



THE CITY OF PAHOKEE, FLORIDA

**Audited Financial Statements Presentation
For the Year Ended September 30, 2020**

Introduction

**To the Honorable Mayor, Vice Mayor and Members of the City Commission of
*City of Pahokee, Florida***

We are pleased to have the opportunity to meet with you on ***April 12, 2022*** to discuss the results of our audit of the financial statements of the ***City of Pahokee, Florida (the “City”)*** as of and for the year ended ***September 30, 2020***. Our audit was conducted in accordance with the terms established in the audit engagement letter dated ***April 1, 2021***.

We are providing this document in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. We will be pleased to elaborate on the matters covered in this document when we meet.

Our audit is complete and we issued the following opinions on the financial statements of the ***City of Pahokee, Florida*** on ***March 04, 2022***:

Unmodified for the Governmental activities and General, Henderson Endowment, Debt Service, and Capital Projects Funds

Qualified for Business-type activities, and Marina and Campground, and Cemetery Funds

Content

- Audit results, required communications, and other matters summary
- Supplemental slides supporting required communications and other matters
- Responsibilities

Audit results, required communications, and other matters summary

Communication Topic	Response
Scope of audit	Our audit of the financial statements of City of Pahokee, Florida as of and for the year ended September 30, 2020, was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States; Title 2 U.S. <i>Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> ; and Chapter 10.550, <i>Rules of the Auditor General</i> .
Changes to our planned risk assessment and planned audit strategy	There were no changes to our audit plan risk assessment and planned audit strategy.
Auditor's report	<p>We have issued an unmodified opinion on the financial statements of City of Pahokee, Florida and other reports as follows:</p> <ul style="list-style-type: none"> • Independent Auditor's Report - Complete • 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 - Complete • Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Chapter 10.550 - Complete • Schedule of Findings and Questioned Costs - Complete • Independent Auditor's Report on Compliance with the Requirements of Section 218.415, Florida Statutes, Required by Rule 10.556(10) of the Auditor General of the State of Florida - Complete • Management Letter in Accordance with the Rules of the Auditor General of the State of Florida – Complete
Outstanding matters	None
Significant accounting polices	Significant accounting policies and practices are detailed in Note 1 of the financial statements .

Audit results, required communications, and other matters summary (continued)

Communication Topic	Response
Significant accounting estimates	<p>The following significant accounting estimates are as follows:</p> <ul style="list-style-type: none"> • Allowance for doubtful accounts • Accumulated depreciation • Fair value of investments
Significant risk and other significant audit matters	<p>Significant risks and other significant audit matters relate to:</p> <ul style="list-style-type: none"> • Management override of controls (relevant for all entities) • Revenue recognition (relevant for all entities)
New accounting pronouncements	<p>GASB 83 <i>Certain Asset Retirement Obligations</i> – Did not impact the City’s financial statements.</p> <p>GASB 88 <i>Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements</i> – Did not impact the City’s financial statements.</p>

Audit results, required communications, and other matters summary (continued)

Communication Topic	Response
Uncorrected misstatements	No matters to report
Corrected misstatements	Various adjusting journal entries were needed during the audit. All entries were made and any misstatements noted during the audit were corrected.
Financial presentation and disclosure omissions	No matters to report

Audit results, required communications, and other matters summary (continued)

Communication Topic	Response
Control deficiencies	Deficiencies were noted. The details are provided on pages 15 and 16 of this presentation.
Related parties	No significant findings or issues were detected.
Other information in documents containing audited financial statements	Our responsibility with respect to information in a document does not extend beyond the financial information identified in our report, and we have no obligation to perform and procedures to corroborate other information contained in a document. However, we do have a responsibility to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements.

Audit results, required communications, and other matters summary (continued)

Communication Topic	Response
Illegal acts or fraud	No actual or suspected instances of fraud involving management, employees with significant roles in internal control, or instances where fraud results in a material misstatement in the financial statement were identified during the audit.
Noncompliance with laws and regulations	No matter to report
Going Concern	No matter to report
Non-GAAP	No matter to report
Subsequent events	Potential financial impact of Covid - 19
Other findings or issues	No matter to report

Communication Topic	Response
Significant difficulties encountered during the audit	No matter to report
Disagreements with management	No matter to report
Significant findings or issues discussed, or the subject of correspondence, with management	Refer to slides 14 - 29 for the findings and recommendations
Management's consultation with other accountants	No matter to report
Material written communications	Engagement letter and management representation letter

Audit results, required communications, and other matters summary (continued)

Communication Topic	Response
Independence	In our professional judgment, we are independent with respect to The City, as that term is defined by the professional standards.

