City of Pahokee, Florida

Financial Statements

September 30, 2025

Table of Contents

Page Number

Independent Auditor's Report.....1

Management's Discussion and Analysis 5-12

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position 13

Statement of Activities.....14

Fund Financial Statements

Balance Sheet – Governmental Funds 15

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of the Net Position 16

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....17

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 18

Statement of Net Position – Proprietary Funds..... 19-20

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....21

Statement of Cash Flows – Proprietary Funds.....22

Notes to the Financial Statements..... 23-57

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund.....59

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Special Revenue Fund.....60

Notes to Budgetary Required Supplementary Information 61

Schedule of Funding Progress Other Postemployment Benefits 62

Schedule of Employer Contributions – Florida Retirement System Pension Plan.....63

Table of Contents (Continued)

Page Number

Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Pension Plan....64

Schedule of Employer Contributions – Florida Retirement System Retiree Health Insurance Subsidy Program....65

Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Retiree Health Insurance Subsidy Program....66

Compliance Section

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* …68-69

Schedules of Audit Findings.... 70-93

Independent Auditors' 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....94

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida.... 95-97

INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and Members of the City Council
City of Pahokee, Florida
Pahokee, Florida

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund information of the City of Pahokee, Florida (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	
General Fund	Unmodified
Henderson Endowment Fund	Unmodified
Capital Projects Fund	Unmodified
Special Revenue Fund	Unmodified
Business-Type Activities	
Marina and Campground Fund	Qualified
Cemetery Fund	Qualified

Qualified Opinions

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified and Unmodified Opinions" section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Business-type Activities, Cemetery Fund, and Marina and Campground Fund of the City of Pahokee, Florida, as of September 30, 2025, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Funds, General Fund, Henderson Endowment Fund, Capital Projects Fund, and the Special Revenue Fund of the City of Pahokee, Florida, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison schedules for the indicated funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions
We conducted our audit of the financial statements of the Governmental Activities, the Business-Type Activities, and each major fund information in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Pahokee, Florida, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

We did not audit the financial statements of the Florida Retirement System (included in the General fund), which represents 1 percent, 4 percent, and 1 percent, respectively, of the assets, deferred, liabilities, and expenses of the City of Pahokee, Florida's pension plan as of September 30, 2025. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Florida Retirement System, is based solely on the report of the other auditors.

Matters Giving Rise to Qualified Opinions on the Business-type funds, Cemetery Fund, Marina and Campground Fund, Business-Type Activities and Governmental Activities
The City has not performed a physical count of inventories and has not maintained perpetual inventory records for the Cemetery Fund. The City also has not established adequate internal controls over the completeness of revenues and receivables of the Cemetery Fund. The amount by which these items would affect the assets, net position, revenue, and expenses of the Cemetery Fund and the Business-Type Activities could not be determined. The City has not established adequate internal controls over the completeness of revenues and unearned revenues for the Marina and Campground Fund. The amount by which these items would affect the assets, liabilities, net position, and revenues of the Marina and Campground Fund and the Business-Type Activities could not be determined.

Matters Giving Rise to Scope Limitations on the Capital Assets and General Long-Term Liabilities captions in the Balance Sheet of Governmental Funds
The City was unable to provide a complete and accurate capital asset schedule and sufficient supporting documentation for certain capital asset additions, resulting in our inability to obtain sufficient appropriate audit evidence regarding the completeness, existence, valuation, classification, and related depreciation of certain capital assets reported within the Marina and Campground Fund and Capital Assets Fund. Accordingly, we were unable to determine whether adjustments to capital assets, accumulated depreciation, depreciation expense, and related net position were necessary. The amount by which these items would affect the assets, liabilities, net position, and expenses of the Governmental and Business-Type Activities could not be determined.

The City did not provide an updated actuarial valuation or other information necessary to update the OPEB liability and related amounts for fiscal year 2025; accordingly, the OPEB amounts reported in the financial statements were based on information from a prior fiscal year. As a result, we were unable to obtain sufficient appropriate audit evidence to determine whether adjustments to the OPEB liability, related deferred outflows and inflows, OPEB expense, and net position were necessary. The amount by which these items would affect the assets, liabilities, net position, and expenses of the Governmental Activities, including the General Long-Term Liabilities, could not be determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Pahokee, Florida's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Pahokee, Florida's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Pahokee, Florida's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 5-12, budgetary comparison information, on pages 57-58, the schedule of funding progress – other postemployment benefits, on page 60, and the pension schedules, on pages 61-64, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2026, 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 those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal controls over financial reporting and compliance.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida
September 28, 2026

City of Pahokee, Florida
Management's Discussion and Analysis
September 30, 2025

As the City Manager of the City of Pahokee, I offer readers of our financial statements this narrative overview and analysis of our financial activities for the fiscal year ended September 30, 2025. I encourage readers to consider the information presented here in conjunction with the City's financial statements beginning on page 13.

