accounting records in accordance with accounting principles generally accepted in the United States of America ("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 City's accounting policies are described below:

1. The Reporting Entity: The City is a political subdivision of the State of Florida, located in Pasco County in the southwest portion of the State. The City was incorporated in 1925 under the provisions of the Laws of Florida, Chapter 110334 and had operated under that charter until April 1994 when a new charter was adopted. The City is approximately four square miles in area. The City is a full service municipality providing its citizens with a full complement of municipal services. In addition, the City owns and operates a utility, which includes both a water production and distribution system and a sewage collection system.

The City follows the Principles of Governmental Accounting Standards Board (GASB) "Codification of Governmental Accounting and Financial Reporting Standards" Section 2100, "Defining the Reporting Entity", which establishes standards for defining and reporting on the "Financial Reporting Entity". The financial reporting entity includes the primary government, organizations for which the primary government is financially accountable and other organizations for which, if excluded, would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority to an organization's board and either displays the ability to impose its will on that organization, the possibility that the organization will impose or provide a financial burden or benefit to the primary government, or management of the primary government has operational responsibility for the component unit and manages the component unit in essentially the same manner in which it manages its own programs or departments. The City has determined that the Community Redevelopment Agency (CRA) is the only organization that meets these requirements, and therefore, has appropriately blended the component unit in the financial statements as a special revenue fund. Although legally separate, the City Council serves as the CRA Board. Separate financial statements for the CRA are not presently prepared. The CRA was created on January 8, 2002, pursuant to Chapter 163.356, Florida Statutes, City Resolutions 02-01, 02-02, and 02-03.

2. Governmental Accounting Standards Board Statement Number 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments": The City presents its comprehensive annual financial report in accordance with the provisions of GASB Statement #34 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments". This standard establishes the financial reporting requirements for state and local governments. The Statement establishes specific standards for basic financial statements, management's discussion and analysis (MD&A), and certain required supplementary information.

As part of reporting pursuant to GASB Statement #34, there is a reporting requirement regarding infrastructure: that is roads, sidewalks, curbing, and drainage improvements, etc. All major general infrastructure assets that were acquired or significantly reconstructed, or that received significant improvements, in fiscal years ending after June 30, 1980, are required to be retroactively reported. All newly acquired or improved infrastructure assets must be reported in accordance with GASB Statement #34. The City has included infrastructure assets acquired prior to June 30, 1980 that still have remaining useful lives.

The basic financial statements include both government-wide and fund financial statements. The government-wide statements are presented using a full accrual, economic resource basis, which incorporates long-term assets and receivables and long-term liabilities. Governmental activities include the General Fund, the Special Revenue Fund-Community Redevelopment, and the Capital Improvement Fund. Business-type activities include the Water and Sewer Enterprise Fund and the Stormwater Utility Enterprise Fund.

The government-wide Statement of Activities reports the gross and net cost for the various functional categories of the City that are otherwise supported by general government revenues. The expenses for each functional category are reduced by program revenues to ascertain the net costs for that function. Program revenues are defined as charges for services,

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	2015		2014	
	Water and Sewer	Stormwater Utility	Total	Total
Business-type Activities Enterprise Funds				
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING INCOME (LOSS)	\$ 183,719	\$ (15,306)	\$ 168,413	\$ (466,806)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	471,909	16,474	488,383	475,733
Net effect of non-cash transactions	(419)	-	(419)	400,157
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(67,668)	(1)	(67,669)	107,244
(Increase) decrease in prepaid expenses	(4,230)	(337)	(4,567)	-
(Increase) decrease in deferred outflows - pension plan - pertaining to current year	(23,798)	(1,383)	(25,181)	-
Increase (decrease) in accounts payable	(106,402)	(82)	(106,484)	(318,543)
Increase (decrease) in accrued liabilities	6,320	295	6,615	6,058
Increase (decrease) in utility deposits	1,672	-	1,672	485
Increase (decrease) in compensated absences	9,910	313	10,223	10,691
Increase (decrease) in Net Other Post Employment Benefits	3,592	225	3,817	5,505
Increase (decrease) in Net pension liability - pertaining to current year	69,721	4,053	73,774	-
Increase (decrease) in deferred inflows - pension plan pertaining to current year	(60,086)	(3,493)	(63,579)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 484,240	\$ 758	\$ 484,998	\$ 220,524

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

* Bond issuance costs and premium related to the Revenue Bonds, Series 2005D are being amortized over the life of the outstanding debt issue. Amortization expense for the years ended September 30, 2015 and 2014 was \$990 for each year. Amortization of the bond premium for the years ended September 30, 2015 and 2014 was \$419 and \$428, respectively.

* The increase in the allowance for uncollectible accounts in the Water and Sewer Fund for 2014 that pertains to uncollected prior year accounts receivable was \$400,585. This represents a non-cash expense that has been offset against operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

The notes to the financial statements are an integral part of this statement.

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CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

operating grants, and capital grants that specifically relate to a specific program function. Charges for services include revenues arising from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Operating grants and capital grants consist of revenues received from other governments, organizations, or individuals that are specifically attributable to a program and are restricted for either operating expenditures/expenses or capital expenditures/expenses associated with a specific program.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for services. Operating expenses for the City's enterprise funds include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fund financial statements are very similar to the financial statements presented in the previous model. The emphasis in the new model is on major funds in both the governmental activities and business-type activities, and non-major funds are summarized into a single column. The City has elected to report the Capital Improvement Governmental Fund and the Stormwater Utility Enterprise Fund as major funds in the fund financial statements. As a result, there are no non-major funds to report in the fund financial statements.

3. Measurement Focus: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The measurement focus is the determination of financial position and sources and uses of resources, rather than net income determination.

The proprietary fund statement is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The operating statement of this fund presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The measurement focus of the proprietary fund is determination of net income, financial position, and cash flows.

4. Fund Accounting: The City organizes its accounting system on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. The various funds are grouped in the financial statements as follows:

Governmental Fund Types:

General: The general fund is used to account for all activities of general government not accounted for in another fund. The general fund is always reported as a major fund in the governmental fund financial statements.

Special Revenue Fund: This fund is used to account for specific revenue sources (other than major capital projects or special assessments) that are restricted by law or administrative action to expenditure for specific purposes. The Community Redevelopment Agency Fund is used to account for the proceeds of funding and the associated costs and activities of the Community Redevelopment Agency. This fund had been classified as a major fund in the governmental fund financial statements.

Capital Improvement Fund: This fund is used to account for the expenditure of funds for the construction, renovation, expansion and major improvement of various City facilities, as well as the acquisition of land and other large nonrecurring projects. The capital improvements and acquisitions are funded by the Discretionary Sales Surtax - Infrastructure funding received by the City and restricted for infrastructure improvements or vehicles with a life expectancy of at least (5) years, as well as other funds received by the City.

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September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Types: The City's Proprietary Funds are presented in accordance with GASB Statement #62 – "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements". The City's Proprietary Fund types consist of the following:

Enterprise Funds: These funds account for operations that are financed and operated in a manner similar to the private business sector, where the intent of the governing body is that the costs (including depreciation) to provide certain goods and services to the general public be financed or recovered primarily through user charges or where the governing body has deemed that periodic determination of net income is appropriate for purposes of monitoring capital maintenance, accountability or other purposes. The City has two Enterprise Funds that are presented as major proprietary funds.

Water and Sewer Fund: This fund is used to account for water production activities and the distribution of water and provision of sewage collection to residents and businesses located in the City and other users located in unincorporated areas of Pasco County. All costs are financed through charges to utility customers.

Stormwater Utility Fund: This fund is used to account for stormwater management activities within the City. All costs are financed through charges to utility customers.

5. Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental funds in the fund financial statements are presented on a modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available (susceptible to accrual). Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of year-end. Revenues that are susceptible to accrual include utility taxes, court fines, and intergovernmental grants. Expenditures are recorded at the time the related fund liabilities are incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The government-wide financial statements and proprietary fund financial statements are presented on an accrual basis of accounting. Under the accrual basis, revenues are recognized in the period when earned and expenses are recognized in the period when incurred.

6. Budget and Budgetary Accounting: Annual appropriated budgets are legally adopted on a basis consistent with GAAP for the governmental funds. The Water and Sewer Enterprise Fund budget is adopted on a basis consistent with GAAP, except that no provision is made for amortization and that capital outlay and debt principal payments are budgeted. These funds are controlled on a fund and departmental level. The department heads are authorized to transfer budget amounts within departments; however, any revision that alters the total expenditures of any department must be approved by the City Manager. Unencumbered appropriations expire at year-end. Budget amendments that affect revenue or increase the total amount of individual fund expenditures must be approved by the City Council.

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

- a) By approximately July 1, the City Manager and Finance Director submit to the City Council a proposed budget for the ensuing fiscal year. It contains proposed expenditures and the means to finance them, including a proposed property tax millage rate.
- b) Public hearings are conducted in August and September to obtain taxpayer comments on the proposed budget and property tax millage rate.

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September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Restricted Assets: The City has one category of restricted assets: cash and cash equivalents.

Cash and cash equivalents have been restricted in the Governmental Activities and Governmental Funds for: unexpended Transportation and Police and Fire Impact Fees; for unexpended Discretionary Sales Surtax – infrastructure funds; for unexpended Community Redevelopment funds, and for Police Benevolence purposes.

Cash and cash equivalents have been restricted in the Business-type activities and the Water and Sewer Fund for unexpended water impact fees.

Capital Assets: Capital assets, which include land, buildings, improvements, equipment, vehicles and infrastructure assets, are reported in the applicable government or business-type activity in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year. These assets are capitalized at historical cost, or estimated historical cost if actual cost information is not available. Donated fixed assets are capitalized at their fair market value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of the asset are also capitalized.

Depreciation, which is computed on a straight-line basis, is provided for in amounts sufficient to charge the cost of depreciable assets to operations over their estimated useful lives. Depreciation is not provided for capital projects in process. Interest cost incurred on construction in progress is capitalized as part of the cost of assets acquired in an enterprise fund. The estimated useful lives of the assets are as follows:

Category	Useful Life
Buildings and improvements	10 – 50 years
Infrastructure – road ways	20 years
Equipment and vehicles	3 – 20 years
Water and Sewer system	15 - 60 years

Accrued Compensated Absences: Regular, full-time, permanent employees earn vacation and sick leave starting thirty days after their date of employment.

Vacation leave is earned based on years of continuous and creditable service as follows:

Years of Service	Total Hours Per Year – Non-Police Employee	Total Hours Per Year Police Employees
	1 to 5	80
6	120	144
7	120	156
8	120	168
9	120	180
10 or more	120	192
Through 15 years	120	192
16 years or more	160	192

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September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- c) The budget and property tax millage rate is approved by the City Council in September and adopted as a budget resolution. This budget resolution is adopted at the departmental line item level.
- d) The budget is reviewed on an ongoing basis and any unusual and unforeseen changes are incorporated into the budget on a fund level by a modifying resolution.
- e) Annual budgets were adopted for the following funds: General, Community Redevelopment, Capital Improvement, Water and Sewer Fund, and Stormwater Utility Fund. The budget serves as legal authorization for all expenditures. Budgeted expenditures may not legally exceed appropriations on an individual fund basis for the General, Community Redevelopment, Capital Improvement, Water and Sewer Funds, and Stormwater Utility Fund. Total budget appropriations were not amended during the year.
- f) All appropriations lapse at the end of the fiscal year. Encumbrances outstanding at year-end are re-appropriated and charged against the ensuing year's budget and thus are not reflected in budget to actual presentations.

7. Property Taxes: Under Florida law, the assessment of all properties and the collection of all City property taxes are consolidated in the offices of the Pasco County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. Florida Statutes permit cities to levy property taxes at a rate of up to 10 mills. The millage rate in effect for fiscal year ending September 30, 2015 was 5.4348.

The tax levy of the City is established by the City Council prior to October 1 of each year. The Pasco County Property Appraiser incorporates the City's millage into the total tax levy, which includes the tax requirements of the county, municipalities, independent districts, and the Pasco County School Board.

All property is reassessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Pasco County Tax Collector. All unpaid taxes become delinquent on April 1 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 at 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest at 18% per year or at a 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. Unsold certificates are held by Pasco County.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

8. Assets, Liabilities, and Fund Equity

Cash, pooled cash, and cash equivalents: The City uses a consolidated cash pool to account for the operating cash account. The consolidated cash pool concept allows each participating fund to benefit from the economies of scale and improved yield that are inherent to a larger investment pool. Formal accounting records detail the individual equities of the participating funds. Other money market accounts, savings accounts and investments are segregated by individual fund.

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September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The maximum amount of vacation leave that a non-police employee may accrue is equal to 220 hours. An employee who has served one year or more and who terminates employment with the City is paid for any unused vacation leave accumulated to the time of termination up to the capped amount. The maximum amount of vacation leave that a police employee may accrue is 240 hours. Upon separation the police employee is paid for all unused vacation time.

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as a component of long-term liabilities. No expenditure is reported for these amounts in the governmental funds. Vested or accumulated vacation and sick leave of the proprietary fund is recorded as an expense and liability of that fund as the benefits accrue to employees.

Sick leave is earned based on years of continuous and creditable service as follows:

Years of Service	Maximum Days Credited All Employees
	0 to 5
6 to 10	60
11 or more	90

Employees may accrue sick leave benefits to a maximum amount of ninety days (720 hours). Employees, except police, terminating employment by resignation, in good stead and with two weeks notice, shall be paid for accrued sick leave at the rate of 50% times the number of hours accrued not to exceed the maximum days. Police employees terminating employment by resignation, in good stead and with two weeks notice, shall be paid for all accrued sick leave not to exceed the maximum amount. Employees retiring from the City shall be paid for 100% of accrued sick leave not to exceed the maximum accrual limit plus 33% of any time in excess of the limit.

Post Retirement Health and Life Insurance Benefits: The City provides post retirement health insurance benefits to employees upon completion of twenty-five years of continuous service or twenty years of continuous service upon reaching age sixty. These benefits are discontinued upon the employee reaching age sixty-five. The City does not provide any post retirement life insurance benefits.

Net position: The government-wide and business-type fund financial statements utilize a net position presentation. Net position is presented in three components – net investment in capital assets, restricted, and unrestricted.

- a) Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted – This component consists of the portion of net position that have constraints placed on them either externally by third-parties (creditors, grantors, and contributors) or by law through constitutional provisions of enabling legislation. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use of these funds.
- c) Unrestricted – This component of net position consists of that portion that does not meet the definition of "net investment in capital assets" and "restricted".

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification: The City reports fund balances in accordance with the provisions of GASB Statement Number 54 – "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement Number 54 provides that governmental fund financial statements will present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- a) **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Inventories and Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next current year.
- b) **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources through either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- c) **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations (encumbrances) to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- d) **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- e) **Unassigned:** This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balances of any other governmental fund that cannot be eliminated by the offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first and to defer the use of these other classified funds.

Fund Balance Reserves: Governmental Fund reserves are used to indicate that a portion of the fund balance is legally segregated for a specific future use.

Specific Restrictions and Reserves:

Governmental Activities / Governmental Funds:

- a) **Restricted / Reserved for Police Benevolence:** Indicates the unexpended portion of funds donated to the "Johnny Cash Reserve" that have been restricted for future police benevolence purposes.
- b) **Restricted / Reserve for Capital Projects - Transportation:** Indicates a portion of the fund balance that has been legally segregated for future funding of transportation related capital improvements.

12. Interfund Transactions: Interfund transactions are reflected as loans, services provided, reimbursements, or transfers.

Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided are deemed to be at market or near market rates and are treated as revenues and expenditures/expenses and are not eliminated in the consolidation of the government-wide financial statements. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost 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.

13. Comparative data and Reclassifications: The financial statements include summarized prior year comparative information that does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended September 30, 2014, from which such summarized information has been derived.

14. Use of Estimates: The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CASH, POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS

Pooled Cash

The City maintains a cash pool that is available for all funds. Amounts reported as cash equivalents are funds deposited in bank money market accounts. These cash funds may be withdrawn by the City upon demand.

Deposits

Florida Statutes and City policy require that all City demand accounts be in financial institutions that pledge collateral with the State Treasurer pursuant to Chapter 280, Florida Statutes. The City is required to verify that monies are on deposit with "qualified public depositories" as defined in Florida Statutes Section 280.02. Florida Statutes require that all qualified public depositories provide collateral each month equal to a least 50 percent of the public funds on deposit with the institution that are in excess of deposit insurance amounts. The carrying amount of the City's deposits as of September 30, 2015 was \$4,188,435, of which \$4,009,275 is on deposit in interest bearing checking and money market accounts. The carrying amount of deposits excludes \$1,255 of petty cash accounts.

The State Treasurer may assess other qualified public depositories for a pro rata share of any loss suffered by a public depositor in excess of its depository's collateral. Since the City uses only authorized public depositories, all funds, including time deposits, deposited with financial institutions are in compliance with the City's policies.

Investments

The City's investment policy is to maintain funds in investments that yield the highest possible efficiency and return within the limitations of Florida Statutes. The Florida Statutes Section 218.415(17) authorizes the City to invest in the Local Government Surplus Funds Trust Fund; SEC registered money market funds with the highest credit quality rating, interest bearing time deposits or savings accounts in qualified public depositories, direct obligations of the United States Treasury, and federal agencies and their instrumentalities.

The Florida Municipal Investment Trust (Trust) is an investment pool administered by the Florida League of Cities, Inc. The Trust is an inter-local government entity created under the laws of Florida. The Trust is an authorized investment under Section 163.01 of the Florida Statutes.

The City did not have any investments as of September 30, 2015.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- c) **Restricted / Reserve for Capital Projects - Police and Fire:** Indicates a portion of the fund balance that has been legally segregated for future funding of police and fire capital improvement facilities.

- d) **Restricted / Reserve for Capital Projects - Infrastructure:** Indicates a portion of the fund balance that has been legally segregated for future funding of infrastructure improvements including police, fire and other vehicles and the repayment of infrastructure related indebtedness.

- e) **Restricted / Reserve for Community Redevelopment:** Indicates the unexpended portion of funds restricted for use by the Community Redevelopment Agency.

Business-type Activities / Proprietary Funds:

- f) **Restricted for Water Impact Fees:** Indicates the unexpended portion of water impact fees that have been restricted for future improvements to the water distribution system

9. Bond Premium / Issuance Costs: In the governmental funds, bond premiums and issuance costs are recognized as current period other financing sources and current period expenditures, respectively. In the proprietary funds and the government-wide financial statements, bond premiums and issuance costs pertaining to repayment insurance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond premiums are recorded as Deferred Inflows of Resources and issuance costs pertaining to repayment insurance are reported as unamortized debt costs.

For current and advance bond refundings that result in defeasance of old debt, the excess of the reacquisition price over the net carrying amount of the old debt is presented as a Deferred Outflows of Resources and is amortized as a charge to operations using the effective interest method.

10. Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: Deferred inflows of resources and deferred outflows of resources related to pension plans that are derived from the difference between projected and actual earnings on the respective plan investments are amortized to pension expense over a closed five year period. Deferred inflows of resources and deferred outflows of resources related to pensions that are derived from differences between expected and actual experience with regard to economic or demographic factors (difference between expected and actual experience) in the measurement of the respective pension plan's total pension liability are amortized to pension expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the respective pension plan (active and inactive employees) determined as of the beginning of the measurement period. Contributions to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period are reported as a deferred outflow of resources related to pensions. This contribution is included as an increase in the respective pension plan fiduciary net position in the subsequent fiscal year.

11. Net Pension Liability: The City adopted GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for fiscal year ended September 30, 2015. As a result of the implementation of GASB Statements 68 and 71, the City reported a restatement for the change in accounting principle as of October 1, 2014 for the City's proportionate interest in the Florida Retirement System cost sharing - multiple employer plan. The City did not have the information necessary to adopt GASB Statements 68 and 71 as of October 1, 2013 for the City's proportionate interest in the Florida Retirement System cost sharing - multiple employer plan. The impact of the implementation and prior period adjustment is presented in the schedule on page 54.

NOTE B - CASH, POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

The City does not participate in any securities lending transactions nor has it used, held, or written derivative financial instruments.

Interest Rate Risk – The City's investment policy with regard to minimizing interest rate risk related to the decline in the value of securities due to rising interest rates is to invest in short-term securities or similar investment pools so that securities mature to meet the cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity.

Credit Risk – The City's investment policy with regard to minimizing credit risk due to a default of a security issuer or backer is to limit investments to the safest types of securities and government investment pools, and by pre-qualifying the financial institutions with which the City does business.

A reconciliation of the amount of petty cash and deposits to the Statement of Net position as of September 30, 2015, is as follows:

Petty cash	\$ 1,255
Deposits	4,188,435
Total	<u>\$ 4,189,690</u>
As reported in Statement of Net position:	
Cash, pooled cash and cash equivalents	\$ 2,695,926
Restricted Assets - Current:	
Cash and cash equivalents	92,331
Restricted Assets - Non-Current	
Cash and cash equivalents	1,401,433
Total	<u>\$ 4,189,690</u>

NOTE C - RECEIVABLES

The receivables and related allowances for uncollectibles at September 30, 2015 were as follows:

	Receivables - Accounts			
	Receivables Taxes	Amount	Allowance for Uncollectibles	Total
General Fund	\$ 17,016	\$ -	\$ -	\$ -
Enterprise Fund	-	1,347,883	1,025,206	322,677
Total	<u>\$ 17,016</u>	<u>\$ 1,347,883</u>	<u>\$ 1,025,206</u>	<u>\$ 322,677</u>

NOTE D - RESTRICTED ASSETS

The purpose of the restricted assets and the institution in which the assets are on deposit is as follows:

	Amount
Restricted cash:	
On deposit at TD Bank – Police Benevolence	\$ 92,331
Current	<u>92,331</u>
On deposit at PNC Bank – Transportation, Police and Fire	
Impact Fees	911,370
On deposit at TD Bank – Infrastructure	429,351

NOTE D- RESTRICTED ASSETS (continued)

	Amount
On deposit at TD Bank – Water Impact Fees	60,712
Non-Current	1,401,433
Total restricted cash	\$ 1,493,764

The government-wide statement of net position reports \$2,164,541 restricted net position, of which \$1,451,997 is restricted by legislation enacted by the City.

NOTE E - CAPITAL ASSETS

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

	Ending Balance 10-1-2014	Additions and Transfers	Deletions and Transfers	Ending Balance 9-30-2015
Governmental Activities				
Non-depreciable assets:				
Land and land rights	\$3,000,685	\$ -	\$ -	\$3,000,685
Capital projects in process	1,598,721	-	-	1,598,721
Depreciable assets:				
Buildings and improvements	1,983,034	30,451	-	2,013,485
Improvements and Infrastructure other than buildings	4,366,253	8,810	7,925	4,367,138
Equipment and vehicles	2,547,616	209,496	173,833	2,583,279
Total at historical cost	13,496,309	248,757	181,758	13,563,308
Less accumulated depreciation for:				
Buildings and improvements	636,731	52,489	\$ -	689,220
Improvements and Infrastructure other than buildings	2,823,710	123,803	2,961	2,944,552
Equipment and vehicles	1,422,275	267,654	119,988	1,569,941
Total accumulated depreciation	4,882,716	443,946	122,949	5,203,713
Capital assets, net	\$8,613,593	\$ (195,189)	\$ 58,809	\$8,359,595

General government	\$ 75,545
Police	81,718
Fire	71,371
Protective inspections	9,858
Physical environment	205,454
	\$ 443,946

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NOTE G- LONG-TERM DEBT (continued)

	Beginning Balance 10-1-2014	Increases	Decreases	Ending Balance 9-30-2015	Amounts Due Within One Year
Business-type Activities					
Bonds and leases payable:					
Revenue Bonds, Series 2005D	\$ 2,695,000	\$ -	\$ 80,000	\$ 2,615,000	\$ 85,000
Total bonds payable	2,695,000	-	80,000	2,615,000	85,000
Other liabilities					
Compensated absences	70,430	30,915	20,692	80,653	22,333
Total long-term liabilities – Business-type Activities	<u>\$ 2,765,430</u>	<u>\$ 30,915</u>	<u>\$ 100,692</u>	<u>\$ 2,695,653</u>	<u>\$ 107,333</u>

Long-term debt for the governmental activities is comprised of the following at September 30, 2015:

Revenue Note, Series 2010 – A loan in the amount of \$203,486 was obtained to finance the acquisition of property located within the City's Community Redevelopment Agency (CRA) district. The loan is payable in monthly installments of declining amounts ranging from \$2,123 to \$1,883, including interest which accrues at 4.31%. The note matures July 2020 and is secured by incremental tax revenues of the CRA fund.	\$ 107,143
Revenue Bonds, Series 2005C – Revenue Bonds in the amount of \$1,155,000 were issued to advance refund a portion of the Revenue Bonds, Series 2000. Please see the additional disclosure on the advance refunding provided below. The remaining outstanding bonds mature in various amounts annually, ranging from \$115,000 to \$135,000 through April 1, 2020. Interest accrues on the bonds at rates ranging from 4.0% to 5.0% and is payable semi-annually on October 1 and April 1. The City has covenanted to appropriate in its annual budget from non – ad valorem revenues, amounts sufficient to pay annual principal and interest installments on the bonds. The City has the option to redeem the bonds maturing after April 1, 2015 at any time on or after April 1, 2015.	615,000
Capital leases: The City currently leases an E-One Pumper fire truck and 2 Generators under capital lease – purchase agreements within the governmental activities. The leases mature in December 2020 (Pumper) and August 2017 (Generators). The leases generally provide that the City pay the taxes, insurance and maintenance expenses related to the leased assets. The present value of future minimum lease payments is:	206,746
Accrued compensated absences , consisting of the vested portion of accumulated vacation and sick pay benefits due employees.	426,168
Total long-term debt – governmental activities	<u>\$1,355,057</u>

Partial advance refunding of Revenue Bonds, Series 2000 – In fiscal year 2000 Revenue bonds in the amount of \$1,690,000 were issued for the construction of a new city hall. On July 12, 2005, the City issued \$1,155,000 in Revenue Bonds, Series 2005C to advance refund a portion of the Revenue Bonds, Series 2000. The City advance refunded \$1,055,000 of the Series 2000 Bonds. The proceeds of the Series 2005C bonds in the amount of \$1,193,025, including a premium of \$38,025, less the bond issuance costs of \$27,755, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded portion of the Series 2000 bonds. The funds deposited with the escrow agent were used to purchase United States government obligations to establish a sinking fund. As a result, the \$1,055,000 of 2000 Revenue bonds were considered to be defeased and the liability for those bonds was removed from the

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NOTE E - CAPITAL ASSETS (continued)

	Ending Balance 10-1-2014	Additions and Transfers	Deletions and Transfers	Ending Balance 9-30-2015
Business-type Activities				
Non-depreciable assets:				
Land and land rights	\$ 27,000	\$ -	\$ -	\$ 27,000
Depreciable assets:				
Buildings and improvements	451,883	-	-	451,883
Improvements and Infrastructure other than buildings	17,362,753	180,760	-	17,543,513
Equipment and vehicles	768,731	27,065	33,457	762,339
Total at historical cost	18,610,367	207,825	33,457	18,784,735
Less accumulated depreciation for:				
Buildings and improvements	222,011	9,755	-	231,766
Improvements and Infrastructure other than buildings	6,537,277	444,900	-	6,982,177
Equipment and vehicles	622,173	33,728	33,457	622,444
Total accumulated depreciation	7,381,461	488,383	33,457	7,836,387
Capital assets, net	\$11,228,906	\$ (280,558)	\$ -	\$10,948,348

NOTE F - RISK MANAGEMENT

The City is subject to losses in the normal course of operations resulting from general liability; property and casualty; workers' compensation; employee health and accident; environmental, and antitrust matters. The City has purchased commercial insurance to protect against employee health losses. The City participates in Public Risk Management of Florida for purposes of protecting against workers' compensation losses; real and personal property losses; automobile damage; and general liability, including malpractice and errors and omissions. The City does not self-insure against any risks. To the extent that the City has purchased commercial insurance, all risk of loss has been transferred to the insurance underwriter.

NOTE G- LONG-TERM DEBT

Long-term debt activity for the fiscal year ending September 30, 2015 was as follows:

	Beginning Balance 10-1-2014	Increases	Decreases	Ending Balance 9-30-2015	Amounts Due Within One Year
Governmental Activities					
Bonds and leases payable:					
Revenue Note, Series 2010	\$ 127,069	\$ -	\$ 19,926	\$ 107,143	\$ 20,802
Revenue Bonds, Series 2005C	720,000	-	105,000	615,000	115,000
Debt payable	847,069	-	124,926	722,143	135,802
Capital leases payable	279,642	-	72,896	206,746	44,401
Total notes, bonds and leases payable	1,126,711	-	197,822	928,889	180,203
Other liabilities					
Compensated absences	434,454	100,327	108,613	426,168	106,542
Total long-term liabilities – Governmental Activities	<u>\$ 1,561,165</u>	<u>\$ 100,327</u>	<u>\$ 306,435</u>	<u>\$ 1,355,057</u>	<u>\$ 286,745</u>

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NOTE H- LONG-TERM DEBT (continued)

accompanying government-wide Statement of Net position. The defeased bonds were paid-off on April 1, 2010 from the amounts on deposit in the escrowed sinking fund.

The partial advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the debt in the amount of \$107,717. The remaining unamortized difference of \$14,111 is reported in the accompanying Statement of Net Position as Deferred Outflows of Resources and is being charged to operations through the year ended September 30, 2020 using the effective-interest method. The City completed the advance refunding to reduce its total debt service by \$48,203 and to obtain an economic gain (the difference between the present values of the old and new debt service) of \$37,781.

