

City of South Bay, Florida

Financial Statements

For the Fiscal Year ended September 30, 2015

**City of South Bay, Florida
Financial Statements and Other Financial Information
For The Fiscal Year Ended September 30, 2015**

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STATISTICAL SECTION

This part of the City of South Bay'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 City's overall financial health.

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Financial Trend

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. These schedules include:

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Commission
City of South Bay, 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 South Bay, 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 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 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 15 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 testing 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.

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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 and Schedules of Funding Progress on pages 3–9 and 45-56 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 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 combining and individual nonmajor fund financial statements 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 based on the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements and the 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 June 27, 2015, 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 City's internal control over financial reporting and compliance.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida

June 27, 2016

CITY OF SOUTH BAY, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

City of South Bay, Florida
Management's Discussion and Analysis
September 30, 2015

The purpose of financial reporting, in general, is to provide the readers of the financial statements with information that will help them make decisions or draw conclusions about the City of South Bay's (the "City") financial position and results of operations as of and for fiscal year ended September 30, 2015. The readers should take time to read and evaluate all sections of the financial statements including the footnotes and the other required supplementary information that is provided in addition to this Management's Discussion and Analysis "MD&A" section.

Financial Highlights:

- The City's total net position increased by \$342,775 or 10.8% as a result of a net decrease of \$70,588 including a prior period adjustment in amount of (\$48,258) in governmental activities and a increase of \$413,363 in business-type activities.
- Governmental activities generated \$1,897,412 in revenues with \$1,919,742 in expenses.
- Business-type activities generated \$782,131 in revenues with \$360,307 in expenses.
- General fund balance increased by \$195,586, as result, the unassigned fund balance was \$311,174 or 77.9% total of fund balances.
- The net position in business type activities increased by \$413,363 due to increase of \$122,494 in water and sewer fund and increase of \$290,869 in sanitation fund.

Overview of the Financial Statements

The City's financial statements comprise three components: 1) government-wide financial statements, 2) Fund financial statements, 3) notes to the financial statements, and 4) other. This report also contains other supplementary information in addition to the basic financial statements.

1 - The focus of the *government-wide financial statements* is on the overall financial position and activities of the City. The difference between the City's total assets and total liabilities is net position. Although the purpose of the City is not to accumulate 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 *government-wide financial statements* provide readers with a broad overview of the City's finances for both its governmental activities and business-type activities which are shown in two statements:

- Statement of net position
- Statement of activities

The statement of net position presents information on all of the City's assets held and liabilities owed by the City.

The statement of activities presents the revenues and expenses of the City and the change in net position during current fiscal year. The items presented on the statement of activities are measured in a manner similar to the approach used in the private-sector; the revenues are recognized when earned and expenses are reported when incurred.

2 – The focus of the *fund financial statements* is directed to specific activities of the City rather than to the City as a whole. Except for the general fund, separate funds are established 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. The City groups its funds in two categories:

- Governmental funds
- Proprietary funds

Governmental fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements. The focus of the financial statements is on short-term emphasis, and measures and accounts for cash and other assets that can easily be converted to cash. The major fund in the governmental fund is the general fund. The City adopts an annual budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with annual budget.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City presents a separate column for the water and sewer and sanitation funds. The sanitation fund charges a fee to customers for the use of services. The water and sewer fund receives an annual fee based on agreement between the City and Glades Utility Authority. The basis of accounting of the financial statements is similar to the basis used to prepare the government-wide financial statements.

3 – The notes to the financial statements provide additional information and disclosures that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

4- Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as comparison between the City's adopted budget and actual financial results. The City adopts an annual appropriated budget for its governmental funds. The budgetary comparison statement has been provided to demonstrate compliance with this budget.

Analysis of government-wide financial statements:

City of South Bay, Florida
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 1,722,974	\$ 1,464,972	\$ 3,746,926	\$ 3,575,600	\$ 5,469,900	\$ 5,040,572
Capital assets	<u>1,343,473</u>	<u>1,558,090</u>	<u>262,881</u>	<u>265,452</u>	<u>1,606,354</u>	<u>1,823,542</u>
Total assets	<u>3,066,447</u>	<u>3,023,062</u>	<u>4,009,807</u>	<u>3,841,052</u>	<u>7,076,254</u>	<u>6,864,114</u>
Current and other liabilities	1,374,248	1,303,498	200,674	330,087	1,574,922	1,633,585
Long-term liabilities outstanding	<u>532,831</u>	<u>489,608</u>	<u>1,447,049</u>	<u>1,562,244</u>	<u>1,979,880</u>	<u>2,051,852</u>
Total liabilities	<u>1,907,079</u>	<u>1,793,106</u>	<u>1,647,723</u>	<u>1,892,331</u>	<u>3,554,802</u>	<u>3,685,437</u>
Net position:						
Invested in capital assets						
(net of related debt)	805,606	1,063,735	262,881	265,452	1,068,487	1,329,187
Restricted for prepaid items	42,588	59,467	-	-	42,588	59,467
Unrestricted	<u>311,174</u>	<u>106,754</u>	<u>2,099,203</u>	<u>1,683,269</u>	<u>2,410,377</u>	<u>1,790,023</u>
Total net position	<u>\$ 1,159,368</u>	<u>\$ 1,229,956</u>	<u>\$ 2,362,084</u>	<u>\$ 1,948,721</u>	<u>\$ 3,521,452</u>	<u>\$ 3,178,677</u>

A significant portion of the City's net position (31%) reflect its investment in capital assets (e.g. lands, infrastructure, buildings and equipment) less any debt related to those assets that are still outstanding. The City uses these capital assets to provide services to citizens; accordingly, 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 (1.2%) represents resources that are subject to restriction on how they may be used.

The net position increased from \$3,178,677 to \$3,569,710, as a result of net increase of \$413,363 in business-type and decrease of \$22,330 in governmental activities fund groups.

Expenses and Revenues – Governmental Activities:

Net position increase or decrease over time serves a useful indicator of the government's financial position. Net position in governmental activities decreased by \$22,330 in the current year, while the net position in prior year increased by \$11,852. Revenues in governmental activities including transfer in, increased by \$63,981 when the expenditures increased by \$98,163 in fiscal 2015.

City of South Bay, Florida Change in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charge for services	\$ 46,302	\$ 43,270	\$ 629,203	\$ 603,990	\$ 675,505	\$ 647,260
Operating grant and contribution	53,450	18,082	-	34,117	53,450	52,199
General revenues:						
Property taxes	319,866	292,490	-	-	319,866	292,490
Franchise	524,351	505,470	-	-	524,351	505,470
Other taxes	864,611	827,278	-	-	864,611	827,278
Other	88,832	106,841	158,059	128,684	246,891	235,525
Total revenues	<u>1,897,412</u>	<u>1,793,431</u>	<u>787,262</u>	<u>766,791</u>	<u>2,684,674</u>	<u>2,560,222</u>
Expenses:						
General government	1,002,797	928,100	-	-	1,002,797	928,100
Public safety	174,329	175,810	-	-	174,329	175,810
Highway and street	676,636	653,451	-	-	676,636	653,451
Culture and recreation	64,696	63,603	-	-	64,696	63,603
Water and sewer	-	-	17,572	464,865	17,572	464,865
Sanitation	-	-	342,735	331,330	342,735	331,330
Interest on long term debt	1,284	615	13,592	15,749	14,876	16,364
Total expenses	<u>1,919,742</u>	<u>1,821,579</u>	<u>373,899</u>	<u>811,944</u>	<u>2,293,641</u>	<u>2,633,523</u>
Increase (decrease) in net assets before transfer in (out)	(22,330)	(28,148)	413,363	(45,153)	391,033	(73,301)
Transfer in /(out)	-	40,000	-	(40,000)	-	-
Increase (decrease) in net position	(22,330)	11,852	413,363	(85,153)	391,033	(73,301)
Net position at beginning of year	1,229,956	1,218,104	1,948,721	2,033,874	3,178,677	3,251,978
Prior period adjustment	(48,258)	-	-	-	(48,258)	-
Net position at beginning of year, restated	<u>1,181,698</u>	<u>1,218,104</u>	<u>1,948,721</u>	<u>2,033,874</u>	<u>3,130,419</u>	<u>3,251,978</u>
Net position at end of year	<u>\$1,159,368</u>	<u>\$1,229,956</u>	<u>\$ 2,362,084</u>	<u>\$ 1,948,721</u>	<u>\$ 3,521,452</u>	<u>\$ 3,178,677</u>

The net position in business-type activities increased by \$413,363 in the current year, when prior year net position decreased by \$85,153. The revenues in business-type increased by \$20,471 when the expenditures decreased by \$438,045 mainly due to a settlement agreement recorded in amount of \$500,000 for sewer services in fiscal 2014.

Discussion of Major Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The City’s governmental funds focus on providing 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.

The General fund is the primary operating fund accounting for all unrestricted operating expenditures of the City. Revenues aggregated \$1,897,412 while expenditures totaled \$1,701,826, resulting in \$195,586 increase in the fund balance for the year end.

Proprietary Funds – The water and sewer fund and sanitation fund are identified as major proprietary funds and report the operating income and change in net position.

Total propriety funds’ revenue for charges for services and other sources aggregated \$787,262 while the total expenditures general fund totaled \$373,899 resulting in \$413,363 increase in net position.

General Fund Budgetary Highlights

General fund operations had a positive variance in amount of \$195,586, when the actual revenues were \$69,779 more than the final budget. Actual expenditures were less than the final appropriation by \$125,807. Budget amendments were done during year to make available funds for unexpected expenditures as well as to realign funding with changes in each department.

Capital Assets

The City’s capital assets (net of accumulated depreciation) as of September 30, 2015, amounted to \$1,606,354, a decrease of \$217,188 from the prior year. The decrease was primarily due to the recording of \$222,972 depreciation expenses. Additional information for the City assets can be found in NOTE 3 Capital assets.