FINANCIAL HIGHLIGHTS

- The City of Pahokee's sum of assets and deferred outflows of resources less the sum of its liabilities and deferred inflows of resources is $19,593,066 (net position) as of September 30, 2025. Unrestricted net position, which may be used to meet the government's ongoing obligations to citizens, was $1,181,496 as of September 30, 2025.
- The governmental net position decreased by $956,070 for the fiscal year ended September 30, 2025.
- The business-type net position increased by $142,406 for the fiscal year ended September 30, 2025. The increase was primarily a result of the additions to Capital assets.
- The business-type activities revenues decreased by $18,656 during the fiscal year ended September 30, 2025, as a result of fewer revenues earned from services in FY 2025.
- The total net cost of all City programs was $6,631,880 during the fiscal year ending September 30, 2025. This is an increase of $12,850 from the total net cost of all City programs during the prior fiscal year.
- The City's long-term liabilities totaled $627,507, an increase of $245,315 during the current fiscal year.

USING THIS REPORT

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Pahokee's finances in a manner similar to a private-sector business. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

USING THIS REPORT (Continued)

Government-Wide Financial Statements (Continued)

The two government-wide statements report on the City's net position and how they have changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the City's overall health.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Government activities – Most of the City's basic services are reported here, including the police, fire, public services, parks and recreation, and general administration. Property taxes, franchise fees, shared revenues, and solid waste collection services finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. These activities include cemetery services, and marina and campground services.

Fund Financial Statements

Our fund-based financial statements begin on page 15. The fund financial statements provide detailed information about the most significant funds but do not provide information on the City as a whole. Funds are acting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can be readily converted to cash flow and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities. However, more detailed information is provided on the City's enterprise funds such as additional information provided in the statement of cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City has reported its financial statements in a government-wide format using the required GASB 34 reporting model. A comparative analysis of government-wide data is presented in the following sections.

Net position

The City's combined net position as of September 30, 2025, was $19,593,066. The City's Governmental Activities net position was reported as $14,409,093, of which $2,206,102 was unrestricted and available to fund future operations. The City's business-type activities net position as of September 30, 2025, is reported as $5,183,973. The total net position included an unrestricted net position deficit of $1,024,606.

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 5,853,264	$ 7,407,811	$ (336,954)	$ (318,700)	$ 5,516,310	$ 7,089,111
Capital assets	10,824,092	11,088,781	6,011,361	5,716,752	16,835,453	$ 16,805,533
Total assets	16,677,356	18,496,592	5,674,407	5,398,052	22,351,763	23,894,644
Deferred outflows of resources						
Pension related items	92,151	92,518	-	-	92,151	92,518
Total deferred outflows of resources	92,151	92,518	-	-	92,151	92,518
Current and other liabilities	1,250,578	2,700,641	481,591	350,457	1,732,169	3,051,098
Long-term liabilities outstanding	621,234	378,734	6,273	3,458	627,507	382,192
Total liabilities	1,871,812	3,079,375	487,864	353,915	2,359,676	3,433,290
Deferred inflows of resources						
Unearned revenue	428,166	116,577	2,570	2,570	430,736	119,147
Pension related items	60,436	27,995	-	-	60,436	27,995
Total deferred inflows of resources	488,602	144,572	2,570	2,570	491,172	147,142
Net position:						
Invested in capital assets (net of related debt)	10,824,092	11,088,781	6,011,361	5,716,752	16,835,453	16,805,533
Restricted items	1,378,899	1,491,548	197,218	197,233	1,576,117	1,688,781
Unrestricted	2,206,102	2,784,834	(1,024,606)	(872,418)	1,181,496	1,912,416
Total net position	$ 14,409,093	$ 15,365,163	$ 5,183,973	$ 5,041,567	$ 19,593,066	$ 20,406,730

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

Changes in Net Position

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some that will only result in cash flows in the future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

- The governmental activities reported a total decrease in net position of $(956,070) for the fiscal year ended September 30, 2025.