Supplemental Slides

Areas of audit emphasis

- Financial statements:
 - Financial Reporting
 - Revenues
 - Expenses
 - Capital Assets
 - Receivables
 - Long Term Debt

Areas of Audit emphasis - Financial statements

Areas	Approach
Financial Reporting	<ul style="list-style-type: none"> • Obtained an understanding of the Financial Reporting Process • Inspected the Financial Statements for conformity with GAAP • Inspected the disclosures ensuring applicable disclosures were included in accordance with related accounting standards.
Revenues (Gov't Wide)	<ul style="list-style-type: none"> • Revenues totaled \$5.7M for the fiscal year ended September 30, 2020 compared to \$6.5M for the fiscal year 2019 • The decrease is primarily a result of general fund revenue, grants and contributions which reduced by \$800k during the fiscal year ended September 30, 2020. • We selected a sample of significant transactions for various revenue streams and tested the existence, accuracy and presentation of the revenue recorded.
Expenses	<ul style="list-style-type: none"> • Totaled \$5.8M for fiscal year 2020 compared to \$5.7 million for fiscal year 2019. • We selected a sample of transactions for significant expenditure items and tested the completeness, accuracy and presentation of the expenses recorded.

Areas of Audit emphasis - Financial statements (continued)

Areas	Approach
Capital Assets, net	<ul style="list-style-type: none"> • Final balance of \$13.1M at September 30, 2020 compared to \$13.9M at September 30, 2019. • The decrease is a result of annual depreciation charge.
Receivables	<ul style="list-style-type: none"> • Balance of \$.333M at September 30, 2020 compared to \$.4M at September 30, 2019, balances were confirmed at year end to client support documents at September 30, 2020
Long Term Debt	<ul style="list-style-type: none"> • Balance of \$.7M at September 30, 2020 compared to \$.9M at September 30, 2019 which was decrease of the loan balance is due to payments. • Balances were confirmed by third party confirmations.

Internal control related matters

HCT responsibilities:

- The purpose of our audit was to express an opinion on the financial statements.
- Our audit included consideration of internal control over financial reporting in order to design 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.
- We are not expressing an opinion on the effectiveness of the City's internal control.
- Our consideration of internal control 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.

Internal control related matters (continued)

Definitions

Deficiency

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 misstatements on a timely basis. A deficiency in design exist when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exist when a properly designed control does not operate as designed, or when that person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiency

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting (ICFR) that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Material weakness

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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 reasonable possibility exists when the like hood of an event occurring is either reasonably possible or probable. Reasonably possible is defined as the chance of the future event or events occurring is either reasonably possible or probable. Reasonably possible is defined as the chance of the future event or events occurring is more than remote but less than likely. Probable is defined as the further event or events are likely to occurring.

Significant deficiencies and material weaknesses in internal control

Financial Statement Findings

1) Finding 2010 – 01 – Material weakness

Condition

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

Effect

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

Recommendation:

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

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

Current Year Status

Not implemented. An accurate inventory has not been performed.

Significant deficiencies and material weaknesses in internal control (continued)

2) Finding 2014 – 01 – Material Weakness

Condition

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

Effect

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

Recommendation

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

Current Year Status

Partially implemented. The City has hired an outside consultant to assist in the financial reporting process and improvements have been made.

Other recommendations related to internal control

3) Finding 2014 – 02 – Noncompliance or other matters that are required to be reported under Government Auditing Standards

Condition

We noted that the audit report and the Annual Financial Report filed with the Florida Department of Financial Services for the fiscal year ended September 30, 2017 were not filed timely.

Cause

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

Recommendation

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

Current Year Status

Not implemented. The fiscal year 2019 was not filed timely as well.

Other recommendations related to internal control (continued)

4) Finding 2014 – 03 – Noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Condition

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

Effect

Noncompliance with budgetary requirements.

Recommendation

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

Current Year Status

Not implemented.

Other recommendations related to internal control (continued)

5) Finding 2014 – 04 – Noncompliance or other matters that are required to be reported under Government Auditing Standards

Condition

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

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

Effect

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

Recommendation

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

Current year status

Partially implemented. Upon our review, we noted that the Credit Card activities for the City has improved from prior year. Sales taxes was charged correctly and the City has updated their Credit Card policy and procedure to provide direction to users.