Long-term debt for the business-type activities is comprised of the following at September 30, 2015:

Revenue Bonds, Series 2005D – Revenue Bonds in the amount of \$4,545,000 were issued to construct water and sewer improvements (\$3,250,000) and to refund the Water and Sewer Revenue Bonds, Series 1994 (\$1,240,000). Please see the additional disclosure on the refunding provided below. The remaining outstanding bonds mature in various amounts annually, ranging from \$80,000 to \$195,000 through October 1, 2035. Interest accrues on the bonds at rates ranging from 3.625% to 5.0% and is payable semi-annually on April 1 and October 1. The City has covenanted to appropriate in its annual budget from non – ad valorem revenues, amounts sufficient to pay annual principal and interest installments on the bonds.	\$2,615,000
Accrued compensated absences , consisting of the vested portion of accumulated vacation and sick pay benefits due employees.	80,653
Total long-term debt – business-type activities	<u>\$2,695,653</u>

Refunding of Water and Sewer Revenue Bonds, Series 1994 - On September 23, 2005 the City issued the Revenue Bonds, Series 2005D to obtain \$3,305,000 in funding to construct water and sewer improvements and \$1,240,000 of funding to refund the Water and Sewer Revenue Bonds, Series 1994. The City refunded \$1,435,000 of the Series 1994 bonds through the issuance of the Series 2005D bonds (\$1,240,000) and by making a cash payment in the amount of \$227,987 after reducing the proceeds by allocable bond issuance costs of \$27,266. The net proceeds of the Series 2005D bonds in the amount of \$1,212,734 and the City's cash payment of \$227,987 were deposited in trust with an escrow agent to provide for the payment of the Series 1994 bonds on October 28, 2008 in the amount of \$1,435,000 plus interest in the amount of \$5,721.

The City completed the advance refunding to reduce its total debt service by \$363,724 and to obtain an economic gain (the difference between the present values of the old and new debt service less the cash payment of \$227,987) of \$85,982.

The annual requirements to amortize the long-term debt for governmental activities as of September 30, 2015 is as follows:

	Principal	Interest	Total
Revenue Note, Series 2010			
Year ending September 30,			
2016	\$ 20,802	\$ 4,211	\$ 25,013
2017	21,717	3,296	25,013
2018	22,671	2,342	25,013
2019	23,188	1,347	24,535
2020	18,765	370	19,135
	<u>\$ 107,143</u>	<u>\$ 11,566</u>	<u>\$ 118,709</u>

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NOTE H- LONG-TERM DEBT (continued)

Revenue Bonds, Series 2005C	Principal	Interest	Total
Year ending September 30,			
2016	\$ 115,000	\$ 24,244	\$ 139,244
2017	120,000	18,369	138,369
2018	120,000	12,969	132,969
2019	125,000	8,069	133,069
2020	135,000	2,784	137,784
	<u>\$ 615,000</u>	<u>\$ 66,435</u>	<u>\$ 681,435</u>
Capital Leases			
Year ending September 30,			
2016	\$ 44,401	\$ 6,979	\$ 51,380
2017	44,665	5,082	49,747
2018	28,063	3,717	31,780
2019	28,948	2,830	31,778
2020	29,863	1,916	
2021	30,806	973	63,558
	<u>\$ 206,746</u>	<u>\$ 21,497</u>	<u>\$ 228,243</u>

The annual requirements to amortize the long-term debt for business-type activities as of September 30, 2015 is as follows:

Revenue Bonds, Series 2005D	Principal	Interest	Total
Year ending September 30,			
2016	\$ 85,000	\$ 118,200	\$ 203,200
2017	85,000	114,800	199,800
2018	90,000	111,400	201,400
2019	95,000	107,800	202,800
2020	100,000	104,000	204,000
2021-2025	560,000	447,250	1,007,250
2026-2030	710,000	299,025	1,009,025
2031-2035	890,000	123,975	1,013,975
	<u>\$ 2,615,000</u>	<u>\$ 1,426,450</u>	<u>\$ 4,041,450</u>

The following is an analysis of the property under capital lease:

Governmental Activities	Cost	Accumulated Depreciation	Book Value
Fire Truck	\$ 299,000	\$ 87,208	\$ 211,792
Generators (2)	85,000	18,417	66,583
Total	<u>\$ 384,000</u>	<u>\$ 105,625</u>	<u>\$ 278,375</u>

The issuance costs that pertain to debt repayment insurance for both the 2005C and 2005D Revenue Bonds are being amortized as a charge against income using the effective interest method over the remaining life of the bonds outstanding. The remaining balances to be amortized as of September 30, 2015, are \$2,030 and \$19,789, respectively. The effective interest method is also used to amortize into income the bond premium realized on the 2005C and 2005D Revenue Bonds. The remaining balances to be amortized as of September 30, 2015, are \$4,981 and \$4,935, respectively. The unamortized

NOTE J - EMPLOYEE RETIREMENT SYSTEMS (continued)

to make contributions to FRS. The current rate, effective July 1, 2015 and continuing through September 30, 2015, based upon employees' gross earnings is 12.88%. The rate for the period July 1, 2014 through June 30, 2015 was 12.28%.

Pension liabilities, Pension expense and Deferred Outflows (Inflows) of Resources related to pensions- At September 30, 2015, as required by GASB 68 Accounting and Financial Reporting for Pensions, the City reported a total net pension liability of \$2,324,906 comprised of \$1,488,189 for the FRS Plan component and \$836,717 for the HIS Plan component for its proportionate share of the FRS Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share at June 30, 2015 for the FRS Plan component was .011521747%. The City's proportionate share at June 30, 2015 for the HIS Plan component was .008204376%. The City's proportionate shares at June 30, 2014 were .010731390% and .008461553% for the FRS and HIS Plan components, respectively. For the fiscal year ended September 30, 2015 the City recognized pension expense of \$(206,344) and \$27,801 for the FRS and HIS Plan components, respectively. Deferred Outflows and Inflows of resources related to pensions are from the following sources:

FRS Plan Component	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 157,109	\$ 35,295
Changes in assumptions	98,776	-
Net difference between projected and actual earnings on investments	-	355,354
Changes in proportion and differences between City contributions and proportionate share of contributions	103,729	151,820
Contributions subsequent to the measurement date	79,426	-
	<u>\$ 439,040</u>	<u>\$ 542,469</u>
HIS Plan Component	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	65,828	-
Net difference between projected and actual earnings on investments	453	-
Changes in proportion and differences between City contributions and proportionate share of contributions	17,990	19,960
Contributions subsequent to the measurement date	10,661	-
	<u>\$ 94,932</u>	<u>\$ 19,960</u>

The deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the fiscal year ended September 30, 2016. Other amounts related to deferred outflows and inflows of resources will be recognized as pension expense as follows:

Fiscal year ending September 30,	FRS component	HIS component
2016	\$ (15,735)	\$ 241
2017	(15,735)	241
2018	(15,735)	241
2019	(15,735)	241
2020	8,980	241
Thereafter	5,871	(3,171)

NOTE H- LONG-TERM DEBT (continued)

bond issuance costs and bond premium realized are reported in the accompanying Statement of Net Position as Unamortized Debt Costs and Deferred Inflows of Resources, respectively.

NOTE I - INTRA-GOVERNMENTAL CHARGES:

The General Fund incurs administrative costs on behalf of the Business-type Activities - Enterprise Funds. These administrative costs have been allocated to the Enterprise Funds for the year ended September 30, 2015, as shown in the following table:

Fund	Amount
Water and Sewer	\$ 294,000
Stormwater Utility	39,288
Total	<u>\$ 333,288</u>

NOTE J - EMPLOYEE RETIREMENT SYSTEMS

All City employees participate in the Florida Retirement System (System), a cost-sharing multiple-employer public employee retirement system (PERS).

Florida Retirement System

Plan Description: The City of Port Richey contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer public employee retirement system (PERS) defined benefit pension plan controlled by the State Legislature and administered by the Florida Department of Management Services, Division of Retirement. The System provides retirement and disability benefits, annual cost-of-living adjustments, a health insurance subsidy, and survivor benefits to plan members and beneficiaries. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the State of Florida Department of Management Services. The Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to the Department of Management Services, Division of Retirement, Research, Education & Policy Section, Cedars Executive Center, Building C, 2639 North Monroe Street, Tallahassee, Florida 32399-1560 or by calling (850) 488-5706 or online at the Florida Retirement System Website: www.myfrs.com/content/resources/publications/index

Funding Policy: Effective July 1, 2011, FRS requires contributions from covered members at a rate of 3%. The City is required by State Statute to contribute, on a monthly basis, an actuarially determined rate. The current rates, effective July 1, 2015 and continuing through September 30, 2015, based on employees' gross earnings, are 7.26% for regular employees and 22.04% for special risk (fire and police) service classes. The rates for the period July 1, 2014 through June 30, 2015 were 7.37% for regular employees and 19.82% for special risk (fire and police) service classes. The City's contributions to the FRS for the fiscal years ending September 30, 2015, 2014, and 2013 were \$345,644 \$294,549, and \$233,128, respectively, and were equal to the required contributions for each year.

Deferred Retirement Option Program: The FRS Deferred Retirement Option Program (DROP) is a defined contribution plan and is available to a member when the member first reaches eligibility for normal retirement. The Plan is controlled by the State Legislature and administered by the Florida Department of Management Services, Division of Retirement. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefit provisions to the State of Florida Department of Management Services. DROP allows a member to retire while continuing employment up to 60 months. During DROP participation, the member's retirement benefits (increased by a cost-of-living adjustment each July) accumulate in the FRS Trust Fund and earn monthly interest equivalent to an annual rate of 6.5%. The member must cease employment after a maximum of 60 months, must satisfy the termination requirements for retirement, and is subject to reemployment restrictions thereafter. The member's DROP accumulation may be paid out as a lump sum payment, a rollover, or a combination partial lump sum payment and rollover. During the DROP eligibility period, the City is required

NOTE J - EMPLOYEE RETIREMENT SYSTEMS (continued)

Net Pension Liability -

	FRS component	HIS component
City's proportionate share of Total Pension Liability	\$ 18,592,728	\$ 840,883
City's proportionate share of Plan Fiduciary Net Position	(17,104,539)	(4,166)
City's proportionate share of Net Pension Liability	<u>\$ 1,488,189</u>	<u>\$ 836,717</u>

Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	FRS component	HIS component
	92%	.50%

Change in Net Pension Liability -

	FRS component	HIS component
Beginning balance - City's proportionate share	\$ 654,773	\$ 791,176
Service Cost	258,534	11,679
Interest on total pension liability	1,433,474	21,769
Effect of economic/demographic gain or loss	198,221	32,629
Employer contributions	(298,162)	(20,525)
Member contributions	(85,398)	-
Net investment income	(675,463)	(21)
Administrative expense	2,210	10
Ending balance - City's proportionate share	<u>\$ 1,488,189</u>	<u>\$ 836,717</u>

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

	FRS component	HIS component
Valuation date	July 1, 2015	July 1, 2015
Measurement date	June 30, 2015	June 30, 2015
Inflation	2.60%	2.60%
Salary increases	3.25%, average, includes inflation	3.25%, average, includes inflation
Investment rate of return	7.65%, net of expense, includes inflation	3.80%, Municipal Bond Rate
Mortality tables	Generation RP-2000 with Projection Scale BB tables	Generation RP-2000 with Projection Scale BB tables
Discount rate	7.65%	3.80%

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

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

NOTE J - EMPLOYEE RETIREMENT SYSTEMS (continued)

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Entities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed Inflation - Mean		2.60%		2.00%

(1) As outlined in the Pension Plan's Investment Policy

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the City's proportionate share of the net pension liability calculated at the respective discount rates and the proportionate share using a rate 1% less than and 1% more than the current rate.

FRS component	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City's Proportionate share of the net pension liability (asset)	\$ 3,856,240	\$ 1,488,189	\$ (482,411)
HIS component	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
City's Proportionate share of the net pension liability	\$ 953,397	\$ 836,717	\$ 739,424

NOTE L - OTHER POSTEMPLOYMENT BENEFITS PLAN

The City has adopted the provisions of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", as of October 1, 2009. This Statement provides for the determination and disclosure of the annual cost of providing other postemployment benefits (OPEB). The City provides other postemployment benefits in the form of the Other Postemployment Benefits Program.

Plan Description: The City provides a defined benefit postemployment health care, dental and life insurance plan, the Other Postemployment Benefits Program (the Plan), whereby retired employees are eligible for city-paid health care, dental and life benefits through the City's health care, dental and life insurance providers. The Plan is administered by the City as a single-employer plan. The Plan is currently unfunded. There is no separate trust through which benefits for retirees are funded. No assets are currently accumulated or earmarked for the Plan. All approved benefits are paid from the general assets of the City when due.

NOTE L - OTHER POSTEMPLOYMENT BENEFITS PLAN (continued)

To be eligible to participate in the Plan, *General employees* must have completed 25 years of continuous service or 20 years of continuous service and 60 years of age. *Police and Fire employees* are eligible to participate in the Plan if they retire at age 55 with 20 years of service or at any age with 25 years of service.

The retired employees (including their eligible dependents) that are eligible to participate in the Plan are entitled to the same insurance coverage as is afforded regular employees at the same city and employee contribution rates that are in effect. Currently, the City pays 100% of the employee's portion of coverage. Dependent coverage is available for eligible participants but 100% of the cost of their respective health care, dental and life insurance premiums would be the responsibility of plan participant. Upon attainment of age 65 all entitlement to City paid health insurance benefits will cease.

The City's overall cost of providing health care, dental and life insurance benefits is increased as a result of an implicit insurance rate subsidy resulting from retired employees being permitted to pay lower than age-adjusted premiums through the use of blended premiums for both retirees and active employees. The resulting incremental increase in health care, dental and life insurance premiums results in an actuarial accrued liability to the City based on projected health care, dental and life insurance costs.

Funding Policy: The annual required contribution to fund the incremental cost of the benefits plan is based on a pay-as-you-go funding approach. For the year ended September 30, 2014, the expected contribution for the City was \$12,266.

Annual Other Postemployment Benefit Cost (OPEB) and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The ARC represents a level of funding that would be required to cover the normal cost of the plan each year on a pay-as-you-go basis assuming a 30 year amortization period. The following table shows the City's annual OPEB cost and the amount expected to be contributed by the City towards this OPEB obligation:

	Pay-As-You-Go Funding - Fiscal Year Ending 9/30/15
Annual Required Contribution (ARC)	\$ 36,563
Interest on net OPEB obligation	375
Annual OPEB cost	36,938
Expected employer contribution	12,511
Increase in net OPEB obligation	24,427
Net OPEB obligation beginning of year	86,867
Net OPEB obligation end of year	\$ 111,294

Actuarial Methods and Assumptions: 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. Examples include assumptions about future employment, termination, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision and actual results are compared with past expectations and new estimates made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are

NOTE L - OTHER POSTEMPLOYMENT BENEFITS PLAN (continued)

designed to reduce the effects of short-term volatility in actuarial liabilities consistent with the long-term perspective of the calculations.

Required Actuarial Information:

Contribution Rate	5.0%
Actuarial valuation date	10-1-13
Annual OPEB Cost	\$36,938
Contributions made	\$12,511
Actuarial cost method	Frozen Entry Age
Amortization method	Level percent - Closed
Remaining amortization period	30 years
Asset valuation method	Unfunded
Actuarial assumptions	
Investment rate of return *	3.00%
Payroll growth assumptions	2.00%
* - Includes inflation at	2.00%

Other Required Supplementary Information:

Three Year Trend Information:

Year Ending	Actuarial Valuation Date	Annual Required Contribution	Actual Contribution (Estimated)	Percent Contributed	Net OPEB Obligation
9-30-15	10-1-13	\$ 36,938	\$ 12,511	33.9%	\$111,294
9-30-14	10-1-13	48,271	12,266	25.4%	86,867
9-30-13	1-1-11	55,712	42,997	77.2%	50,862

Schedule of Funding Progress:

The Schedule of Funding Progress, as presented below, presents multi-year trend information about the unfunded Actuarial Accrued Liability. There are no plan assets as a result of the City electing to fund the plan benefits on a pay-as-go basis rather than making contributions to the plan based on the actuarial valuation.

Fiscal Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (U/AAL) (c)	Funded Ratio (a/b)	Covered Payroll (c)	U/AAL as a Percentage of Covered Payroll ((b-a)/c)
9-30-14	\$ -	\$ 458,074	\$ 458,074	0.0%	\$2,551,678	17.9%
9-30-14	-	\$ 458,074	\$ 458,074	0.0%	\$2,579,452	17.8%
9-30-13	-	\$ 328,068	\$ 328,068	0.0%	\$2,478,180	13.2%
9-30-12	-	\$ 315,353	\$ 315,353	0.0%	\$2,453,922	12.9%
9-30-11	-	\$ 302,637	\$ 302,637	0.0%	\$2,244,514	13.5%
9-30-10	-	289,922	289,922	0.0%	2,080,062	13.9%
9-30-09	N/A	N/A	N/A	N/A	N/A	N/A

NOTE M - DEFERRED COMPENSATION PLAN

The City offers an optional deferred compensation plan, created in accordance with Internal Revenue Code Section 457, to all employees in addition to the pension plan. The City is not the trustee of the deferred compensation plan. Therefore, under the provisions of Internal Revenue Code Section *Deferred Compensation Plans* and GASB Statement No. 32, *Accounting and Financial Reporting for IRS Code Section 457 Deferred Compensation Plans*, the assets and liabilities of the plan are not to be reported within the City's financial statements as of September 30, 2014.

NOTE N - OTHER EMPLOYEE BENEFITS

The City has a "Cafeteria" plan created in accordance with Internal Revenue Code Section 125. The plan provides employees with an opportunity to select several benefits alternatives, many of which are offered on a pre-tax basis.

NOTE O - INTER-FUND TRANSACTIONS

Inter-fund receivables and payables consist of the following as of September 30, 2015. These amounts have been eliminated in the government-wide financial statements.

	Receivable	Payable
General Fund	\$ -	\$ 429,420
Community Redevelopment Fund	420,183	-
Capital Improvement Fund	25,225	-
Water and Sewer Fund	57,543	15,988
Stormwater Utility Fund	-	57,543
	\$ 502,951	\$ 502,951

Inter-fund transfers consist of the following for the year ended September 30, 2015. The General Fund transfer to the Community Redevelopment Fund was for operating purposes and consists of the Tax Increment Funding pertaining to the Community Redevelopment district.

	Transfer In	Transfer Out
General Fund	\$ -	\$ 301,243
Community Redevelopment Fund	301,243	-
	\$ 301,243	\$ 301,243

NOTE P - CONTINGENT LIABILITIES

The City is involved in a dispute with Pasco County regarding billings for wastewater processing fees totaling \$169,761. It is the City's position that these billings were rendered in error as a result of a meter replacement and incorrect meter settings. The billings that are being disputed have not been recorded as a liability in the Water and Sewer Fund as it is the City's position that there are no amounts owed to Pasco County.

A portion of the City's court fines revenue is collected from red light camera traffic fines. The City is required to remit a portion of all collected red light camera traffic fines to the State of Florida. The computation of the State of Florida's portion of the collected red light camera traffic fines is subject to review by the State and a contested judgment, if applicable, could result in a liability for the City.

The City is involved in legal matters as of September 30, 2015 that are incidental to its routine operations. It is the opinion of management, based upon the advice of legal counsel, that the likely outcome of these matters will not be material in nature to the overall operating results of the City.

NOTE Q – PRIOR PERIOD ADJUSTMENTS

During the year 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of the implementation of GASB Statements 68 and 71, the City has reported a restatement of its net position for the change in accounting principle as of October 1, 2014. The restatements to net position were reported in the accompanying Statement of Activities (pages 22 and 23) and Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds (page 29). The effects of implementing the statements are as follows:

Governmental Activities

Increase in deferred outflows of resources	\$	214,322
Increase in deferred inflows of resources		(1,209,128)
Increase in net pension liability		(1,324,585)
Decrease in net position		2,319,391

Business-type Activities – Water and Sewer Fund and Stormwater Utility Fund

Increase in deferred outflows of resources	\$	19,637
Increase in deferred inflows of resources		(110,786)
Increase in net pension liability		(121,364)
Decrease in net position		212,513

The prior period adjustment recorded in the Statement of Activities as of October 1, 2014 totaling \$2,531,904 is comprised of the decrease in net position for the Governmental Activities in the amount of \$2,319,391 plus the decrease in net position for the Business-type Activities in the amount of \$212,513.

NOTE R – SUBSEQUENT EVENTS

The City has evaluated whether any subsequent events have occurred subsequent to September 30, 2015, and before the issuance of the financial statements, that would have an impact on the City's financial condition as of September 30, 2015 or would influence the conclusions reached by the reader of the financial statements regarding the City's overall financial condition. The City has determined that no such events occurred through June 21, 2016 which is the date that the financial statements were available to be issued.

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CITY OF PORT RICHEY, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND

For the Year Ended September 30, 2015
 With Comparative Actual Amounts for the Year Ended September 30, 2014

	2015		2014	
	Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual
	Original	Final	(Budgetary Basis)	(Negative)
RESOURCES (INFLOWS):				
TAXES				
Ad valorem (311000)	\$ 1,277,565	\$ 1,277,565	\$ 1,302,568 ^{*11}	26,003
Franchise fees (323100)	300,000	300,000	304,274 ^{*R4}	4,274
Utility taxes (314100 & 314400)	290,000	290,000	364,249 ^{*R1 & R2}	74,249
Communication services tax (315000)	143,735	143,735	137,442 ^{*P0}	(6,293)
TOTAL TAXES	2,011,300	2,011,300	2,109,833	98,533
LICENSES AND PERMITS				
Local business tax (316000)	60,000	60,000	61,897 ^{*19}	1,897
Building permits (323000)	61,000	61,000	108,092 ^{*R3}	47,092
TOTAL LICENSES AND PERMITS	121,000	121,000	229,989	108,989
INTERGOVERNMENTAL				
Federal and State grants	125,000	125,000	-	(125,000)
State revenue sharing (335120)	95,273	95,273	101,057 ^{*24}	5,784
County business license fees (316000)	2,000	2,000	2,038 ^{*19}	38
Mobile home license tax rebate (335140)	12,000	12,000	11,329 ^{*21}	(671)
Municipality fuel tax refund (312100)	3,600	3,600	4,953 ^{*12}	1,353
Half-cent sales tax (335180)	141,004	141,004	154,080 ^{*14}	13,076
Local option gas tax (312100)	135,211	135,211	62,299 ^{*12}	(72,912)
Alcoholic beverage licenses (335150)	11,000	11,000	10,186 ^{*13}	(814)
TOTAL INTERGOVERNMENTAL REVENUES	525,088	525,088	345,942	(179,146)
IMPACT FEES				
Police and Fire impact fees	-	-	-	277
TOTAL IMPACT FEES	-	-	-	277
CHARGES FOR SERVICES				
Administration fees (341300)	333,288	333,288	333,288 ^{*25}	-
Other Charges (349000)	25,200	25,200	25,272 ^{*26}	72
TOTAL CHARGES FOR SERVICES	358,488	358,488	358,560	372
FINES AND FORFEITURES				
Court fines (351500 & 351900)	884,400	884,400	618,360 ^{*27 & 28}	(266,040)
Court fines (359000)	80,000	80,000	28,056 ^{*F6}	(51,944)
TOTAL FINES AND FORFEITURES	964,400	964,400	646,416	(317,984)
MISCELLANEOUS				
Investment income (361100)	1,000	1,000	4,235 ^{*18}	3,235
Contributions (366000)	-	-	3,088 ^{*15}	3,088
Proceeds from sale of capital assets	-	-	-	-
Other (369900)	3,250	3,250	17,110 ^{*P8}	13,860
TOTAL MISCELLANEOUS REVENUES	4,250	4,250	24,433	20,183
AMOUNTS AVAILABLE FOR APPROPRIATION	3,984,526	3,984,526	3,715,473	(269,053)

(continued)

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
 MANAGEMENT'S DISCUSSION AND ANALYSIS**

Required supplementary information includes a budgetary comparison schedule for the general fund and major special revenue fund.

CITY OF PORT RICHEY, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND

For the Year Ended September 30, 2015 (continued)
 With Comparative Actual Amounts for the Year Ended September 30, 2014

	2015		2014	
	Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual
	Original	Final	(Budgetary Basis)	(Negative)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
GENERAL GOVERNMENT				
Legislative				
Personal services	\$ 18,633	\$ 18,633	\$ 18,430 ^{*11}	\$ 203
Operating expenses	6,100	6,100	3,569 ^{*2}	2,531
City Manager and City Clerk	24,733	24,733	21,999	2,734
Personal services	140,430	142,137	168,038 ^{*3}	(25,901)
Operating expenses	9,065	9,065	3,249 ^{*4}	5,816
Financial and administrative	149,495	151,202	171,287	(20,085)
Personal services	132,019	133,645	97,438 ^{*5}	36,207
Operating expenses	3,635	3,635	2,593 ^{*6}	1,042
Information technology	135,654	137,280	100,031	37,249
Personal services	91,078	92,162	76,876 ^{*8}	15,286
Operating expenses	125,200	125,200	139,701 ^{*9}	(14,501)
Capital outlay	57,500	57,500	4,910 ^{*10}	52,590
Non-departmental	273,778	274,862	221,487	53,375
Personal services	-	-	-	-
Operating expenses	990,407	990,407	740,974 ^{*11}	249,433
Debt service	139,369	139,369	137,211 ^{*12}	2,158
Legal	1,129,776	1,129,776	878,185	251,591
Operating expenses	52,500	52,500	40,113 ^{*7}	12,387
TOTAL GENERAL GOVERNMENT	1,765,936	1,770,353	1,433,102	337,251
PUBLIC SAFETY				
Police				
Personal services	1,284,270	1,299,962	1,342,604 ^{*13}	(42,642)
Operating expenses	218,250	218,250	112,403 ^{*14}	105,847
Capital outlay	10,000	10,000	6,216 ^{*15}	3,784
Fire	1,512,520	1,528,212	1,461,223	66,989
Personal services	416,720	421,164	419,708 ^{*16}	1,456
Operating expenses	203,986	203,986	72,208 ^{*17}	131,778
Protective Inspections	620,706	625,150	491,916	133,234
Personal services	29,906	30,375	23,028 ^{*18}	7,347
Operating expenses	39,600	39,600	37,351 ^{*19}	2,249
TOTAL PUBLIC SAFETY	69,596	69,575	60,379	9,596
TOTAL PUBLIC SAFETY	2,202,822	2,223,337	2,013,518	209,819

(continued)

CITY OF PORT RICHEY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended September 30, 2015 (continued)
With Comparative Actual Amounts for the Year Ended September 30, 2014

	2015		2014		
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Actual
	Original	Final			
PHYSICAL ENVIRONMENT					
Public Works					
Personal services	\$ 191,929	\$ 194,097	\$ 203,557	\$ (9,460)	\$ 128,392
Operating expenses	128,985	128,985	126,137	2,848	107,833
Capital outlay	422,000	422,000	-	422,000	6,750
Debt service	-	-	-	-	14,741
TOTAL PHYSICAL ENVIRONMENT	742,914	745,082	329,694	415,388	257,716
HUMAN SERVICES					
Health					
Operating expenses	32,821	32,821	19,877	12,944	18,840
TOTAL HUMAN SERVICES	32,821	32,821	19,877	12,944	18,840
TRANSFERS TO OTHER FUNDS	301,243	301,243	301,243	-	290,847
CONTINGENCIES	27,100	-	-	-	-
TOTAL CHARGES TO APPROPRIATIONS	5,072,836	5,072,836	4,097,434	975,402	3,815,724
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	(1,088,310)	(1,088,310)	(381,961)	706,349	(24,702)
FUND BALANCE - BEGINNING OF YEAR	2,556,077	2,556,077	2,556,077	-	2,580,779
FUND BALANCE - END OF YEAR	\$ 1,467,767	\$ 1,467,767	\$ 2,174,116	\$ 706,349	\$ 2,556,077

(continued)

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CITY OF PORT RICHEY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended September 30, 2015 (continued)

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

SOURCES/INFLOWS OF RESOURCES	
Actual amounts (budgetary basis) "amounts available for appropriation" from the budgetary comparison schedule.	\$ 3,715,473
Differences - budget to GAAP:	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 3,715,473
USES/OUTFLOWS OF RESOURCES	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 4,097,434
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(301,243)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 3,796,191

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CITY OF PORT RICHEY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - COMMUNITY REDEVELOPMENT

For the Year Ended September 30, 2015
With Comparative Actual Amounts for the Year Ended September 30, 2014

	2015		2014		
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Actual
	Original	Final			
RESOURCES (INFLOWS):					
Taxes	\$ 407,073	\$ 407,073	\$ 407,073	\$ -	\$ 393,024
Transfers from other fund	301,243	301,243	301,243	-	290,847
AMOUNTS AVAILABLE FOR APPROPRIATION	708,316	708,316	708,316	-	683,871
CHARGES TO APPROPRIATIONS (OUTFLOWS)					
Current					
General Government	398,615	410,057	335,500	74,557	518,695
Public Safety	610,289	622,712	419,408	203,304	503,942
Physical environment	153,459	155,574	109,535	46,039	200,306
Capital outlay	81,800	78,400	8,810	69,590	124,598
Debt service	-	-	44,614	(44,614)	44,613
Contingencies	41,396	18,816	625	18,191	-
TOTAL CHARGES TO APPROPRIATIONS	1,285,559	1,285,559	918,492	367,067	1,392,154
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	(577,243)	(577,243)	(210,176)	367,067	(708,283)
FUND BALANCE - BEGINNING OF YEAR	597,760	597,760	597,760	-	1,306,043
FUND BALANCE - END OF YEAR	\$ 20,517	\$ 20,517	\$ 387,584	\$ 367,067	\$ 597,760

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

SOURCES/INFLOWS OF RESOURCES	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 708,316
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(301,243)
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 407,073
USES/OUTFLOWS OF RESOURCES	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 918,492
Differences - budget to GAAP:	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 918,492

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CITY OF PORT RICHEY
FLORIDA RETIREMENT SYSTEM - CITY'S PROPORTIONATE SHARE
SCHEDULE OF CHANGES TO THE NET PENSION LIABILITY AND RELATED RATIOS

(First year of data for GASB 67 and 68)
September 30, 2015

	9/30/2015
FRS Pension Plan	
Total Pension Liability	\$ 18,592,728
Plan Fiduciary Net Position	(17,104,539)
Net Pension Liability	\$ 1,488,189
Plan Net Position as a Percentage of Total Net Pension Liability	92%
Service Cost	\$ 258,534
Interest on the total pension liability	1,433,474
Effect of economic/demographic gain or loss	198,221
Employer contributions	(298,162)
Member contributions	(85,598)
Net investment income	(675,463)
Administrative expense	2,210
Net change in net pension liability	833,416
Net pension liability - beginning	654,773
Net pension liability - ending	\$ 1,488,189
Covered employee payroll	\$ 2,551,678
Net pension liability as a percentage of covered employee payroll	58%
Retiree Health Insurance Subsidy (HIS Plan)	
Total Pension Liability	\$ 840,883
Plan Fiduciary Net Position	(4,166)
Net Pension Liability	\$ 836,717
Plan Net Position as a Percentage of Total Net Pension Liability	0.50%
Service Cost	\$ 11,679
Interest on the total pension liability	21,769
Effect of economic/demographic gain or loss	32,629
Employer contributions	(20,525)
Member contributions	-
Net investment income	(21)
Administrative expense	10
Net change in net pension liability	45,541
Net pension liability - beginning	791,176
Net pension liability - ending	\$ 836,717
Covered employee payroll	\$ 2,551,678
Net pension liability as a percentage of covered employee payroll	33%
Combined FRS and HIS Pension Plan	
Total Pension Liability	\$ 19,433,611
Plan Fiduciary Net Position	(17,108,705)
Net Pension Liability	\$ 2,324,906

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OTHER SUPPLEMENTARY SCHEDULES

These schedules are presented to provide greater detailed information than reported in the preceding financial statements. These schedules are not necessary for fair presentation in conformity with Generally Accepted Accounting Principles.