- The business-type activities reported a total increase in net position of $ 142,406 for the fiscal year ended September 30, 2025.

The remainder of this page was left blank intentionally

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charge for services	$ 1,094,093	$ 1,380,225	$ 304,644	$ 276,247	$ 1,398,737	$ 1,656,472
Operating grant and contribution	590,569	3,183,690	-	-	590,569	3,183,690
Capital grant	92,164	126,878	-	-	92,164	126,878
General revenues:						
Ad valorem taxes	805,995	748,175	-	-	805,995	748,175
Local option sales tax	180,918	181,362	-	-	180,918	181,362
Infrastructure surtax	546,756	536,653	-	-	546,756	536,653
Utility taxes	492,008	486,036	-	-	492,008	486,036
Franchise fees	295,176	300,779	-	-	295,176	300,779
Intergovernmental shared revenues	1,223,476	1,136,753	-	-	1,223,476	1,136,753
Unrestricted investment earnings	53,193	69,108	-	-	53,193	69,108
Lease and rental revenues	94,176	89,689	7,242	16,983	101,418	106,672
Miscellaneous revenues	37,806	56,894	-	-	37,806	56,894
Total revenues	5,506,330	8,296,242	311,886	293,230	5,818,216	8,589,472
Program expenses:						
General government	1,931,003	1,830,327	-	-	1,931,003	1,830,327
Public safety	951,507	942,098	-	-	951,507	942,098
Transportation	1,022,731	1,082,706	-	-	1,022,731	1,082,706
Culture and recreation	951,495	998,295	-	-	951,495	998,295
Physical environment	660,268	696,814	-	-	660,268	696,814
Interest on long term debt	-	-	-	-	-	-
Marina	-	-	915,546	864,983	915,546	864,983
Cemetery	-	-	199,330	203,807	199,330	203,807
Total expenses	5,517,004	5,550,240	1,114,876	1,068,790	6,631,880	6,619,030
Increase (decrease) in net assets before transfer in (out)	(10,674)	2,746,002	(802,990)	(775,560)	(813,664)	1,970,442
Transfer in/(out)	(945,396)	(282,190)	945,396	282,190	(0)	-
Increase (decrease) in net position	(956,070)	2,463,812	142,406	(493,370)	(813,664)	1,970,442
Net position at beginning of year	15,365,163	12,901,351	5,041,567	5,534,937	20,406,730	18,436,288
Net position at end of year	$ 14,409,093	$ 15,365,163	$ 5,183,973	$ 5,041,567	$ 19,593,066	$ 20,406,730

For the fiscal year ended September 30, 2025, total taxes were $2,025,678 and comprised 37% of the total revenues of $5,506,330 for governmental activities during the year. For the fiscal year ended September 30, 2025, operating and capital grants revenues were $682,732 for governmental activities, which represented 12% of total revenues. The majority of the operating and capital grant awards were for road improvements, parks, and recreational grants. Governmental activities intergovernmental shared revenues were $1,223,476 and represented 22% of total revenues.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

Financial Analysis of the Major Governmental Funds

As of September 30, 2025, the City of Pahokee's governmental funds reported a combined ending fund balance of $4,230,780. The City reported a decrease in the governmental fund balance of $416,071 for the fiscal year ended September 30, 2025.

Financial Analysis of the Major Governmental Funds

The General Fund is the chief operating fund of the City of Pahokee. As of September 30, 2025, the General Fund unassigned fund balance was $2,239,939; and the total non-spendable fund balance was $611,942.

As of September 30, 2025, the Henderson Endowment Fund reported a non-spendable fund balance in the amount of $875,000, no change from prior year.

As of September 30, 2025, the Capital Projects Fund reported a committed fund deficit in the amount of $(53,309). The Capital Projects Fund was established in FY 2019 to account for the capital projects of the City that are grant funded. Major projects were conducted using discretionary surtax revenues that were previously accounted for in the General Fund. The deficit fund balance represents projects that were supported by the General Fund.

Financial Analysis of the Major Proprietary Funds

Marina and Campground Fund

As of September 30, 2025, the Marina and Campground Fund reported unrestricted net position deficit of ($655,598) and investment in capital assets of $5,898,526. The Marina and Campground Fund total net position increased by $162,672 during the fiscal year ended September 30, 2025.