Significant deficiencies and material weaknesses in internal control

6) Finding 2015 – 01 – Material Weakness

Condition

The City has not established adequate controls over the completeness of revenues and unearned revenues for the Marina and Campground Fund.

Effect

Because of inadequacies in internal controls and accounting records relating to the Marina and Campground Fund, we were unable to form opinions regarding the amounts of service revenue and unearned revenue for the fund.

Recommendation

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

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

Current year status

Partially implemented. Controls over the Marina and Campground revenues have improved with updated policies and procedures.

Significant deficiencies and material weaknesses in internal control

7) Finding 2016 – 01 – Material Weakness

Condition

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

Effect

Noncompliance with purchasing procedures. See Finding 2016-2.

Recommendation

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

Current year status

Partially implemented. Controls over these procedures have improved, however an issue was noted for FY 2019. See Finding 2019-002.

Significant deficiencies and material weaknesses in internal control

8) Finding 2016 – 02– Noncompliance or other matters that are required to be reported under Government Auditing Standards

Condition

The City has not complied with purchasing procedures

Effect

We noted the following instance of noncompliance with purchasing procedures:

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

Recommendation

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

Current year status

Partially implemented. Controls over these procedures have improved, however an issue was noted for FY 2019. See Finding 2019-002.

Significant deficiencies and material weaknesses in internal control

9) Finding 2017 – 01 – Noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Condition

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

Effect

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

Recommendation:

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

Current year status

Not implemented. Both funds are still operating at a loss.

Significant deficiencies and material weaknesses in internal control

11) Finding 2017 – 03 – Noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Condition

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

Effect

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

Recommendation

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

Current year status

Partially implemented. Controls over these procedures have improved, however an issue was noted for FY 2019. See Finding 2019-002.

Significant deficiencies and material weaknesses in internal control

12) Finding 2017 – 04 – Noncompliance or other matters that are required to be reported under Government Auditing Standards

Condition

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

Effect

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

Recommendation

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

Current year status

Partially implemented. The City created a Capital Projects fund to record infrastructure surtax activity; however there are still some transactions recorded in the General Fund.

Significant deficiencies and material weaknesses in internal control

13) Finding 2018 – 01 Material Weakness

Condition

We noted that the City had not incorporated auditor adjustments identified in the fiscal year 2017 audit to the City's general ledger.

Effect

Entries had to be made to fund balance to reconcile the general ledger to the audited financial statements.

Recommendation

We recommend that the City establish policies and procedures that would have staff, before the conclusion of the audit period, review the general ledger and ensure all necessary adjustments are entered into the general ledger.

Current year status

Partially implemented. With assistance of an outside consultant, there were fewer adjustments to fund balance for FY 2020.

Significant deficiencies and material weaknesses in internal control

13) Finding 2019 – 001 Material Weakness

Condition

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

Effect

This required a material adjustment to be recorded to the financial statements during the audit. Not recording all transactions could lead to the financial statements to be materially misstated

Recommendation

Management should increase oversight of financial records to ensure all transactions have been recorded and reduce the risk for material misstatements

Current year status

Not implemented.

Significant deficiencies and material weaknesses in internal control

14) Finding 2019 – 001 Material Weakness

Condition

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

Cause

The City recorded, at the fund level, the principle and interest payments associated with the debt, but had not made the Government-Wide entries to record the principal amount still owed.

Recommendation

Management should increase oversight of financial records to ensure all transactions have been recorded and reduce the risk for material misstatements.

Current year status

Not implemented.

Significant deficiencies and material weaknesses in internal control

15) 2019-002 Period of Performance – Material Noncompliance Florida Department of Economic Opportunity (DEO) Housing and Community Development – Marina Reconstruction

Condition

A change order from the contractor was presented to the City on August 15, 2020 for additional items and tasks needed to complete the project on time. The change order was not approved by the City Commission until September 24, 2020, which was after the August 31, 2020 obligation date in the amendment to the grant agreement. Work continued and DEO funds were used.

Cause

The change order was presented to the City Commission after the regularly scheduled commission meeting on August 13, 2020 and a no special meeting was held ahead of the August 31, 2020 deadline to approve the change order.

Recommendation

Management should adopt a contingency plan to address situations where when an on-going project needs an emergency change order approval, the City Commission either holds a special meeting to approve changes or appoints someone with approval powers to ensure compliance with deadlines and not delay the project.