CITY OF PORT RICHEY, FLORIDA
COMPARATIVE BALANCE SHEET
GENERAL FUND

	September 30,	
	2015	2014
ASSETS		
Cash, pooled cash and cash equivalents	\$ 1,861,444	\$ 2,492,049
Restricted assets:		
Cash and cash equivalents	1,003,701	970,334
Receivables (Net of allowance):		
Taxes	17,016	32,802
Accounts	-	18,846
Prepaid items	18,259	375
TOTAL ASSETS	\$ 2,900,420	\$ 3,514,406
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 141,557	\$ 139,457
Accrued liabilities	121,290	111,227
Unearned revenue	31,132	26,953
Due to other funds	429,420	678,608
Due to other governments	2,905	2,084
TOTAL LIABILITIES	726,304	958,329
FUND BALANCES		
Fund balances		
Nonspendable:		
Prepaid items	18,259	375
Restricted for:		
Police benevolence - Johnny Cash Reserve	92,331	89,105
Capital projects- transportation	742,848	746,379
Capital projects- police and fire	168,522	134,850
Unassigned	1,152,156	1,585,368
TOTAL FUND BALANCES	2,174,116	2,556,077
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,900,420	\$ 3,514,406

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CITY OF PORT RICHEY, FLORIDA
COMPARATIVE BALANCE SHEET
COMMUNITY REDEVELOPMENT FUND

	September 30,	
	2015	2014
ASSETS		
Prepaid items	\$ 3,979	\$ -
Due from other funds	420,183	669,371
TOTAL ASSETS	\$ 424,162	\$ 669,371
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 1,467	\$ 27,973
Accrued liabilities	35,111	43,638
TOTAL LIABILITIES	36,578	71,611
FUND BALANCES		
Fund balances		
Restricted for:		
Community redevelopment	387,584	597,760
TOTAL FUND BALANCES	387,584	597,760
TOTAL LIABILITIES AND FUND BALANCES	\$ 424,162	\$ 669,371

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CITY OF PORT RICHEY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT FUND

For the Year Ended September 30, 2015
With Comparative Actual Amounts for the Year Ended September 30, 2014

	2015		2014		Variance with Final Budget Positive (Negative)	Actual
	Budgeted Amounts		Actual Amounts			
	Original	Final	(Budgetary Basis)	(Budgetary Basis)		
RESOURCES (INFLOWS):						
Intergovernmental						
Discretionary sales surtax	\$ 255,767	\$ 255,767	\$ 353,551	\$ 97,784	\$ 316,892	
FEMA Grant	-	-	19,313	19,313	-	
Proceeds from capital lease	-	-	-	-	220,892	
AMOUNTS AVAILABLE FOR APPROPRIATION	255,767	255,767	372,864	117,097	537,784	
CHARGES TO APPROPRIATIONS (OUTFLOWS)						
Current						
Public Safety	47,550	47,550	32,377	15,173	69,035	
Physical environment	28,100	31,200	5,600	25,600	-	
Capital outlay						
Public Safety	201,600	201,600	82,652	118,948	84,849	
Physical environment	203,900	200,800	146,169	54,631	127,619	
Debt service	-	-	31,779	(31,779)	249,051	
TOTAL CHARGES TO APPROPRIATIONS	481,150	481,150	298,577	182,573	530,554	
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	(225,383)	(225,383)	74,287	299,670	7,230	
FUND BALANCE - BEGINNING OF YEAR	375,155	375,155	375,155	-	367,925	
FUND BALANCE - END OF YEAR	\$ 149,772	\$ 149,772	\$ 449,442	\$ 299,670	\$ 375,155	
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES						
SOURCES/INFLOWS OF RESOURCES						
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$	372,864				
Differences - budget to GAAP:						
Proceeds from capital lease are inflows of budgetary resources but are not revenues for financial reporting purposes.	-					
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	372,864				
USES/OUTFLOWS OF RESOURCES						
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$	298,577				
Differences - budget to GAAP:						
None	-					
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	298,577				

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CITY OF PORT RICHEY, FLORIDA

SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET
PROPRIETARY FUND - WATER AND SEWER FUND

For the Year Ended September 30, 2015
With Comparative Actual Amounts for the Year Ended September 30, 2014

	2015		2014		Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Actual	
	Original	Final			
REVENUES AND OTHER SOURCES					
Charges for services (400-942600)	\$ 3,788,200	\$ 3,788,200	\$ 3,092,095	\$ (696,105)	\$ 2,493,124
Intergovernmental revenue - FEMA Grant (400-389200)	-	-	825,312	125,112	-
Impact fees (400-324210)	-	-	82,750	82,750	4,890
AMOUNTS AVAILABLE FOR APPROPRIATION	3,788,200	3,788,200	3,299,957	(488,243)	2,498,014
OPERATING EXPENSES AND OTHER USES					
WATER AND SEWER					
Personal services	526,674	538,277	528,284	9,993	458,484
Contractual services	1,069,785	1,069,785	789,869	279,916	983,816
Materials and supplies	473,375	473,375	282,330	191,045	212,614
Purchased water	590,000	590,000	425,955	164,045	452,845
Utilities	131,250	131,250	116,029	15,221	108,577
Administrative charges	294,000	294,000	294,000	-	294,000
Interest and fiscal charges	126,413	126,413	125,595	818	127,295
Bond principal payment	75,000	75,000	80,000	(5,000)	75,000
Capital outlay	438,000	438,000	297,825	230,175	54,163
Depreciation	126,779	126,779	471,909	(345,130)	460,136
Contingency	131,924	120,321	120,321	-	-
TOTAL CHARGES TO APPROPRIATIONS	3,983,200	3,983,200	3,321,796	661,404	3,226,930
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) OPERATING EXPENSES AND OTHER USES	\$ (195,000)	\$ (195,000)	\$ (21,839)	\$ 173,161	\$ (728,916)

NOTES TO SCHEDULE:

The City does not budget for amortization expense. Total expenses, including amortization expense of \$990, for GAAP purposes was \$3,034,961. Capital outlay expenditures of \$207,825 and bond principal payments of \$80,000 are not expenses for GAAP purposes.

CITY OF PORT RICHEY, FLORIDA

RECONCILIATION OF TOTAL FUND BALANCE FOR THE GOVERNMENTAL FUNDS
TO TOTAL NET POSITION FOR GOVERNMENTAL ACTIVITIES

September 30, 2015

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications & Eliminations	Statement of Net Asset Totals
ASSETS				
Cash, pooled cash and cash equivalents	\$ 1,861,444	\$ -	\$ -	\$ 1,861,444
Restricted assets				
Cash and cash equivalents	1,433,052	-	-	1,433,052
Receivables (Net of allowance):				
Taxes	17,016	-	-	17,016
Accounts	-	-	-	-
Due from other funds	445,408	-	(429,420)	15,988
Prepaid items	22,238	-	-	22,238
Capital assets	-	11,964,587	-	11,964,587
Accumulated depreciation	-	(5,203,713)	-	(5,203,713)
Capital projects in process	-	1,598,721	-	1,598,721
Unamortized debt issuance costs - insurance	-	2,030	-	2,030
Total Assets	3,779,158	8,361,625	(429,420)	11,711,363
DEFERRED OUTFLOWS OF RESOURCES				
Defined benefit pension plans	-	489,154	-	489,154
Deferred charge on refunding of debt	-	14,111	-	14,111
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,779,158	\$ 8,864,890	\$ (429,420)	\$12,214,628
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 148,158	\$ -	\$ -	\$ 148,158
Accrued liabilities	156,401	-	-	156,401
Deferred revenue	31,132	-	-	31,132
Due to other funds	429,420	-	(429,420)	-
Due to other governments	2,905	-	-	2,905
Net Other Post Employment Benefits	-	95,801	-	95,801
Net Pension Liability	-	2,129,767	-	2,129,767
Capital leases payable	-	206,746	-	206,746
Revenue bonds payable	-	615,000	-	615,000
Revenue note - series 2010	-	107,143	-	107,143
Accrued compensated absences	-	426,168	-	426,168
Total Liabilities	768,016	3,580,625	(429,420)	3,919,221
DEFERRED INFLOWS OF RESOURCES				
Defined benefit pension plans	-	515,222	-	515,222
Deferred premium on issuance of debt	-	4,981	-	4,981
TOTAL LIABILITIES AND DEFERRED INFLOWS OR RESOURCES	768,016	4,100,828	(429,420)	4,439,424
TOTAL FUND BALANCES / NET POSITION	3,011,142	4,764,062	-	7,775,204
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES / NET POSITION	\$ 3,779,158	\$ 8,864,890	\$ (429,420)	\$12,214,628

CITY OF PORT RICHEY, FLORIDA

RECONCILIATION OF NET CHANGE IN FUND BALANCES FOR THE GOVERNMENTAL FUNDS
TO CHANGE IN NET POSITION FOR GOVERNMENTAL ACTIVITIES

For the Year Ended September 30, 2015

	Total Governmental Funds	Capital Related Items		Long-term Debt Transactions		Reclassifications & Eliminations	Statement of Activities Totals
		Capital Outlay	Depreciation	Debt	Comp. Absen. Pension Exp.		
REVENUES							
Taxes	\$ 2,516,906	\$ -	\$ -	\$ -	\$ -	\$ (2,516,906)	\$ -
Licenses and permits	229,989	-	-	-	-	(229,989)	-
Intergovernmental revenue	718,806	-	-	-	-	(718,806)	-
Impact fees	-	-	-	-	-	-	-
Charges for services	358,860	-	-	-	-	876,406	1,235,266
Fines and forfeitures	646,416	-	-	-	-	(646,416)	-
Interest	4,235	-	-	-	-	(4,235)	-
Miscellaneous revenues	20,198	-	-	2,243	-	(22,441)	-
Capital grants and contributions	-	-	-	-	-	19,313	19,313
General revenues	-	-	-	-	-	3,243,074	3,243,074
TOTAL REVENUES	4,495,410	-	-	2,243	-	-	4,497,653
EXPENDITURES							
Current							
General government	1,627,106	4,964	75,545	-	(12,574)	-	1,695,041
Public safety	2,459,087	-	-	-	(91,296)	(2,459,087)	-
Police	-	5,572	81,718	-	(91,296)	1,585,577	1,581,571
Fire	-	-	71,371	-	(32,395)	643,674	682,650
Protective inspections	-	-	9,858	-	(8,338)	229,836	231,356
Physical environment	444,829	17,965	205,454	-	(6,630)	-	661,618
Human Services	19,877	-	-	-	-	-	19,877
Capital outlay	248,757	(248,757)	-	-	-	-	-
Debt service							
Principal retirement	167,514	-	-	(167,514)	-	-	-
Interest and fiscal charges	46,090	-	-	6,806	-	-	52,896
TOTAL EXPENDITURES	5,013,260	(220,256)	443,946	(160,708)	(151,233)	-	4,925,009
OTHER FINANCING SOURCES (USES)							
Proceeds from capital lease	-	-	-	-	-	-	-
Transfers in	301,243	-	-	-	-	-	301,243
Transfers out	(301,243)	-	-	-	-	-	(301,243)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE / NET POSITION	\$ (517,850)	\$ 220,256	\$ (443,946)	\$ 162,951	\$ 151,233	\$ -	\$ (427,356)

STATISTICAL SECTION

Statistical tables differ from financial statements because they usually cover more than one fiscal year and may present non-accounting data. These tables reflect social and economic data, financial trends and the fiscal capacity of the government.

The Constitution of the State of Florida, Florida Statute 200.181 and the Charter of the City of Port Richey, Florida set no legal debt margin.

The City has no general bonded debt outstanding.

The City does not have any debt outstanding for which revenues have been pledged. As a result, there is no requirement to present a Schedule of Pledged Revenue Coverage.

City of the Valley
 City of the Valley
 Not Publicly Component
 Last Year: 2019

Schedules of Financial Trends Information

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	
General fund																				
Governmental activities	\$ 1,048,038	\$ 1,050,974	\$ 1,001,490	\$ 1,282,790	\$ 1,481,126	\$ 2,127,322	\$ 2,382,322	\$ 2,127,322	\$ 1,642,432	\$ 1,726,292	\$ 1,726,292	\$ 1,726,292	\$ 1,726,292	\$ 1,726,292	\$ 1,726,292	\$ 1,726,292	\$ 1,726,292	\$ 1,726,292	\$ 1,726,292	\$ 1,726,292
Business-type activities	2,229,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226
Capital projects	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Debt service	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226
Other funds	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226	1,812,226
Total governmental activities	\$ 8,125,000	\$ 7,812,500	\$ 7,500,000	\$ 7,187,500	\$ 6,875,000	\$ 6,562,500	\$ 6,250,000	\$ 5,937,500	\$ 5,625,000	\$ 5,312,500	\$ 5,000,000	\$ 4,687,500	\$ 4,375,000	\$ 4,062,500	\$ 3,750,000	\$ 3,437,500	\$ 3,125,000	\$ 2,812,500	\$ 2,500,000	\$ 2,187,500
Total fund balance	\$ 1,234,567	\$ 1,123,456	\$ 1,012,345	\$ 901,234	\$ 790,123	\$ 679,012	\$ 567,901	\$ 456,790	\$ 345,679	\$ 234,568	\$ 123,457	\$ 12,346	\$ 12,346	\$ 12,346	\$ 12,346	\$ 12,346	\$ 12,346	\$ 12,346	\$ 12,346	\$ 12,346

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	
Governmental activities																				
Net investment in capital assets	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226
Capital assets	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226
Net investment in capital assets	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226
Capital assets	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226
Net investment in capital assets	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226
Capital assets	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226
Net investment in capital assets	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226
Capital assets	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226

(1) The capital assets schedule is presented for the City of the Valley only.

(2) Governmental activities in an annual comprehensive financial statement.

City of the Valley
 City of the Valley
 Not Publicly Component
 Last Year: 2019

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	
Governmental activities																				
Net investment in capital assets	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226
Capital assets	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226
Net investment in capital assets	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226
Capital assets	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226
Net investment in capital assets	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226	\$ 1,128,226
Capital assets	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226	1,128,226

(1) The capital assets schedule is presented for the City of the Valley only.

(2) Governmental activities in an annual comprehensive financial statement.

City of Port Richey
Schedule 4
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 3,188,421	\$ 3,365,700	\$ 3,177,166	\$ 2,720,211	\$ 2,395,986	\$ 2,381,828	\$ 2,077,099	\$ 2,110,644	\$ 2,588,372	\$ 2,516,906
License and permits	491,117	297,062	158,019	126,766	132,389	174,617	181,826	174,848	157,995	229,899
Intergovernmental revenue	802,984	1,594,422	2,195,922	785,527	776,435	807,654	666,307	769,500	728,510	718,806
Input fees	82,624	28,175	1,800	-	4,784	4,627	428	1,508	277	-
Charges for service	251,847	278,430	230,234	321,125	363,193	376,413	376,800	355,479	317,479	358,860
Fees and entitlements	89,484	46,127	199,609	349,219	608,496	1,741,341	1,153,561	786,965	646,416	-
Interest	67,736	91,897	72,538	10,612	2,439	2,439	1,699	516	902	4,235
Miscellaneous revenue	65,334	34,410	27,262	91,652	37,020	24,328	34,744	9,961	9,498	20,198
Total revenues	<u>3,808,067</u>	<u>3,652,226</u>	<u>3,532,470</u>	<u>3,407,485</u>	<u>3,250,712</u>	<u>3,843,376</u>	<u>3,501,614</u>	<u>3,598,777</u>	<u>4,590,038</u>	<u>4,491,410</u>
Expenditures										
General government	981,133	998,925	1,229,735	1,238,573	1,376,468	2,319,942	2,102,661	1,870,619	1,694,339	1,627,396
Public safety	1,742,335	1,997,137	1,849,888	1,852,812	2,010,996	2,177,447	2,240,574	2,268,857	2,491,251	2,491,887
Physical environment	90,100	95,652	1,042,807	455,663	321,225	282,276	262,077	48,899	436,531	444,829
Transportation	269,831	139,873	177,689	2,442	144,796	145,070	151,783	-	-	-
Human services	14,724	22,229	4,487	12,900	26,382	23,911	19,077	17,444	18,840	19,877
Parks and recreation	87,863	97,376	96,729	110,617	84,783	96,549	106,374	-	-	-
Capital outlay	652,429	658,857	418,994	522,619	903,953	449,894	476,110	203,342	363,310	248,757
Debt service	-	-	-	-	-	-	-	-	-	-
Principal retirement	158,244	115,880	127,762	126,587	147,655	154,241	181,522	165,804	388,800	167,514
Interest and fiscal charges	70,984	68,476	62,574	57,289	47,579	73,951	67,981	68,644	56,884	46,009
Total expenditures	<u>4,259,784</u>	<u>4,925,813</u>	<u>3,929,200</u>	<u>4,313,914</u>	<u>3,899,911</u>	<u>5,292,561</u>	<u>4,695,119</u>	<u>4,130,709</u>	<u>4,473,458</u>	<u>3,913,299</u>
Excess of revenues over (under) expenditures	948,306	995,643	923,265	33,552	(769,125)	(126,185)	(107,105)	258,068	(883,420)	(157,839)
Other Financing Sources (Uses)										
Proceeds from the sale of capital assets	-	-	-	-	-	-	8,668	3,294	-	-
Proceeds from capital lease obligations	62,993	-	49,427	-	299,000	-	15,962	-	220,892	-
Proceeds from issuance of long-term debt	-	-	-	-	285,936	-	-	-	-	-
Proceeds from the issuance of refunding bonds	-	-	-	-	-	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-	-	-	-	-	-
Bond insurance costs	-	-	-	-	-	-	-	-	-	-
Transfer out	-	-	-	-	(11,701)	-	(6,386)	-	-	-
Total other financing sources (uses)	<u>62,993</u>	<u>-</u>	<u>49,427</u>	<u>-</u>	<u>285,936</u>	<u>-</u>	<u>12,582</u>	<u>3,294</u>	<u>220,892</u>	<u>-</u>
Net change in fund balances	1,042,899	109,643	972,612	33,552	(143,890)	(126,185)	41,117	261,272	(725,536)	(157,839)
Fund balances - beginning of year	5,477,165	2,286,565	3,256,208	4,223,843	4,256,793	4,079,503	3,944,318	3,691,475	4,254,747	3,528,992
Fiscal Period Adjustment	89,039	-	-	-	-	-	-	-	-	-
Fund balances - end of year	<u>\$ 6,609,293</u>	<u>\$ 3,286,208</u>	<u>\$ 4,222,400</u>	<u>\$ 4,256,995</u>	<u>\$ 4,093,502</u>	<u>\$ 3,944,318</u>	<u>\$ 3,991,475</u>	<u>\$ 4,214,747</u>	<u>\$ 3,528,992</u>	<u>\$ 3,371,153</u>
Debt service as a percentage of capital expenditures	6.7%	4.3%	3.7%	4.0%	5.1%	4.3%	4.9%	4.8%	8.7%	4.3%

City of Port Richey
Schedule 5
Program Revenues by Function / Program
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Function / Program										
Governmental activities:										
Charges for services	\$ 338,040	\$ 278,430	\$ 198,397	\$ 386,442	\$ 434,412	\$ 443,107	\$ 446,794	\$ 410,873	\$ 424,845	\$ 426,717
General government	89,404	66,127	199,469	349,219	608,486	1,809,908	1,741,341	1,533,501	746,410	646,416
Police	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
Protective inspections	405,919	219,908	89,476	55,449	61,150	107,923	111,832	120,116	89,728	168,093
Parks and recreation	285	-	-	-	-	-	-	-	-	-
Total charges for services	<u>833,648</u>	<u>564,465</u>	<u>877,342</u>	<u>791,110</u>	<u>1,064,048</u>	<u>3,360,938</u>	<u>2,291,967</u>	<u>2,084,406</u>	<u>1,261,679</u>	<u>1,233,266</u>
Operating grants and contributions	-	150,000	-	-	-	-	-	-	-	-
General Government	2,648	54,549	885	2,232	50,030	16,970	-	-	-	-
Police	-	660,000	1,447,971	155,062	62,893	46,061	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-	-
Total operating grants and contributions	<u>2,648</u>	<u>865,539</u>	<u>1,448,856</u>	<u>157,634</u>	<u>112,923</u>	<u>63,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital grants and contributions	-	-	-	-	-	3,851	-	8,408	81,105	-
Police	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	55,735	-	-	-	19,313
Public works	-	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	70,695	-	29,305	33,963	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Total capital grants and contributions	<u>27,716</u>	<u>-</u>	<u>70,695</u>	<u>-</u>	<u>29,305</u>	<u>33,963</u>	<u>-</u>	<u>8,408</u>	<u>81,105</u>	<u>-</u>
Sub-total governmental activities	<u>864,002</u>	<u>1,429,704</u>	<u>1,397,203</u>	<u>949,744</u>	<u>1,176,971</u>	<u>3,711,667</u>	<u>2,110,474</u>	<u>2,164,920</u>	<u>1,261,679</u>	<u>1,233,266</u>
Business-type activities:										
Charges for services	2,566,091	2,440,263	2,342,616	2,111,697	2,241,567	2,851,691	2,915,362	3,010,883	2,493,154	3,092,095
Water and sewer	30,251	124,743	123,483	132,483	132,286	120,848	118,774	119,481	120,470	119,478
Stormwater utility	2,535,840	2,315,520	2,219,133	1,979,214	2,109,381	2,730,843	2,796,588	2,891,402	2,372,684	2,972,617
Total charges for services	<u>2,566,091</u>	<u>2,440,263</u>	<u>2,342,616</u>	<u>2,111,697</u>	<u>2,241,567</u>	<u>2,851,691</u>	<u>2,915,362</u>	<u>3,010,883</u>	<u>2,493,154</u>	<u>3,092,095</u>
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Water and Sewer	-	-	-	-	-	-	-	-	-	-
Sub-total business-type activities	<u>2,566,091</u>	<u>2,440,263</u>	<u>2,342,616</u>	<u>2,111,697</u>	<u>2,241,567</u>	<u>2,851,691</u>	<u>2,915,362</u>	<u>3,010,883</u>	<u>2,493,154</u>	<u>3,092,095</u>
Total primary government revenues	<u>\$ 3,409,200</u>	<u>\$ 3,094,710</u>	<u>\$ 3,689,819</u>	<u>\$ 3,192,246</u>	<u>\$ 3,412,246</u>	<u>\$ 5,563,244</u>	<u>\$ 5,025,836</u>	<u>\$ 5,175,803</u>	<u>\$ 5,299,999</u>	<u>\$ 4,591,044</u>

City of Port Richey
Schedule 6
Tax Revenues by Source, General Fund
Last Ten Fiscal Years

Fiscal Year Ended	Ad Valorem	Franchise Fees	Utility Tax	Communications Service Tax	Total
September 30,					
2015	\$ 1,303,568	\$ 304,574	\$ 364,249	\$ 137,442	\$ 2,109,833
	(1-311000)	(1-323100)	(1-314100, 1-314400)		
2014	1,286,745	352,568	324,164	144,171	2,107,648
2013	1,284,698	326,650	314,897	190,187	2,116,432
2012	1,250,148	304,713	345,236	185,064	2,085,161
2011	1,194,040	314,782	247,995	178,161	1,934,978
2010	1,233,393	349,058	26,140	199,224	1,807,815
2009	1,354,580	333,447	50,981	230,508	1,969,516
2008	1,545,340	308,766	333,986	232,325	2,420,417
2007	1,380,037	328,572	342,368	238,289	2,289,266
2006	1,702,966	320,804	339,637	222,588	2,585,995

Schedules of Revenue Capacity Information

These schedules contain information to help the reader assess the City's most significant local revenue source - the property tax.

City of Port Richey
 Schedule 7
 Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year Ended September 30,	Real Property	Personal Property	Total Assessed Value	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2015	\$ 283,212,534	\$ 24,394,607	\$ 307,607,141	\$ 39,029,794	\$ 268,577,347	5.4348
2014	267,225,271	23,015,775	290,241,046	46,402,689	243,838,357	5.4348
2013	281,576,479	23,249,898	304,826,377	56,818,927	248,007,450	5.3202
2012	297,673,379	24,886,748	322,560,127	41,734,759	280,825,368	5.0000
2011	300,232,741	27,427,479	327,660,220	50,286,285	277,373,935	4.6250
2010	314,725,105	32,979,629	347,704,734	43,637,615	304,067,119	4.2260
2009	366,589,084	49,609,357	416,198,441	56,805,550	359,392,891	4.2260
2008	390,328,277	54,834,988	445,163,265	36,972,528	408,190,737	3.9000
2007	369,834,953	42,831,038	412,665,991	36,619,875	376,046,116	4.7000
2006	298,198,879	37,487,840	335,686,719	34,965,003	300,721,716	5.8200

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Note:

The detailed breakdown of the assessed value of real residential property, commercial property, governmental property, institutional property, and other real property was not available.

Source:

Pasco County Property Appraiser

City of Port Richey
 Schedule 8
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (rates per \$1,000 of assessed value)

Fiscal Year	City	Pasco County				Total County - Operating	Pasco School Board Operating	County School Board					Other Taxing Districts			
		Operating	Library Bond	Parks Bond	Municipal Fire District			Capital Outlay	School Bond	West Pasco Bond	Total School Board	SW Fla. Wtr. Management District	Florida Coastal River Basin	Mosquito Control	Total Other	Total
2015	5.4348	7.3441	-	-	1.7165	9.0606	5.6490	1.5000	-	-	7.1490	0.3658	-	0.2400	0.6058	22.2502
2014	5.4348	7.3441	-	-	1.7165	9.0606	5.8570	1.5000	-	-	7.3570	0.3818	-	0.1620	0.5438	22.3962
2013	5.3202	6.8623	-	-	1.5405	8.4028	5.8410	1.5000	-	-	7.3410	0.3928	-	0.1630	0.5558	21.6198
2012	5.0000	6.3668	-	-	-	6.3668	6.1440	1.5000	-	-	7.6440	0.3928	-	0.1920	-	19.0108
2011	4.6250	6.3668	-	-	-	6.3668	6.2670	1.5000	-	-	7.7670	0.3770	0.1885	0.1989	0.9093	19.6681
2010	4.2260	6.3668	-	-	-	6.3668	5.8400	1.5000	-	-	7.3400	0.3866	0.1885	0.1567	0.8556	18.7884
2009	3.9000	5.4333	-	-	-	5.4333	5.7080	1.5000	-	-	7.2080	0.3866	0.1885	0.1567	0.8556	17.3969
2008	3.9000	5.4333	-	-	-	5.4333	5.5220	1.5000	-	0.1860	7.2080	0.3866	0.1885	0.1448	0.8556	17.3969
2007	4.7000	5.9880	-	-	-	5.9880	5.6810	1.5000	-	0.2280	7.4090	0.4220	0.2050	0.1599	0.7869	18.8839
2006	5.8200	6.6810	-	-	-	6.6810	6.0130	1.5000	-	0.2850	7.7980	0.4220	0.2350	0.1936	0.8506	21.1496

Source:

Pasco County Tax Collector

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart Stores	\$ 11,118,274	1	4.56%	\$ 16,871,013	1	5.61%
Cappo Management XXV Inc.	6,668,943	2	2.73%			
NHC-FL 133 LLC	5,800,989	3	2.38%			
Ridge Road Center LLC	3,817,268	4	1.57%	3,494,500	6	1.16%
Port Richey 1031, LLC	3,501,835	5	1.44%	4,239,033	4	1.41%
Duke Energy	3,096,446	6	1.27%	4,895,694	2	1.63%
Haverty Furniture Company, Inc.	2,485,506	7	1.02%	3,165,230	7	1.05%
US 19 Property LLC	1,720,359	8	0.71%			
Chang Sing Long & Fong Mei	1,671,583	9	0.69%			
Washington Professional center	1,669,256	10	0.68%			
Wood Motors South, Inc.			0.00%	4,622,220	3	1.54%
Suncoast Gateway Mobile Village, Inc.			0.00%	3,844,223	5	1.28%
Wal Den Greene Developers, Inc.			0.00%	2,806,724	8	0.93%
Verizon Communications, Inc.			0.00%	2,465,903	9	0.82%
Healthcare Property Investors, Inc.				2,438,605	10	0.81%
Total Principal Taxpayers	41,550,459		17.04%	48,843,145		16.24%
All Other Taxpayers	202,287,898		82.96%	251,878,571		83.76%
Total	\$ 243,838,357		100.00%	\$ 300,721,716		100.00%

Source:

Pasco County Property Appraiser's Office

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2015	\$ 1,325,624	\$ 1,303,568	98.34%
2014	1,325,213	1,286,745	97.10%
2013	1,319,449	1,250,148	94.75%
2012	1,287,230	1,248,882	97.02%
2011	1,226,248	1,191,246	97.15%
2010	1,284,988	1,224,287	95.28%
2009	1,401,632	1,349,679	96.29%
2008	1,591,944	1,540,732	96.78%
2007	1,767,417	1,714,714	97.02%
2006	1,750,200	1,702,966	97.30%

Note:

Subsequent year collections are minimal, therefore only total tax collected within the fiscal year is presented.