City of South Bay, Florida
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 217,188	\$ 217,188	\$ 212,927	\$ 212,927	\$ 430,115	\$ 430,115
Buildings and improvements	830,166	825,541	-	-	830,166	825,541
Utility plant and systems	-	-	128,521	128,521	128,521	128,521
Improvements other than buildings and roads	181,919	181,919	-	-	181,919	181,919
Infrastructure	8,857,639	8,857,639	-	-	8,857,639	8,857,639
Equipment and machinery	741,913	740,754	-	-	741,913	740,754
Total	10,828,825	10,823,041	341,448	341,448	11,170,273	11,164,489
Accumulated depreciation	(9,485,352)	(9,264,951)	(78,567)	(75,996)	(9,563,919)	(9,340,947)
Total capital assets, net	<u>\$ 1,343,473</u>	<u>\$ 1,558,090</u>	<u>\$ 262,881</u>	<u>\$ 265,452</u>	<u>\$ 1,606,354</u>	<u>\$ 1,823,542</u>

Long-Term Debt

At the end of the current fiscal year, the City had a total of \$2,052,680 in notes, bonds and capital lease outstanding as compared to \$2,314,942 last year, a decrease of \$262,262. The decrease mainly attributed to \$200,000 partial payment on a settlement agreement and remaining balance on current portion of the City's debt during 2015. The City's obligations are secured by various revenues sources and capital assets.

City of South Bay, Florida
Bonded Debt, Notes and Loan Payable, and Capital leases

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues bonds	\$ -	\$ -	\$ 1,075,700	\$ 1,099,500	\$ 1,075,700	\$ 1,099,500
Notes	470,595	470,595	-	-	470,595	470,595
Accounts payable	-	-	487,371	721,087	487,371	721,087
Capital Leases	19,014	23,760	-	-	19,014	23,760
Total	<u>\$ 489,609</u>	<u>\$ 494,355</u>	<u>\$ 1,563,071</u>	<u>\$ 1,820,587</u>	<u>\$ 2,052,680</u>	<u>\$ 2,314,942</u>

Economic Factors and Outlook for the Future

The City's economic environment is dependent on Palm Beach County and State of Florida economic activities which they are impacted the City's source of revenues. Other economic factors such as weak economy, unemployment, commodities prices, growth and any new legislative bill and proposal may have a significant impact on the City's operations.

The City primarily relies on various taxes levied by the state (sales and utilities) and franchise and other business tax receipts for governmental activities. The governmental fund budget has kept operational spending fairly unchanged. The City's elected officials consider many factors establish goals and priorities when adopting the annual budget each year. Improvements to roads and park which they will be funded by grants monies are expected to be started in January 2016. City's capital projects budget for road improvements, park and buildings for fiscal year 2015-2016, totaled \$2,323,608.

Effective October 1, 2006, the fire rescue services was transferred to Palm Beach County Fire Rescue MSTU (municipal service tax unit). In according with this agreement, the City's property owners \$3.4581 mills of \$1,000 of taxable value are maintained by Palm Beach County and the City's millage rate remains at 6.3089. The property values have begun to stabilize and an increase of 9.3% is projected for the fiscal year 2015-2016.

Request for Information

The financial report is designed to provide a general overview of the City's finances to its citizens, taxpayers, customers, creditors and investors, and to demonstrate the City's accountability to the aforementioned. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Finance Department, 335 S.W. 2nd Avenue, South Bay, FL 33493. Additional information is also available on the City's website.

CITY OF SOUTH BAY, FLORIDA

BASIC FINANCIAL STATEMENTS SECTION

City of South Bay, Florida
Statement of Net Position
September 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 803,625	\$ 1,746,121	\$ 2,549,746
Accounts receivable (net of allowances for uncollectible accounts)	67,684	97,568	165,252
Due from government	65,212	-	65,212
Prepaid items	42,588	-	42,588
Due from other funds	-	800,596	800,596
Restricted assets:			
Cash and cash equivalents	111,603	27,181	138,784
Investments	-	1,026,838	1,026,838
Capital assets	1,343,473	262,881	1,606,354
Other assets	549,126	48,622	597,748
Total assets	<u>2,983,311</u>	<u>4,009,807</u>	<u>6,993,118</u>
Deferred outflows:			
Deferred outflows-pension	83,136	-	83,136
Total deferred outflows	<u>83,136</u>	<u>-</u>	<u>83,136</u>
Liabilities:			
Accounts payable	71,394	20,920	92,314
Accrued liabilities	7,786	-	7,786
Compensated absences	45,525	-	45,525
Due to other funds	763,804	36,792	800,596
Payable from restricted assets:			
Interest payable	-	26,940	26,940
Long-term debt:			
Due within in one year	5,036	116,022	121,058
Capital lease	13,978	-	13,978
Due in more than one year	470,595	1,447,049	1,917,644
Net pension liability	48,258	-	48,258
Total liabilities	<u>1,426,376</u>	<u>1,647,723</u>	<u>3,074,099</u>
Deferred inflows:			
Deferred inflows-revenues	397,174	-	397,174
Deferred inflows-pension	83,529	-	83,529
Total deferred inflows	<u>480,703</u>	<u>-</u>	<u>480,703</u>
Net Position:			
Invested in capital assets, net of related debt	805,606	262,881	1,068,487
Restricted for:			
Prepaid items	42,588	-	42,588
Unrestricted	311,174	2,099,203	2,410,377
Total net position	<u>\$ 1,159,368</u>	<u>\$ 2,362,084</u>	<u>\$ 3,521,452</u>

See accompanying notes to financial statements.

City of South Bay, Florida
Statement of Activities
For the Fiscal Year Ended September 30, 2015

	Expenses	Charges for Services	Operating/Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:						
General government	\$ 1,002,797	\$ -	\$ 53,450	\$ (949,347)	\$ -	\$ (949,347)
Public safety	174,329	-	-	(174,329)	-	(174,329)
Highways and streets	676,636	46,302	-	(630,334)	-	(630,334)
Culture and recreation	64,696	-	-	(64,696)	-	(64,696)
Interest	1,284	-	-	(1,284)	-	(1,284)
Total governmental activities	<u>1,919,742</u>	<u>46,302</u>	<u>53,450</u>	<u>(1,819,990)</u>	<u>-</u>	<u>(1,819,990)</u>
Business-type activities:						
Water and sewer	31,164	-	-	-	(31,164)	(31,164)
Sanitation	342,735	629,203	-	-	286,468	286,468
Total business-type activities	<u>373,899</u>	<u>629,203</u>	<u>-</u>	<u>-</u>	<u>255,304</u>	<u>255,304</u>
Total governmental	<u>\$ 2,293,641</u>	<u>\$ 675,505</u>	<u>\$ 53,450</u>	<u>(1,819,990)</u>	<u>255,304</u>	<u>(1,564,686)</u>
General revenue:						
Taxes:						
Ad Valorem				319,866	-	319,866
Gasoline				119,261	-	119,261
Franchise				524,351	-	524,351
Sales tax				222,683	-	222,683
State revenue sharing				157,355	-	157,355
Payment in lieu of taxes				291,152	-	291,152
Occupational licenses and permits				74,160	-	74,160
Investment earnings				596	5,131	5,727
Other				88,236	152,928	241,164
Total general revenues				<u>1,797,660</u>	<u>158,059</u>	<u>1,955,719</u>
Change in net position				(22,330)	413,363	391,033
Net position – October 1, 2014				1,229,956	1,948,721	3,178,677
Prior period adjustment				(48,258)	-	(48,258)
Net position - October 1, 2014, restated				<u>1,181,698</u>	<u>1,948,721</u>	<u>3,130,419</u>
Net position – September 30, 2015				<u>\$ 1,159,368</u>	<u>\$ 2,362,084</u>	<u>\$ 3,521,452</u>

See accompanying notes to financial statements.

City of South Bay, Florida
Balance Sheet
Governmental Funds
September 30, 2015

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets:		
Cash and cash equivalents	\$ 803,625	\$ 803,625
Accounts receivable (net of allowances for uncollectible)	67,291	67,291
Due from government	65,212	65,212
Prepaid items	42,588	42,588
Other assets	549,126	549,126
Restricted assets:		
Cash and cash equivalents	111,603	111,603
Total assets	<u>\$ 1,639,445</u>	<u>\$ 1,639,445</u>
Liabilities and fund balances:		
Liabilities:		
Accounts payable	\$ 71,394	\$ 71,394
Accrued liabilities	7,786	7,786
Due to other funds	763,804	763,804
Total liabilities	<u>842,984</u>	<u>842,984</u>
Deferred inflows	<u>397,174</u>	<u>397,174</u>
Fund balances:		
Non-spendable:		
Prepaid items	42,588	42,588
Committed to:		
Compensated absences	45,525	45,525
Unassigned	311,174	311,174
Total fund Balances	<u>399,287</u>	<u>399,287</u>
Total liabilities and fund balances	<u>\$ 1,639,445</u>	<u>\$ 1,639,445</u>

See accompanying notes to financial statements.

City of South Bay, Florida
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Governmental Funds
September 30, 2015

Fund Balance – Total Governmental Funds	\$	399,287
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Amounts reported for governmental activities in the statement of net position are different because:

Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet

1,343,473

Deferred outflows-pension

83,136

1,426,609

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Compensated absences	\$	(45,525)
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Net pension liability		(47,865)
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Deferred inflows-pension		(83,529)
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General obligation notes and lease payable		(489,609)
--	--	-----------

(666,528)

Total net position – Governmental Activities	\$	1,159,368
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See accompanying notes to financial statements.

City of South Bay, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended September 30, 2015

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:		
Taxes	\$ 963,478	\$ 963,478
Licenses and permits	71,824	71,824
Intergovernmental	726,977	726,977
Charges for services	46,302	46,302
Fines and forfeitures	5,544	5,544
Rents	34,281	34,281
Investment income	596	596
Miscellaneous revenues	48,410	48,410
Total revenues	<u>1,897,412</u>	<u>1,897,412</u>
Expenditures:		
Current:		
General government	974,508	974,508
Public safety	174,329	174,329
Highways and streets	481,822	481,822
Culture and recreation	59,353	59,353
Capital outlay	5,784	5,784
Debt services:		
Principal	4,746	4,746
Interest	1,284	1,284
Total expenditures	<u>1,701,826</u>	<u>1,701,826</u>
Net change in fund balance	195,586	195,586
Fund balance at October 1, 2014	<u>203,701</u>	<u>203,701</u>
Fund balance at September 30, 2015	<u><u>\$ 399,287</u></u>	<u><u>\$ 399,287</u></u>

See accompanying notes to financial statements.