Current year status

Implemented.

Responsibilities

Management responsibilities - Financial statements	<ul style="list-style-type: none"> Fairly presenting the financial statements, including disclosures in conformity with U.S. GAAP. Adjusting the financial statements to correct material misstatements and affirming in the representation letter that the effects of any uncorrected misstatements aggregated by the auditor are immaterial, both individually and the aggregated, to the financial statements taken as a whole.
Management responsibilities - ICFR	<ul style="list-style-type: none"> Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.
Management responsibilities - Other	<ul style="list-style-type: none"> To provide the auditor with: <ol style="list-style-type: none"> Access to all information of which management is aware is relevant to the preparation and fair presentation of the consolidated financial statements, such as records, documentation, and other matters; Additional information that the auditor may request from management for the purpose of the audit; and Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence. Identifying and ensuring that the entity complied with laws and regulations applicable to its activities, and for informing the auditor of any known material violations of such laws and regulations. Providing the auditor with a letter confirming certain representations made during the audit, that includes but is not limited to managements <ol style="list-style-type: none"> disclosure of all significant deficiencies, including material weaknesses in the design or operation of internal controls that could adversely affect the Company's financial reporting acknowledgement of their responsibilities for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
City Commission responsibilities	<ul style="list-style-type: none"> Oversight of the financial reporting process and internal control over financial reporting (ICFR) Oversight of the establishment and maintained by management of programs and controls designed to prevent, deter, and detect fraud.

Responsibilities (continued)

Management and the City Commission responsibilities	<ul style="list-style-type: none"> • Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards • Ensuring that the entity's operations are conducted within the provisions of law and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the entity's financial statements
HCT - Audit objectives	<ul style="list-style-type: none"> • Forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the City Commission are prepared, in all material respects, in accordance with U.S. GAAP.
HCT responsibilities - Audit	<ul style="list-style-type: none"> • Performing the audit in accordance with U.S. GAAS and that the audit is designed to obtain reasonable, rather than absolute, assurance about whether the financial statements as a whole are free from material misstatement. • Performing an audit of financial statements including consideration of ICFR as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR.
HCT responsibilities - Other information in documents containing financial statements	<ul style="list-style-type: none"> • The auditor's report on the financial statements does not extend to the other information in documents containing audited consolidated financial statements, excluding required supplementary information. • The auditor's responsibility is to make appropriate arrangements with management or the City Commission to obtain information prior to the report release date and to read the other information to identify material inconsistencies with the audited financial statements or misstatements of facts. • Any material inconsistencies or misstatements of facts that are not resolved prior to the report release date, and that require revision of the other information, may result in HCT modifying or withholding the auditors report or withdrawing from the engagements • Communicate any procedures performed relating to the other information and the results of those procedures.

Responsibilities (continued)

HCT responsibilities - Communications

- Communicating significant matters related to the financial statement audit that are in our professional judgment, relevant to the responsibilities of the City Commission in overseeing the financial process. U.S. GAAS does not require us to design procedures for the purpose of identifying matter to communicate to the City Commission.
- Communicating if we suspect or identify non compliance with laws and regulations exist, unless matters are clearly inconsequential.
- Communicating to management and the City Commission in writing all significant deficiencies and material weaknesses in internal control identified during the audit , including those that were remediated during the judgment, are of sufficient importance to merit managements attention. The objective of our audit consolidated financial statements is to report on the Company's internal control.
- Conducting the audit in accordance with professional standards and complying with the rules and responsibility of the Code of Professional Conduct of the American Institute of Certified Public Accountants and the official standards of relevant CPA Societies, and relevant state boards of accountancy.
- Communicating to the City Commission circumstances, if any, that affect the form and content of the auditors' report.
- Communicating if we plan to withdraw from the engagement and the reasons for the withdrawal
- Communicating to the City Commission if we conclude no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement.
- When applicable, we are also responsible for communicating particular matters required by law or regulation, by agreement with the entity, or by additional requirements applicable to the engagement
- Communicating if we have identified or suspect fraud involving: (a) management, (b) employees who have significant roles in internal control, (c) others, when the fraud results in a material misstatement in the judgment, relevant to the responsibilities of the City Commission .
- Communicating significant finding and issues arising during the audit in connection with the entity's professional parties.
- Communicating conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time.

Questions



The information contained herein is a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

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