Source:

Pasco County Property Appraiser

Schedules of Debt Capacity Information

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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City of Port Richey
 Schedule 11
 Ratio of Outstanding Debt by Type
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities		Total	Percentage of Personal Income	Per Capita
	Revenue Bonds Series 2000A	Revenue Bonds Series 2005C	Revenue Note Series 2010	Promissory Note	Capital Leases	Revenue Bonds Series 2005D	Capital Leases			
2015	\$ -	\$ 615,000	\$ 107,143	\$ -	\$ 206,746	\$ 2,615,000	\$ -	\$ 3,543,889	N/A	#VALUE!
2014	-	720,000	127,069	-	279,642	2,695,000	-	3,821,711	N/A	1,403
2013	-	820,000	146,154	-	328,464	2,770,000	-	4,064,618	N/A	1,522
2012	-	915,000	164,438	4,756	376,229	3,020,000	-	4,480,423	N/A	1,689
2011	-	1,010,000	181,951	37,974	258,058	3,260,000	-	4,747,983	N/A	1,778
2010	-	1,100,000	200,358	65,057	276,978	3,490,000	31,390	5,163,783	N/A	1,642
2009	80,000	1,110,000	-	-	50,703	3,720,000	16,865	4,977,568	N/A	1,595
2008	155,000	1,120,000	-	-	91,356	3,940,000	33,170	5,339,526	N/A	1,565
2007	225,000	1,130,000	-	-	89,711	4,155,000	55,944	5,655,655	N/A	1,765
2006	295,000	1,135,000	-	-	123,091	4,355,000	18,556	5,926,647	N/A	1,848

Note:
 N/A - Information not available.
 The City has had no general obligation bonded debt in the last ten years.
 The Constitution of the State of Florida, Florida Statute 200.181 and the Charter of the City of Port Richey, Florida set no legal debt margin.

City of Port Richey
 Schedule 12
 Direct and Overlapping Governmental Activities Debt
 As of September 30, 2015

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping debt:			
Pasco County School Board (1)	\$ 473,190,336	1.319%	\$ 6,239,162
City direct governmental activities debt			928,889
Total direct and overlapping debt			\$ 7,168,051
Total direct and overlapping governmental activities debt per capita			\$ 2,596

Note:
 (1) The City's share is calculated based on the ratio of the 2014 City Taxable Value of \$ 268,577,347 to the County's Taxable Value of \$ 20,369,434,833.

Source:
 Pasco County School Board CAFR Table 12

Schedules of Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

City of Port Richey
 Schedule 13
 Demographic and Economic Statistics
 Last Ten Calendar Years

Year	Population (1)	Per Capita Personal Income (2)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
2015	2,761	\$ 33,953	44.1	68,904	5.80%
2014	2,723	32,975	43.8	70,328	6.70%
2013	2,671	26,738	46.0	68,904	4.90%
2012	2,652	32,102	52.0	65,976	9.70%
2011	2,671	28,989	52.0	66,539	11.90%
2010	3,144	N/A	44.0	66,427	14.00%
2009	3,120	N/A	48.0	67,136	11.30%
2008	3,412	N/A	47.6	66,314	8.10%
2007	3,205	N/A	N/A	65,126	5.20%
2006	3,207	29,619	46.2	61,796	3.40%

Note:
 N/A = Information not available.

Sources:
 (1) Per data from the U.S. Bureau of Census estimate and the University of Florida.
 (2) Florida Statistical Abstract.
 (3) Pasco County School Board, county level data for public schools.
 (4) Published by the Department of Labor and Employment Security, Pasco County.

Employer	2015		2006	
	Employees	Rank	Employees	Rank
Wal Mart Management Corporation	370	1	540	1
Seaway Mold & Engineering	138	2		
Hooters Restaurant	90	3	75	6
Ocean Honda (Gateway Honda)	75	4	77	5
City of Port Richey	69	5	52	9
U. S. Post Office	56	6	70	8
Pratt's Landscape Services, Inc.	52	7		
Catches Waterfront Grille	50	8		
Golden Coral	50	9	90	4
The Cottages of Port Richey	48	10	53	7
Sun Cruz			200	2
Red Lobster			91	3
Fatty-N-Mables			30	10
	<u>998</u>		<u>1,278</u>	

Schedules of Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Function/Program	Full-time Equivalent Employees as of September 30.									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government										
Legislative	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Financial Administration	3.0	3.0	3.0	3.0	2.5	2.0	2.0	3.0	2.0	2.0
City Clerk / Administration	4.0	4.0	5.0	5.0	3.0	3.0	3.0	3.0	4.0	4.0
IT	2.0	2.0	2.0	-	-	-	-	-	-	-
Fire	7.0	7.0	7.0	6.5	6.5	6.0	6.0	6.0	6.0	6.5
Police	20.0	21.0	19.0	21.0	19.0	19.0	16.0	18.0	17.0	21.0
Public Works										
Parks/Horticulture	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public Works/Roads	5.0	5.0	10.0	5.5	5.0	5.0	5.0	6.5	6.0	6.0
Water/Sewer	8.0	8.0	7.0	8.5	8.0	8.0	7.0	9.0	7.0	10.0
Administration/Billing	3.0	4.0	3.0	-	-	-	-	-	-	-
Building Permitting/Licensing										
Administration	1.5	1.5	1.0	1.5	1.5	1.0	1.0	1.0	2.0	2.0
Inspectors	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Code Enforcement	1.0	1.0	1.0	-	-	-	-	-	-	1.0
	<u>61.5</u>	<u>63.5</u>	<u>65.0</u>	<u>59.0</u>	<u>53.5</u>	<u>52.0</u>	<u>48.0</u>	<u>54.5</u>	<u>52.0</u>	<u>60.5</u>

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Fire										
Fire dept. responses	879	849	926	895	868	861	982	954	904	982
Water										
Avg. daily consumption (thousands of gallons)	0.800	0.750	0.800	0.800	0.656	0.742	0.722	0.722	0.783	0.813
Residential Units	2,016	2,007	2,004	2,155	2,221	2,146	4,695	4,694	4,796	4,873
Commercial Units	377	355	361	359	401	393	454	453	407	405
Sewer										
Number of Lift Stations	48	48	48	48	54	54	53	53	53	50
Number of residential	1,051	1,040	1,051	1,043	1,058	1,058	3,476	3,475	3,037	3,378
Number of commercial	270	262	260	261	260	254	454	453	262	261
Police										
Physical arrests	660	981	950	914	982	625	451	550	550	531
Traffic violations	1,047	3,291	5,354	5,634	6,890	5,680	5,101	6,947	3,351	2,392

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Fire Stations	1	1	1	1	1	1	1	1	1	1
Public works Streets (miles)	20.96	20.96	20.96	20.96	19.01	19.01	19.01	19.01	19.01	19.01
Recreation Parks (acres)	18.78	18.78	18.78	18.78	18.78	18.78	18.78	18.78	18.78	18.78
Water mains (miles)	46	46	46	46	46	46	46	46	46	46
Wastewater Sanitary sewers (miles)	30	30	30	30	30	30	30	30	30	30

Note
 The Police Department is housed in City Hall.

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**OTHER REPORTS OF INDEPENDENT
 CERTIFIED PUBLIC ACCOUNTANTS**



Richard C. Powell, Jr., CPA
 Merian Jones Powell, CPA

1369 S.W. Main Blvd.
 Lake City, Florida 32025
 386 / 756-4200
 Fax: 386 / 719-6654
 admin@powellandjonescpa.com

**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**

Honorable Mayor and City Council
 City of Port Richey, 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 and the business-type activities of the City of Port Richey, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Port Richey, Florida's basic financial statements, and have issued our report thereon dated June 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Port Richey, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Port Richey, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Port Richey, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Port Richey, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

POWELL & JONES
Certified Public Accountants
June 21, 2016



Richard C. Powell, Jr., CPA
Merian Jones Powell, CPA

1350 S.W. Main Blvd.
Lake City, Florida 32025
386 / 756-4200
Fax: 386 / 719-6504
admin@powellandjonescpa.com

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Port Richey, Florida

We have audited the financial statements of the City of Port Richey, Florida, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 21, 2016. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

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. Additionally our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

PRIOR YEAR FINDINGS

2014.01 - Red Light Camera Traffic Fines - In the prior year we noted that collections and disbursements of the red light camera traffic fine revenue were inadvertently calculated incorrectly which resulted in an approximate liability of \$60,705 due to the State. During the current year the City fully corrected the distribution formula and recorded the liability due to the State. We have been advised by management that this liability will be liquidated in the ensuing year budget cycle.

MANAGEMENT'S RESPONSE:

We concur with this finding and will fully budget repayment of this liability in the ensuing year's budget.

CURRENT YEAR FINDINGS

There were no additional reportable findings in the current year.

FINANCIAL COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the City of Port Richey, Florida, for the fiscal year ended September 30, 2015.

Financial Emergency Status - We determined that the City had not met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

Financial Condition Assessment - Pursuant to Chapter 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures to the City's financial statements. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

We noted no deteriorating financial conditions as defined by Rule 10.544(1)(d).

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550

CONCLUSION

We very much enjoyed the challenges and experiences with this audit of the City. We appreciate the helpful assistance of City staff in completing our audit and also the generally high quality of the City's financial records and internal controls.

POWELL & JONES
Certified Public Accountants
June 21, 2016



Richard C. Powell, Jr., CPA
Merian Jones Powell, CPA

1350 S.W. Main Blvd.
Lake City, Florida 32025
386 / 756-4200
Fax: 386 / 719-6504
admin@powellandjonescpa.com

INDEPENDENT ACCOUNTANT'S REPORT

To The Honorable Mayor and City Council
City of Port Richey, Florida

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

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

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

This report is intended solely for the information and use of the City of Port Richey, Florida and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

POWELL & JONES
Certified Public Accountants
June 21, 2016

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APPENDIX M

FINANCIAL INFORMATION REGARDING CITY OF ST. AUGUSTINE BEACH

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**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS**

CITY OF ST. AUGUSTINE BEACH
ST. AUGUSTINE BEACH, FLORIDA

SEPTEMBER 30, 2015

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**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS**

CITY OF ST. AUGUSTINE BEACH
ST. AUGUSTINE BEACH, FLORIDA

SEPTEMBER 30, 2015



INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Commission,
and City Manager
St. Augustine Beach, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining funds of the City of St. Augustine Beach, Florida (the City), as of and for the year ended September 30, 2015, and the related notes, which collectively comprise the City'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.

Auditors' 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 estimates made by management, as well as evaluating the overall financial statement presentation.

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

Honorable Mayor, Members of the City Commission,
and City Manager
St. Augustine Beach, Florida

**INDEPENDENT AUDITORS' REPORT
(Concluded)**

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 fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter - GASB 68

As discussed in Note 1 to the financial statements, in 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules of proportionate share of the net pension liability and schedule of contributions, and other postemployment benefits schedule of funding progress and schedule of employer contributions as listed in the table of contents 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 the basic 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 inquires of management about the methods of preparing the information and comparing the information for the 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 a report, dated May 20, 2016, on our consideration of the City'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 the 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's internal control over financial reporting and compliance.

Purvis Gray and Company, LLP

May 20, 2016
Gainesville, Florida

Certified Public Accountants
P.O. Box 41270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2205
Lauri Ridge Professional Center • 7147 S.F. 17th Street • Ocala, Florida 34471 • (352) 712-5879 • FAX (352) 737-0547
443 East College Avenue • Tallahassee, Florida 32301 • (904) 224-7144 • FAX (904) 224-1752
5001 Alachua Road • Suwannee, Florida 32080 • (904) 907-0150 • FAX (904) 907-0030
MEMBER OF PURVIS GRAY AND COMPANY, A LIMITED LIABILITY COMPANY OF FLORIDA
NUMBER OF AUDITORS IN FIRM: 12 • CERTIFIED PUBLIC ACCOUNTANTS: 12 • CPAs: 12 • CPAs: 12

**CITY OF ST. AUGUSTINE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

As management of the City of St. Augustine Beach (the City), we offer readers of the City of St. Augustine Beach's financial statements this narrative overview and analysis of the finance activities of the City of St. Augustine Beach for the fiscal year ended September 30, 2015.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$17,832,113 (net position).
- The governments' total net position decreased by \$23,960.
- The City's total long-term obligations decreased during the current year by \$292,998.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The first financial statement is the *Statement of Net Position*. This statement includes all of the City's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net Position - the difference between assets and liabilities - can be used to measure the City's financial position.

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

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road and bridge fund, debt service fund, and capital projects fund.

A budgetary comparison statement has been provided for the general fund and road and bridge funds to demonstrate compliance with their budgets.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Condensed Financial Information

The following tables represent condensed, government-wide comparative data about net position and changes in net position:

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF ST. AUGUSTINE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(Continued)**

Net Position

	2015	2014
Current and Other Assets	\$ 5,679,326	\$ 6,195,138
Capital Assets	21,299,365	21,158,895
Total Assets	26,978,691	27,354,033
Deferred Outflows of Resources	616,408	0
Long-term Liabilities Outstanding	8,758,918	6,821,547
Other Liabilities	617,465	577,464
Total Liabilities	9,376,383	7,399,011
Deferred Inflows of Resources	386,603	0
Net Position:		
Net Investment in Capital Assets	15,068,349	14,661,309
Restricted	495,870	457,383
Unrestricted	2,267,894	4,836,330
Total Net Position	\$ 17,832,113	\$ 19,955,022

Changes in Net Position

	2015	2014
Revenues:		
Program Revenues:		
Charges for Services	\$ 650,279	\$ 656,205
Operating Grants and Contributions	288,385	294,453
Capital Grants and Contributions	8,177	16,700
General Revenues:		
Property Taxes	2,191,351	2,069,441
Other Taxes	2,177,238	2,132,099
Other	172,886	740,859
Total Revenues	5,488,316	5,909,757
Expenses:		
General Government	1,397,124	1,291,421
Public Safety	1,870,640	1,939,549
Physical Environment	1,035,444	977,584
Transportation	689,768	731,991
Economic Environment	5,250	5,250
Human Services	51	46
Culture and Recreation	243,675	293,539
Interest on Long-term Debt	270,324	280,493
Total Expenses	5,512,276	5,519,873
Change in Net Position	(23,960)	389,884
Net Position - October 1*	17,856,073	19,565,138
Net Position - September 30	\$ 17,832,113	\$ 19,955,022

* Net Position as of October 1, 2014, has been reduced by \$2,098,949 to reflect a prior period adjustment related to the implementation of GASB Statement No. 68, which reflects the proportionate share of the net pension liability of the Florida Retirement System.

**CITY OF ST. AUGUSTINE BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015
(Concluded)**

Overall Financial Position and Results of Operations

The governmental activities generated \$946,841 in program revenues and \$4,541,475 in general revenues, and incurred \$5,512,276 of program expenses. This resulted in a \$23,960 decrease in net position.

The City's Individual Funds

The General Fund's fund balance decreased by \$798,450, from \$5,411,763 to \$4,613,313. Revenues were lower than budgeted amounts and expenditures were less than budgeted amounts, however transfers needed to other funds, resulted in a decrease in the excess of revenues over expenditures.

The Road and Bridge fund balance increased by \$228,201, from \$445,770 to \$673,971. Revenues were more than budgeted amounts and expenditures were less than budgeted amounts, and were subsidized by the General Fund.

General Fund Budgetary Highlights

The City continues monitoring the status of intergovernmental revenues during the first quarter of the fiscal year. As is typical, the budget is reevaluated at the six-month mark and adjusted where necessary. The City utilized some of the \$560,000 from a hotel developer to vacate a right-of-way which translates to perpetual access to the right-of-way to fund some much needed infrastructure improvements.

The City received less than the overall budgeted amount for revenues, and spent less than the budgeted amounts for expenditures.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets as of September 30, 2015, amounts to \$21,299,365 (net of accumulated depreciation). See Note 3 for details. Capital assets include land, buildings and improvements, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets net of depreciation for the current fiscal year was less than one percent. Though capital purchases were made, obsolete or non-functional equipment and vehicles were disposed of.

Debt Administration

The City decreased its bond and loan payables during the current fiscal year by \$315,403, which is a decrease of 4.69 percent. See Note 4 for details.

Economic Factors

We are not currently aware of any conditions that are expected to have a significant effect on the City's financial position or results of operations.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Chief Financial Officer, 2200 A1A South, St. Augustine Beach, Florida 32080.

STATEMENT OF NET POSITION
SEPTEMBER 30, 2015
CITY OF ST. AUGUSTINE BEACH, FLORIDA

Assets		
Current Assets		
Cash and Equivalents	\$	1,631,328
Investments		3,592,755
Accounts Receivable		146,367
Due from Other Governments		167,061
Inventory		3,850
Prepaid Expenses		137,965
Total Current Assets		<u>5,679,326</u>
Noncurrent Assets		
Capital Assets:		
Nondepreciable		7,290,200
Depreciable, Net		14,009,165
Total Noncurrent Assets		<u>21,299,365</u>
Total Assets		<u>26,978,691</u>
Deferred Outflows of Resources		
Pension Related		616,408
Total Deferred Outflows of Resources		<u>616,408</u>
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Liabilities		223,839
Deposits		900
Due to Other Governments		2,214
Accrued Interest		77,279
Current Portion of Long-term Obligations		313,233
Total Current Liabilities		<u>617,465</u>
Net Pension Liability		2,223,430
Noncurrent Liabilities		6,535,488
Total Noncurrent Liabilities		<u>8,758,918</u>
Total Liabilities		<u>9,376,383</u>
Deferred Inflows of Resources		
Pension Related		386,603
Total Deferred Inflows of Resources		<u>386,603</u>
Net Position		
Net Investment in Capital Assets		15,068,349
Restricted for:		
Impact Fees - General Fund		230,648
Police Department Communications		32,699
Law Enforcement - Forfeiture and Seizure		31,505
Building Department		195,997
Law Enforcement - Education		5,021
Unrestricted		2,267,894
Total Net Position		<u>\$ 17,832,113</u>

BASIC FINANCIAL STATEMENTS

The accompanying notes are an integral part of the financial statements.
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STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2015
CITY OF ST. AUGUSTINE BEACH, FLORIDA

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities	\$ 1,397,124	\$ 40,238	\$ 0	\$ 0	\$ (1,356,886)
General Government	1,870,640	264,381	14,664	1,000	(1,590,595)
Public Safety	1,035,444	280,297	167,366	6,927	(580,854)
Physical Environment	689,768	53,870	20,000	0	(615,898)
Transportation	5,250	0	0	0	(5,250)
Economic Environment	51	283	0	0	232
Human Services	243,675	11,210	86,355	250	(145,860)
Culture and Recreation	270,324	0	0	0	(270,324)
Interest on Long-term Debt	5,512,276	650,279	288,385	8,177	(4,565,435)
Total Governmental Activities					
General Revenues					
Property Taxes					2,191,351
Sales Tax and Other State-shared Revenues					968,171
Franchise Fees					416,421
Utility Taxes					595,814
Communications Service Tax					196,832
Interest Earnings					20,137
Miscellaneous					135,771
Gain on Sale of Fixed Assets					16,978
Total General Revenues					<u>4,541,475</u>
Change in Net Position					<u>(23,960)</u>
Net Position, Beginning of Year					19,955,022
Adjustment to Beginning Net Position					(2,098,949)
Net Position, Beginning of Year, As Restated					<u>17,856,073</u>
Net Position, End of Year					<u>\$ 17,832,113</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015
CITY OF ST. AUGUSTINE BEACH, FLORIDA

	General Fund	Road and Bridge	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Equivalents	\$ 1,042,043	\$ 435,875	\$ 153,410	\$ 0	\$ 1,631,328
Investments	3,443,245	149,510	0	0	3,592,755
Accounts Receivable	146,367	0	0	0	146,367
Due from Other Governments	127,447	39,610	4	0	167,061
Due from Other Funds	10,706	66,830	28,955	0	106,491
Inventory	1,797	2,053	0	0	3,850
Prepaid Items	137,965	0	0	0	137,965
Total Assets	<u>4,909,570</u>	<u>693,878</u>	<u>182,369</u>	<u>0</u>	<u>5,785,817</u>
Liabilities					
Accounts Payable and Accrued Liabilities	203,398	19,907	534	0	223,839
Due to Other Funds	89,745	0	0	16,746	106,491
Due to Other Governments	2,214	0	0	0	2,214
Deposits	900	0	0	0	900
Total Liabilities	<u>296,257</u>	<u>19,907</u>	<u>534</u>	<u>16,746</u>	<u>333,444</u>
Fund Balance					
Nonspendable:					
Inventory	1,797	2,053	0	0	3,850
Prepaid Items	137,965	0	0	0	137,965
Restricted:					
Impact Fees	230,648	0	0	0	230,648
Police Department: Communications	32,699	0	0	0	32,699
Law Enforcement: Forfeiture and Seizure	31,505	0	0	0	31,505
Education	5,021	0	0	0	5,021
Building Department	195,997	0	0	0	195,997
Committed:					
Debt Service	0	0	181,835	0	181,835
Assigned:					
Parks and Recreation	749,613	0	0	0	749,613
Capital Projects	600,000	0	0	0	600,000
Land Acquisition	131,196	0	0	0	131,196
Beach Blast Off	23,054	0	0	0	23,054
Emergencies and Contingencies	50,000	25,000	0	0	75,000
Transportation	0	646,918	0	0	646,918
Unassigned	2,423,818	0	0	(16,746)	2,407,072
Total Fund Balances	<u>4,613,313</u>	<u>673,971</u>	<u>181,835</u>	<u>(16,746)</u>	<u>5,452,373</u>
Total Liabilities and Fund Balances	<u>\$ 4,909,570</u>	<u>\$ 693,878</u>	<u>\$ 182,369</u>	<u>\$ 0</u>	<u>\$ 5,785,817</u>

The accompanying notes are an integral part of the financial statements.
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The accompanying notes are an integral part of the financial statements.
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**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CITY OF ST. AUGUSTINE BEACH, FLORIDA**

Total Fund Balance of Governmental Funds	\$ 5,452,373
Amounts Reported in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not reported in the governmental funds:	
Capital Assets, Net	21,299,365
Deferred outflows and inflows of resources are not available in the current period and, therefore, are not reported in the governmental funds. Deferred outflows and inflows of resources at year-end consist of:	
Deferred Outflows Related to Pensions	616,408
Deferred Inflows Related to Pensions	(386,603)
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is generally not accrued in the governmental funds, but rather recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities at year-end consist of:	
Net Pension Liability	(2,223,430)
Bonds and Loans Payable	(6,231,016)
Compensated Absences	(178,125)
Net OPEB Obligation	(439,580)
Accrued Interest Payable	(77,279)
Total Net Position, Statement of Net Position	<u>\$ 17,832,113</u>

The accompanying notes are an integral part of the financial statements.
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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015
CITY OF ST. AUGUSTINE BEACH, FLORIDA**

	<u>General Fund</u>	<u>Road and Bridge</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 2,638,755	\$ 241,056	\$ 373,216	\$ 0	\$ 3,253,027
Licenses and Permits	632,713	83,953	0	0	716,666
Intergovernmental	709,382	244,028	0	0	953,410
Charges for Services	363,191	54,153	0	0	417,344
Fines and Forfeitures	26,258	0	0	0	26,258
Investment Income	17,598	2,186	337	16	20,137
Miscellaneous	133,745	194	0	0	133,939
Total Revenues	<u>4,521,642</u>	<u>625,570</u>	<u>373,553</u>	<u>16</u>	<u>5,520,781</u>
Expenditures					
Current:					
General Government	1,281,426	0	0	0	1,281,426
Public Safety	1,825,178	0	0	0	1,825,178
Physical Environment	669,633	0	0	0	669,633
Transportation	0	671,289	0	0	671,289
Economic Environment	5,250	0	0	0	5,250
Human Services	51	0	0	0	51
Culture and Recreation	104,201	0	0	107,768	211,969
Capital Outlay	401,613	483,686	0	0	885,299
Debt Services:					
Principal	0	101,509	165,061	0	266,570
Interest	0	65,857	204,467	0	270,324
(Total Expenditures)	<u>(4,287,352)</u>	<u>(1,322,341)</u>	<u>(369,528)</u>	<u>(107,768)</u>	<u>(6,086,989)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>234,290</u>	<u>(696,771)</u>	<u>4,025</u>	<u>(107,752)</u>	<u>(566,208)</u>
Other Financing Sources (Uses)					
Transfers in	0	924,972	0	107,768	1,032,740
Transfers (out)	(1,032,740)	0	0	0	(1,032,740)
Total Other Financing Sources (Uses)	<u>(1,032,740)</u>	<u>924,972</u>	<u>0</u>	<u>107,768</u>	<u>0</u>
Net Change in Fund Balances	<u>(798,450)</u>	<u>228,201</u>	<u>4,025</u>	<u>16</u>	<u>(566,208)</u>
Fund Balances, Beginning of Year	<u>5,411,763</u>	<u>445,770</u>	<u>177,810</u>	<u>(16,762)</u>	<u>6,018,581</u>
Fund Balances, End of Year	<u>\$ 4,613,313</u>	<u>\$ 673,971</u>	<u>\$ 181,835</u>	<u>\$ (16,746)</u>	<u>\$ 5,452,373</u>

The accompanying notes are an integral part of the financial statements.
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RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015 CITY OF ST. AUGUSTINE BEACH, FLORIDA

Net Change in Fund Balances - Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ (566,208)
Amounts Reported 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 lives:	
Expenses for Capital Assets	828,733
Contributions of Capital Assets	1,000
Current Year Depreciation Expense	(655,800)
Loss on Disposal of Capital Assets	(33,464)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment does not effect net position of governmental activities.	
Principal Payments	266,570
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:	
Accrued Interest Payable	3,456
Compensated Absences	48,834
Increase in Net OPEB Obligation	(22,405)
The net change in the net pension liability and deferred inflows and outflows related to pensions is reported in the statement of activities, but not in the fund statements.	<u>105,324</u>
Change in Net Position of Governmental Activities	<u>\$ (23,960)</u>

The accompanying notes are an integral part of the financial statements.
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**NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of St. Augustine Beach, Florida (the City), conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The City was constituted a municipality on June 20, 1959, under the provisions of Chapter 59-1790, *Laws of Florida, Acts of 1959*. The City operates under a commission/manager form of government and provides the following services as authorized by its charter: law enforcement, planning and zoning, code enforcement, building inspection, solid waste collections, road and right-of-way maintenance, maintenance of City buildings, drainage and storm water management, and street lighting.

As required by U.S. generally accepted accounting principles, the accompanying financial statements present the City as a primary government. Component units, if any, would also be presented. Component units are entities for which a primary government is considered to be financially accountable.

There are no component units included in the City's financial reporting entity.

The City did not participate in any joint ventures during the fiscal year.

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 nonfund activities. 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 charged to external parties. The City has no business-type activities.

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: charges for services that are directly related to a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements, but any nonmajor funds are aggregated and displayed in a single column. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The City reports the following major governmental funds:

NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 1 - **Summary of Significant Accounting Policies (Continued)**

Fund Financial Statements (Concluded)

- **General Fund**—the primary operating fund, used to account for and report all activities except those accounted for and reported in another fund.
- **Road and Bridge Fund**—to account for and report activities of the Road and Bridge Department. Resources are primarily provided by gas taxes, impact fees, and intergovernmental revenue.
- **Debt Service Fund**—to account for and report resources to be used for debt service.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Taxes and intergovernmental revenues constitute the most significant sources of revenue considered susceptible to accrual.

In governmental funds, expenditures are generally recognized when the related liability is incurred. However, debt service expenditures, expenditures for compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due.

Accounts Receivable

Receivables are stated at net realizable value. An allowance for uncollectable accounts was not considered necessary.

Investments

The City follows the provisions of Section 218.415, Florida Statutes, which allows for surplus funds to be invested in the Local Government Surplus Funds Trust fund (the State Pool) or any intergovernmental investment pool; Securities and Exchange Commission registered money market funds; certificates of deposit and savings accounts in state-certified qualified public depositories and direct obligations of the U.S. Treasury.

Inventory and Prepaids

Inventory is valued at cost under the first-in, first-out method and is accounted for using the consumption method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. An offsetting "nonspendable" fund balance is reported in the fund financial statements to indicate that inventories and prepaids do not represent available spendable resources.

NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 1 - **Summary of Significant Accounting Policies (Continued)**

Restricted Net Position

In the accompanying government-wide statement of net position, the restricted component of net position is subject to restrictions beyond the City's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation.