City of South Bay, Florida
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Governmental Funds
For the Fiscal Year Ended September 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance – total governmental funds	\$ 195,586
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Governmental fund report capital outlay as expenditures. However, in the statement of the activities the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	5,784
Current year depreciation	(220,401)

Some expenses reported in the government wide statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental fund:

Compensated absences	(8,045)
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The repayment of principal reduces long-term liabilities and is not reported in the statement of the activities, but the repayment is reported as expenditures in the governmental funds.

<u>4,746</u>

Change in net position of governmental activities	<u><u>\$ (22,330)</u></u>
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See accompanying notes to financial statements.

City of South Bay, Florida
Statement of Net Position
Proprietary Funds
September 30, 2015

	Major Fund		Total Business-Type Activities Enterprise Funds
	Water and Sewer	Sanitation	
Assets			
Current assets:			
Cash and cash equivalents	\$ 290,923	\$ 1,455,198	\$ 1,746,121
Accounts receivable, net	18,509	79,059	97,568
Due from other funds	749,585	51,011	800,596
Restricted assets			
Cash and cash equivalents	27,181	-	27,181
Total current assets	1,086,198	1,585,268	2,671,466
Non-current assets:			
Restricted assets			
Investments	1,026,838	-	1,026,838
Capital assets			
Property, net	262,881	-	262,881
Other assets	48,622	-	48,622
Total non-current assets	1,338,341	-	1,338,341
Total assets	\$ 2,424,539	\$ 1,585,268	\$ 4,009,807

See accompanying notes to financial statements.

City of South Bay, Florida
Statement of Net Position
Proprietary Funds
September 30, 2015

	Major Fund		Total Business-Type Activities Enterprise Funds
	Water and Sewer	Sanitation	
Liabilities and net assets			
Liabilities:			
Current liabilities			
Accounts payable	\$ 14,000	\$ 6,920	\$ 20,920
Due to other fund	36,792	-	36,792
Current portion of long-term debt	91,022	-	91,022
Total current liabilities	141,814	6,920	148,734
Current liabilities payable from restricted assets:			
Interest payable	26,940	-	26,940
Current portion of bond payable	25,000	-	25,000
Total current liabilities payable from current restricted assets	51,940	-	51,940
Non-current liabilities:			
Long-term portion of accounts payable	396,349		396,349
Long-term portion of bond payable	1,050,700	-	1,050,700
Total non-current liabilities	1,447,049	-	1,447,049
Total liabilities	1,640,803	6,920	1,647,723
Net position:			
Invested in capital assets	262,881	-	262,881
Unrestricted	520,855	1,578,348	2,099,203
Total net position	\$ 783,736	\$ 1,578,348	\$ 2,362,084

See accompanying notes to financial statements.

City of South Bay, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2015

	Major Fund		Total Business-Type Activities Enterprise Funds
	Water and Sewer	Sanitation	
Operating revenues:			
Charges for services	\$ -	\$ 629,203	\$ 629,203
Municipal fee	152,928	-	152,928
Total operating revenues	152,928	629,203	782,131
Operating expenses:			
Contractual services	-	336,344	336,344
Other services and charges	17,572	6,391	23,963
Total operating expenses	17,572	342,735	360,307
Operating income	135,356	286,468	421,824
Non-operating revenues (expenses):			
Interest revenue	730	4,401	5,131
Interest expense	(13,592)	-	(13,592)
Total non-operating revenues (expenses)	(12,862)	4,401	(8,461)
Change in net position	122,494	290,869	413,363
Net position – October 1, 2014	661,242	1,287,479	1,948,721
Net position – September 30, 2015	\$ 783,736	\$ 1,578,348	\$ 2,362,084

See accompanying notes to financial statements.

City of South Bay, Florida
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2015

	Major Fund		Total Business-Type Activities Enterprise Funds
	Water and Sewer	Sanitation	
Cash flows from operating activities:			
Receipts from customers and users	\$ 146,039	\$ 646,298	\$ 792,337
Payments to suppliers	(201,002)	(343,285)	(544,287)
Net cash provided by (used in) operating activities	(54,963)	303,013	248,050
Cash flows from capital and related financing activities:			
Interest paid	(13,592)	-	(13,592)
Principal paid	(57,516)	-	(57,516)
Repayments and advances to other funds	-	29,494	29,494
Net cash provided by (used in) capital and related financing activities	(71,108)	29,494	(41,614)
Cash flows from investing activities:			
Interest received	730	4,401	5,131
Decrease in investment	23,799	-	23,799
Net cash provided by investing activities	24,529	4,401	28,930
Net increase (decrease) in cash	(101,542)	336,908	235,366
Cash and cash equivalents at beginning of year	392,465	1,118,290	1,510,755
Cash and cash equivalents at end of year	<u>\$ 290,923</u>	<u>\$ 1,455,198</u>	<u>\$ 1,746,121</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 135,356	\$ 286,468	\$ 421,824
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,571	-	2,571
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(6,890)	17,095	10,205
(decrease) in accounts payable	(186,000)	(550)	(186,550)
Total adjustments	(190,319)	16,545	(173,774)
Net cash provided by (used in) operating activities	<u>\$ (54,963)</u>	<u>\$ 303,013</u>	<u>\$ 248,050</u>

See accompanying notes to financial statements.

City of South Bay, Florida
Notes to Financial Statements - Continued
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of South Bay, Florida (the "City") is a municipality within the legal and geographic boundaries of Palm Beach County, Florida, incorporated in October 1963 pursuant to Chapter 166, Florida Statutes. It is an instrumentality of the State of Florida established to carry on a centralized municipal government. The City Commission ("Commission") is responsible for the legislative and fiscal control of the City. A City Manager and Treasurer are appointed by the Commission and are responsible for the administrative and fiscal control of the resources of the City maintained in the funds and the account groups described below.

The basic financial statements of the City have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below:

(a) Reporting Entity

The financial statements were prepared in accordance with governmental accounting standards that establish 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 City, organizations for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City 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 City. Based upon the application of these criteria, management has determined that there are no other organizations that met the criteria described above.

(b) The Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statements of activities) report information on all of the non fiduciary activities of the City. 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, which rely to a significant extent, on fees and charges for support.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. In fiscal year ended September 30, 2015, there are no remaining governmental funds to be aggregated and reported as non-major funds.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to reconcile the fund-based financial statements to the governmental activities column of the government-wide presentation. The City applies eligible expenses against available restricted resources before the use of unrestricted resources.

(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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Grants and similar items are recognized as revenues as soon as all eligible 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. Ad valorem taxes and charges for services are susceptible to accrual when collected in the current year or within 60 days subsequent to year end, provided that amounts received pertain to billings through the fiscal year ended. Intergovernmental revenue and utility service taxes are recorded in

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

accordance with their legal or contractual requirements if collected in the current period or within 30 days after year end. Interest is recorded when earned. Licenses and permits, fines and forfeitures, and miscellaneous revenue are recorded as revenue when received in cash because they are generally not measurable until actually received. Occupational license revenue collected in advance of periods to which they relate is recorded as deferred revenue.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except that principal and interest on long-term obligations are reported only when due in conformity with GAAP.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both governmental-wide and proprietary fund financial statements to the extent that those standard do not conflict with or contradict guidance of the Governmental Accounting Standard 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 government has elected not to follow subsequent private sector guidance.

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 operations; in the case of the City, water and sewer revenues include the charges to customers for sales and service. Operating expenses for water and sanitation include the cost of providing these services as well as depreciation on capital assets and associated administrative costs. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Major Funds and Basis Presentation

Accounting principles generally accepted in the United States of America set 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. The City electively added funds, as major funds, which either have significant outstanding debt proceeds or a specific community focus.

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. Revenue is derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenue. The general operating expenditures, fixed

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

charges and capital outlay costs that are not paid through other funds are paid from the General Fund.

The *Water and Sewer Fund* accounts for the activities related to providing water and sewer services to the City residents.

The *Sanitation Fund* accounts for activities related to solid waste, trash and mosquito control services to the City residents.

(d) Assets, Liabilities and Net Assets or Equity:

(1) Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand and money market accounts at a commercial banking institution.

Deposit Custodian Credit Risk

All of the City's bank deposits are held in qualified public depository and they are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The uninsured balance at September 30, 2015, was \$2,501,765 based on bank statements balance less FDIC insurance at that time.

(2) Unbilled Accounts Receivable

Property funds recognize revenue on the basis of the monthly cycle billing to customers for services provided. As result of this cycle billing method, there are unbilled receivable at the end of each fiscal year with respect to services provided but not billed at fiscal year end. It is the policy of the City to accrue for unbilled revenue for the Water and Sewer and Sanitation Funds at year end.

(3) Accounts Receivable

Accounts receivables of the City are presented in the financial statements net of allowances for uncollectible accounts.

(4) Allowances for Doubtful Accounts

Accounts receivable are written off on an individual basis in the year the City deems them uncollectible. Allowances for doubtful accounts have been provided for those accounts where collectability appears to be doubtful.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(5) Investments

The City's investments for all funds are carried at fair value based on quoted market prices. Investments consist of U.S Government time deposit securities. Purchases and sales of investments are recorded on the trade dates. Net realized gains and losses on sales of investments are reflected in current operating results as earnings.

(6) Restricted Assets and Reserves

Pursuant to various revenue bond indenture agreements, specific Enterprise Fund assets are required to be segregated as to use and, are, therefore, identified as restricted assets. For certain restricted assets, offsetting reserves have been established by charges to retained earnings.

(7) Grants from Government Agencies

Certain grants under the various federal and state programs are included in the general fund. Grant monies if and when received are disbursed by these funds for goods and services as prescribed under the respective grant programs or are transferred to other City funds for ultimate distribution under the terms of the grants. These programs are dependent on financial assistance by the state and federal governments.

(8) Capital Assets

Capital asset acquisitions are recorded as expenditures in the governmental fund financial statements. Such assets are capitalized at historical cost in the government-wide financial statements for both governmental activities and business-type activities. In the case of gifts or contributions, such assets are recorded at fair market value at the date of receipt. Capital costs which materially extend the useful life of existing properties are capitalized. Net capital assets are defined as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Interest is capitalized on projects during the construction period based upon average accumulated project expenditures.