Cemetery Fund

As of September 30, 2025, the Cemetery Fund reported an unrestricted net position deficit of ($369,008), investment in capital assets of $112,835, and $197,218 in restricted net position. The Cemetery Fund total net position decreased by $(20,266) during the fiscal year ended September 30, 2025.

General Fund Budgetary Highlights

General Fund actual revenues were less than budgeted revenues by $(1,018,069) for the fiscal year ended September 30, 2025. General Fund budgeted expenditures were more than actual expenditures by $90,774 during the fiscal year ended September 30, 2025.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 404,742	$ 404,742	$ 98,000	$ 98,000	$ 502,742	$ 502,742
Construction in Progress	101,566	6,517,509	-	-	101,566	6,517,509
Improvements other than buildings	9,560,364	3,355,485	1,928,884	1,368,394	11,489,248	4,723,879
Buildings	676,975	695,044	3,984,477	4,250,358	4,661,452	4,945,402
Equipment	80,445	116,001	-	-	80,445	116,001
Total	$10,824,092	$11,088,781	$6,011,361	$5,716,752	$16,835,453	$16,805,533

As of September 30, 2025, the City had invested $16,835,453 (net of accumulated depreciation) in a broad range of capital assets including parks and recreation facilities, roads, marina and campground sites, and cemetery land. Additional information can be found in Note 5 of the notes to the financial statements.

Long-term Liabilities

As of September 30, 2025, the City had $627,507 in total long-term liabilities as shown in the following table. Additional information can be found in Note 7 of the notes to the financials.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Notes payable	$ -	$ -	$ -	$ -	$ -	$ -
Compensated absences	90,797	137,217	6,273	5,011	97,070	142,228
Net pension liability	92,645	143,606	-	-	92,645	143,606
OPEB obligation	437,792	139,191	-	-	437,792	139,191
Total	$ 621,234	$ 420,014	$ 6,273	$ 5,011	$ 627,507	$ 425,025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2025 fiscal year, General Fund revenue projections were conservative and consistent with previous years.

The budget was balanced based on annual revenue intake and external projected revenue for services. Occasionally, the City if required would utilize reserves, however this practice has not occurred in two years thus protecting those funds for unforeseen commitments or emergencies.

The millage rate remained the same, 6.5419 mills.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report was designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City Manager at the following address:

City of Pahokee, Florida
City Manager
207 Begonia Drive
Pahokee, FL 33476

CITY OF PAHOKEE, FLORIDA
Statement of Net Position
September 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	$ 3,564,983	$ 5,865	$ 3,570,848
Receivable (net)			
Accounts	332,001	3,968	335,969
Taxes	168,278	-	168,278
Due from other government	496,483	-	496,483
Internal balances	717,046	(570,407)	146,639
Inventory	-	26,403	26,403
Prepaid items	2,102	-	2,102
Restricted assets:			
Cash and cash equivalents	572,370	197,217	769,587
Capital assets			
Non-depreciable	506,309	98,000	604,309
Depreciable, net of depreciation	10,317,783	5,913,361	16,231,144
Total assets	16,677,355	5,674,407	22,351,762
Deferred outflows of resources:			
Pension and OPEB related items	92,151	-	92,151
Total deferred outflows	92,151	-	92,151
Liabilities:			
Accounts payable	1,143,804	452,652	1,596,456
Accrued liabilities	50,513	6,121	56,634
Deposits	-	20,000	20,000
Non-current liabilities			
Due within in one year	56,260	2,818	59,078
Due in more than one year	90,797	6,273	97,070
Net pension liability	92,645	-	92,645
Net OPEB liability	437,792	-	437,792
Total liabilities	1,871,811	487,864	2,359,675
Deferred inflows of resources			
Unearned revenues	428,166	2,570	430,736
Pension and OPEB related items	60,436	-	60,436
	488,602	2,570	491,172
Net Position:			
Invested in capital assets, net of related debt	10,824,092	6,011,361	16,835,453
Restricted for:			
Infrastructure	503,899	-	503,899
Perpetual care	-	166,912	166,912
Pre-need	-	30,306	30,306
Endowment-nonexpendable	875,000	-	875,000
Unrestricted	2,206,102	(1,024,606)	1,181,496
Total net position	$ 14,409,093	$ 5,183,973	$ 19,593,066