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.

The City has \$230,648 of net position restricted by enabling legislation.

Fund Balance

The City follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to classify fund balances for governmental funds into specifically defined classifications. The classifications 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 the funds can be spent.

Fund balance classifications are described below:

- **Nonspendable Fund Balance**—Nonspendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact.
- **Restricted Fund Balance**—Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance**—Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the City's highest level of decision-making authority, which is an ordinance of the City Commission. Committed amounts cannot be used for any other purpose unless the City removes those constraints by taking the same type of action.
- **Assigned Fund Balance**—Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the City Commission; or (b) a body or official to which the Commission has delegated the authority to assign amounts to be used for specific purposes.
- **Unassigned Fund Balance**—Unassigned fund balance is the residual classification for the general fund.

The City's policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 1 - **Summary of Significant Accounting Policies (Continued)**

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets, which are recorded at fair value at the date of contribution. The City uses a capitalization threshold of \$1,000 for all classes of capital assets.

In accordance with Government Accounting Standards Board (GASB) Statement No. 34, the City has elected not to record and depreciate infrastructure assets acquired prior to October 1, 2003.

Depreciation of capital assets is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Infrastructure	40
Buildings and Improvements	10-40
Machinery and Equipment	3-20

Compensated Absences

Since the liability for employees' leave time will not be liquidated with expendable available financial resources, the liability has not been reported in the governmental funds. A liability for compensated absences is accrued when incurred in the government-wide financial statements.

Deferred Outflows and Deferred Inflows

Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense) until that future time. Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period and, therefore, will not be recognized as an inflow of resources (revenue) until that future time. Deferred outflows have a positive effect on net position, similar to assets, while deferred inflows have a negative effect on net position, similar to liabilities. The City reports pension related deferred inflows and outflows of resources.

Pension Related—differences between expected and actual earnings on plan investments and expected and actual experience with regard to economic or demographic factors in the measurement of total pension liability are reported as deferred inflows or outflows of resources, to be recognized in expense as disclosed in Note 6. Employer contributions to the pension trust made between the net pension liability measurement date and the employer's fiscal year-end are recognized as deferred outflows of resources, to be included in pension expense in the subsequent fiscal year.

Property Taxes

Details of the City's property tax calendar are presented below:

Lien Date	January 1
Levy Date	October 1
Discount Period	November – February
Delinquent Date	April 1

NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 1 - **Summary of Significant Accounting Policies (Continued)**

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make various estimates and assumptions. Actual results could vary from the estimates that were used.

Implementation of Governmental Accounting Standards Statements

The City participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), as required in 2015. GASB 68 requires employers participating in cost-sharing, multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the City was decreased by \$2,098,949 due to the adoption of this statement. The City's proportionate share of the net pension liabilities at September 30, 2015, was \$2,223,430.

Note 2 - **Deposits and Investments**

Deposits

All deposits are placed in a bank that qualifies as a public depository, as required by law (*Florida Security for Public Deposits Act*). Accordingly, all deposits are insured by Federal depository insurance and/or entirely collateralized pursuant to Chapter 280, Florida Statutes.

Investments

The City's investments are summarized below:

Florida PRIME, at Amortized Costs	\$ 3,592,755
Total	<u>\$ 3,592,755</u>

The Florida PRIME has adopted operating procedures consistent with the requirements for a 2a7-like fund. The City's investment in the Florida PRIME is stated at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares.

The City's investment in the State Pool exposes it to credit risk. The City does not have a formal investment policy relating to these risks, which are hereafter described:

- **Credit Risk**—the risk that an issuer or other counterparty to an investment will not fulfill its obligations.
 - The Florida PRIME is rated by Standards & Poor's and has a rating at September 30, 2015, of AAAm.

NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 2 - **Deposits and Investments (Concluded)**

Investments (Concluded)

■ **Interest Rate Risk**—the risk that changes in interest rates will adversely affect the fair value of an investment.

- The dollar weighted-average days to maturity (WAM) of the Florida PRIME at September 30, 2015, is 29 days.

Note 3 - **Capital Assets**

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

	Beginning Balance	Increases	(Decreases)	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 7,273,180	\$ 0	\$ 0	\$ 7,273,180
Construction in Progress	3,630	14,620	(1,230)	17,020
Total Capital Assets Not Being Depreciated	7,276,810	14,620	(1,230)	7,290,200
Capital Assets Being Depreciated:				
Machinery and Equipment	2,518,643	440,906	(116,547)	2,843,002
Buildings and Improvements	4,329,317	130,800	(33,526)	4,426,591
Infrastructure	11,325,155	244,639	0	11,569,794
Total Capital Assets Being Depreciated	18,173,115	816,345	(150,073)	18,839,387
Less Accumulated Depreciation for:				
Machinery and Equipment	(1,691,684)	(216,226)	83,083	(1,734,827)
Buildings and Improvements	(1,587,885)	(140,871)	33,525	(1,695,231)
Infrastructure	(1,101,461)	(298,703)	0	(1,400,164)
Total Accumulated Depreciation	(4,291,030)	(655,800)	116,608	(4,830,222)
Total Capital Assets Being Depreciated, Net	13,882,085	160,545	(33,465)	14,009,165
Net Capital Assets	\$ 21,158,895	\$ 175,165	\$ (34,695)	\$ 21,299,365

Depreciation expense was charged to functions/programs as follows:

General Governmental	\$ 135,165
Public Safety	106,884
Physical Environment	374,215
Transportation	7,830
Culture and Recreation	31,706
Total Depreciation Expense	\$ 655,800

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NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 4 - **Long-term Obligations (Concluded)**

Loans Payable (Concluded)

Aggregate maturities of the bonds and loans are as follows:

Year Ending September 30	Principal	Interest	Total
2016	\$ 281,170	\$ 257,142	\$ 538,312
2017	290,945	246,116	537,061
2018	305,901	234,613	540,514
2019	316,046	222,484	538,530
2020	326,389	209,838	536,227
2021-2025	1,844,589	837,464	2,682,053
2026-2030	2,052,084	420,252	2,472,336
2031-2034	813,892	82,237	896,129
Total	\$ 6,231,016	\$ 2,510,146	\$ 8,741,162

Note 5 - **Interfund Balances and Transfers**

The interfund balances resulted from the normal course of operations and are expected to be paid within one year. Interfund transfers were generally made in the normal course of operations and are consistent with the activities of the fund making the transfer.

Interfund balances at September 30, 2015, consisted of the following:

Receivable Fund	Payable Fund	Total
General Fund	Other Nonmajor Funds	\$ 10,706
Road and Bridge	General Fund	60,790
	Other Nonmajor Funds	6,040
Debt Service	General Fund	28,955
Total		\$ 106,491

Interfund transfers at September 30, 2015, consisted of the following:

Transfer Out	Transfer In	Total
General Fund	Road and Bridge	\$ 924,972
	Other Governmental Funds	107,768
Total		\$ 1,032,740

Note 6 - **Defined Benefit Pension Plan**

General Information about 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 FRS 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.

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NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 4 - **Long-term Obligations**

A summary of changes in long-term obligations follows:

	Balance October 1, 2014	Additions	Reductions	Balance September 30, 2015	Due Within One Year
Bonds Payable	\$ 4,217,032	\$ 0	\$ (165,061)	\$ 4,051,971	\$ 176,675
Loans Payable	2,280,554	0	(101,509)	2,179,045	104,495
Compensated Absences	226,958	0	(48,833)	178,125	32,063
Net Pension Liability	1,336,853	886,577	0	2,223,430	0
Net OPEB Obligation	417,175	22,405	0	439,580	0
Total	\$ 8,478,572	\$ 908,982	\$ (315,403)	\$ 9,072,151	\$ 313,233

Bonds Payable

■ \$2,500,000 serial bond used for the purchase of land and capital improvements, issued through the Florida League of Cities, at interest rates between 3% and 5.13%. Interest payments are payable semiannually on January 1 and July 1. Principal payments are due annually on July 1, maturing on July 1, 2034. The principal balance at September 30, 2015, was \$1,945,000. The bond issue is secured by and is payable from the discretionary communications service tax revenue. The approximate amount of the pledge is equal to the remaining principal and interest of \$3,078,444. During 2015, \$196,832 of discretionary communications service tax revenue was recognized and \$162,879 was paid for debt service.

■ \$5,350,000 serial bond used for the purchase of land issued through the Florida Municipal Loan Council at a fixed rate of interest of 5.37%. The principal balance at September 30, 2015, was \$636,971. Interest payments are payable semiannually on January 1 and July 1. Principal payments are due annually on July 1, maturing on July 1, 2029. The bond issue is payable from and secured by certain ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$922,328. During 2015, \$70,670 in ad valorem revenues was recognized and \$65,881 was paid for debt service.

■ \$1,835,000 serial bond issued for a current refunding of \$1,785,000 Florida Municipal Loan Council Bond, Series 1999, at a fixed rate of interest of 4.26%. The principal balance at September 30, 2015, was \$1,470,000. Interest payments are payable semiannually on April 1 and October 1. Principal payments are due annually on April 1, maturing on April 1, 2029. The bond issue is payable from the secured by non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$1,978,857. During 2015, \$140,307 was paid for debt service.

Loans Payable

\$2,520,323 loan payable used to connect approximately 620 residential units to the St. Johns County Utility System, issued through the Department of Environmental Protection's Clean Water State Revolving Loan Fund at an interest rate of 2.92%. The principal outstanding at September 30, 2015, was \$2,179,045. Principal and interest payments of \$83,683 are payable semiannually on January 15 and July 15. The loan is secured by revenue received from St. Johns County equal to the semiannual debt service payment to the City as each payment comes due. See Note 9 for further discussion of this activity.

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NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 6 - **Defined Benefit Pension Plan (Continued)**

General Information about the Florida Retirement System (FRS) (Concluded)

Essentially all regular employees of the City are eligible to enroll as members of the State-administered FRS. Provisions relating to 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 two cost-sharing, multiple-employer defined-benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' web site (www.dms.myflorida.com).

The City's pension expense totaled \$217,295 for the fiscal year ended September 30, 2015, (all plans).

FRS Pension Plan

Plan Description. The FRS Pension Plan (the Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership applicable to the City are as follows:

- **Regular Class**—Members of the FRS who do not qualify for membership in the other classes.
- **Elected Officer Class**—Members who hold specified elective offices in local government.
- **Senior Management Service Class (SMSC)**—Members in senior management level positions.
- **Special Risk Class**—Members who are employed in special risk careers, such as law enforcement or fire rescue, and meet the criteria to qualify for this 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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 6 - **Defined Benefit Pension Plan (Continued)**

FRS Pension Plan (Continued)

Plan Description. (Concluded)

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
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
Elected Officers	3.00
Senior Management Service Class	2.00
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

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NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 6 - **Defined Benefit Pension Plan (Continued)**

FRS Pension Plan (Continued)

Benefits Provided. (Concluded)

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% 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% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates for FRS during the City's 2014-15 fiscal year were as follows:

Class	Year Ended June 30, 2014		Year Ended June 30, 2015	
	Employee	Employer	Employee	Employer
Regular	3.00	6.07	3.00	5.56
Elected Officers	3.00	41.94	3.00	40.57
Senior Management Service	3.00	19.84	3.00	19.73
Special Risk Regular	3.00	18.52	3.00	20.34
DROP	0.00	11.02	0.00	11.22
Reemployment Retiree ⁽¹⁾	--	--	--	--

⁽¹⁾ Contribution rates are dependent upon retirement class in which reemployed.

The City's contributions, including employee contributions, to the Plan totaled \$278,000 for the fiscal year ended September 30, 2015. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2015, the City reported a liability of \$1,472,770 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's contributions during the Plan's fiscal year relative to the contributions of all participating members in the same fiscal year. At June 30, 2015, the City's proportionate share increased .0450650% from its proportion measured as of June 30, 2014.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 6 - **Defined Benefit Pension Plan (Continued)**

FRS Pension Plan (Continued)

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

Description	Deferred Outflows of Resources	(Deferred Inflows of Resources)
Employer Contributions after Measurement Date	\$ 67,791	\$ 0
Difference Between Expected and Actual Experience	155,481	(34,930)
Changes of Assumptions	97,753	0
Changes in Proportion and Difference Between City's Contributions and Proportionate Share of Contributions	192,256	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	(351,673)
Total	\$ 513,281	\$ (386,603)

The deferred outflows of resources related to pensions, totaling \$67,791, resulting from the City's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
2016	\$(74,392)
2017	(74,392)
2018	(74,392)
2019	215,749
2020	54,165
2021	12,149
Total	\$ 58,887

Actuarial Assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	7.65% Net of Pension Plan Investment Expense, Including Inflation

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NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 6 - **Defined Benefit Pension Plan (Continued)**

FRS Pension Plan (Continued)

Actuarial Assumptions. (Concluded)

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

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

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

Asset Class	Annual Target Allocation ⁽¹⁾	Annual Arithmetic Return	Geometric Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			

Assumed Inflation - Mean 2.60% 2.00%

⁽¹⁾ As Outlined in the Plan's Investment Policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.65%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate was 7.65% in the July 1, 2014 valuation.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

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NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 6 - **Defined Benefit Pension Plan (Continued)**

FRS Pension Plan (Concluded)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. (Concluded)

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City's Proportionate Share of the Net Pension Liability	\$ 3,816,279	\$ 1,472,770	\$ (477,415)

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

HIS Pension Plan

Plan Description. The HIS Pension Plan (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 Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, 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 Plan fiscal years ending June 30, 2016 and 2015, the contribution rates were 1.26% and 1.66% of payroll respectively, pursuant to Section 112.363, Florida Statutes. 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 the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$28,137 for the fiscal year ended September 30, 2015.

NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 6 - **Defined Benefit Pension Plan (Continued)**

HIS Pension Plan (Concluded)

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	4.29% Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

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

Discount Rate. The discount rate used to measure the total pension liability was 4.29%. 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 Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 4.29%, 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 1-percentage-point lower (3.29%) or 1-percentage-point higher (5.29%) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
City's Proportionate Share of the Net Pension Liability	\$ 855,342	\$ 750,660	\$ 663,371

Pension Plan Fiduciary Net Position. Detailed information about 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.

FRS - Defined Contribution Pension Plan

The City contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 6 - **Defined Benefit Pension Plan (Continued)**

HIS Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2015, the City reported a net pension liability of \$750,660 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's contributions during the Plan's fiscal year relative to the contributions of all participating members in the same fiscal year. At June 30, 2015, the City's proportionate share was increased. 020954% from its proportionate share measured as of June 30, 2014.

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
Employer Contributions after Measurement Date	\$ 8,843	\$ 0
Difference Between Expected and Actual Experience	0	0
Changes of Assumptions	59,057	0
Changes in Proportion and Difference between City Contributions and Proportionate Share of Contributions	34,821	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	406	0
Total	<u>\$ 103,127</u>	<u>\$ 0</u>

The deferred outflows of resources related to pensions, totaling \$8,843, 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 ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
2016	\$ 16,477
2017	16,477
2018	16,477
2019	16,394
2020	16,354
2021-2022	12,105
Total	<u>\$ 94,284</u>

NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 6 - **Defined Benefit Pension Plan (Concluded)**

FRS - Defined Contribution Pension Plan (Concluded)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City's Investment Plan pension expense totaled \$16,482 for the fiscal year ended September 30, 2015.

NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 7 - Risk Management

The City is exposed to various risks of loss related to general liability, workers' compensation, public liability, health benefits, property damage, and errors and omissions. To manage its risks, the City participates in the Florida League of Cities Self-Insurance Fund (the Fund) a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to the Fund for its coverage. The premiums are designed to fund the liability risks assumed by the Fund and are based on certain actual exposures of each member. The City's settled claims have not exceeded coverage in any of the past three fiscal years.

Note 8 - Other Postemployment Benefit Plan

Plan Description

The City administers a single-employer defined benefit plan for postemployment benefits other than pension benefits (OPEB Plan). The OPEB Plan provides postemployment health insurance benefits for retirees and eligible dependents.

All retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums, less the System subsidy. In future years, contributions are assumed to increase at the same rate as premiums.

A separate stand-alone financial statement is not prepared for the OPEB Plan.

Funding Policy

The contribution requirements of the OPEB Plan members and the City are established and may be amended by the St. Augustine Beach City Commission. A trust has not been established. Contributions are being made on a pay-as-you-go financing requirement.

Annual OPEB Cost and Net OPEB Obligations

The City has elected to calculate the Annual Required Contribution (ARC) and related information using the Alternative Measurement Method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The annual cost (expense) of the City's OPEB Plan is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB Plan cost for the year, the amount actually contributed by the employers, and the changes in the net OPEB Plan obligation.

Annual Required Contribution (ARC)	\$ 25,690
Interest on Net OPEB Obligation	12,515
Adjustments to ARC	<u>(15,451)</u>
Annual OPEB Cost	22,754
(Contributions Made)	<u>(349)</u>
Increase in Net OPEB Obligation	22,405
Net OPEB Obligation, Beginning of Year	<u>417,175</u>
Net OPEB Obligation, End of Year	<u>\$ 439,580</u>

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NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Continued)

Note 8 - Other Postemployment Benefit Plan (Continued)

Trend Information

Year Ended	Annual OPEB Cost	Employer Contribution	Net Percentage Contributed	OPEB Obligation
9/30/13	\$ 96,591	\$ 14,720	15.24%	\$ 335,303
9/30/14	96,591	14,720	15.24%	417,175
9/30/15	22,754	349	1.53%	439,580

Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Funded Status and Funding Progress

As of October 1, 2014, the date of the most recent valuation, the actuarial value of assets was \$0, the actuarial accrued liability for benefits was \$144,862, the unfunded actuarial accrued liability (UAAL) was also \$144,862, the funded ratio was 0%, the covered payroll was \$2,173,946, and the UAAL as a percentage of covered payroll was 6.66%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the City and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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NOTES TO FINANCIAL STATEMENTS
CITY OF ST. AUGUSTINE BEACH, FLORIDA
(Concluded)

Note 8 - Other Postemployment Benefit Plan (Concluded)

Methods and Assumptions (Concluded)

A discount rate of 3.00% was used. A general price inflation of 2.25% was assumed. In addition, the Entry Age Normal Cost actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at September 30, 2015, was 26 years.

Note 9 - Interlocal Agreement

Through the Department of Environmental Protection's State Revolving Loan Program, the City obtained funding to connect approximately 620 residential units in seven neighborhoods to the St. Johns County Utility System.

The City contracted with St. Johns County to extend their current utility system into these neighborhoods. The new lines are in place, and will be both operated and maintained by St. Johns County. The City is the owner of the new utility lines until such time as the debt instrument that has been used to finance the project has been retired, upon which the ownership shall vest solely with St. Johns County.

St. Johns County will share the revenues generated from the new utility connections with the City in an amount equal to the debt service on the City's loans not forgiven, as it becomes due and payable.

Note 10 - Commitments and Contingencies

On July 1, 2005, the City entered into an agreement with St. Johns County, Florida, to acquire land and build a park. The City has agreed to reimburse the County for 50% of the costs to be paid over a period of 12 years. For the year ended September 30, 2015, the City reimbursed the County \$107,768, with a remaining obligation of \$139,010.

Note 11 - Other Disclosures

Deficits in Fund Balance

The Capital Projects Fund had a deficit fund balance of \$16,746 as of September 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CITY OF ST. AUGUSTINE BEACH, FLORIDA**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 2,651,458	\$ 2,658,408	\$ 2,638,755	\$ (19,653)
Licenses and Permits	544,150	629,150	632,713	3,563
Intergovernmental Revenues	802,521	803,669	709,382	(94,287)
Charges for Services	331,425	341,425	363,191	21,766
Fines and Forfeitures	39,500	39,500	26,258	(13,242)
Interest	9,000	9,000	17,598	8,598
Miscellaneous	66,100	107,610	133,745	26,135
Total Revenues	<u>4,444,154</u>	<u>4,588,762</u>	<u>4,521,642</u>	<u>(67,120)</u>
Expenditures				
Current:				
General Government	1,312,948	1,337,982	1,281,426	56,556
Public Safety	1,853,687	1,895,265	1,825,178	70,087
Physical Environment	705,807	710,351	669,633	40,718
Economic Environment	300	5,300	5,250	50
Human Services	65	65	51	14
Culture and Recreation	97,000	108,850	104,201	4,649
Capital Outlay	653,211	752,725	401,613	351,112
Reserve for Contingencies	67,631	13,889	0	13,889
(Total Expenditures)	<u>(4,690,649)</u>	<u>(4,824,427)</u>	<u>(4,287,352)</u>	<u>537,075</u>
Excess of Revenues Over Expenditures	<u>(246,495)</u>	<u>(235,665)</u>	<u>234,290</u>	<u>469,955</u>
Other Financing Sources (Uses)				
Transfers (out)	(742,340)	(1,032,740)	(1,032,740)	0
Total Other Financing Sources (Uses)	<u>(742,340)</u>	<u>(1,032,740)</u>	<u>(1,032,740)</u>	<u>0</u>
Net Change in Fund Balance	<u>(988,835)</u>	<u>(1,268,405)</u>	<u>(798,450)</u>	<u>469,955</u>
Fund Balance, Beginning of Year	<u>988,835</u>	<u>1,268,405</u>	<u>5,411,763</u>	<u>4,143,358</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,613,313</u>	<u>\$ 4,613,313</u>

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**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CITY OF ST. AUGUSTINE BEACH, FLORIDA**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 235,981	\$ 235,981	\$ 241,056	\$ 5,075
Licenses and Permits	70,000	70,000	83,953	13,953
Intergovernmental Revenues	242,415	242,415	244,028	1,613
Charges for Services	51,217	51,217	54,153	2,936
Interest	2,515	2,515	2,186	(329)
Miscellaneous Revenue	1,000	1,000	194	(806)
Total Revenues	<u>603,128</u>	<u>603,128</u>	<u>625,570</u>	<u>22,442</u>
Expenditures				
Current:				
Transportation	715,333	748,609	671,289	77,320
Capital Outlay	405,000	694,074	483,686	210,388
Debt Service:				
Principal	101,509	101,509	101,509	0
Interest	65,857	65,857	65,857	0
(Total Expenditures)	<u>(1,287,699)</u>	<u>(1,610,049)</u>	<u>(1,322,341)</u>	<u>287,708</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(684,571)</u>	<u>(1,006,921)</u>	<u>(696,771)</u>	<u>310,150</u>
Other Financing Sources (Uses)				
Transfers in	684,571	1,006,921	924,972	(81,949)
Total Other Financing Sources (Uses)	<u>684,571</u>	<u>1,006,921</u>	<u>924,972</u>	<u>(81,949)</u>
Net Change in Fund Balance	<u>0</u>	<u>0</u>	<u>228,201</u>	<u>228,201</u>
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>445,770</u>	<u>445,770</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 673,971</u>	<u>\$ 673,971</u>

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**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS
CITY OF ST. AUGUSTINE BEACH, FLORIDA**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

	September 30, 2015**
Proportion of the FRS Net Pension Plan	0.011402375%
Proportion Share of the FRS Net Pension Plan	\$ 1,472,770
Covered-Employee Payroll*	\$ 2,271,362
Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered-Employee Payroll	64.84%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.00%

*The amounts shown above as reported on the date indicated, have a measurement date three months prior. Covered-employee payroll is for the year shown.

** GASB No. 68 was adopted for the 2015 Fiscal Year and 10-year trend information will be developed from 2015 forward.

HEALTH INSURANCE SUBSIDY PENSION PLAN

	September 30, 2015**
Proportion of the HIS Net Pension Plan	0.007360546%
Proportion Share of the HIS Net Pension Plan	\$ 750,660
Covered-Employee Payroll*	\$ 2,271,362
Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered-Employee Payroll	33.05%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.50%

*The amounts shown above as reported on the date indicated, have a measurement date three months prior. Covered-employee payroll is for the year shown.

** GASB No. 68 was adopted for the 2015 fiscal year and 10-year trend information will be developed from 2015 forward.

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF THE CITY CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS
CITY OF ST. AUGUSTINE BEACH, FLORIDA**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

	2015*
Contractually Required Contribution	\$ 278,000
FRS Contribution in Relation to the Contractually Required Contribution	(289,120)
FRS Contribution Deficiency (Excess)	\$ (11,120)
Covered-Employee Payroll (FYE 9/30)	\$ 2,271,362
FRS Contributions as a Percentage of Covered-Employee Payroll	12%

* GASB No. 68 was adopted for the 2015 fiscal year and 10-year trend information will be developed from 2015 forward.

HEALTH INSURANCE SUBSIDY PENSION PLAN

	2015*
Contractually Required Contribution	\$ 28,137
HIS Contribution in Relation to the Contractually Required Contribution	(30,750)
HIS Contribution Deficiency (Excess)	\$ (2,613)
Covered-Employee Payroll (FYE 9/30)	\$ 2,271,362
HIS Contributions as a Percentage of Covered-Employee Payroll	1.24%

* GASB No. 68 was adopted for the 2015 fiscal year and 10-year trend information will be developed from 2015 forward.

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OTHER POSTEMPLOYMENT BENEFITS PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CITY OF ST. AUGUSTINE BEACH, FLORIDA

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Value of Assets	Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll	UAAL as Percentage of Covered Payroll
9/30/2012	\$ 0	\$ 523,820	\$ 523,820	0.00%	\$ 1,643,984	31.9%
10/1/2014	0	144,862	144,862	0.00%	2,173,946	6.66%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended September 30	Amount Contributed	Percentage of Annual OPEB Cost Contributed
2013	\$ 14,720	15.24%
2014	14,720	15.24%
2015	349	1.53%

Notes:

- 2010 was the transition year and the City has elected to implement GASB Statement No. 45 prospectively. The information will be built prospectively as subsequent actuarial valuations are obtained.
- See Note 8 to the financial statements for detailed information on the City's OPEB Plan.

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ADDITIONAL ELEMENTS OF REPORT PREPARED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES AND THE RULES OF THE AUDITOR GENERAL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015
CITY OF ST. AUGUSTINE BEACH, FLORIDA

Note 1 - CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

Changes in Benefit Terms:

No significant changes.

Changes in Assumptions:

- FRS—In the July 1, 2014 actuarial valuation, the inflation rate assumption was decreased from 3.00% to 2.60%, the real payroll growth assumption was decreased from 1.00% to 0.65%, and the overall payroll growth rate assumption was decreased from 4.00% to 3.25%. The long-term expected rate of return decreased from 7.75% to 7.65%.
- HIS—In the July 1, 2014 actuarial valuation, the municipal rate used to determine total pension liability decreased from 4.63% to 4.29%.

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INDEPENDENT AUDITORS' 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

Honorable Mayor, Members of the City Commission, and City Manager
City of St. Augustine Beach, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine Beach, Florida (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses; however, material weaknesses may exist that have not been identified.

Certified Public Accountants
P.O. Box 141270 • 222 N.E. 1st Street • St. Augustine, Florida 32014-1270 • (352) 378-2461 • FAX (352) 378-2505
Laural Ridge Professional Center • 7147 S.F. 17th Street • Ocala, Florida 34471 • (352) 713-5873 • FAX (352) 737-0543
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1752
5001 Lakeswood Ranch Blvd., Suite 101 • Sarasota, Florida 34230 • (941) 907-0350 • FAX (941) 907-0309
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Honorable Mayor, Members of the City Commission,
and City Manager
City of St. Augustine Beach, Florida



**INDEPENDENT AUDITORS' 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**
(Concluded)

MANAGEMENT LETTER

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City in a separate letter dated May 20, 2016.

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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pursuant to Chapter 119, Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this report is intended solely for the information and use of the Mayor, City Commission, management, the Florida Auditor General, and applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis Gray and Company, LLP

May 20, 2016
Gainesville, Florida

Honorable Mayor, Members of the City Commission,
and City Manager
St. Augustine Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the City of St. Augustine Beach, Florida (the City), as of and for the year ended September 30, 2015, and have issued our report thereon dated May 20, 2016.

Auditors' Responsibility

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.

Other Reports and Schedule

We have issued our Independent Auditors' 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 Accountants' Report on an examination conducted in accordance with the *American Institute of Certified Public Accountants Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated May 20, 2016, 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 comment as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding audit. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. Corrective action has been taken to address findings and recommendations made in the preceding annual financial audit report.

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 included in Note 1 to the financial statements.

Certified Public Accountants
P.O. Box 41270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Lauris Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 712-5872 • FAX (352) 712-0542
443 East College Avenue • Tallahassee, Florida 32301 • (904) 224-7144 • FAX (904) 224-1752
5001 Lakewood Ranch Blvd., Suite 101 • Sarasota, Florida 34240 • (941) 907-0330 • FAX (941) 907-0309
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Honorable Mayor, Members of the City Commission,
and City Manager
St. Augustine Beach, Florida

MANAGEMENT LETTER
(Concluded)

Financial Condition

- Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, require we apply financial condition assessment procedures. It is management's responsibility to monitor the City'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 the same.

Annual Financial Report

■ Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

■ Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.32(1)(a), Florida Statutes. In connection with our audit, we determined that there were no special district components that were required to be reported in accordance with Section 218.32(1)(a), Florida Statutes.

Other Matters

- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had no such findings.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis Gray and Company, LLP

May 20, 2016
Gainesville, Florida

Honorable Mayor, Members of the City Commission,
and City Manager
St. Augustine Beach, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

We have examined the City of St. Augustine Beach, Florida (the City), compliance with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2015, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies and pass-through entities, the Mayor, and City Council members, and applicable management, and is not intended and should not be used by anyone other than these specified parties.