Infrastructure assets (such as roads, bridges, curbs and gutters, streets, lighting and drainage systems and similar assets that are immovable and of value only to the City) are capitalized and reported in the infrastructure category.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets (Continued)

Assets are depreciated using the straight-line method over the following estimated lives:

<u>Asset Type</u>	<u>Life</u>
Building and building improvement	25-50
Improvement other than building and road	20
Infrastructure	50
Equipment and machinery	4-10

Depreciation is charged from the month of acquisition and none in the month of disposal

(9) Compensated Absences

The City accrues for compensated absences in accordance with GASB No. 16, Accounting for Compensated Absences. In the governmental funds, only the portion which would normally be liquidated with expendable available financial resources is accrued whereas, in the government-wide presentations, both the current and long-term portions are reported.

Employees earn 10 to 20 days of vacation and 24 days of sick leave annually. If an employee resigns in good standing or retires, the City pays accrued vacation and from 25% to 50%, and accumulated sick leave up to a maximum of 60 days.

(10) Deferred and Unearned Revenues

Deferred revenues are recorded for governmental fund receivable that are not yet available. Inflow that do not meet the criteria for revenue recognition, such as occupational licenses collected in advance are recorded as unearned revenues in the governmental fund and governmental-wide financial statements.

(11) 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 obligation are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the reported net of the applicable premium or discount. These premium and discounts are deferred and amortized over the life of the bonds. Issuance costs are expenses in the year they are incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(12) Concentration of Credit Risk

Financial instruments which subject the City to credit risk consist primarily of accounts receivable. Concentration of credit risk with respect to accounts receivable is generally diversified due to the large number of utility customers comprising the City's utility customer base. The City requires deposits from its customers and maintains an allowance for potential credit losses.

(13) Property Tax Calendar

Property taxes are levied on October 1 of each year, tax bills are mailed November 1 and are delinquent if not paid by the following March, and Tax certificates are sold for all taxes unpaid in July. The City's tax revenue is collected by the County's tax collector who remits to the City, monies collected following a calendar prescribed by law.

(14) Deferred inflows and outflows of Resources

Governmental funds report deferred revenue in connection with receivable for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues at the government-with level arise only when the City receives resources before it has a legal claim to them

(15) Use of Estimates

The preparation of financials statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(16) Fund Balance

The City used restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal agreements that prohibit doing this, such as grant agreements requiring dollar for dollar spending.

Additionally the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for the purpose for which amounts in any unrestricted fund balance classifications could be used.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Balance (Continued)

In the fund financial statements, governmental funds report fund classification that comprise a hierarchy based primary on the extent to which the City is bound to constraint on the specific purpose for which amount in those fund can be spent. Amounts that are restricted to specific purpose as follows:

- Constraints placed on the use of resources by creditors, grantors, contributor, or law or regulations of the governments, and
- Constraints impose by law through constitutional provision or enabling legislation.

Amounts that can only be used for specific purpose pursuant to constraint imposed by the City Commissioners through a resolution or an ordinance are classified as committed fund balances. Amounts that are constrained by the City's intent to be used for specific purpose, but are neither restricted nor committed are classified as assigned fund balances. Constraints imposed by law through constitutional provision or enabling legislation are classified as restricted fund balances. Assignments are made by City management based on the City Commissioners' direction.

Non-spendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable from or (b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purpose within the general fund.

(17) Net Position

Net assets of the government-wide and proprietary funds are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt is that portion of net assets that relates to the City's capital assets reduced by the portion of the assets that has been acquired through the use of long-term debt. This amount is offset by any unspent proceeds that are outstanding at fiscal year-end. Restricted net assets is that portion of net assets 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(18) Budget and Budgetary Accounting

The City prepares an annual operating budget for both the general fund and the special revenues fund which are reflected in these financial statements. The City's budgeting process is based on estimates of revenues and expenditures and

requires that all budgets be approved by the City of South Bay City's Commissioners (the "Commissioners") after a public hearing is held. Subsequent amendments to the budget, if any, are approved by the Commissioners.

Budgets are prepared on the same basis of accounting as required for Governmental Fund Types. Expenditures may exceed the approved budget amounts for individual categories as long as the total does not exceed the approved budget. Any remaining fund balances remain with the City each year.

NOTE 2 – INVESTMENTS:

Investments consist of U.S Government time deposit securities. The table below summarizes the scheduled maturities of the investments at September 30, 2015:

	<u>Fair Value of Investments Maturities</u>				<u>Total</u>
	<u>Less Than One Year</u>	<u>One to Five Years</u>	<u>Six To Ten Years</u>	<u>More Than Ten Years</u>	
U.S Government securities	<u>\$ 22,215</u>	<u>\$ 129,750</u>	<u>\$ 168,653</u>	<u>\$ 706,220</u>	<u>\$1,026,838</u>

On December 12, 1998, the City issued Second Subordinate Water Revenue Bonds Series 1998 for \$1,339,000 with interest of 4.75% to the U.S Department of Agriculture, Rural Utilities Service in connection with providing water and sewer services at the correctional facility in the City known as the Off-Site Improvements. Prior to the issuance of the bonds, \$1,338,760 was placed with the U.S. Treasury in time deposit securities to service the bond debt under an agreement for the water and sewer services. The interest rates on the securities range from 3.782% to 5.400%. The annual payments on the bonds are payable from the maturities of these investments.

Credit Risk – The Second Subordinate Water Revenue Bond Series 1998 limits the investments to United States Government or United States Treasury Bonds, certificates, notes or bills, or to arrange interest-bearing time deposits with the depositories of the City. The interest derived from such investments or deposits shall accrue as revenue to the general fund of the City, except in the case of special funds for which the City is required by agreement or by law, to credit such special funds with interest on the invested balances.

The City has elected to proceed under the alternative investment guideline as set forth in section 218.415 (17) Florida Statutes. The City may invest any surplus public funds in the following:

NOTE 2 – INVESTMENTS (Continued):

- (a) The Local Government Surplus Trust Funds, or any intergovernmental investment pools pursuant to the Florida Interlocal Cooperation Act;
- (b) Security and exchange Commission registered money market funds the highest credit quality rating from a nationally recognized rating agency
- (c) Interest bearing time deposits or saving accounts in qualified depositories
- (d) Direct obligation of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition surplus funds may be deposited into certificates of deposit which are insured. The City reports all interest related revenue to investments activities in the respective funds and reports investments at fair value.

NOTE 3 – CAPITAL ASSETS:

Changes in capital assets of the City as of September 30, 2015, are shown below:

	Balance 9/30/2014	Additions	Deletions	Balance 9/30/2015
<u>Governmental Activities:</u>				
Capital assets not being depreciated				
Land	\$ 217,188	\$ -	\$ -	\$ 217,188
Total capital assets not being depreciated	<u>217,188</u>	<u>-</u>	<u>-</u>	<u>217,188</u>
Capital assets, being depreciated				
Buildings and improvements	825,541	4,625	-	830,166
Improvement other than buildings and roads	181,919	-	-	181,919
Infrastructure	8,857,639	-	-	8,857,639
Equipment and machinery	740,754	1,159	-	741,913
Total capital assets being depreciated	<u>10,605,853</u>	<u>5,784</u>	<u>-</u>	<u>10,611,637</u>
Less accumulated depreciation for:				
Buildings and improvements	599,643	17,599		617,242
Improvement other than buildings and roads	181,918	-		181,918
Infrastructure	7,794,724	177,153		7,971,877
Equipment and machinery	688,666	25,649	-	714,315
Total accumulated depreciation	<u>9,264,951</u>	<u>220,401</u>	<u>-</u>	<u>9,485,352</u>
Total capital assets being depreciated, net	<u>1,340,902</u>	<u>(214,617)</u>	<u>-</u>	<u>1,126,285</u>
Governmental activities capital assets, net	<u>\$ 1,558,090</u>	<u>\$ (214,617)</u>	<u>-</u>	<u>\$ 1,343,473</u>

NOTE 3 – CAPITAL ASSETS (Continued):

	Balance 9/30/2014	Additions	Deletions	Balance 9/30/2015
Business-Type Activities:				
Capital assets not being depreciated				
Land	\$ 212,927	\$ -	\$ -	\$ 212,927
Total capital assets not being depreciated	<u>212,927</u>	<u>-</u>	<u>-</u>	<u>212,927</u>
Capital assets being depreciated:				
Utility plant and systems	128,521	-	-	128,521
Total capital assets being depreciated	<u>128,521</u>	<u>-</u>	<u>-</u>	<u>128,521</u>
Total accumulated depreciation	<u>75,996</u>	<u>2,571</u>	<u>-</u>	<u>78,567</u>
Total capital assets being depreciated	<u>52,525</u>	<u>(2,571)</u>	<u>-</u>	<u>49,954</u>
Business-type activities capital assets, net	<u>\$ 265,452</u>	<u>\$ (2,571)</u>	<u>\$ -</u>	<u>\$ 262,881</u>

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

Governmental activities

General government	\$ 20,244
Highway and streets	194,814
Culture and recreation	<u>5,343</u>

Total depreciation expense – governmental activities \$ 220,401

NOTE 4 – LONG TERM DEBT:

Long-term debt activities for the year ended September 30, 2015, are shown below:

	Balance 9/30/2014	Additions	Deletions	Balance 9/30/2015
<u>Governmental activities:</u>				
Notes payable	\$ 470,595	\$ -	\$ -	\$ 470,595
Capital lease obligation	23,760	-	4,746	19,014
Compensated absences	37,480	8,045	-	45,525
Total governmental activities	<u>\$ 531,835</u>	<u>\$ 8,045</u>	<u>\$ 4,746</u>	<u>\$ 535,134</u>
<u>Business-type activities:</u>				
Bond payable	\$ 1,099,500	\$ -	\$ 23,800	\$ 1,075,700
Account payable	721,087	-	233,716	487,371
Total business-type activities	<u>1,820,587</u>	<u>-</u>	<u>257,516</u>	<u>1,563,071</u>
Total long-term debt	<u>\$ 2,352,422</u>	<u>\$ 8,045</u>	<u>\$ 262,262</u>	<u>\$ 2,098,205</u>

NOTE 4 – LONG TERM DEBT (Continued):**Long-Term Debt of Business type Activities:**

Subordinate bonds were issued by the City to finance the cost of construction and erection of extensions and improvements to the City's water and sewer system. The revenues of the water and sewer system, certain excise taxes, the City's guaranteed entitlement to revenue sharing trust funds and all other money of the City derived from sources other than ad valorem taxation are pledged as security for the bonds. The maturities of outstanding debt are

Bond Series 1998 Second Subordinate Water Revenue

<u>Fiscal year of Maturity</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 25,000	\$ 51,096	\$ 76,096
2017	26,100	49,908	76,008
2018	27,400	48,669	76,069
2019	28,700	47,367	76,067
2020	30,000	46,004	76,004
2021 - 2025	173,100	207,209	380,309
2026 - 2030	218,200	162,013	380,213
2031 - 2035	275,200	105,027	380,227
2036 - 2038	272,000	33,117	305,117
Total	<u>\$ 1,075,700</u>	<u>\$ 750,410</u>	<u>\$ 1,826,110</u>

Change during fiscal year:

Outstanding October 1, 2014

\$ 1,099,500

Retired

(23,800)

Outstanding September 30, 2015

\$ 1,075,700

Due within one year

\$ 25,000

Due in more than one year

1,050,700

\$ 1,075,700

The interest rate is 4.75% on the Second Subordinate Bonds Series 1998.