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Activities
For the year ended September 30, 2025

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities	Total
Governmental activities:							
General government	$ 1,931,003	$ 140,600	$ 127,433	$ 4,303	$ (1,658,667)	$ -	$ (1,658,667)
Public safety	951,507	159,548		-	(791,959)	-	(791,959)
Transportation	1,022,731		462,634	-	(560,097)	-	(560,097)
Culture and recreation	951,495	47,927	502	87,861	(815,205)	-	(815,205)
Physical environment	660,268	746,018	-	-	85,750	-	85,750
Total governmental activities	5,517,004	1,094,093	590,569	92,164	(3,740,178)	-	(3,740,178)
Business-type activities:							
Marina and campground	915,546	148,379	-	-	-	(767,167)	(767,167)
Cemetery	199,330	156,265	-	-	-	(43,065)	(43,065)
Total business-type activities	1,114,876	304,644	-	-	-	(810,232)	(810,232)
Total primary governmental	$ 6,631,880	$ 1,398,737	$ 590,569	$ 92,164	(3,740,178)	(810,232)	(4,550,409)
General revenue:							
Ad Valorem taxes					805,995	-	805,995
Local option gas taxes					180,918	-	180,918
Infrastructure surtax					546,756	-	546,756
Utility taxes					492,008	-	492,008
Franchise fees					295,176	-	295,176
Intergovernmental shared revenues					1,223,476	-	1,223,476
Unrestricted investment earnings					53,193	-	53,193
Miscellaneous revenues					37,806	-	37,806
Rental income					94,176	7,242	101,418
Transfers					(945,396)	945,396	-
Total general revenues and transfers					2,784,108	952,638	3,736,746
Change in net position					(956,070)	142,406	(813,664)
Net position - beginning					15,365,163	5,041,567	20,406,730
Net position - ending					$ 14,409,093	$ 5,183,973	$ 19,593,066

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2025

	General Fund	Henderson Endowment Fund	Special Revenues Fund	Capital Projects Fund	Internal Service Fund	Total Governmental Funds
Assets:						
Cash and cash equivalents	$ 1,899,145	$ 895,227	$ 243,180	$ 133,320	394,111	$ 3,564,983
Accounts receivable, net	332,001	-	-	-	-	332,001
Taxes receivable	136,158	-	32,120	-	-	168,278
Due from government	82,682	-		413,801	-	496,483
Prepaid items	2,102	-	-	-	-	2,102
Advances from other funds	609,840	-	127,433	-	-	737,273
Restricted assets:						-
Cash and cash equivalents	399,427	-	172,943	-	-	572,370
Total assets	$ 3,461,355	$ 895,227	$ 575,676	$ 547,121	394,111	$ 5,873,491
Liabilities and fund balances:						
Liabilities:						
Accounts payable	$ 130,795	$ -	$ 18,468	$ 600,430	$ 394,111	$ 1,143,804
Accrued liabilities	50,513	-	-	-	-	50,513
Due to other funds	-	20,227	-	-	-	20,227
Total liabilities	181,308	20,227	18,468	600,430	394,111	1,214,544
Deferred inflows of resources						
Unearned revenue	418,422	-	-	-	-	418,422
Unavailable revenue	9,744	-	-	-	-	9,744
Total deferred inflows of resources	428,166	-	-	-		428,166
Fund balances:						
Non-spendable:						
Prepaid items	2,102	-	-	-	-	2,102
Advances to other funds	609,840	-	-	-	-	609,840
Endowment - nonexpendable	-	875,000	-	-	-	875,000
Committed for						
Capital projects	-	-	557,208	(53,309)	-	503,899
Unassigned	2,239,939	-	-	-	-	2,239,939
Total fund balances	2,851,881	875,000	557,208	(53,309)		4,230,780
Total liabilities, deferred inflows of resources and fund balances	$ 3,461,355	$ 895,227	$ 575,676	$ 547,121	$ 394,111	$ 5,873,490