Purvis Gray and Company, LLP

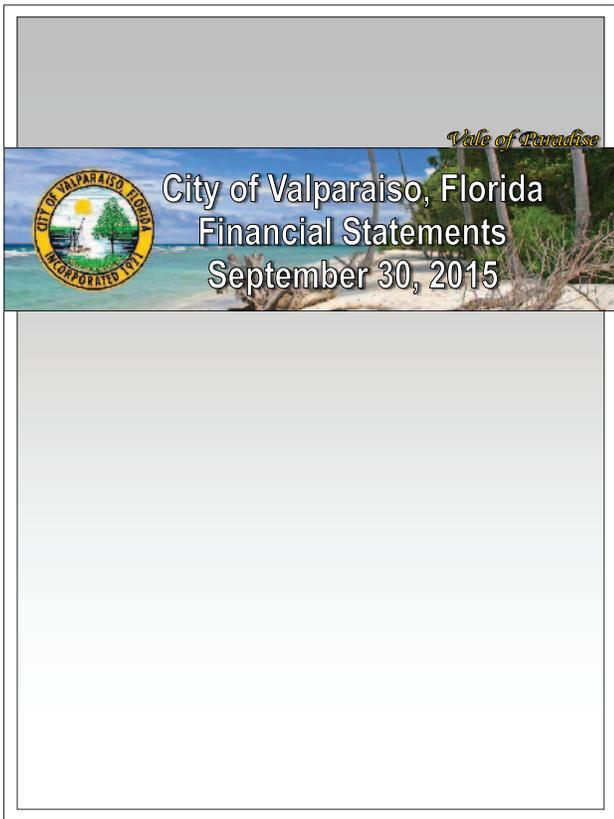
May 20, 2016
Gainesville, Florida

Certified Public Accountants
P.O. Box 41270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Lauris Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 712-5872 • FAX (352) 712-0542
443 East College Avenue • Tallahassee, Florida 32301 • (904) 224-7144 • FAX (904) 224-1752
5001 Lakewood Ranch Blvd., Suite 101 • Sarasota, Florida 34240 • (941) 907-0330 • FAX (941) 907-0309
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APPENDIX N

FINANCIAL INFORMATION REGARDING CITY OF VALPARAISO

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**CITY OF VALPARAISO, FLORIDA
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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45 Eagle Parkway, Suite 500
Fort Walton Beach, FL 32548
356.244.5127
www.warren.com

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Commission
City of Valparaiso, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valparaiso, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valparaiso, Florida, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Streets Fund, and Stormwater Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, as of October 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4-9, budgetary comparison information on pages 63-65, Schedules of Proportionate Share of Net Pension Liability for the Florida Retirement System and Health Insurance Subsidy on pages 66-67, Schedule of Contributions for the Florida Retirement System and Health Insurance Subsidy on pages 68-69, Schedule of Changes in Net Pension Liability and Related Ratios for the Public Safety Pension Plan on page 70, Schedule of Contributions for the Public Safety Pension Plan on page 71, and Notes to the Schedule of Contributions for the Public Safety Pension Plan on page 72 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis (MD&A) of the City of Valparaiso, Florida's (the City) financial performance provides an overview of financial activity, identifies changes in financial position, and assists the reader in focusing on significant financial issues for the fiscal year ended September 30, 2015. The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- Total assets increased \$748,130.
- Net position increased by \$1,022,280 which includes an increase of \$283,723 as a result of a prior period restatement due to the adoption of GASB Statement No. 68 and GASB Statement No. 71 along with a prior period adjustment to properly state the utility billing deposits as of October 1, 2014.
- Total revenues increased by 10.2% or \$703,031 and total expenses increased by 1.2% or \$79,802. A significant portion of the increase in revenues is due to three factors: 1) increase in proprietary charges for services, 2) receipt of a grant from Florida DOT in the current year in the amount of \$289,999, and 3) a gain on the investments in the amount of \$126,190.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by Statement 37. The statement of net position and the statement of activities (on pages 10-11) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

Government-Wide Financial Statements

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer that question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2016, on our consideration of the City of Valparaiso, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 City of Valparaiso, Florida's internal control over financial reporting and compliance.

Worren Account, LLC

Fort Walton Beach, Florida
April 28, 2016

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These two statements report the City's net position and changes in them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the statement of net position and the statement of activities, we divide the City into two kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including the police, fire, public works, cemetery, library, parks, and general administration. Taxes and intergovernmental revenues finance most of these activities.
- **Business-type activities** – The City charges fees to customers to help it cover the costs of certain services it provides. The City's utility, communication, and sanitation systems are included here.

REPORTING THE CITY'S FUNDS

Fund Financial Statements

Our analysis of the City's funds begins on page 8. The fund financial statements begin on page 12 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- **Governmental funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in the reconciliation's on pages 13 and 15.
- **Proprietary funds** – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's proprietary fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

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THE CITY AS TRUSTEE

REPORTING THE CITY'S FIDUCIARY RESPONSIBILITIES

The City is the trustee, or fiduciary, for its employees' pension plan. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position on pages 21 and 22.

We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE FINANCIAL ANALYSIS)

The following table reflects the net position of the City's governmental activities and business-type activities and is compared to the prior year.

**Table 1
CITY OF VALPARAISO, FLORIDA
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2015 AND 2014**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 2,631,230	\$ 1,977,944	\$ 3,622,552	\$ 3,637,654	\$ 6,253,782	\$ 5,615,598
Capital assets, net	3,884,215	3,805,010	4,339,848	4,309,107	8,224,063	8,114,117
Total assets	6,515,445	5,782,954	7,962,400	7,946,761	14,477,845	13,729,715
Deferred outflows of resources	113,473	-	5,409	-	118,882	-
Current liabilities	120,251	193,359	325,875	381,072	446,126	574,431
Other liabilities	972,630	998,229	3,513,811	3,684,133	4,486,441	4,682,362
Total liabilities	1,092,881	1,191,588	3,839,686	4,065,205	4,932,567	5,256,793
Deferred inflows of resources	106,379	-	62,579	-	168,958	-
Net position						
Net investment in capital assets	3,182,692	3,007,452	1,066,412	988,654	4,229,104	3,996,106
Restricted	609,171	18,210	892,833	600,741	1,502,004	618,951
Unrestricted	1,657,795	1,665,704	2,106,299	2,292,161	3,764,004	3,857,865
Total net position	\$ 5,429,658	\$ 4,691,366	\$ 4,065,544	\$ 3,881,556	\$ 9,495,202	\$ 8,472,922

For more detailed information, see the accompanying statement of net position.

Total assets increased by \$748,130 during the fiscal year ended September 30, 2015 primarily due to an increase in the net pension asset. Total liabilities decreased by \$324,226 from one year ago September 30, 2015 primarily due to repayments on bonds payable in the business-type and governmental activities.

The table below reflects the changes in net position of the City's governmental activities and business-type activities and compares the current and previous fiscal year.

**Table 2
CITY OF VALPARAISO, FLORIDA
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues						
Charges for services	\$ 531,913	\$ 533,554	\$ 3,865,652	\$ 3,595,659	\$ 4,397,565	\$ 4,129,213
Operating grants and contributions	46,287	50,067	38,293	-	84,580	50,067
Capital grants and contributions	294,647	25,355	-	-	294,647	25,355
General revenues						
Property taxes	832,092	812,089	-	-	832,092	812,089
Public service taxes	1,066,059	1,032,822	-	-	1,066,059	1,032,822
Franchise taxes	367,275	354,983	-	-	367,275	354,983
Intergovernmental, unrestricted	382,593	381,255	-	-	382,593	381,255
Investment earnings	124,071	4,698	2,119	2,480	126,190	7,178
Sales of investments and capital assets	5,537	4,047	11,050	-	16,587	4,047
Miscellaneous	16,095	79,167	3,279	7,755	19,374	86,922
TOTAL REVENUES	3,666,569	3,278,037	3,920,393	3,605,894	7,586,962	6,883,931
EXPENSES						
Primary government						
General government	751,459	868,590	-	-	751,459	868,590
Public safety	1,290,037	1,220,615	-	-	1,290,037	1,220,615
Physical environment	362,706	235,613	-	-	362,706	235,613
Transportation	223,413	375,221	-	-	223,413	375,221
Culture and recreation	510,370	497,394	-	-	510,370	497,394
Debt service interest	35,528	35,469	-	-	35,528	35,469
Business-type activities						
Utility	-	-	1,267,205	1,257,558	1,267,205	1,257,558
Communication	-	-	1,690,562	1,594,020	1,690,562	1,594,020
Sanitation	-	-	717,125	684,123	717,125	684,123
TOTAL EXPENSES	3,173,513	3,232,902	3,674,892	3,535,701	6,848,405	6,788,603
CHANGE IN NET POSITION	493,056	45,135	245,501	70,193	738,557	115,328
NET POSITION - BEGINNING	4,991,366	4,546,231	3,881,556	3,811,363	8,472,922	8,357,594
RESTATEMENT	345,236	-	(61,513)	-	283,723	-
NET POSITION - ENDING	\$ 5,429,658	\$ 4,691,366	\$ 4,065,544	\$ 3,881,556	\$ 9,495,202	\$ 8,472,922

For more detailed information, see the accompanying Statement of Activities.

The City's total revenues increased by \$703,031 or 10.2% and total expenses increased by \$79,802, or 1.2%. Net position increased by \$738,557 for fiscal year 2015. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The City's revenue for governmental activities increased \$388,532, or 11.9%, compared to the prior year. This increase is attributable to a receipt of a Grant from Florida DOT in the amount of \$289,099, and a gain on investments in the amount of \$129,608. Expenses decreased \$59,389, or 1.8% from the previous year.

Business-type Activities

Revenues of the City's business-type activities show an increase of 8.7% or \$314,499 from the previous fiscal year. This increase is primarily related to an increase in charges for services based on additional usage and subscriptions. Expenses increased 3.9% or \$139,191. The increase correlates to the increase in charges for services and results from increases in direct costs of providing utility services to the citizens.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$1.9 million, which is \$260 thousand higher than last year's total. The increase in fund balance is primarily the result of the current year gain on investment as well as a decrease in general government expenditures compared to FY14.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2015, the City had approximately \$8.2 million invested in capital assets (net of depreciation). This amount represents a net increase (including additions and deductions) of \$109,946 or 1.4% over the fiscal year 2014 total. See note 5 for additional information. A listing of capital assets of governmental and business-type activities by major category, net of depreciation, for the current and prior year follows:

**Table 3
CITY OF VALPARAISO, FLORIDA
CAPITAL ASSETS
(net of depreciation)
AS OF SEPTEMBER 30, 2015 AND 2014**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 455,209	\$ 455,209	\$ 90,603	\$ 90,603	\$ 545,812	\$ 545,812
Buildings and improvements	1,103,738	1,144,946	2,016,935	2,151,669	3,120,673	3,296,615
Infrastructure	1,868,506	1,690,780	-	-	1,868,506	1,690,780
Machinery, equipment and vehicles	456,782	514,075	2,232,310	2,066,835	2,689,072	2,580,910
Total	\$ 3,884,215	\$ 3,805,010	\$ 4,339,848	\$ 4,309,107	\$ 8,224,063	\$ 8,114,117

Debt

At September 30, 2015, the City had \$4.1 million in bonds outstanding, net of unamortized discount, premium and deferred refunding expenses, versus \$4.4 million in the prior year, a decrease of \$287,859 as shown below. The City also had \$28,004 in lease obligations versus \$46,239 in the prior year, a decrease of \$18,235 due to payments being made on the lease in the current year.

**Table 4
CITY OF VALPARAISO, FLORIDA
LONG-TERM DEBT OUTSTANDING
AS OF SEPTEMBER 30, 2015 AND 2014**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Capital leases	\$ 28,004	\$ 46,239	\$ -	\$ -	28,004	46,239
Bonds payable, net	693,519	751,319	3,443,134	3,654,958	4,136,653	4,406,277
Total	\$ 721,523	\$ 797,558	\$ 3,443,134	\$ 3,654,958	\$ 4,164,657	\$ 4,452,516

The last payment on the debt is due in fiscal year 2041. The maximum debt service in any one year on this debt is estimated to be \$463,683 in 2017.

For additional information on debt, see Note 7 in the accompanying financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Amounts available for appropriation in the FY 2016 General Fund budget are approximately \$2.9 million which is a decrease from the final FY 2015 budget by approximately \$35 thousand. The City added no major new programs to the FY 2016 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report was prepared by the City. For questions about this report or additional financial information, contact the City Clerk's Office, 465 Valparaiso Parkway, Valparaiso, Florida 32580.

CITY OF VALPARAISO, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,018,925	\$ 776,429	\$ 1,795,354
Investments	287,830	-	287,830
Accounts receivables, net	11,791	319,968	331,759
Internal balances	572,573	(572,573)	-
Due from other governments	123,147	-	123,147
Inventory, at cost	-	78,505	78,505
Prepaid items	7,793	5,872	13,665
Restricted assets			
Cash and cash equivalents	18,094	1,249,160	1,267,254
Capital assets			
Non-depreciable	455,209	90,603	545,812
Depreciable, net	3,429,006	4,249,245	7,678,251
Other assets			
Investment in joint venture	-	1,765,191	1,765,191
Net pension asset	591,077	-	591,077
TOTAL ASSETS	6,515,445	7,962,400	14,477,845
DEFERRED OUTFLOW OF RESOURCES	113,473	5,409	118,882
LIABILITIES			
Accounts payable	36,679	120,928	157,607
Accrued liabilities	48,069	18,318	66,387
Accrued interest	13,980	-	13,980
Due to other governments	21,523	-	21,523
Payable from restricted assets			
Accrued interest	-	67,767	67,767
Customer deposits	-	118,862	118,862
Non-current liabilities			
Due within one year			
Compensated absences	138,529	35,249	173,778
Lease payable	18,581	-	18,581
Bonds payable	61,450	223,550	285,000
Due in more than one year			
Net pension liability	42,078	35,428	77,506
Lease payable	9,423	-	9,423
Bonds payable, net	632,069	3,219,584	3,851,653
Contingency payable	70,500	-	70,500
TOTAL LIABILITIES	1,092,881	3,839,686	4,932,567
DEFERRED INFLOW OF RESOURCES	106,379	62,579	168,958
NET POSITION			
Net investment in capital assets	3,162,692	1,066,412	4,229,104
Restricted			
Debt service	-	750,677	750,677
Capital projects	-	142,156	142,156
Library	9,556	-	9,556
Public safety	8,538	-	8,538
Pension	591,077	-	591,077
Unrestricted	1,657,795	2,106,299	3,764,094
TOTAL NET POSITION	\$ 5,429,658	\$ 4,065,544	\$ 9,495,202

See notes to the financial statements.

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CITY OF VALPARAISO, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2015

	General Fund	Streets Fund	Stormwater Fund	Total
				Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 793,659	\$ 114,706	\$ 110,560	\$ 1,018,925
Investments	287,830	-	-	287,830
Accounts receivables, net	6,644	-	5,147	11,791
Due from (to) other funds	508,721	64,584	(732)	572,573
Due from other governments	63,675	59,472	-	123,147
Prepaid items	7,793	-	-	7,793
Restricted assets				
Cash and cash equivalents	18,094	-	-	18,094
TOTAL ASSETS	\$ 1,686,416	\$ 238,762	\$ 114,975	\$ 2,040,153
LIABILITIES				
Accounts payable	\$ 32,445	\$ 2,344	\$ 1,890	\$ 36,679
Accrued liabilities	45,787	2,217	65	48,069
Due to other governments	21,523	-	-	21,523
TOTAL LIABILITIES	99,755	4,561	1,955	106,271
FUND BALANCE				
Nonspendable	7,793	-	-	7,793
Restricted	18,094	-	-	18,094
Committed	207,165	-	113,020	320,185
Assigned	109,150	234,201	-	343,351
Unassigned	1,244,459	-	-	1,244,459
TOTAL FUND BALANCE	1,586,661	234,201	113,020	1,933,882
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,686,416	\$ 238,762	\$ 114,975	\$ 2,040,153

See notes to the financial statements.

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CITY OF VALPARAISO, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Function/program activities	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities						
General government	\$ 751,459	\$ 438,937	\$ -	\$ (315,092)	\$ -	\$ (315,092)
Public safety	1,290,037	11,192	4,347	(1,274,488)	-	(1,274,488)
Physical environment	382,706	81,995	-	(281,311)	-	(281,311)
Transportation	222,413	-	289,989	66,586	-	66,586
Sanitation	91,910	-	301	(91,609)	-	(91,609)
Debt service (interest)	35,529	46,287	-	(35,528)	-	(35,528)
Total governmental activities	3,173,513	531,313	46,287	(2,300,686)	-	(2,300,686)
Business-type activities						
Utility	1,267,205	1,468,053	38,293	-	239,141	239,141
Communication	1,690,662	1,616,190	-	-	(74,372)	(74,372)
Sanitation	717,125	781,009	-	-	64,284	64,284
Total business-type activities	3,674,992	3,865,652	38,293	-	229,053	229,053
Total primary government	\$ 6,848,405	\$ 4,397,665	\$ 64,580	\$ (2,300,686)	\$ 229,053	\$ (2,071,633)
General revenues						
Taxes						
Property taxes				\$ 832,092	\$ -	\$ 832,092
Utility service taxes				610,340	-	610,340
Sales taxes				457,775	-	457,775
Intergovernmental, unrestricted				382,726	-	382,726
Investment earnings				392,593	-	392,593
Gain on sale of assets				124,071	2,119	126,190
Miscellaneous				16,095	11,050	27,145
Total general revenues				2,793,722	16,448	2,810,170
Other revenues				493,056	246,501	739,557
Total other revenues				493,056	246,501	739,557
CHANGE IN NET POSITION				4,936,602	3,820,043	8,756,645
NET POSITION AT BEGINNING OF YEAR -- RESTATED				\$ 5,429,658	\$ 4,065,544	\$ 9,495,202
NET POSITION AT END OF YEAR				\$ 10,366,260	\$ 7,935,587	\$ 18,301,847

See notes to the financial statements.

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CITY OF VALPARAISO, FLORIDA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Fund balance, total governmental funds (page 12)	\$ 1,933,882
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 funds.	
Governmental non-depreciable assets	455,209
Governmental depreciable assets	7,923,232
Less accumulated depreciation	(4,494,226)
	3,884,215
Other assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Net pension asset	591,077
Deferred inflows of resources and deferred outflows of resources related to pensions are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.	
Deferred outflows of resources related to pensions	113,473
Deferred inflows of resources related to pensions	(106,379)
	7,094
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Bonds payable	(693,519)
Lease payable	(28,004)
Accrued interest	(13,980)
Contingency payable	(70,500)
Compensated absences	(138,529)
Net pension liability	(42,078)
	(986,610)
Net position of governmental activities (page 10)	\$ 5,429,658

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	General Fund	Streets Fund	Stormwater Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 1,321,327	\$ 215,066	\$ -	\$ 1,536,393
Permits and fees	411,411	-	-	411,411
Intergovernmental	689,309	419,976	-	1,109,285
Charges for services	400,225	-	45,615	445,840
Fines and forfeits	8,751	-	-	8,751
Miscellaneous	150,588	4,232	69	154,889
Total revenues	<u>2,981,611</u>	<u>639,274</u>	<u>45,684</u>	<u>3,666,569</u>
EXPENDITURES				
Current				
General government	719,144	-	-	719,144
Public safety	1,254,636	-	-	1,254,636
Physical environment	190,034	-	25,885	215,919
Transportation	-	209,841	-	209,841
Culture and recreation	421,448	-	-	421,448
Capital outlay	112,101	354,660	7,391	474,152
Debt service				
Principal and interest	33,890	77,495	-	111,385
Total expenditures	<u>2,731,253</u>	<u>641,996</u>	<u>33,276</u>	<u>3,406,525</u>
NET CHANGE IN FUND BALANCE	250,358	(2,722)	12,408	260,044
FUND BALANCE AT BEGINNING OF YEAR	1,336,303	236,923	100,612	1,673,838
FUND BALANCE AT END OF YEAR	<u>\$ 1,586,661</u>	<u>\$ 234,201</u>	<u>\$ 113,020</u>	<u>\$ 1,933,882</u>

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balance – governmental funds (page 14)	\$ 260,044
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/amortized over the estimated useful lives of the assets.	
Expenditures for capital assets	474,152
Less current year depreciation	<u>(394,944)</u>
	79,208
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal payments on bond	57,800
Principal payments on lease	18,235
Change in accrued interest on long-term debt	<u>(175)</u>
	75,860
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 net pension asset and related deferred inflows and outflows of resources	86,302
Change in long-term compensated absences	<u>(8,358)</u>
	<u>77,944</u>
Change in net position of governmental activities (page 11)	<u>\$ 493,056</u>

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Utility Fund	Communication Fund	Sanitation Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 351,922	\$ 296,967	\$ 127,540	\$ 776,429
Accounts receivables, net	189,026	47,945	82,997	319,968
Inventory, at cost	54,302	24,203	-	78,505
Prepaid items	-	5,872	-	5,872
Total current assets	<u>595,250</u>	<u>374,987</u>	<u>210,537</u>	<u>1,180,774</u>
Non-current assets				
Restricted assets				
Cash and cash equivalents	935,421	313,739	-	1,249,160
Capital assets				
Non-depreciable	40,287	50,316	-	90,603
Depreciable, net	2,437,188	1,340,156	471,901	4,249,245
Total capital assets	<u>2,477,475</u>	<u>1,390,472</u>	<u>471,901</u>	<u>4,339,848</u>
Other assets				
Investment in joint venture	1,765,191	-	-	1,765,191
Total non-current assets	<u>5,178,087</u>	<u>1,704,211</u>	<u>471,901</u>	<u>7,354,199</u>
TOTAL ASSETS	<u>5,773,337</u>	<u>2,079,198</u>	<u>682,438</u>	<u>8,534,973</u>
DEFERRED OUTFLOW OF RESOURCES				
	1,564	1,473	2,372	5,409

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION – CONTINUED
SEPTEMBER 30, 2015**

	Utility Fund	Communication Fund	Sanitation Fund	Total
LIABILITIES				
Current liabilities				
Accounts payable	45,835	61,655	13,438	120,928
Accrued liabilities				
Compensated absences	12,175	11,658	11,416	35,249
Other	5,679	6,044	6,595	18,318
Due to other funds	285,887	269,073	17,613	572,573
Payable from restricted assets				
Customer deposits	118,862	-	-	118,862
Accrued interest	40,540	27,227	-	67,767
Revenue bonds payable	142,350	81,200	-	223,550
Total current liabilities	<u>651,328</u>	<u>456,857</u>	<u>49,062</u>	<u>1,157,247</u>
Non-current liabilities				
Net pension liability	10,244	9,651	15,533	35,428
Revenue bonds payable, net	2,026,498	1,193,086	-	3,219,584
Total non-current liabilities	<u>2,036,742</u>	<u>1,202,737</u>	<u>15,533</u>	<u>3,255,012</u>
TOTAL LIABILITIES	<u>2,688,070</u>	<u>1,659,594</u>	<u>64,595</u>	<u>4,412,259</u>
DEFERRED INFLOW OF RESOURCES	18,094	17,048	27,437	62,579
NET POSITION				
Net investment in capital assets	478,325	116,186	471,901	1,066,412
Restricted				
Debt service	464,165	286,512	-	750,677
Capital projects	142,156	-	-	142,156
Unrestricted	1,984,091	1,331	120,877	2,106,299
TOTAL NET POSITION	<u>\$ 3,068,737</u>	<u>\$ 404,029</u>	<u>\$ 592,778</u>	<u>\$ 4,065,544</u>

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Utility Fund	Communication Fund	Sanitation Fund	Total
OPERATING REVENUES				
Charges for services	\$ 1,343,453	\$ 1,616,190	\$ 781,409	\$ 3,741,052
OPERATING EXPENSES				
Personal services	272,115	267,473	373,335	912,923
Operating	662,173	1,174,115	274,248	2,110,536
Depreciation expense	233,283	196,292	69,542	499,117
Total operating expenses	1,167,571	1,637,880	717,125	3,522,576
OPERATING INCOME (LOSS)	175,882	(21,690)	64,284	218,476
NON-OPERATING REVENUES (EXPENSES)				
Interest expense	(92,154)	(52,906)	-	(145,060)
Other debt service costs	(7,480)	224	-	(7,256)
Equity earnings in joint venture	124,600	-	-	124,600
Interest income	1,205	681	233	2,119
Miscellaneous	38,293	3,279	11,050	52,622
Total non-operating revenues (expenses)	64,464	(48,722)	11,283	27,025
CHANGE IN NET POSITION	240,346	(70,412)	75,567	245,501
NET POSITION AT BEGINNING OF YEAR, RESTATED	2,828,391	474,441	517,211	3,820,043
NET POSITION AT END OF YEAR	\$ 3,068,737	\$ 404,029	\$ 592,778	\$ 4,065,544

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Utility Fund	Communication Fund	Sanitation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,351,538	\$ 1,600,210	\$ 777,746	\$ 3,729,494
Payments to suppliers	(670,184)	(1,187,924)	(282,444)	(2,140,552)
Payments to employees	(269,820)	(264,680)	(380,129)	(914,629)
Miscellaneous income	38,293	3,279	11,050	52,622
Net cash provided by operating activities	449,827	150,885	126,223	726,935
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Receipts (payments) on interfund balances	109,405	144,318	(1,254)	252,469
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets related to joint venture	(25,519)	-	-	(25,519)
Purchase and construction of capital assets	(179,186)	(173,734)	(176,937)	(529,857)
Principal paid on bonds	(132,780)	(75,399)	-	(208,179)
Interest paid on bonds and leases	(95,767)	(56,340)	-	(152,107)
Other debt service costs	(7,480)	223	-	(7,257)
Net cash used in capital and related financing activities	(440,732)	(305,250)	(176,937)	(922,919)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	1,205	681	233	2,119
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	119,705	(9,366)	(51,735)	58,604
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,167,638	620,072	179,275	1,966,985
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,287,343	\$ 610,706	\$ 127,540	\$ 2,025,589
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF				
Current	\$ 351,922	\$ 296,967	\$ 127,540	\$ 776,429
Restricted	935,421	313,739	-	1,249,160
TOTAL CASH AND CASH EQUIVALENTS	\$ 1,287,343	\$ 610,706	\$ 127,540	\$ 2,025,589

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Utility Fund	Communication Fund	Sanitation Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 175,882	\$ (21,690)	\$ 64,284	\$ 218,476
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	233,283	196,292	69,542	499,117
Miscellaneous revenue	38,293	3,279	11,050	52,622
Decrease (increase) in assets:				
Accounts receivable, net	(8,284)	(15,980)	(3,663)	(27,927)
Inventory	(1,368)	(1,146)	-	(2,514)
Prepaid items	-	1,797	-	1,797
Increase in deferred outflow of resources	(263)	(248)	(400)	(911)
Increase (decrease) in liabilities:				
Accounts payable	(6,643)	(14,460)	(8,196)	(29,299)
Customer deposits - restricted	16,369	-	-	16,369
Salaries and benefits payable	2,315	1,964	1,129	5,408
Accrued compensated absences	3,793	4,421	(2,140)	6,074
Net pension liability	(1,141)	(1,075)	(1,730)	(3,946)
Decrease in deferred inflow of resources	(2,409)	(2,269)	(3,653)	(8,331)
Net cash provided by operating activities	\$ 449,827	\$ 150,885	\$ 126,223	\$ 726,935

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015**

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 15,366
Investments, at fair value	
Fixed income mutual funds	764,474
Equity mutual funds	1,140,949
Due from State of Florida	8,118
Employer receivable	11,916
Plan member receivable	1,490
TOTAL ASSETS	\$ 1,942,313
FIDUCIARY NET POSITION	
Held in trust for pension and employee retirement benefits	\$ 1,942,313

See notes to the financial statements.

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**CITY OF VALPARAISO, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Pension Trust Fund
ADDITIONS	
Contributions	
Employer	\$ 82,834
Plan members	10,255
State of Florida	<u>68,129</u>
Total contributions	<u>161,218</u>
Investment income	
Net appreciation (decline) in fair value of investments	(2,632)
Less investment expense	<u>(3,786)</u>
Net investment income (loss)	<u>(6,418)</u>
TOTAL ADDITIONS	<u>154,800</u>
DEDUCTIONS	
Pension benefits paid	29,141
Professional services	5,588
Administrative expense	<u>1,000</u>
TOTAL DEDUCTIONS	<u>35,729</u>
CHANGE IN FIDUCIARY NET POSITION	119,071
FIDUCIARY NET POSITION AT BEGINNING OF YEAR	<u>1,823,242</u>
FIDUCIARY NET POSITION AT END OF YEAR	<u>\$ 1,942,313</u>

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY

Description of City

The City of Valparaiso, Florida (the City) was incorporated on May 6, 1921 under the provisions of the Laws of Florida, Ch. 9101 (1921). The City operates under a Commission-Mayor form of government and provides the following services: public safety (law enforcement and fire control), streets, utilities, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental and financial reporting principles.

The following is a summary of the more significant accounting policies of the City:

The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include, or exclude, a potential component unit in the reporting entity was made by applying the criteria set forth in Government Accounting Standards Board (GASB) Statement 61. The basic, but not the only criterion, for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon the application of these criteria, the City of Valparaiso Cable Authority, established on June 11, 2007 by Ordinance No. 564 qualifies as a blended component unit and is designated as the Communication Fund in the Proprietary Fund financial statements. The City does not issue a separate financial statement for this component unit.

Related organizations are those legally separate entities for which the City is responsible for appointing the board members or Trustees and for which the City is not otherwise financially accountable. These organizations are not included in the primary governments' financial statements as they are not considered to be part of the financial reporting entity. There were no entities meeting these criteria.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – CONTINUED

Government-Wide and Fund Financial Statements

Government-wide financial statements, including the statement of net position and statement of activities, present information about the City as a whole. These statements include the non-fiduciary financial activity of the primary government.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the City.

The effects of interfund activity have been eliminated from the government-wide financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources, as they are needed.