Long-Term Debt of Governmental Activities:

On July 2, 1997, the City purchased land in the amount of \$836,001. On May 17, 2005, the terms of the note were modified to reduce the principal amount due to \$697,040, reduce the interest rate from 6% to zero percent per annum, and extend the maturity to July 1, 2020. The note is secured by land. Payment on the note is required to be made each time a portion of the land is sold based on calculations outlined in the note agreement. The balance of this note at September 30, 2015 was \$470,594.

NOTE 4 – LONG TERM DEBT (Continued):**Settlement Agreement:**

1 - On February 28, 2012, the City entered into a settlement agreement with a vendor for \$350,000 relating to an outstanding payable in amount of \$348,438 in water and sewer fund. Under the term of this settlement, the City agreed to pay an initial payment of \$50,000 on March 15, 2012, and monthly installment payments of \$3,942 including interest, for 99 consecutive payments. The future payment for this liability is as follows:

<u>September 30,</u>		
2016	\$	47,309
2017		47,309
2018		47,309
2019		47,309
2020		<u>27,598</u>
Total payment		216,834
Less amount represent interest payment		<u>(29,463)</u>
Net payment	\$	<u>187,371</u>

2 – On January 12, 2015, the City entered into a settlement agreement with a vendor for \$500,000 relating to outstanding balance of a payable for the sewer services from September 2005 through September 30, 2009. Under the term of this settlement, the City agreed to pay an initial payment of \$200,000 on January 20, 2015, and \$5,000 monthly installment payments effective October 1, 2015 for sixty months. The monthly payment is secured by host fees which it payable to the City by Palm Beach County Water Department. The future payment for this liability is as follows:

<u>September 30,</u>		
2016	\$	55,000
2017		60,000
2018		60,000
2019		60,000
2020		60,000
2021		<u>5,000</u>
Total payment	\$	<u>300,000</u>

NOTE 5 – COMPENSATED ABSENCES

From 10 to 20 days of vacation and 24 days of sick leave can be earned by employees annually. If an employee resigns in good standing or retires, the City pays accrued vacation and from 25% to 50% of accumulated sick leaves up to a maximum of 60 days.

NOTE 5 – COMPENSATED ABSENCES (Continued):

The change in compensated absences during year is as follows:

	<u>Governmental Activities</u>
Balances at October 1, 2014	\$ 37,480
Increase	<u>8,045</u>
Balance at September 30, 2015	<u><u>\$ 45,525</u></u>

NOTE 6 – CAPITAL LEASE:

The City purchased an auto under a capital lease with third party and recorded in the Governmental Activities at \$26,610. The future minimum lease payment under this capital lease and the present value of net minimum lease payment at September 30, 2015 are as follows:

<u>Year Ending</u>	
2016	\$ 6,030
2017	6,030
2018	6,030
2019	<u>3,015</u>
Total minimum lease payment	21,105
Less: amount representing interest	<u>(2,091)</u>
Present value of future payments	<u><u>\$ 19,014</u></u>

NOTE 7 - FLORIDA RETIREMENT SYSTEM

General Information - In accordance with Ordinance 15-2010 dated October 19, 2010, City established Florida Retirement System (FRS) Investment Plan for the City Commissioners and the appointed officers (defined contribution plan). 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, City 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 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

NOTE 7 - FLORIDA RETIREMENT SYSTEM (Continued):

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/workforce_operations/retirement/publications.

Pension Plan

Plan Description – The Pension Plan is a cost-sharing multiple-employer defined contribution plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

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 Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 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. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) 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 and Special Risk Administrative Support 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

NOTE 7 - FLORIDA RETIREMENT SYSTEM (Continued):

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

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 Administrative Support—42.07% and 32.95%; 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 \$7,538 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 \$39,933 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 .000309167 percent, which was an increase (decrease) of .000174 percent from its proportionate share measured as of June 30, 2014.

for the fiscal year ended September 30, 2015, the City recognized pension expense of \$9,673. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 7 - FLORIDA RETIREMENT SYSTEM (Continued):

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,216	\$ 947
Change in assumptions	2,650	-
Net difference between projected and actual earnings on pension plan investments	-	9,535
Changes in proportion and differences between District pension plan contributions and proportionate share of contributions	74,554	73,047
City pension plan contributions subsequent to the measurement date	<u>1,716</u>	<u>-</u>
	<u>\$ 83,136</u>	<u>\$ 83,529</u>

The deferred outflows of resources related to the Pension Plan, totaling \$83,136 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Amount
2016	\$ (3,159)
2017	(3,159)
2018	(3,159)
2019	4,708
2020	914
Thereafter	239

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

NOTE 7 - FLORIDA RETIREMENT SYSTEM (Continued):

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.

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 U.S. 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%

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

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

NOTE 7 - FLORIDA RETIREMENT SYSTEM (Continued):

	1% Decrease -6.65%	Current Discount Rate -7.65%	1% Decrease -8.65%
City's proportionate share of the net pension liability	\$34,713	\$39,933	\$45,153

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

Payables to the Pension Plan - At September 30, 2015, the City reported a payable in the amount of \$39,933 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2015.

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.

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.

NOTE 7 - FLORIDA RETIREMENT SYSTEM (Continued):

The City's contributions to the HIS Plan totaled \$312 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 \$8,325 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 .000081630 percent, which was an increase (decrease) of .000022 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$8,325. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	655	-
Net difference between projected and actual earnings on pension plan investments	5	-
Changes in proportion and differences between District pension plan contributions and proportionate share of contributions	-	-
City pension plan contributions subsequent to the measurement date	<u>95</u>	<u>-</u>
	<u>\$ 755</u>	<u>\$ -</u>

The deferred outflows of resources related to the HIS Plan, totaling \$755 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

NOTE 7 - FLORIDA RETIREMENT SYSTEM (Continued):

Fiscal Year Ending September 30,	Amount
2016	\$ 114
2017	114
2018	114
2019	113
2020	113
Thereafter	91

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
Municipal bond rate	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.

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 -6.65%	Current Discount Rate -7.65%	1% Decrease -8.65%
City's proportionate share of the net pension liability	\$7,237	\$8,325	\$9,413

NOTE 7 - FLORIDA RETIREMENT SYSTEM (Continued):

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

Payables to the Pension Plan - At September 30, 2015, the City reported a payable in the amount of \$8,325 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2015.

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

Investment Plan

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 City Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

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

Pension Plan is transferred to the Investment Plan, the member must have the years of service required for 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. For the fiscal year ended September 30, 2015, the

NOTE 7 - FLORIDA RETIREMENT SYSTEM (Continued):

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 Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the 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 \$7,345 for the fiscal year ended September 30, 2015.

NOTE 8 - EMPLOYEE MONEY PURCHASE PENSION PLAN:

The City provides retirement benefits for all of its eligible employees through a money purchase pension plan and Florida Retirement System Investment Plan for the City Commissioners and appointed officers. The contributions to the employee retirement are as follows:

Money Purchase Pension Plan:

A Money Purchase Pension Plan (the "Plan") covers all City employees who have completed a fourth year of eligible service and agree in writing to make the required employee contributions to the Plan. The required employee contribution is five percent of compensation received. The City's matching contribution is equal to the five percent mandatory employee contribution for the plan year.

The City's matching contributions to the Plan are invested in annuity contracts and/or life insurance policies issued by an insurance company and the contracts and policies are issued in the employee's name. Employee benefits are vested at a rate of ten percent per year and are fully vested after ten years. An employee is eligible for early retirement within ten years of normal retirement date and has ten years of vesting service.

The pension expense under this plan for the year ended September 30, 2015, was as follows:

	Governmental
	<u>Activities</u>
General Fund	<u>\$ 18,459</u>

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances at September 30, 2015 were:

	Interfund Receivables	Interfund Payables	Transfer In	Transfer Out
General fund – major	\$ -	\$ 763,804	\$ -	\$ 29,494
Sanitation fund – major enterprise	51,011	-	29,494	-
Water & sewer fund – major enterprise	749,585	36,792	-	-
	<u>\$ 800,596</u>	<u>\$ 800,596</u>	<u>\$ 29,494</u>	<u>\$ 29,494</u>

During the course of operations, numerous transactions occurred between individual funds for good and services. The receivables and payables are classified in the Statement of Net Assets as "due from other funds" or "due to other funds."

NOTE 10 – CONTINGENCIES AND COMMITMENTS:

The City receives financial assistance from federal, state and local governmental agencies in the form of grants and revenues sharing programs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims would not have a material effect on the overall financial position of the City as of September 30, 2015.

NOTE 11 – RISK MANAGEMENT:

The City purchases insurance for exposures related to various liabilities and legal matters and all other risks of loss. During the past three fiscal years no settlements exceeded the coverage by this insurance.

NOTE 12 – UTILITY CONTRACT:

On June 15, 2009, The City of South Bay, The City of Pahokee, The City of Belle Glade and Palm Beach County entered into an interlocal agreement establishing "The Glades Utility Authority" (the "Authority").

Under this agreement, the City's utilities operations were transferred to the Authority effective October 1, 2009, and the Authority assumed the responsibility of the water and sewer as well as the outstanding bond debt for the three cities.

During 2012, because of extreme high debt payment obligations, substandard infrastructure and loss of customers, there was going concern in regard to Authority continue to operates without substantial utility rate increase. As result, the Authority dissolved and effective March 31, 2013, all the utilities functions of the three-cities were transferred to Palm Beach County Water Utilities Department (PBCWUD). As result of this transition, all the outstanding debts of the

City in amount of \$2,157,000 as of March 31, 2013 and on May 20, 2014, and State Revolving Loan was paid off.