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2025

Fund Balance – Total Governmental Funds		$ 4,230,780
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. However, they are reported in the government-wide statements.		
Governmental capital assets	$ 20,716,833	
Less accumulated depreciation	(9,892,741)	10,824,092
Long-term liabilities, including accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences	(147,057)	
Pension liabilities	(92,645)	
OPEB liabilities	(437,792)	(677,494)
Deferred outflows or resources and deferred inflows of related to defined benefit pension plans are applicable to future periods and are not reported in the government funds		
Pension related deferred outflows	92,151	
Pension and OPEB related deferred inflows	(60,436)	31,715
Total Net Position – Governmental Activities		$ 14,409,093

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2025

	General Fund	Henderson Endowment Fund	Special Revenues Fund	Capital Projects Fund	Total Governmental Funds
Revenues:					
Taxes	$ 1,479,132	$ -	$ 546,756	$ -	$ 2,025,888
Licenses and permits	430,688	-	-	-	430,688
Intergovernmental	1,297,373	-	127,433	393,039	1,817,845
Charges for services	887,187	-	-	-	887,187
Fines and forfeitures	159,548	-	-	-	159,548
Investment income	34,929	18,263	-	-	53,192
Lease and rental revenues	94,176	-	-	-	94,176
Miscellaneous revenues	37,806	-	-	-	37,806
Total revenues	4,420,839	18,263	674,189	393,039	5,506,330
Expenditures:					
Current:					
General government	1,594,517	-	27,300	-	1,621,817
Public safety	960,773	-	-	-	960,773
Transportation	759,775	-	-	-	759,775
Culture and recreation	777,930	-	-	-	777,930
Physical environment	660,268	-	-	-	660,268
Capital outlay	-	-	60,850	1,062,727	1,123,577
Debt services:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	4,753,263	-	88,150	1,062,727	5,904,140
Excess of revenues over (under) before other financing sources (uses):	(332,424)	18,263	586,039	(669,688)	(397,810)
Other financing sources (uses)					
Transfers in/(out)	29,000	(18,263)	(1,523,015)	1,494,015	(18,263)
Total other financing sources (uses):	29,000	(18,263)	(1,523,015)	1,494,015	(18,263)
Net change in fund balance	(303,424)	-	(936,976)	824,327	(416,073)
Fund balances, beginning of year	3,155,305	875,000	1,494,184	(877,636)	4,646,853
Fund balances, end of year	$ 2,851,881	$ 875,000	$ 557,208	$ (53,309)	$ 4,230,780

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities Governmental Funds
For the year ended September 30, 2025

Net change in fund balance – total governmental funds		$ (416,073)
Amounts reported for governmental activities in the statement of activities are		
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	$ 1,123,577	
Less current year depreciation	(461,133)	662,444
Capital asset transferred to business-type activities		(927,133)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences		(9,840)
Change in net pension liability		65,941
Change in deferred outflows related to pension and OPEB		(367)
Change in deferred inflows related to pension		(32,441)
Change in net position of governmental activities		$ (956,070)

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2025

	Major Funds		Total Business-Type Activities Enterprise Funds
	Marina and Campground	Cemetery	
Assets			
Current assets:			
Cash and cash equivalents	$ 100	$ 5,765	$ 5,865
Accounts receivable, net	500	3,468	3,968
Due from other funds	-	20,227	20,227
Inventory	-	26,403	26,403
Restricted assets:			
Cash and cash equivalents	-	197,217	197,217
Total current assets	600	253,080	253,680
Capital assets:			
Property, plant and equipment	18,304,902	590,086	18,894,988
Less accumulated depreciation	(12,406,376)	(477,251)	(12,883,627)
Total non-current assets	5,898,526	112,835	6,011,361
Total assets	$ 5,899,126	$ 365,915	$ 6,265,041

CITY OF PAHOKEE, FLORIDA
Statement of Net Position (Continued)
Proprietary Funds
September 30, 2025

Liabilities and net assets			
Liabilities:			
Current liabilities:			
Accounts payable	$ 451,897	$ 755	$ 452,652
Accrued liabilities	3,467	2,654	6,121
Deposits	20,000	-	20,000
Compensated absences-current	-	2,818	2,818
Total current liabilities	475,364	6,227	481,591
Non-current liabilities:			
Compensated absences	-	6,273	6,273
Advances to other funds	178,264	412,370	590,634
Total non-current liabilities	178,264	418,643	596,907
Total liabilities	653,628	424,870	1,078,498
Deferred inflows of resources			
Unearned revenues	2,570	-	2,570
Total deferred inflows of resources	2,570	-	2,570
Net position:			
Invested in capital assets	5,898,526	112,835	6,011,361
Restricted for:			
Perpetual care	-	166,912	166,912
Pre-need	-	30,306	30,306
Unrestricted	(655,598)	(369,008)	(1,024,606)
Total net position	$ 5,242,928	$ (58,955)	$ 5,183,973