Fund financial statements are used to account for the general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – CONTINUED

Measurement Focus and Basis of Accounting – Continued

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City's ad valorem taxes are assessed by the Okaloosa County Property Appraiser and collected by the Okaloosa County Tax Collector in accordance with Florida Statutes. The City retains the right and duty to set millage rates. Property taxes are not recorded as receivables at September 30th because, though legally assessed as of January 1, they are not due and payable until after the close of the fiscal year ended the following September 30th.

The following is the current property tax calendar:

Lien Date	January 1, 2015
Levy Date	November 1, 2015
Due Date	November 1, 2015
Delinquent Date	April 1, 2016

One-percent discounts are granted for each month taxes are paid prior to March 2015.

Revenue recognition criteria for property taxes under GASB requires that only property taxes expected to be collected within 60 days of the current period be accrued. Property taxes which are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility; therefore, they are not recorded as a receivable at the balance sheet date.

Basis of Presentation

The following three broad classifications are used to categorize the fund types used by the City:

Governmental

Governmental funds include the following major funds:

General Fund – the City's primary operating fund. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
CONTINUED

Basis of Presentation – Continued

Governmental – Continued

Streets Fund – a special revenue fund used to account for state revenues restricted for the use and expenditures of transportation.

Stormwater Fund – used to account for revenues and expenditures related to storm drainage.

Proprietary

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds include the following fund types:

Utility Fund – used to account for the operations associated with potable water supply, treatment, transmission and distribution services to area residents and the operations associated with sewer collection, treatment and disposal services to area residents.

Sanitation Fund – used to account for the operations associated with sanitation collection and disposal services for the residents of the City.

Communication Fund – used to account for the operating activities of the City's cable television, internet, telephone, and security services.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the City's enterprise funds are charges to customers for sales of water, sewer, and communication services. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement.

Pension Trust Fund – custodial in nature and does not present results of City operations or have a measurement focus. Pension Trust Funds are accounted for using the modified accrual basis of accounting. The Pension Trust Fund accounts for the assets of the City's Police Officers' Retirement Trust Fund and the Firefighters' Retirement Trust Fund.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
CONTINUED

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity –
Continued**

Receivables and Payables

Internal Balances

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "internal balances."

Advances between funds, if any, are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All receivables in governmental funds are shown net of an allowance for uncollectible amounts. At September 30, 2015, accounts receivable totaled \$26,963, net of an allowance of doubtful accounts of \$15,172.

Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost 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 columnar presentation.

Enterprise Fund Receivables

Accounts receivable from customers are reported at the outstanding balance due from customers, net of any allowance for doubtful accounts. The City provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. At September 30, 2015, accounts receivable totaled \$421,382, net of an allowance for doubtful accounts of \$101,414.

Inventories and Prepaid Items

Inventories in proprietary funds consist of expendable supplies held for consumption. They are reported at cost on a first-in, first-out basis or, in instances where cost is not determinable, at an approximate cost based upon current invoice prices. Maintenance and operation supplies are expensed when purchased rather than when consumed.

Payments to vendors that benefit future reporting periods are recorded as prepaid items. Both inventories and prepaid items are similarly reported in government-wide and fund financial statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
CONTINUED

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less.

The City maintains its deposits with banks that are qualified public depositories under Florida law. All deposits are insured by Federal depository insurance and/or collateralized pursuant to the Public Depository Security Act of the State of Florida.

Under this method, all the City's deposits are fully insured or collateralized at the highest level of security as defined by Governmental Accounting Standards Board, Statement Number 40, Deposits and Investment Disclosures (An Amendment of Governmental Accounting Standards Board, Statement Number 3).

Investments

The City's investment policy, in compliance with state statutes, authorizes investments in the following:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Chapter 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest bearing time deposits or savings accounts in qualified public depositories as defined in Chapter 280.02, Florida Statutes.
- Direct obligations of the U.S. Treasury.
- Obligations of federal agencies and instrumentalities.

The City believes that by adhering to the above deposits and investments policy credit risk and custodial risk will be minimal. The City does not have a policy related to interest rate risk.

The police and firefighters pension trust funds are allowed to invest in corporate stocks and bonds subject to certain limitations. The police and firefighter pension plan investments consist primarily of mutual funds: Bond Fund, Growth Fund, Index Fund, Small to Mid Cap Equity and an International Fund. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. These investments are part of a local government investment pool and therefore, are considered an external investment pool for GASB reporting requirements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
CONTINUED

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity –
Continued**

Restricted Assets

Certain resources in the following funds are restricted for specific purposes:

General Fund – A police forfeiture fund was established to receive monies and proceeds from sale of confiscated property. Expenditures are made from this fund according to State Statute. A library fund was established to receive donations from private sources to be used for the operating activities of the library.

Proprietary Funds – Water and sewer meter deposits received from customers of the water and sewer system are placed in a meter deposit account in the Utility Fund. The money is restricted to use as payment for the final customer bill or returned to the customer upon settlement of final bill.

Certain resources set aside for capital improvements are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "project" account is used to segregate bond proceeds for capital improvements in the Communication Fund and Utility Fund.

Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and a useful life in excess of one year. Such assets meeting these criteria are capitalized at historical cost, if purchased, while others are charged to expense. Donated assets are stated at fair value on the date donated.

The City's infrastructure asset records include only those infrastructure assets categorized during the past ten years. An estimation of infrastructure costs before this period has not been made. The City elected not to retroactively report major infrastructure assets before this time under GASB Statement No. 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
 CONTINUED

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity –
 Continued**

Capital Assets – Continued

Capital assets are depreciated using the straight-line method generally over the following estimated useful lives:

Assets	Years
Buildings	40-50 Years
Building improvements	15-25 Years
Infrastructure	20-50 Years
Vehicles	5-10 Years
Office equipment	5-10 Years
Machinery and equipment	5-15 Years
CATV system	5-15 Years
Water and sewer systems	20-50 Years

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 8 and 9 for additional information on the City's deferred outflows of resources.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Notes 8 and 9 for additional information on the City's deferred inflows of resources.

Compensated Absences

Vested or accumulated leave (annual, personal and sick) that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. All vested or accumulated leave is accrued when incurred in the government-wide and proprietary fund financial statements. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay or personal leave benefits.

The policy of the City for sick leave is that all full-time, permanent employees accrue 80 hours or 10 days per calendar year to a maximum of 240 hours. The policy of the City for vacation leave is that all full-time, permanent employees accrue vacation leave benefits in varying amounts to a maximum of 240 hours depending on length of employment. The estimated liabilities include required salary-related payments. Governmental funds report only matured compensated absences payable to currently terminating employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
 CONTINUED

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity –
 Continued**

Categories and Classification Fund Equity

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are comprised of the following:

- **Nonspendable** – includes amounts that are (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, deposits, prepaid items, and advances to other funds.
- **Restricted** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- **Committed** – includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action (an Ordinance) of the government's highest level of decision making authority (City Commission). Commitments may be changed or lifted only by the City taking the same formal action (an Ordinance) that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.
- **Assigned** – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Intent is expressed by (a) the City Commission or (b) a body (for example: a budget or finance committee) or official to which the City Commission has delegated the authority to assign amounts to be used for specific purposes. The City Commission is the body with authority to assign amounts. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund.
- **Unassigned** – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification with the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. The City does not have a formal fund balance policy.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
 CONTINUED

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity –
 Continued**

Compensated Absences – Continued

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are recorded as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

Deferred Revenues

Revenues collected in advance are deferred and recognized as revenue in the period earned.

Long-Term Obligations

Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the fund and in the government-wide statement of net position. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each plan, and additions to/deductions from the fiduciary net position of each plan have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions, if any) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Administrative costs are financed from each respective fund's investment earnings.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. See Notes 8 and 9 for defined timeframes on the Florida Retirement System/Health Insurance Subsidy and Public Safety Pension Plan, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
 CONTINUED

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Equity –
 Continued**

Categories and Classification Fund Equity – Continued

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Net Position

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

Capital Contributions

Capital contributions in proprietary fund financial statements arise from grants or outside contributions of resources restricted to capital acquisition and construction.

Estimates

The financial statements and related disclosures are prepared in conformity with principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, pension and postretirement obligations and useful lives and impairment of tangible assets, the determination of the actuarially accrued liability for unpaid claims, which is prepared based upon certain assumptions pertaining to interest rates, inflation rates, etc., among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Subsequent Events

Subsequent events were evaluated through April 28, 2016, which is the date the financial statements were available to be issued.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual appropriated budgets are adopted for the General Fund, Streets Fund, and proprietary funds. The annual budgets for the General Fund and Streets Fund are adopted using the cash basis of accounting, which is not in accordance with U.S. GAAP required for governmental fund types. Every appropriation, except an appropriation for a capital expenditure, lapses at the end of the year to the extent it has not been expended or encumbered.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Budgetary Information – Continued

Annual appropriated budgets are adopted by resolution for all governmental and proprietary funds on or before October 1 of each year as required by state statute. However, budgets for proprietary funds are not legally required to be reported on and are not included in these financial statements. Budgets are amended through a resolution passed by a majority vote of the City Commission at a publicized meeting. The total revenue(s) and/or expenditure(s) must exceed \$5,000 before the amendment will be considered. All budget amounts presented in the accompanying supplementary information have been adjusted for legally authorized amendments.

Budgets for all funds are prepared on the cash receipts and disbursements basis of accounting which differs from the basis used for financial reporting purposes. These differences are usually not significant for the governmental funds. Revenues are budgeted in the year receipt is expected and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. Occasionally, a portion of unassigned fund balance from the previous year will be included as budgeted source for the current year.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services, other services and charges, supplies, capital outlay, transfers, and debt service. Expenditures are not to exceed appropriations at the fund level.

3. PRIOR PERIOD ADJUSTMENT/RESTATEMENT

During the current fiscal year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, which resulted in a restatement to record the City's net pension liability as of October 1, 2014 within both Governmental Activities as well as Business-Type Activities. In addition, the City identified an error which was an overstatement in the customer deposits in Business-Type Activities (specifically the Utility Fund). This occurred as the result of the City not properly releasing forfeited security deposits from the account due to a lack of a reconciliation performed of customer deposits held. As a result, beginning Business-Type Activities (specifically the Utility Fund) were adjusted as follows:

Aspects of Governmental Activities was adjusted or restated as follows:

	Governmental Activities
Net Position	
Net Position September 30, 2014, as Previously Reported	\$ 4,591,366
Restatement to Implement GASB Statements 68 and 71	345,236
Net Position, October 1, 2014, as Restated	<u>\$ 4,936,602</u>

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3. PRIOR PERIOD ADJUSTMENT/RESTATEMENT – CONTINUED

Aspects of Business-Type Activities and the Utility Fund were adjusted or restated as follows:

	Business- Type Activities	Utility Fund
Net Position		
Net Position September 30, 2014, as Previously Reported	\$ 3,881,556	\$ 2,814,705
Restatement to Implement GASB Statements 68 and 71	(105,786)	(30,587)
Adjustment to record prior period forfeited utility deposits	44,273	44,273
Net Position, October 1, 2014, as Restated	<u>\$ 3,820,043</u>	<u>\$ 2,828,391</u>

4. CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – It is the City's policy to maintain its deposits only with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All qualified public depositories must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. In the event of default by a qualified public depository, excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all City deposits, including certificates of deposit, are considered fully insured.

At year-end, the value of the City's deposits was \$2,639,716, all of which was held by qualified public depositories under Chapter 280, Florida Statutes.

Investments

As of September 30, 2015, the City's investments consist of those held in the general fund as well as the pension trust funds. The types of investments, which can be made by the City, are restricted by state statutes, retirement fund plan documents, and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1.

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4. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

The City has a beneficial interest in shares in a local government investment pool and not the individual securities held within each portfolio. As of September 30, 2015, the asset allocation for the defined benefit plan investment pool was as follows:

Investment Portfolio/Funds	Asset Allocation Percentage
Cash and Money Market	0.8%
FMIVT Broad Market High Quality Bond	16.8%
FMIVT Core Plus	23.0%
FMIVT High Quality Growth	7.9%
FMIVT Large Cap Diversified Value	7.5%
FMIVT Russell 1000 Enhanced Index	22.9%
FMIVT Diversified Small to Mid Cap Equity	11.7%
FMIVT International Equity	9.4%
Total	<u>100%</u>

Custodial Credit Risk – For an investment, custodial credit risk is the risk that the City will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The City is not exposed to custodial credit risk since all of its bank deposits and certificate of deposits are held with qualified public depositories or insured by the federal depository insurance.

Investment in money market, open-end mutual funds, and external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The City's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Credit Risk – State law limits investments in money market funds and mutual bond funds to funds with the highest credit quality rating from nationally recognized statistical rating organizations. As of September 30, 2015, the City's investments were rated as follows:

Credit Risk for Investment Pool	
Fixed Income Funds	Fitch Rating
FMIVT Broad Market High Quality Bond	AA/V4
FMIVT Core Plus Fixed Income Fund	Not Rated
Equity Portfolios	
FMIVT High Quality Growth	Not Rated
FMIVT Large Cap Diversified Value	Not Rated
FMIVT Russell 1000 Enhanced Index	Not Rated
FMIVT Diversified Small to Mid Cap Equity	Not Rated
FMIVT International Equity	Not Rated

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4. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

Interest Rate Risk – Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. GASB 40 requires that interest rate risk be disclosed using one of the five approved methods. The five methods are: segmented time distribution, specific identification, weighted average maturity (WAM), duration, and simulation mode. Interest rate risk disclosures are required for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a7-like pool.

Fixed Income Funds	Interest Rate Risk Information	
	Duration (Effective)	WAM
FMIVT Broad Market High Quality Bond	4.43 Years	5.98 Years
FMIVT Core Plus Fixed Income Fund	2.58 Years	5.41 Years

A reconciliation of cash and investments as shown on the balance sheet and statement of net position is as follows:

Deposits	\$ 3,077,974
Investments	2,193,253
Total	<u>\$ 5,271,227</u>
Cash and cash equivalents, primary government	\$ 1,795,354
Restricted cash and cash equivalents, primary government	1,267,254
Investments, primary government	<u>287,830</u>
Total primary government	3,350,438
Cash and cash equivalents, fiduciary funds	15,366
Investments, fiduciary funds	<u>1,905,423</u>
Total fiduciary funds	1,920,789
Grand total	<u>\$ 5,271,227</u>

Governmental Fund

The City participates in the Florida Municipal Investment Trust administered by the Florida League of Cities Inc. to invest excess cash in its General Fund. The City has a beneficial interest in shares in the local government investment pool and not the individual securities held within each portfolio. As of September 30, 2015, the City participated in the Intermediate High Quality Bond Fund, Broad Market High Quality Bond Fund, Expanded High Yield Bond Fund, High Quality Growth Equity Portfolio, Diversified Value Portfolio and Russell 1000 Enhanced Index Portfolio.

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CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

4. CASH AND INVESTMENTS – CONTINUED

Governmental Fund – Continued

The City's primary government investments at September 30, 2015 are presented below:

	Original Cost	Fair Value
Intermediate HQ Bond Fund	\$ 52,221	\$ 50,807
Broad Market HQ Bond Fund	52,237	50,425
High Quality Growth Portfolio	51,867	46,771
Russell 1000 Enhanced Index	52,457	46,804
Large Cap Diversified Value	53,548	44,121
Expanded High Yield Bond	53,111	48,902
	<u>\$ 315,441</u>	<u>\$ 287,830</u>

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the exposure of the City's debt type investments to this risk, using the segmented time distribution model is illustrated in the table above. In addition, the Fund chooses to present its exposure to interest rate changes by using the weighted average maturity (WAM) and duration methods. The WAM for the Intermediate High Quality Bond Fund was 3.60 years and effective duration was 3.25 years at September 30, 2015. The WAM for the Broad Market High Quality Bond Fund was 5.98 years and effective duration was 4.43 years at September 30, 2015. The WAM for the Expanded High Yield Bond Fund was 7.14 years and effective duration was 4.16 years at September 30, 2015. The Russell 1000 Enhanced Index, Large Cap Diversified Value, and Expanded High Yield Bond are equity funds, and thus have no exposure to interest rate risk.

Credit Risk – Credit risk exists when there is a possibility the issues or other counterparty to an investment may be unable to meet its obligation.

The credit risk rating by Fitch for the Intermediate High Quality Bond Fund and Broad Market High Quality Bond Fund is AAA/V3 and AA/V4, respectively. The remaining investments are not rated.

Concentration of Credit Risk – Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk is to comply with the provisions of Florida Statute 218.415, which state that investments held should be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. All of the City's investments at September 30, 2015 are with the Florida Municipal Investment Trust and therefore, are not categorized as to concentration to credit risk.

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CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

5. CHANGES IN CAPITAL ASSETS – CONTINUED

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

Governmental activities	
General government	\$ 34,193
Public safety	107,504
Physical environment	13,415
Transportation	146,933
Culture and recreation	92,899
Total depreciation/amortization expense – governmental activities	<u>\$ 394,944</u>
Business-type activities	
Utility	\$ 233,283
Communication	196,292
Sanitation	69,542
Total depreciation/amortization expense – business-type activities	<u>\$ 499,117</u>

6. JOINT VENTURE

A regional sanitary sewer system designed to provide service to residents of Valparaiso, Niceville, and Okaloosa County was completed and placed in service during the fiscal year ending September 30, 1982. During 2012, Okaloosa County transferred its ownership to the City of Niceville, as described in the subsequent paragraph. The project was funded 75% by U.S. Environmental Protection Agency (EPA) grants under provision of Public Law 92-500 and 25% by the local government applicants. The in-service cost of the property, plant and equipment paid for through the initial combined funding of the participants and the EPA was recorded pro-rata on the accounting records of the individual participants. The City's initial portion of property, plant and equipment were accounted for in its Utility Fund; however, all current and future additions related to the regional sanitary sewer system obtained by the City are recorded to the investment in joint venture.

In April 2012, the City of Niceville, Florida and Okaloosa County, Florida entered into an Amendment to the Operational Agreement which resulted in the transfer of Okaloosa County's share of wastewater treatment capacity at the plant to the City of Niceville. As a result of the transfer of capacity, Okaloosa County is no longer a member of the Board and the City of Niceville and Valparaiso are now 80% and 20% owners, respectively. In June 2012, the Board of Directors approved the change of the Board's name from Niceville, Valparaiso, Okaloosa County Regional Sewer Board to Niceville-Valparaiso Regional Sewer Board. In April 2012, the City of Niceville and the City of Valparaiso entered into a memorandum of understanding. As part of this agreement, Niceville agrees that the cost for treatment of non-flow proportional related expenses of the City of Valparaiso will remain the same as if Okaloosa County's wastewater was still being treated at the Board's facility. Niceville will continue to assume responsibility for these additional costs until such time as Niceville's annual flow is equal to the sum of its flow and Okaloosa County's flow for the immediately preceding 12 months once Okaloosa diverts its flow from the Board's facility.

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CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

5. CHANGES IN CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 455,209	\$ -	\$ -	\$ 455,209
Capital assets being depreciated				
Buildings	2,253,551	39,732	(42,161)	2,251,122
Infrastructure	3,314,570	333,933	(111,306)	3,537,197
Machinery, equipment, and vehicles	2,179,337	100,487	(144,911)	2,134,913
Total capital assets being depreciated	<u>7,747,458</u>	<u>474,152</u>	<u>(298,378)</u>	<u>7,923,232</u>
Less accumulated depreciation				
Buildings	(1,108,605)	(80,940)	42,161	(1,147,384)
Infrastructure	(1,623,790)	(156,207)	111,306	(1,668,691)
Machinery, equipment, and vehicles	(1,665,265)	(157,797)	144,911	(1,678,151)
Total accumulated depreciation	<u>(4,397,660)</u>	<u>(394,944)</u>	<u>298,378</u>	<u>(4,494,226)</u>
Total capital assets being depreciated, net	<u>3,349,798</u>	<u>79,208</u>	<u>-</u>	<u>3,429,006</u>
Governmental activities, net	<u>\$ 3,805,007</u>	<u>\$ 79,208</u>	<u>\$ -</u>	<u>\$ 3,884,215</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 90,603	\$ -	\$ -	\$ 90,603
Capital assets being depreciated				
Buildings and improvements	6,551,127	28,742	-	6,579,869
Machinery, equipment, and vehicles	4,561,656	501,116	(200,757)	4,862,015
Total capital assets being depreciated	<u>11,112,783</u>	<u>529,858</u>	<u>(200,757)</u>	<u>11,441,884</u>
Less accumulated depreciation				
Buildings and improvements	(4,399,458)	(163,476)	-	(4,562,934)
Machinery, equipment, and vehicles	(2,494,821)	(335,641)	200,757	(2,629,705)
Total accumulated depreciation	<u>(6,894,279)</u>	<u>(499,117)</u>	<u>200,757</u>	<u>(7,192,639)</u>
Total capital assets being depreciated, net	<u>4,218,504</u>	<u>30,741</u>	<u>-</u>	<u>4,249,245</u>
Business-type activities, net	<u>\$ 4,309,107</u>	<u>\$ 30,741</u>	<u>\$ -</u>	<u>\$ 4,339,848</u>

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CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

6. JOINT VENTURE – CONTINUED

The net operating results of the system are accounted for as a joint venture and accounted for under the equity method. The City's investment in joint venture increased \$150,119 for the year ended September 30, 2015, which is composed of \$124,600 in equity earnings and \$25,519 for the City's portion of the ongoing facility upgrades. The City's portion of the equity in the joint venture is \$1,765,191 at September 30, 2015.

The system is managed and operated by a separate governing body (Niceville-Valparaiso Regional Sewer Board, Inc.) consisting of four members; two appointed by each of the two participants. The Board is responsible for preparing and approving its own budget. The cost of operations, including additional equipment, inventory purchases, etc. is accounted for, in total, on the books and financial statements of the Board.

The following is a condensed summary of the assets, liabilities and equity, and operating results of the Board's fiscal year ended June 30, 2015. The Regional Sewer Board's audited financial statements can be obtained from the City Clerk's office.

Summary of Assets, Liabilities, and Net Position
June 30, 2015

Assets	
Current assets	\$ 2,197,295
Capital assets, net of accumulated depreciation	6,822,133
Total assets	<u>\$ 9,019,428</u>
Liabilities and net position	
Liabilities	\$ 114,615
Net position	8,904,813
Total liabilities and net position	<u>\$ 9,019,428</u>

Summary of Operating Results
For the Year Ended June 30, 2015

Sewer operating revenues	\$ 2,700,549
Operating expenses	2,091,837
Operating income	608,712
Non-operating revenues (expenses), net	14,289
Net income before capital contributions	623,001
Capital contributions	333,218
Change in net position	<u>\$ 956,219</u>

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CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

7. LONG-TERM DEBT

Changes in Long-Term Debt Liabilities

Long-term debt activity for the year ended September 30, 2015, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Capital lease payable	\$ 46,239	\$ -	\$ (18,235)	\$ 28,004	\$ 18,581
Bonds payable	751,319	-	(57,800)	693,519	61,450
Compensated absences	130,171	98,793	(90,435)	138,529	138,529
Total governmental activities	\$ 927,729	\$ 98,793	\$ (166,470)	\$ 860,052	\$ 218,560
Business-type activities					
Bonds payable	\$ 3,647,431	\$ -	\$ (212,199)	\$ 3,435,232	\$ 223,550
Bond premium	34,614	-	(4,506)	30,108	-
Bond discount	(22,398)	-	862	(21,536)	-
Deferred refunded costs	(4,689)	-	4,019	(670)	-
Compensated absences	29,175	34,018	(27,944)	35,249	35,249
Total business-type activities	\$ 3,684,133	\$ 34,018	\$ (239,768)	\$ 3,478,383	\$ 258,799

Description of Long-Term Debt Outstanding

GOVERNMENTAL ACTIVITIES	Current	Long-Term	Total
Lease			
\$9,512 through December 2016, bearing interest at 1.89%, collateralized by a truck.	\$ 18,581	\$ 9,423	\$ 28,004
Revenue Bonds			
\$1,555,000 Florida Municipal Loan Council Revenue Bonds, Series 2005A, due in semi annual installments of \$75,000 to \$135,000 through 2020; interest at 3% to 5%. Issue is pro rated between General Fund and Utility Fund. Available non ad valorem revenues from Utility Fund are pledged for payment of the bonds. This note was issued to current refund two prior bond issues. The original proceeds were used for renovations to the City Hall complex.	26,450	117,300	143,750
\$2,965,000 Florida Municipal Loan Council Revenue Bonds, Series 2006, due in semi annual installments of \$105,000 to \$225,000 through 2026; interest at 4% to 5%. Issue is pro rated between Streets Fund, Utility Fund, and Communications Fund. Available non ad valorem revenues from Communication Fund are pledged for payment of the bonds. Proceeds used for street improvement projects.	35,000	514,769	549,769
Total revenue bonds	61,450	632,069	693,519
Accrued Compensated Absences			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types	138,529	-	138,529
TOTAL GOVERNMENTAL ACTIVITIES	\$ 218,560	\$ 641,492	\$ 860,052

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CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

7. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

BUSINESS-TYPE ACTIVITIES	Current	Long-Term	Total
Revenue Bonds			
\$1,555,000 Florida Municipal Loan Council Revenue Bonds, Series 2005A, due in semi annual installments of \$75,000 to \$135,000 through 2020; interest at 3% to 5%. Issue is pro rated between General Fund and Utility Fund. Available non ad valorem revenues from Utility Fund are pledged for payment of the bonds. This note was issued to current refund two prior bond issues. The original proceeds were used for improvements to the water system.	\$ 88,550	\$ 392,700	\$ 481,250
Plus unamortized bond premium	-	12,816	12,816
Less unamortized deferred loss on refunding	-	(670)	(670)
	88,550	404,846	493,396
Revenue Bonds			
\$2,965,000 Florida Municipal Loan Council Revenue Bonds, Series 2006, due in semi annual installments of \$105,000 to \$225,000 through 2026; interest at 4% to 5%. Issue is pro rated between Streets, Utility, and Communication Funds. Available non ad valorem revenues from Communication Fund are pledged for payment of the bonds. Proceeds used for rebuilding a CATV distribution plant and updating technology fiber to the plant.	105,000	1,498,982	1,603,982
Plus unamortized bond premium	-	17,292	17,292
	105,000	1,516,274	1,621,274
Revenue Bonds			
\$1,465,000 Florida Municipal Loan Council Revenue Bonds, Series 2010C, due in semi annual installments of \$25,000 to \$85,000 through 2040; interest at 2% to 4.5%. Available non ad valorem revenues from Utility Fund are pledged for payment of the bonds. Proceeds used for the purposes of financing or refinancing the cost of, or receiving reimbursement for the equity in, the construction and renovation to Niceville Valparaiso Okaloosa wastewater treatment (portion of costs allocated to City of Valparaiso, Florida as a member) and other capital improvements to the City of Valparaiso, Florida's sewer system, and for depositing a portion of the proceeds in the amount of \$91,025 into the Reserve Fund.	30,000	1,320,000	1,350,000
Less unamortized bond discount	-	(21,536)	(21,536)
	30,000	1,298,464	1,328,464
Total revenue bonds	223,550	3,219,584	3,443,134

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CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

7. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

Accrued Compensated Absences	Current	Long-Term	Total
Accumulated, vested annual compensation for Enterprise Funds	35,249	-	35,249
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 258,799	\$ 3,219,584	\$ 3,478,383
GRAND TOTAL LONG-TERM DEBT			\$ 4,338,435

The City is required to comply with certain debt covenants under the 2005A, 2006, and 2010C bond agreement. As of September 30, 2015, the City is not aware of any material noncompliance. The City established reserve funds required under the 2005A and 2006 bond covenants by funding surety bonds at issuance.

Advance Refunding

Series 2005A Bond Payable

The \$1,555,000 Florida Municipal Loan Council Revenue Bonds, Series, 2005A was issued to current refund two prior bond issues. The note was issued at a premium of \$44,360 of which the net proceeds of \$1,561,227 (after payment of \$38,133 in underwriting fees, insurance and other issuance costs) were used to refund these prior issues.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$43,539. This difference, reported in the accompanying financial statements as a deduction from notes payable, is being charged to operations through the year 2015 using the effective interest method.

Redemption Provisions

Series 2006 Bond Payable

Optional Redemption: The bonds maturing on or before the October 1, 2016 are not subject to optional redemption prior to maturity. The bonds maturing after October 1, 2016 are subject to redemption at the option of the issuer on or after October 1, 2016 as a whole or in part at any time, in any manner as determined by the trustee in its discretion taking into consideration the maturity of the loan being prepaid by a particular borrower, at the redemption price equal to the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date.

Extraordinary Mandatory Redemption: The bonds are also subject to extraordinary mandatory redemption as a result of acceleration of a loan pursuant to a loan agreement at any time, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, but only with the approval of the Insurer, from all liquidation proceeds or insurance proceeds received by the trustee as a result of an acceleration of any loan.

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CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

7. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

Redemption Provisions – Continued

Series 2010C Bond Payable

Optional Redemption: The bonds maturing on or before the October 1, 2020 are not subject to optional redemption prior to maturity. The bonds maturing after October 1, 2020 are subject to redemption at the option of the issuer on or after October 1, 2020 as a whole or in part at any time, in any manner as determined by the trustee in its discretion taking into consideration the maturity of the loan being prepaid by a particular borrower, at the redemption price equal to the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date.

Mandatory Redemption: The bonds maturing on October 1, 2032 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2024 and on each October 1 thereafter.