The City of South Bay will continue to provide the solid waste, trash and mosquito control services. Under the agreement, the Authority agreed to bill the City's customers for the sanitation services for a fee of one percent to the total of the monthly collection revenue. For the fiscal year ended September 30, 2015, the City paid \$6,623 for the collection fees.

The agreement with PBCWUD shall be for an initial term of fifty (50) fiscal years and commenced on the day that the agreement was executed and the agreement shall, thereafter, automatically renew for successive ten (10) year periods until terminated.

Under the agreement, the both Authority and PBCWUD are required to pay to the City an annual entity transfer fee equal to seven percent based on annual gross revenues. For the year ended September 30, 2015, the City received \$152,928 for entity transfer fee.

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS:

The City provides no post healthcare or life insurance benefits to former City's employee after retirement. Therefore, GASB 45 – "*Accounting and financial Reporting by Employers for Post Employment Benefits Other Than Pensions*" would no material effect on the City.

NOTE 14 – MANAGEMENT'S REVIEW:

Management has evaluated subsequent event through June 27, 2016, which is the date the financial statements were available to be issued.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pension. The adjustment decreased the net position of the City by \$48,258 as a result of reporting of net pension liability. The prior period adjustment did not affect the City's operation for the year ended September 30, 2015.

SUPPLEMENTARY INFORMATION

City of South Bay, Florida
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 897,745	\$ 943,745	\$ 963,478	\$ 19,733
Licenses and permits	35,800	57,350	71,824	14,474
Intergovernmental	1,073,495	705,090	726,977	21,887
Charges for services	44,228	42,978	46,302	3,324
Fines and forfeitures	7,500	7,500	5,544	(1,956)
Rents	27,125	32,300	34,281	1,981
Investment income	150	350	596	246
Miscellaneous	11,420	38,320	48,410	10,090
Total revenues	<u>2,097,463</u>	<u>1,827,633</u>	<u>1,897,412</u>	<u>69,779</u>
Expenditures:				
Current:				
General government	937,221	1,059,241	974,508	84,733
Public safety	175,988	175,988	174,329	1,659
Highways and streets	497,604	497,604	481,822	15,782
Culture and recreation	469,590	76,290	59,353	16,937
Capital outlay	11,000	12,450	5,784	6,666
Debt services:				
Principal	4,760	4,760	4,746	14
Interest	1,300	1,300	1,284	16
Total expenditures	<u>2,097,463</u>	<u>1,827,633</u>	<u>1,701,826</u>	<u>125,807</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	195,586	<u>\$ 195,586</u>
Fund balance at October 1, 2014			<u>203,701</u>	
Fund balance at September 30, 2015			<u>\$ 399,287</u>	

City of South Bay, Florida
Note to Budgetary Comparison Schedule
Budget and Actual – General Fund
For the Fiscal Year Ended September 30, 2015

NOTE 1 – BUDGETARY ACCOUNTING

Budgets - Budgets are legally adopted for the General Fund. All governmental fund budgets are prepared on the modified accrual basis of accounting.

Under the law of the State of the Florida and the City of South Bay Code, the City Manager submits to the Mayor and City Commissioners, a proposed Budget and Financial Plan for the fiscal year commencing the following October 1st. The Annual Budget and Financial Plan are prepared by fund, function and activities and include all proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayers comments. Prior to October 1st, the budget is legally enacted by the City Commissioners through passage of a resolution.

Changes or amendments to increase or decrease the total amount of budgeted revenue or expenditures for a given fund must be approved by a majority vote of the City Commissioners; however, the change, amendments or transfers within the total revenue or expenditures for functions, activities or departments of a given fund may be approved by the City Manager. During the year the original budget revenues and expenditures were amended and they were decreased by \$269,830 primarily due to deferral a grant income from 2015 to fiscal 2016.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget based on legally authorized revisions to the original budgets during the year.

Actual general fund revenues were over appropriations by \$69,779 when the actual general fund expenditures were under the appropriation by \$125,807.

Encumbrances – Encumbrance accounting, under which purchase orders, contract, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as extension of formal budgetary control. Encumbrance lapse at year end and become obligations of the subsequent year's budget. At September 30, 2015, the City did not have any commitments related to unperformed contracts.

NOTE 2 – BUDGET AND ACTUAL COMPARISON

The Budgetary Comparison Schedule for the General Fund is required to be prepared under the basis of accounting used in preparing the budget. As indicated in Note 1, the modified accrual basis of accounting is used for budgetary purposes.

STATISTICAL SECTION

City of South Bay, Florida

Net Position By Component

Last Ten Fiscal years

(accrual basis of Accounting)

Fiscal Year Ended 9/30	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental Activities:					
Net investment in capital assets	\$ 3,254,641	\$ 3,261,343	\$ 3,312,628	\$ 2,393,356	\$ 2,489,756
Restricted	369,784	369,784	369,784	369,784	47,371
Unrestricted	(1,410,749)	(1,501,171)	(1,379,422)	(1,039,706)	(596,417)
Total governmental activities net position	2,213,676	2,129,956	2,302,990	1,723,434	1,940,710
Business -Type Activities:					
Net investment in capital assets	4,047,713	4,047,713	4,047,713	3,195,581	273,163
Restricted	896,777	896,777	896,777	896,777	-
Unrestricted	(694,622)	(1,714,090)	(1,730,092)	(1,016,874)	1,264,229
Total business-type activities net position	4,249,868	3,230,400	3,214,398	3,075,484	1,537,392
Primary Government:					
Net investment in capital assets	7,302,354	7,309,056	7,360,341	5,588,937	2,762,919
Restricted	1,266,561	1,266,561	1,266,561	1,266,561	47,371
Unrestricted	(2,105,371)	(3,215,261)	(3,109,514)	(2,056,580)	667,812
Total primary governmental net position	\$ 6,463,544	\$ 5,360,356	\$ 5,517,388	\$ 4,798,918	\$ 3,478,102

	Fiscal Year				
	2011	2012	2013	2014	2015
Governmental Activities:					
Net investment in capital assets	\$ 513,264	\$ 508,227	\$ 1,273,702	\$ 1,063,735	\$ 805,606
Restricted	46,972	72,057	110,603	59,467	42,588
Unrestricted	(644,187)	(742,111)	(166,201)	106,754	311,174
Total governmental activities net position	(83,951)	(161,827)	1,218,104	1,229,956	1,159,368
Business -Type Activities:					
Net investment in capital assets	273,163	270,593	268,022	265,452	262,881
Restricted	-	-	-	-	-
Unrestricted	1,374,157	1,494,858	1,765,852	1,683,269	2,099,203
Total business-type activities net position	1,647,320	1,765,451	2,033,874	1,948,721	2,362,084
Primary Government:					
Net investment in capital assets	786,427	778,820	1,541,724	1,329,187	1,068,487
Restricted	46,972	72,057	110,603	59,467	42,588
Unrestricted	729,970	752,747	1,599,651	1,790,023	2,410,377
Total primary governmental net position	\$ 1,563,369	\$ 1,603,624	\$ 3,251,978	\$ 3,178,677	\$ 3,521,452

City of South Bay, Florida
Changes in Net Position
Last Ten Fiscal years
(accrual basis of Accounting)

Fiscal Year Ended 9/30	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental Activities:										
General government	\$ 967,088	\$ 1,116,561	\$ 905,095	\$ 1,004,316	\$ 1,153,663	\$ 1,255,058	\$ 1,297,615	\$ 1,011,470	\$ 928,100	\$ 1,002,797
Public safety	607,072	162,012	160,868	165,575	193,406	181,875	176,008	179,171	175,810	174,329
Highways and streets	553,913	551,172	439,756	507,438	705,582	472,057	498,107	674,840	653,451	676,636
Culture and recreation	208,900	200,613	31,298	21,162	43,617	90,355	65,433	51,025	63,603	64,696
Interest	1,094	-	-	7,158	5,983	3,054	3,400	233	615	1,284
Other	117,428	149,427	61,636	-	-	753,460	-	-	-	-
Total governmental activities	2,455,495	2,179,785	1,598,653	1,705,649	2,102,251	2,755,859	2,040,563	1,916,739	1,821,579	1,919,742
Business -Type Activities:	-									
Water and sewer	1,986,569	3,770,100	3,157,649	2,289,098	41,086	2,711	107,561	24,259	480,614	31,164
Sanitation	256,106	400,841	379,063	427,658	326,383	309,498	323,673	325,564	331,330	342,735
Total business-type activities	2,242,675	4,170,941	3,536,712	2,716,756	367,469	312,209	431,234	349,823	811,944	373,899
Total primary governmental expenses	<u>\$ 4,698,170</u>	<u>\$ 6,350,726</u>	<u>\$ 5,135,365</u>	<u>\$ 4,422,405</u>	<u>\$ 2,469,720</u>	<u>\$ 3,068,068</u>	<u>\$ 2,471,797</u>	<u>\$ 2,266,562</u>	<u>\$ 2,633,523</u>	<u>\$ 2,293,641</u>
Program Revenues:										
Governmental Activities:										
Charges for services	158,626	40,386	16,376	103,368	66,118	40,376	\$ 47,016	\$ 46,473	\$ 43,270	\$ 46,302
Operating grants and contributions	-	-	-	171,079	278,800	-	-	-	18,082	53,450
Ad Valorem taxes	441,250	336,986	390,091	380,114	356,617	289,897	297,848	285,603	292,490	319,866
Other taxes	558,162	592,014	613,160	630,395	682,969	638,851	647,814	646,362	675,368	715,436
Intergovernmental	1,037,477	909,671	814,230	730,003	805,021	615,060	633,693	652,477	657,380	673,527
Other	324,301	210,306	146,920	64,553	74,002	94,485	43,981	120,033	106,841	88,831
Total governmental activities	2,519,816	2,089,363	1,980,777	2,079,512	2,263,527	1,678,669	1,670,352	1,750,948	1,793,431	1,897,412
Business -Type Activities:										
Charges for services:										
Water and sewer	1,747,290	1,888,097	2,189,312	2,039,037	152,734	165,376	143,251	166,845	126,472	152,928
Sanitation	469,852	513,223	542,307	493,554	570,995	571,363	656,320	579,678	603,990	629,203
Operating grants and contributions	2,250	740,537	508,501	10,000	452,661	-	41,800	-	34,117	-
Other	6,994	9,616	20,215	35,251	406	398	329	223	2,212	5,131
Total business-type activities	2,226,386	3,151,473	3,260,335	2,577,842	1,176,796	737,137	841,700	746,746	766,791	787,262
Total primary governmental expenses	<u>\$ 4,746,202</u>	<u>\$ 5,240,836</u>	<u>\$ 5,241,112</u>	<u>\$ 4,657,354</u>	<u>\$ 3,440,323</u>	<u>\$ 2,415,806</u>	<u>\$ 2,512,052</u>	<u>\$ 2,497,694</u>	<u>\$ 2,560,222</u>	<u>\$ 2,684,674</u>
Excess (deficiency) before Transfers										
Transfers										
Governmental activities	-	-	(260,375)	-	56,000	315,000	292,335	128,500	40,000	-
Business -type activities	-	-	260,375	-	(56,000)	(315,000)	(292,335)	(128,500)	(40,000)	-
	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in net position	48,032	(1,109,890)	105,747	234,949	970,603	(652,262)	40,255	231,132	(73,301)	391,033
Special items	-	6,702	51,285	(953,419)	(2,291,419)	(1,262,471)	-	1,417,222	-	(48,258)
Net position - Beginning	6,415,512	6,463,544	5,360,356	5,517,388	4,798,918	3,478,102	1,563,369	1,603,624	3,251,978	3,178,677
Net position - Ending	<u>\$ 6,463,544</u>	<u>\$ 5,360,356</u>	<u>\$ 5,517,388</u>	<u>\$ 4,798,918</u>	<u>\$ 3,478,102</u>	<u>\$ 1,563,369</u>	<u>\$ 1,603,624</u>	<u>\$ 3,251,978</u>	<u>\$ 3,178,677</u>	<u>\$ 3,521,452</u>

City of South Bay, Florida
Fund Balance, Governmental Funds
Last Ten Fiscal years
(accrual basis of Accounting)

Fiscal Year Ended 9/30	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Unreserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Undesignated	(1,410,749)	(1,501,171)	(1,379,422)	(1,039,706)	(596,417)	(580,850)	(742,111)	(213,729)	106,754	311,174
Nonspendable	-	-	-	-	-	-	-	-	-	-
Inventory and prepaid	-	-	-	-	47,371	46,972	72,057	47,527	59,467	42,588
Restricted	-	-	-	-	-	-	-	-	-	-
Concerned citizen	-	-	-	-	-	-	-	110,603	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Compensated absences	-	-	-	-	-	-	26,179	36,308	37,480	45,525
Assigned	-	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ (1,410,749)</u>	<u>\$ (1,501,171)</u>	<u>\$ (1,379,422)</u>	<u>\$ (1,039,706)</u>	<u>\$ (549,046)</u>	<u>\$ (533,878)</u>	<u>\$ (643,875)</u>	<u>\$ (19,291)</u>	<u>\$ 203,701</u>	<u>\$ 399,287</u>
All other governmental funds:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Community development	369,784	369,784	369,784	369,784	-	-	-	-	-	-
Undesignated	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 369,784</u>	<u>\$ 369,784</u>	<u>\$ 369,784</u>	<u>\$ 369,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of South Bay, Florida
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal years
(accrual basis of Accounting)

<u>Fiscal Year Ended 9/30</u>	<u>Fiscal Year</u>			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:				
Taxes	\$ 939,706	\$ 884,243	\$ 961,877	\$ 957,370
Licenses and permits	59,706	44,757	41,374	53,139
Intergovernmental	1,037,477	909,671	814,230	901,082
Charges for services	158,626	40,386	16,376	62,310
Fines and forfeitures	32,929	32,352	23,117	19,029
Miscellaneous	<u>291,371</u>	<u>177,954</u>	<u>123,803</u>	<u>86,582</u>
Total revenues	<u>2,519,815</u>	<u>2,089,363</u>	<u>1,980,777</u>	<u>2,079,512</u>
Expenditures:				
Current				
General government	967,088	1,116,561	905,095	1,012,410
Public safety	607,072	162,012	160,868	165,575
Highways and streets	591,583	551,172	439,756	507,438
Community development	117,428	149,427	61,636	-
Culture and recreational	208,900	200,613	31,298	21,162
Capital outlay	-	-	-	6,344
Debt service				
Principal	18,870	-	-	19,709
Interest	<u>1,094</u>	<u>-</u>	<u>-</u>	<u>7,158</u>
Total expenditures	<u>2,512,035</u>	<u>2,179,785</u>	<u>1,598,653</u>	<u>1,739,796</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,780</u>	<u>(90,422)</u>	<u>382,124</u>	<u>339,716</u>
Other financing sources (used)				
Transfers in	-	-	-	577,256
Transfer out	-	-	(260,375)	(577,256)
Capital lease proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (used)	<u>-</u>	<u>-</u>	<u>(260,375)</u>	<u>-</u>
Net change in fund balances	7,780	(90,422)	121,749	339,716
Fund (deficit) - Beginning	(1,048,745)	(1,040,965)	(1,131,387)	(1,009,638)
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund (deficit) - Beginning	<u>\$ (1,040,965)</u>	<u>\$ (1,131,387)</u>	<u>\$ (1,009,638)</u>	<u>\$ (669,922)</u>

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 967,239	\$ 885,136	\$ 886,845	\$ 881,082	\$ 922,204	\$ 963,478
72,347	43,612	58,817	50,883	45,654	71,824
1,083,821	615,060	633,693	652,477	675,462	726,977
46,235	40,376	47,016	46,472	43,270	46,302
31,816	19,576	10,277	12,901	6,516	5,544
<u>62,069</u>	<u>74,909</u>	<u>33,704</u>	<u>107,132</u>	<u>100,326</u>	<u>83,287</u>
<u>2,263,527</u>	<u>1,678,669</u>	<u>1,670,352</u>	<u>1,750,947</u>	<u>1,793,432</u>	<u>1,897,412</u>
1,145,481	1,216,159	1,311,768	980,505	901,030	974,508
193,406	181,875	176,008	179,171	175,810	174,329
705,582	443,145	469,202	474,802	455,349	481,822
-	-	-	-	-	-
43,617	78,695	65,433	46,607	59,185	59,353
11,234	24,177	18,609	108,440	42,211	5,784
93,348	31,396	28,264	14,141	2,400	4,746
<u>5,983</u>	<u>3,054</u>	<u>3,400</u>	<u>233</u>	<u>615</u>	<u>1,284</u>
<u>2,198,651</u>	<u>1,978,501</u>	<u>2,072,684</u>	<u>1,803,899</u>	<u>1,636,600</u>	<u>1,701,826</u>
<u>64,876</u>	<u>(299,832)</u>	<u>(402,332)</u>	<u>(52,952)</u>	<u>156,832</u>	<u>195,586</u>
666,622	315,000	292,335	128,500	40,000	-
(610,622)	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,160</u>	<u>-</u>
<u>56,000</u>	<u>315,000</u>	<u>292,335</u>	<u>128,500</u>	<u>66,160</u>	<u>-</u>
120,876	15,168	(109,997)	75,548	222,992	195,586
(669,922)	(549,046)	(533,878)	(643,875)	(19,291)	203,701
<u>-</u>	<u>-</u>	<u>-</u>	<u>549,036</u>	<u>-</u>	<u>-</u>
<u>\$ (549,046)</u>	<u>\$ (533,878)</u>	<u>\$ (643,875)</u>	<u>\$ (19,291)</u>	<u>\$ 203,701</u>	<u>\$ 399,287</u>

City of South Bay, Florida
Assessed Value of Taxable Value of Property
Last Ten Fiscal years

Fiscal Year Ended 9/30	Residential Property	Commercial Property	Industrial Property	Other Property	Personal Property	Taxable Assessed Value
2006	\$ 25,961,520	\$ 7,329,548	\$ 6,215,777	\$ 2,267,539	\$ 6,804,997	\$ 48,579,381
2007	28,869,937	8,969,366	7,016,929	2,524,575	6,949,097	54,329,904
2008	34,763,636	11,177,456	6,867,001	2,878,096	7,784,073	63,470,262
2009	32,686,877	11,499,324	7,240,091	3,271,786	7,837,086	62,535,164
2010	30,515,167	10,483,069	5,596,644	3,410,291	6,452,821	56,457,992
2011	26,552,032	9,156,943	4,488,853	2,401,358	5,476,879	48,076,065
2012	26,616,234	9,096,375	4,415,747	2,651,716	4,798,901	47,578,973
2013	25,780,103	9,173,807	4,217,841	2,812,084	5,011,719	46,995,554
2014	26,873,788	9,570,243	4,355,429	2,972,875	5,975,227	49,747,562
2015	27,770,099	10,874,482	4,598,812	3,165,199	6,429,718	52,838,310

Source: Palm Beach County Property Appraiser's Office

City of South Bay, Florida
Principal Property Taxpayers
Current and Prior Year

2015				2014		
Rank	Taxpayer	Taxable	Percent of	Taxable	Rank	Percent of
		Assessed	Total City Net	Assessed		Total City Net
		Value	Taxable	Value		Taxable
			Assessed Value			Assessed Value
1	GLADES PROPERTY MGMNT LLC	\$ 3,660,446	7.64%	\$ 2,699,961	2	6.10%
2	HUGH BRANCH LLC	3,113,466	6.50%	2,927,687	1	6.61%
3	ORTEGA MANAGEMENT CORP	1,369,241	2.86%	1,302,275	3	2.94%
4	SOUTH BAY ONE LLC	1,259,808	2.63%	1,146,200	4	2.59%
5	GLADES PRECOOLER INC	1,144,311	2.39%	1,087,560	5	2.46%
6	BERNER OIL CO INC.	1,045,955	2.18%	1,012,152	6	2.29%
7	ARCP DG SOUTH BAY FL LLC	906,706	1.89%	760,700	7	1.72%
8	ROYALS INC.	586,178	1.22%	556,081	8	1.26%
9	HOWARD E HILL FOUNDATION INC.	569,135	1.19%	519,440	9	1.17%
10	O Y G B CORP	551,435	1.15%	-		
	RSW FAMILY LIMITED PARTNERSHIP	-		488,271	10	1.10%
Total		\$ 14,206,681	29.66%	\$ 12,500,327		28.23%