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2015, are as follows:

Year Ending September 30	Capital Leases			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 18,581	\$ 442	\$ 19,023	\$ 61,450	\$ 30,048	\$ 91,498
2017	9,423	89	9,512	64,588	27,194	91,782
2018	-	-	-	67,014	24,081	91,095
2019	-	-	-	70,715	20,702	91,417
2020	-	-	-	74,415	17,137	91,552
2021-2025	-	-	-	242,336	53,981	296,317
2026-2027	-	-	-	113,001	6,997	119,998
Total	\$ 28,004	\$ 531	\$ 28,535	\$ 693,519	\$ 180,140	\$ 873,659
Business-Type Activities						
Year Ending September 30	Principal	Interest	Total			
2016	\$ 223,550	\$ 145,877	\$ 369,427			
2017	235,412	136,489	371,901			
2018	242,986	126,070	369,056			
2019	254,285	114,099	368,384			
2020	265,585	102,764	368,349			
2021-2025	897,664	402,508	1,300,172			
2026-2030	562,760	222,709	785,469			
2031-2035	295,000	144,450	439,450			
2036-2040	375,000	71,100	446,100			
2041	82,990	3,824	86,814			
Total	\$ 3,435,232	\$ 1,470,490	\$ 4,905,722			

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7. LONG-TERM DEBT – CONTINUED

Capital Leases

The cost and accumulated depreciation for capital lease are:

Assets	Governmental Activities Streets Fund	
Ford F-550 Truck	\$	55,229
Accumulated depreciation		(9,204)
Assets acquired by lease, net	\$	46,025

8. FLORIDA RETIREMENT SYSTEM

Certain City employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 605, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

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 from the Web site: www.dms.myflorida.com/

Pension Plan

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

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 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular—7.37% and 7.26%; Special Risk—19.82% and 22.04%; Senior Management Service—21.14% and 21.43%; Elected Officers—43.24% and 42.27%; and DROP participants—12.28% and 18.75%. These employer contribution rates include 1.20% and 1.26% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$7,153 for the fiscal year ended September 30, 2015.

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

At September 30, 2015, the City reported a liability of \$37,894 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was 0.000293381 percent, which was a decrease of 0.000267692 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension income of \$14,615. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,001	\$ 899
Change of assumptions	2,515	-
Net difference between projected and actual earnings on Pension Plan investments	-	9,048
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	-	81,125
City Pension Plan contributions subsequent to the measurement date	1,693	-
	<u>\$ 8,209</u>	<u>\$ 91,072</u>

8. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk class members (sworn law enforcement officers, and firefighters) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three 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 three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

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

A component of deferred outflows of resources related to the Pension Plan of \$1,693 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other components reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan, except for changes in the proportion and related differences in the share of contributions, will be recognized in pension expense (income) as follows:

Fiscal Year Ending September 30:	Amount
2016	\$ (2,998)
2017	(2,998)
2018	(2,998)
2019	4,468
2020	868
Thereafter	227
	<u>\$ (3,431)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

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

8. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Actuarial Assumptions – Continued

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	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-term bonds	18.00%	4.18%	4.05%	5.15%
High yield bonds	3.00%	6.79%	6.25%	10.95%
Broad US equities	26.50%	8.51%	6.95%	18.90%
Developed foreign entities	21.20%	8.66%	6.85%	20.40%
Emerging market equities	5.30%	11.58%	7.60%	31.15%
Private equity	6.00%	11.80%	8.11%	30.00%
Hedge funds/absolute return	7.00%	5.81%	5.35%	10.00%
Real estate (property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation – mean		2.60%		2.00%

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

Discount Rate

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

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8. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

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

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

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City's proportionate share of the net pension liability (asset)	\$ 98,192	\$ 37,894	\$ (12,284)

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.

HIS Plan

Plan Description

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

Benefits Provided

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

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8. FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.20% and 1.26%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution 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 \$1,485 for the fiscal year ended September 30, 2015.

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

At September 30, 2015, the City reported a liability of \$39,612 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was 0.000388411 percent, which was a decrease of 0.000166716 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension income of \$5,465. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 3,116	\$ -
Net difference between projected and actual earnings on Pension Plan investments	20	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	-	45,853
City Pension Plan contributions subsequent to the measurement date	506	-
	\$ 3,642	\$ 45,853

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8. FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

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

A component of deferred outflows of resources related to the HIS Plan of \$506 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other components reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan, except for changes in the proportion and related differences in the share of contributions, will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2016	\$ 543
2017	543
2018	543
2019	538
2020	536
Thereafter	433
	\$ 3,136

Actuarial Assumptions

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	4.29%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

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

Discount Rate

The discount rate used to measure the total pension liability was 4.29%. 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.

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8. FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

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 4.29%, 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 (3.29%) or one percentage point higher (5.29%) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
City's proportionate share of the net pension liability (asset)	\$ 45,136	\$ 39,612	\$ 35,006

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.

9. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN

Plan Description

Plan Administration

The Police Officers and Firefighters Retirement Plan (the Public Safety Pension Plan) is a single-employer defined benefit plan, established under Chapters 185 and 175 of the Florida Statutes, which covers all police officers and firefighters hired on or after January 1, 1996. The City of Valparaiso Board of Trustees assigns the authority to establish and amend benefit provisions to this plan. The City's payroll for employees covered by this plan applicable to the October 1, 2015 actuarial valuation was approximately \$339,428. As of October 1, 2015, employee membership data related to the Public Safety Pension Plan as follows:

Inactive plan members or beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	12
	<u>16</u>

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9. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN – CONTINUED

Net Pension Liability – Continued

Actuarial Assumptions – Continued

Best estimates of arithmetic real rates of return for each major asset class included in the Public Safety Pension Plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Core bonds	16.00%	0.6%
Multi-sector	24.00%	1.1%
U.S. large cap equity	39.00%	6.1%
U.S. small cap equity	11.00%	6.8%
Non-U.S. equity	10.00%	6.8%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Public Safety Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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9. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN – CONTINUED

Plan Description – Continued

Benefits Provided

The Public Safety Pension Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Employees who retire with 6 years of service and are age 55 or who retire with 25 years of service and are age 52 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3% of average final compensation (average of the highest five years of compensation out of the last 10 years of employment) multiplied by credited service. Employees with ten years of service may retire at or after age 50 and receive reduced retirement benefits. The normal form of benefit is a ten year certain and life annuity.

Funding Policy

The City's Public Safety Pension Plan is funded by employer contributions at actuarially determined rates which expressed as percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The employees of the plan contribute at a rate of 2% of their annual salary. For 2015, the City contributed \$82,834 in cash and applied \$88,526 of advance contributions to the plan. \$88,129 was contributed by the State of Florida. The employees' contributions to the plan for the current year totaled \$10,255. The contributions are deposited with the Florida Municipal Pension Trust Fund where they are invested in mutual funds. Administration costs of the Public Safety Pension Plan are financed through investment earnings.

Net Pension Liability

Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the City's accounting for pension amounts. The information below is presented in accordance with this new standard.

The employer's reporting date is September 30, 2015. The actuary's measurement date is also September 30, 2015. The actuarial valuation date is October 1, 2014.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions:

Inflation	2.92%
Salary increases	4.50%
Discount rate	7.00%
Investment rate of return	4.08%

Mortality rates are obtained from the RP 2000 Sex Distinct Combined Healthy Mortality Table, projected to 2015 by Scale AA. Based upon other studies of municipal police officers and firefighters, we feel this assumption sufficiently accommodates future mortality improvements.

The long-term expected rate of return on the Public Safety Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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9. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN – CONTINUED

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2014	\$ 1,217,060	\$ 1,812,495	\$ (595,435)
Changes:			
Service cost	99,473	-	99,473
Interest	89,976	131,153	(41,177)
Experience	(34,250)	-	-
Contributions – employer	-	153,593	(153,593)
Contributions – employee	-	10,255	(10,255)
Net investment income	-	(133,786)	133,786
Benefit payments, including			
Refunds of employee contributions	(29,141)	(29,141)	-
Administrative expenses	-	(10,374)	10,374
Net changes during 2013-14	<u>126,058</u>	<u>121,700</u>	<u>4,358</u>
Balances at September 30, 2015	<u>\$ 1,343,118</u>	<u>\$ 1,934,195</u>	<u>\$ (591,077)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:

	Current Discount Rate		
	1% Decrease 6.00%	7.00%	1% Increase 8.00%
Sponsor's net pension liability (asset)	\$ (389,762)	\$ (591,077)	\$ (755,918)

Pension Plan Fiduciary Net Position

Detailed information about the Public Safety Pension Plan's fiduciary net position is available in a separately issued Plan actuarial report. A separate audited financial report of the Plan is not available.

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CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

9. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN – CONTINUED

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

For the year ended September 30, 2015, the City recognized pension expense of \$82,955 related to the Public Safety Pension Plan. On September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pension on the Public Safety Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 107,029	\$ -
Differences between actual and expected experience	-	32,033
Total	<u>\$ 107,029</u>	<u>\$ 32,033</u>

The components reported as deferred outflows of resources and deferred inflows of resources related to the Public Safety Pension Plan will be recognized in pension expense (income) as follows:

Year ended September 30:		
2016	\$	24,539
2017		24,540
2018		24,540
2019		24,541
2020		(2,217)
Thereafter		<u>(20,947)</u>
	<u>\$</u>	<u>74,996</u>

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CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS – CONTINUED

Interfund amounts in the proprietary funds represent expenses paid by the General Fund on behalf of the other funds. The interfund amounts in the governmental funds represent revenues collected for the benefit of the special revenue funds that have not been transferred from the General Fund.

In fiscal year 2015 there were no interfund transfers.

13. LEASE EXPENSE

The City leases utility poles from Gulf Power for pole attachment privileges granted in connection with the furnishing of cable television services. The new agreement states rent is payable in advance annually at the rate of \$7.27 for the calendar year 2012, which will increase by 2% each calendar year extended (\$7.72 for calendar year 2015). Rent paid for the year ended September 30, 2015 was \$10,075.

Future minimum rental payments due under this lease are as follows:

	Communication Fund
2016	<u>\$ 10,225</u>

14. LEASE REVENUE

The City leases certain property predominantly to wireless telecommunications companies. These are non-cancelable operating leases.

Minimum rentals on non-cancelable leases for the remaining terms are as follows:

	General Fund	Utility Fund
2016	\$ 52,658	\$ 24,916
2017	53,416	25,664
2018	32,412	26,434
2019	17,951	27,227
2020	7,629	-
Total	<u>\$ 164,066</u>	<u>\$ 104,241</u>

The Utility Fund leases had original terms of five years and can be renewed for 4 successive 5 year periods on similar terms and conditions. The annual rent on these leases will increase by 3-4% per year. There was no unearned rent at September 30, 2015.

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CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

10. SUPPLEMENTAL RETIREMENT PLANS

Effective June 14, 2004, the City adopted the Florida Municipal Pension Trust Fund's Section 401(a) Deferred Contribution Plan. The plan is administered by the Florida Municipal Pension Trust Fund. The plan provisions are the same, except that the minimum age requirement was removed. The plan provides retirement benefits to substantially all City employees. All benefits vest after ten years of credited service. To be eligible for the plan, employees must have completed ninety (90) days of service. Contributions to the plan are discretionary, but are currently funded by the City at 9% of each eligible employee's compensation. For the years ended September 30, 2015, 2014, and 2013, the amount of pension expense was \$102,563, \$96,476, and \$97,640, respectively. The City Commission has the authority to establish and amend the provisions of the plan.

Effective January 8, 1996, the City adopted the Florida Municipal Pension Trust Fund's Deferred Compensation Plan under Internal Revenue Code Section 457(b). The plan allows substantially all City employees to make pretax contributions to the plan, in accordance with the plan. The City does not make contributions to this plan.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City provides other postemployment benefits (OPEB) to its employees by providing retirement health care benefits. The City does not pay for any premiums but allows retirees to participate in the health insurance plan.

As of September 30, 2015, there are no participants in the City's OPEB plan, and thus, the City has not implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund receivables and payables reported in the fund financial statements:

September 30, 2015	Receivables	Payables
Governmental funds		
General Fund	\$ 508,721	\$ -
Streets Fund	64,584	-
Stormwater Fund	-	732
Proprietary funds		
Utility Fund	-	285,887
Communication Fund	-	269,073
Sanitation Fund	-	17,613
Total	<u>\$ 573,305</u>	<u>\$ 573,305</u>

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CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

14. LEASE REVENUE – CONTINUED

The General Fund's lease with two telecommunication companies is for five years with the option of renewing for four additional terms of five years each on the same terms and conditions. The annual rent increases by two percent (2-3%) per year. There was no unearned rent at September 30, 2015.

The General Fund's second lease is for a five year term at an annual rent of \$15,000. A second five year renewal option is available at renegotiated annual rent.

The General Fund and Utility Fund received a total of \$56,369 and \$42,859, respectively, in lease revenues during the current year.

15. GOVERNMENTAL FUND BALANCES

At September 30, 2015, the City's governmental fund balances were classified as follows:

	General Fund	Streets Fund	Stormwater Fund	Total Governmental Funds
Nonspendable				
Prepaid items	\$ 7,793	\$ -	\$ -	\$ 7,793
Restricted for				
Library	9,556	-	-	9,556
Law enforcement	8,538	-	-	8,538
Total restricted	18,094	-	-	18,094
Committed				
Cemetery maintenance	191,354	-	-	191,354
Public safety	15,811	-	-	15,811
Stormwater	-	-	113,020	113,020
Total committed	207,165	-	113,020	320,185
Assigned to				
Library	6,898	-	-	6,898
Parks	17,252	-	-	17,252
Transportation	-	234,201	-	234,201
FY 2016 budget appropriation	85,000	-	-	85,000
Total assigned	109,150	234,201	-	343,351
Unassigned	1,244,459	-	-	1,244,459
Total Fund Balance	<u>\$ 1,586,661</u>	<u>\$ 234,201</u>	<u>\$ 113,020</u>	<u>\$ 1,933,882</u>

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**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

16. CONTINGENT LIABILITIES

Wrongful Termination Lawsuit

In 2011, a former police officer filed a wrongful termination lawsuit against the City. In October 2014, a federal jury found in the former police officer's favor, and in December 2014, a judge ordered that \$941,000 be paid to the former officer in damages for future lost wages and benefits, emotional anguish and impairment of reputation, attorneys' fees and other costs. Of this amount, the City estimates their liability to be approximately \$70,500 for front pay, with the remaining amounts being covered by the City's insurance policy (back pay of \$300,000, general damages of \$150,000, and attorney fees of \$420,000). For the year ended September 30, 2015, \$70,500 has been recorded as a contingency payable on the financial statements of its governmental activities. The City will also be responsible for any cumulative amount in excess of \$1,000,000, of which the amount cannot be estimated as of the date of the report and thus no additional liability is recorded.

Litigation

The City is a party to various claims and assessments arising from its actions in the course of carrying out its public services. The City carries general liability coverage and management believes its coverage is sufficient to cover all significant losses arising from the unsuccessful outcome of any pending and/or threatened litigation.

17. 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; injuries to employees; and natural disasters. The City carries commercial insurance for all other risks of loss, including fidelity bond, accidental death and dismemberment and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

18. FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, for the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability, if any, for reimbursement which may arise as the result of these audits is not believed to be material.

19. NONRECURRING TRANSACTION

During the year ended September 30, 2015, the City received notice that the City held stock in two companies that was available to sell. The stock was sold in the current year for \$131,800, which is included in investment earnings on the Statement of Activities.

20. SUBSEQUENT EVENT

In February 2016, the City purchased a street sweeper for \$217,000. This street sweeper will be utilized by the City's Streets Fund and Cable Fund and financed through the City's General Fund.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF VALPARAISO, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,313,225	\$ 1,313,225	\$ 1,321,327	\$ 8,102
Permits and fees	358,500	358,500	411,411	52,911
Intergovernmental	663,290	663,290	689,309	26,019
Charges for services	412,400	412,400	400,225	(12,175)
Fines and forfeits	20,500	20,500	8,751	(11,749)
Miscellaneous	27,600	27,600	150,588	122,988
Total revenues	2,795,515	2,795,515	2,981,611	186,096
EXPENDITURES				
Current				
General government	761,285	761,285	719,144	42,141
Public safety	1,321,195	1,321,195	1,254,636	66,559
Physical environment	208,855	208,855	190,034	18,821
Culture and recreation	458,280	458,280	421,448	36,832
Capital outlay	81,835	81,835	112,101	(30,266)
Debt service				
Principal and interest	-	-	33,890	(33,890)
Total expenditures	2,831,450	2,831,450	2,731,253	100,197
EXCESS OF REVENUES (UNDER) EXPENDITURES	(35,935)	(35,935)	250,358	286,293
OTHER FINANCING SOURCES (USES)				
Debt proceeds	26,000	26,000	-	(26,000)
Transfers out	(114,890)	(114,890)	-	114,890
Total other financing sources (uses)	(88,890)	(88,890)	-	88,890
NET CHANGE IN FUND BALANCE	(124,825)	(124,825)	250,358	375,183
FUND BALANCE AT BEGINNING OF YEAR	124,825	124,825	1,336,303	1,211,478
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 1,586,661	\$ 1,586,661

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**CITY OF VALPARAISO, FLORIDA
STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 230,000	\$ 230,000	\$ 215,066	\$ (14,934)
Intergovernmental	133,785	408,785	419,976	11,191
Miscellaneous	500	500	4,232	3,732
Total revenues	364,285	639,285	639,274	(11)
EXPENDITURES				
Current				
Transportation	265,430	265,430	209,841	55,589
Capital outlay	32,000	307,000	354,660	(47,660)
Debt service				
Principal and interest	77,470	77,470	77,495	(25)
Total expenditures	374,900	649,900	641,996	7,904
NET CHANGE IN FUND BALANCE	(10,615)	(10,615)	(2,722)	(7,915)
FUND BALANCE AT BEGINNING OF YEAR	10,615	10,615	236,923	226,308
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 234,201	\$ 234,201

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CITY OF VALPARAISO, FLORIDA
STORMWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 45,000	\$ 45,000	\$ 45,615	\$ 615
Miscellaneous	75	75	69	(6)
Total revenues	<u>45,075</u>	<u>45,075</u>	<u>45,684</u>	<u>609</u>
EXPENDITURES				
Current				
Physical environment	45,075	45,075	25,885	19,190
Capital outlay	-	-	7,391	(7,391)
Total expenditures	<u>45,075</u>	<u>45,075</u>	<u>33,276</u>	<u>11,799</u>
NET CHANGE IN FUND BALANCE	-	-	19,799	19,799
FUND BALANCE AT BEGINNING OF YEAR	-	-	100,612	100,612
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,411</u>	<u>\$ 120,411</u>

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CITY OF VALPARAISO, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)
FLORIDA RETIREMENT SYSTEM
LAST TWO YEARS

	2015	2014
City's proportion of the net pension liability (asset)	0.000293381%	0.000561073%
City's proportionate share of the net pension liability (asset)	\$ 37,894	\$ 34,234
City's covered-employee payroll	\$ 1,324,519	\$ 1,244,776
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2.86%	2.75%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

* The amounts presented for each fiscal year were determined as of 6/30.

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CITY OF VALPARAISO, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)
HEALTH INSURANCE SUBSIDY
LAST TWO YEARS

	2015	2014
City's proportion of the net pension liability (asset)	0.000388411%	0.000555127%
City's proportionate share of the net pension liability (asset)	\$ 39,612	\$ 51,906
City's covered-employee payroll	\$ 1,324,519	\$ 1,244,776
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2.99%	4.17%
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%

* The amounts presented for each fiscal year were determined as of 6/30.

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CITY OF VALPARAISO, FLORIDA
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
FLORIDA RETIREMENT SYSTEM
LAST TWO YEARS

	2015	2014
Contractually required contribution	\$ 7,153	\$ 12,290
Contributions in relation to the contractually required contribution	(7,153)	(12,290)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 1,324,519	\$ 1,244,776
Contributions as a percentage of covered-employee payroll	0.54%	0.99%

* The amounts presented for each fiscal year were determined as of 6/30.

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CITY OF VALPARAISO, FLORIDA
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
HEALTH INSURANCE SUBSIDY
LAST TWO YEARS

	2015	2014
Contractually required contribution	\$ 1,485	\$ 1,902
Contributions in relation to the contractually required contribution	(1,485)	(1,902)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 1,324,519	\$ 1,244,776
Contributions as a percentage of covered-employee payroll	0.11%	0.15%

* The amounts presented for each fiscal year were determined as of 6/30.

CITY OF VALPARAISO, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS (UNAUDITED)
PUBLIC SAFETY PENSION PLAN

Measurement Date	2015
Total Pension Liability	
Service cost	\$ 99,473
Interest	89,976
Differences between expected and actual experience	(34,250)
Benefit payments, including refunds of employee contributions	(29,141)
Net change in total pension liability	126,058
Total pension liability – beginning	1,217,060
Total pension liability – ending (a)	\$ 1,343,118
Plan Fiduciary Net Position	
Contributions – employer	\$ 153,593
Contributions – employee	10,255
Interest	131,153
Net investment income	(133,786)
Benefit payments, including refunds of employee contributions	(29,141)
Administrative expenses	(10,374)
Net change in plan fiduciary net position	121,700
Plan fiduciary net position – beginning	1,812,495
Plan fiduciary net position – ending (b)	\$ 1,934,195
Net pension liability (asset) – ending (a) – (b)	\$ (591,077)
Plan fiduciary net position as a percentage of the total pension liability (asset)	144.01%
Covered employee payroll	\$ 339,428
Net pension liability (asset) as a percentage of covered employee payroll	-174.14%

Notes to schedule:
This information is not available for previous years.
Benefit changes: No changes in benefits.
Changes of assumptions: Change in enrolled actuary.

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CITY OF VALPARAISO, FLORIDA
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
PUBLIC SAFETY PENSION PLAN
LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 65,067	\$ 226,641	\$ 191,897	\$ 105,205	\$ 138,758	\$ 138,597	\$ 102,297	\$ 97,072	\$ 92,935	\$ 37,945
Contractually determined contributions	153,593	148,466	131,693	122,951	121,084	117,939	104,931	148,957	87,274	46,333
Contribution deficiency (excess)	(88,526)	(8,175)	(6,004)	(17,746)	(16,074)	(20,644)	(2,634)	(49,886)	(5,665)	(8,386)
Covered employee payroll	\$ 339,428	Not available	\$ 297,343	\$ 337,623	Not available	\$ 374,161	Not available	Not available	Not available	Not available
Contributions as a percentage of covered employee payroll	45.25%	Not available	44.29%	36.42%	Not available	31.52%	Not available	Not available	Not available	Not available

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CITY OF VALPARAISO, FLORIDA
NOTES TO THE SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
PUBLIC SAFETY PENSION PLAN

Valuation Date: October 1, 2014
Methods and Assumptions Used to Determine Contribution Rates:
Actuarial cost method: Aggregate Cost Method
Financing of unfunded actuarial accrued liabilities: Under this actuarial cost method, a funding cost is developed for the plan as a level percentage of payroll. The level funding percentage is calculated as the excess of the total future benefit liability over accumulated assets and future employee contributions, with this excess spread over the expected future payroll for current active participants. The normal cost is equal to the level funding percentage multiplied by the expected payroll for the year immediately following the valuation date. The actuarial accrued liability is equal to the accumulated assets. Therefore, under the aggregate cost method, no unfunded accrued liability is developed.
Discount rate: 7.0% per year
Wage Inflation Rate: 2.9% per year
Salary increases: 4.5% per year
Mortality: RP-2000 Combined Healthy Participant Mortality Tables, projected to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430; future generational improvements in mortality have not been reflected
Retirement: Retirement is assumed to occur at normal retirement age
Non-investment expenses: 2.3% of covered payroll
Future contributions: Contributions from the employer and employees are assumed to be made as legally required

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45 EIGHT PARADEY, A.E. SUITE 5011
FORT WALTON BEACH, FL 32548
352.244.5112
WWW.WARRENADVISORS.COM

INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Honorable Mayor and
and Members of the City Commission
City of Valparaiso, Florida

We have examined the City of Valparaiso, Florida's (the City) compliance with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2015.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City of Valparaiso, Florida complied, in all material respects, with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2015.

Warren Averett, LLC
Fort Walton Beach, Florida
April 28, 2016



45 EIGHT PARADEY, A.E. SUITE 5011
FORT WALTON BEACH, FL 32548
352.244.5112
WWW.WARRENADVISORS.COM

INDEPENDENT AUDITORS' 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

To the Honorable Mayor and
and Members of the City Commission
City of Valparaiso, Florida

We have audited, 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, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valparaiso, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Valparaiso, Florida's basic financial statements and have issued our report thereon dated April 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Valparaiso, 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 Valparaiso, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Valparaiso, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Warren Averett, LLC
Fort Walton Beach, Florida
April 28, 2016



45 EIGHT PARADEY, A.E. SUITE 5011
FORT WALTON BEACH, FL 32548
352.244.5112
WWW.WARRENADVISORS.COM

MANAGEMENT LETTER

To the Honorable Mayor and
and Members of the City Commission
City of Valparaiso, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Valparaiso, Florida, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated April 28, 2016.

Auditors' Responsibility

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 and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in these reports and schedule, which are dated April 28, 2016 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 report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

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. The official title and legal authority for the City of Valparaiso, Florida has been disclosed in Note 1 to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, requires that we apply appropriate procedures and report the results of our determination as to whether or not the City of Valparaiso, 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 Valparaiso, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c., and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Valparaiso, 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Valparaiso, Florida, for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. The City of Valparaiso, Florida has no special districts that are component units.

Other Matters

Section 10.554(1)(i)2., *Rules of Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

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 other granting agencies, the mayor and members of the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely hope this comment and recommendation will be of assistance in the administration and operation of the City. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended to us during our audit.

Wissen Asset, LLC
Fort Walton Beach, Florida
April 28, 2016

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APPENDIX O

SPECIMEN BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY
National Public Finance Guarantee Corporation
Purchase, New York 10577

Policy No. [POLICY #]

National Public Finance Guarantee Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT], [PAYING AGENT CITY & STATE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR AMOUNT]
[FIRST LINE OF LEGAL TITLE]
[SECOND LINE OF LEGAL TITLE]
[THIRD LINE OF LEGAL TITLE]
[FOURTH LINE OF LEGAL TITLE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

The insurance provided by this policy is not covered by the Florida Insurance Guaranty Association created under Chapter 631, Florida Statutes.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH], [YEAR].

**National Public Finance
Guarantee Corporation**

President

Attest: _____
Secretary

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APPENDIX P
FORM OF SURETY BOND

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**DEBT SERVICE RESERVE
SURETY BOND**

**National Public Finance Guarantee Corporation
Purchase, New York 10577**

Surety Bond No. NPI404222

National Public Finance Guarantee Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of **Florida Municipal Loan Council** (the "Issuer") under the applicable document as hereinafter defined (the "Document") to **The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida** (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of the Obligations as specified on Annex A, provided that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed the amount designated as the **Surety Bond Limit** as set forth in **Annex A** hereto, or the combined debt service reserve fund requirements for the Obligations, whichever is less (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein. This Surety Bond shall replace the debt service reserve fund surety bond numbered 37958(2)R, issued by MBIA Insurance Corporation on September 6, 2007 in connection with certain prior outstanding series of the Issuer's revenue bonds, which are hereinafter included Annex A hereto.

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment I (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by written or electronic delivery of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the Obligor (the "Financial Guaranty Agreement"); provided, that no premium is due and unpaid on this Surety Bond and that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire on the earlier of (i) the Final Maturity Date as specified in Annex A, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within one year after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

9. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.

10. The insurance provided by this policy is not covered by the Florida Insurance Guaranty Association created under Chapter 631, Florida Statutes.

As used herein, "Document", "obligations", and "Financial Guaranty Agreement" shall be defined as follows:

"Document" shall mean those certain respective trust indentures between the Issuer and the Paying Agent, dated as of the first day of the month during which the related series of Obligations was issued; and "Documents" shall refer, collectively, to the Documents relating to every series of Obligations.

"Obligations" shall mean, collectively, all series of the Issuer's Revenue Bonds set forth on Annex A hereof and a "series of Obligations" shall mean one of such series, individually.

"Financial Guaranty Agreement" shall mean that certain financial guaranty agreement dated the date of the related series of Obligations between the Insurer and the Issuer.

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this 29th day of September, 2016.

**National Public Finance
Guarantee Corporation**

President

Attest: _____
Secretary

ANNEX A

Obligations Currently Covered Under the Surety Bond

	Final Maturity Date	Debt Service Reserve Fund Requirement
\$46,805,000 Florida Municipal Loan Council Revenue Bonds, Series 2003B	December 1, 2033	\$1,569,750
\$18,145,000 Florida Municipal Loan Counsel Revenue Refunding Bonds, Series 2005B	November 1, 2029	\$907,250
\$22,365,000 Florida Municipal Loan Council Revenue Bonds, Series 2006	October 1, 2036	\$1,118,250
\$50,815,000 Florida Municipal Loan Council Revenue Bonds, Series 2007A	October 1, 2032	\$2,540,750
\$24,520,000 Florida Municipal Loan Council Revenue Bonds, Series 2016	October 1, 2046	\$1,226,000
Combined Series 2001A, 2002A, 2003A, 2003B, 2004A-1, 2005A, 2005B, 2005C, 2005D, 2006, 2007A and 2016 Debt Service Reserve Fund Requirement		\$7,362,000
Surety Bond Limit		\$7,362,000

	Reduction in Surety Bond Coverage	Date of Reduction	Payments Received under Applicable Financial Guaranty Agreement	Date Payments Received
\$46,805,000 Florida Municipal Loan Council Revenue Bonds, Series 2003B				
\$18,145,000 Florida Municipal Loan Council Revenue Refunding Bonds, Series 2005B				
\$22,365,000 Florida Municipal Loan Council Revenue Bonds, Series 2006				
\$50,815,000 Florida Municipal Loan Council Revenue Bonds, Series 2007A				
\$24,520,000 Florida Municipal Loan Council Revenue Bonds, Series 2016				

This Annex A supersedes any prior Annex A issued in relation to above referenced Surety Bond.

Signed: _____
Name: Daniel F. McManus, Jr.
Title: Secretary
Date: September 29, 2016

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