Source: Palm Beach County Property Appraiser's Office

City of South Bay, Florida
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal years

Fiscal Year Ended 9/30	City of South Bay General Operations	Overlapping Rate									Total Direct and Overlapping Rate
		Palm Beach		Palm Beach	Palm Beach	Palm Beach	Palm Beach	South Florida		Florida	
		County		County	County	Palm Beach	County	Water	Children's	Inland	
		School District	Palm Beach County	Fire Rescue	Health Care District	County Debt	Library System	Management District	Services Council	Navigation District	
2006	9.2889	8.1060	4.4500	-	1.0800	0.2692	0.6250	0.5970	0.6887	0.0385	25.1433
2007	6.3089	7.8720	4.2800	2.9800	0.9700	0.1975	0.5989	0.5970	0.6199	0.0385	24.4627
2008	6.3089	7.3560	3.7811	2.7794	0.8900	0.2002	0.5441	0.5346	0.5823	0.0345	23.0111
2009	6.3089	7.2510	3.7811	2.9500	0.9975	0.1845	0.5427	0.5346	0.6009	0.0345	23.1857
2010	6.3089	7.9830	4.5614	3.4581	1.1451	0.2174	0.5518	0.5346	0.6898	0.0345	25.4846
2011	6.3089	8.1540	4.7500	3.4581	1.1451	0.2460	0.6069	0.5346	0.7513	0.0345	25.9894
2012	6.3089	8.1800	4.7815	3.4581	1.1250	0.2110	0.6081	0.3739	0.7475	0.0345	25.8285
2013	6.3089	7.5860	4.7815	3.4581	1.0800	0.2037	0.6065	0.3523	0.7025	0.0345	25.1140
2014	6.3089	7.5940	4.7815	3.4581	1.0800	0.1914	0.6024	0.3842	0.6745	0.0345	25.1095
2015	6.3089	7.5120	4.7815	3.4581	1.0426	.01462	0.5985	0.3551	0.6677	0.0320	24.9026
	9.2889	8.1060	4.4500	-	1.0800	0.2692	0.6250	0.5970	0.6887	0.0385	25.1433
	6.3089	7.8720	4.2800	2.9800	0.9700	0.1975	0.5989	0.5970	0.6199	0.0385	24.4627
	6.3089	7.3560	3.7811	2.7794	0.8900	0.2002	0.5441	0.5346	0.5823	0.0345	23.0111
	6.3089	7.2510	3.7811	2.9500	0.9975	0.1845	0.5427	0.5346	0.6009	0.0345	23.1857
	6.3089	7.9830	4.5614	3.4581	1.1451	0.2174	0.5518	0.5346	0.6898	0.0345	25.4846
	6.3089	8.1540	4.7500	3.4581	1.1451	0.2460	0.6069	0.5346	0.7513	0.0345	25.9894
	6.3089	8.1800	4.7815	3.4581	1.1250	0.2110	0.6081	0.3739	0.7475	0.0345	25.8285
	6.3089	7.5860	4.7815	3.4581	1.0800	0.2037	0.6065	0.3523	0.7025	0.0345	25.1140
	6.3089	7.5940	4.7815	3.4581	1.0800	0.1914	0.6024	0.3842	0.6745	0.0345	25.1095
	6.3089	7.5120	4.7815	3.4581	1.0426	0.1462	0.5985	0.3551	0.6677	0.0320	24.9026

Source - Palm Beach County, Florida

City of South Bay, Florida
Property Tax Levies and Collections
Last Ten Fiscal years

Fiscal Year Ended 9/30	Total Tax Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2006	\$ 486,451	\$ 441,203	90.70%	\$ 60	\$ 441,263	90.71%
2007	348,721	341,862	98.03%	1,046	342,908	98.33%
2008	401,527	389,437	96.99%	653	390,090	97.15%
2009	398,031	371,491	93.33%	8,624	380,115	95.50%
2010	363,984	337,595	92.75%	19,023	356,618	97.98%
2011	306,002	288,012	94.12%	1,885	289,897	94.74%
2012	300,565	288,223	95.89%	9,625	297,848	99.10%
2013	297,658	281,009	94.41%	4,594	285,603	95.95%
2014	314,666	289,230	91.92%	3,260	292,490	92.95%
2015	334,102	317,550	95.05%	2,315	319,865	95.74%

Source: Palm Beach County Property Appraiser's Office

City of South Bay, Florida
Principal Employers - Palm Beach County
Current year and Nine years ago

	2015			2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Palm Beach County School Board	21,656	1	3.33%	21,616	1	3.48%
Palm Beach County	5,507	2	0.85%	6,594	2	1.06%
Tenet Healthcare Corp.	4,595	3	0.71%	4,794	4	0.77%
Nextra Energy (FPL)	4,005	4	0.62%	2,850	5	0.46%
Hospital Corporation of America (HCA)	3,476	5	0.53%	5,200	3	0.84%
Veterans Health Administration	2,700	6	0.42%	-	-	-
Florida Atlantic University	2,655	7	0.41%	2,825	6	0.45%
Boca Raton Regional Hospital	2,500	8	0.38%			
Jupiter Medical Center	2,195	9	0.34%			
Bethesda Memorial Hospital	2,150	10	0.33%			
U.S. Sugar Corporation				2,100	7	0.34%
Florida Crystals				2,000	8	0.32%
City of Boca Raton				1,880	9	0.30%
The Breakers				1,800	10	0.29%
	<u>51,439</u>		<u>7.91%</u>	<u>51,659</u>		<u>7.94%</u>

Source: Business Development Board of Palm Beach County

Note: The City is not a significant area for employment, therefore, Palm Beach County statistics were used.

City of South Bay, Florida
Demographic and Economic Information
Last Ten Fiscal years

<u>Fiscal Year Ended 9/30</u>	<u>Population (1)</u>	<u>Rosenwald Enrollment (2)</u>	<u>Palm Beach County Schools Enrollment (2)</u>	<u>Median Family Income (1)</u>	<u>Unemployment Rate (1)</u>
2006	4,542	351	173,236	*	*
2007	4,508	351	170,015	*	*
2008	4,520	302	169,454	*	*
2009	4,534	268	169,328	\$ 19,825	12.10%
2010	4,876	234	171,282	26,913	19.60%
2011	4,827	223	172,664	25,663	19.10%
2012	4,711	222	174,886	26,667	22.10%
2013	4,719	200	177,815	28,750	16.00%
2014	4,898	238	181,205	34,718	19.10%
2015	5,151	250	184,517	*	*

Source: (1) Bureau of Economic and Business Research, University of Florida

(2) Palm Beach County School Board

* Data not available

CITY OF SOUTH BAY, FLORIDA

COMPLIANCE SECTION

**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 South Bay, 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 South Bay, 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 June 27, 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.

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**.

City of South Bay, 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
June 27, 2016

**CITY OF SOUTH BAY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Financial Statement Findings

Matters that are repeated

None.

Matters that are not repeated

2013-01 Capital Assets – Buildings and Facilities–Significant Deficiency (Repeat Finding)

Condition

During our tour of the City's infrastructure and capital assets we noted that certain buildings and facilities had been neglected and were run down.

Recommendation

We recommend that management implement procedures to provide some basic maintenance to its buildings and facilities in order to safeguard the City's capital assets.

Status

Implemented.

**CITY OF SOUTH BAY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

CONTROL DEFICIENCY, SIGNIFICANT DEFICIENCY, AND MATERIAL WEAKNESS

2015-01 Competitive Bidding Process – Control Deficiency

Condition

During our test of expenditures, we discovered a contract entered into that did not follow the policies and procedures for the Request For Proposal (RFP). The City's received fewer bids than is required per their policies and procedures and was not re-advertised to receive the required amount.

Criteria

Per the policies and procedures established by the City, for purchases of \$1,001 to \$10,000, the City is required to have a written competitive pricing is required from at least 3 sources.

Cause

City staff did not follow policies and procedures that are in place.

Effect

Failure to adhere to the policies and procedures established leave the City's assets exposed to fraud and misstatements.

Recommendation

We recommend that the City review its policies and procedures manual to ensure compliance with purchasing going forward.

Management Response

Because of the City's location, the City only received two (2) responses. City staff will make the necessary effort to comply with the City's procurement policy.

**CITY OF SOUTH BAY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

CURRENT YEAR FINDINGS - Continued

2015-02 Fuel Reimbursement – Significant Deficiency

Condition

The City pays for the City Manager's fuel for non-business miles driven (ie: home to City Hall).

Criteria

Per federal law, mileage reimbursement is only eligible for business miles driven. Rev. Proc. 2010-51, 2010-51 I.R.B. 883, provides rules for computing the deductible costs of operating an automobile for business, charitable, medical, or moving expense purposes, and for substantiating, under § 274(d) of the Internal Revenue Code and § 1.274-5 of the Income Tax Regulations, the amount of ordinary and necessary business expenses of local transportation or travel away from home.

Cause

City Staff should address matter with policymakers

Effect

The City is incurring expenses it is not required to incur.

Recommendation

We recommend that the City adopts a reimbursement policy that is in line with the federal rules and guidelines.

Management Response

As part of the City contract with the City Manager's employment, the City agreed to provide suitable transportation including fuel and maintenance to the City Manager.

**CITY OF SOUTH BAY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

CURRENT YEAR FINDINGS - Continued

2015-03 Purchase Order Overage – Significant Deficiency

Condition

The City paid on an invoice that exceeded the Purchase order (PO) amount without amending the current PO for the new unit price and quantity.

Criteria

Overages on agreed upon purchases should be documented, substantiated, and approved before release of funds.

Cause

City staff did not follow policies and procedures that are in place.

Effect

A lack of proper approvals on PO changes exposes the City to potential fraud.

Recommendation

We recommend that the City establishes policies and procedures that do not allow the release of funds on PO overages until the current PO is amended, reviewed, and approved.

Management Response

The City agrees with the finding and will comply with the City's procurement policy on a prospective basis.

**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 South Bay, Florida

Report on the Financial Statements

We have audited the financial statements of the City of South Bay, Florida, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 27, 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 June 27, 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 **2013-01**.

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 2015-03**.

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 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
June 27, 2016

**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 South Bay, Florida

We have audited the financial statements of the City of South Bay, Florida (the City) as of and for the year ended September 30, 2015, and have issued our report thereon dated June 27, 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 June 27, 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.

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
June 27, 2016