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended September 30, 2025

	Marina and Campground	Cemetery	Total Enterprise Funds
Operating revenues:			
Sales	148,379	156,265	$ 304,644
Rental income	2,706	4,536	7,242
Total operating revenues	151,085	160,801	311,886
Operating expenses:			
Cost of sales		18,160	18,160
Personal services	31,255	136,163	167,418
Contractual services	1,000	9,000	10,000
Utilities	149,053	6,837	155,890
Supplies	12,659	8,816	21,475
Equipment	-	-	-
Insurance	27,692	14,466	42,158
Depreciation	631,287	1,239	632,526
Repairs and maintenance	46,224	4,372	50,596
Other	16,376	277	16,653
Total operating expenses	915,546	199,330	1,114,876
Operating (loss)	(764,461)	(38,529)	(802,990)
Income (loss) before capital contributions and transfers	(764,461)	(38,529)	(802,990)
Capital Contribution	927,133	-	927,133
Transfer in	-	18,263	18,263
Change in net position	162,672	(20,266)	142,406
Net position, beginning of year	5,080,256	(38,689)	5,041,567
Net position, end of year	$ 5,242,928	$ (58,955)	$ 5,183,973

See notes to the financial statements

CITY OF PAHOKEE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2025

	Marina and Campground	Cemetery	Total
Cash flows from operating activities:			
Receipts from customers and users	151,085	161,799	312,884
Payments to suppliers	(119,838)	(65,253)	(185,091)
Payments to employees	(31,247)	(132,064)	(163,311)
Net cash provided by (used in) operating activities	-	(35,518)	(35,518)
Cash flows from non-capital financing activities:			
Net cash provided by non-capital financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	-	(35,518)	(35,518)
Cash and cash equivalents at beginning of year	100	238,500	238,600
Cash and cash equivalents at end of year	100	202,982	203,082

Reconciliation of operating activities:	Marina and Campground	Cemetery	Total
Operating (loss)	(764,461)	(38,529)	(802,990)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	631,287	1,239	632,526
Change in assets and liabilities:			
(Increase) decrease in receivables	-	1,000	1,000
Increase (decrease) in accounts payable	133,167	(3,327)	129,840
Increase (decrease) in accrued liabilities	7	20	27
Increase (decrease) in compensated absences	-	4,079	4,079
Total adjustments	764,461	3,011	767,472
Net cash provided by (used in) operating activities	-	(35,518)	(35,518)
Cash and cash equivalents:			
Unrestricted	100	5,765	5,865
Restricted	-	197,217	197,217
Total cash and cash equivalents	100	202,982	203,082

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Pahokee, Florida (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government's accounting policies are described below.

Financial Reporting Entity

The City is a municipal corporation organized pursuant to Chapter 9872, Laws of Florida, in 1923. The City provides the full range of municipal services contemplated by statute or charter. The services provided include law enforcement, fire control, roads and streets, culture and recreation, public improvements, planning and zoning, marina and campground, garbage and solid waste, cemetery, and general administrative services.

As required by generally accepted accounting principles, these financial statements include the City (the primary government) and its component units. Component units are legally separate entities for which the City is financially accountable. The City is financially accountable if:

a) the City appoints a voting majority of the organization's governing board and (1) the City is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City,

   or

b) the organization is fiscally dependent on the City and (1) there is a potential for the organization to provide specific financial benefits to the City or (2) impose specific financial burdens on the City.

Organizations for which the City is not financially accountable are also included when doing so is necessary in order to prevent the City's financial statements from being misleading.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

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

Governmental Funds

The City reports the following as major governmental funds.

The *General Fund* is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Henderson Endowment Fund* is used to account for the permanently restricted principal received from the Estate of Henderson and the related investment income restricted for cemetery operation.

The *Special Revenues Fund* is used to account for the City's proceeds from specific sources not accounted for in the General Fund.

The *Capital Projects Fund* is used to account for the completion of the City's capital projects.

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports on the following major proprietary funds:

The *Marina and Campground Fund* accounts for leasing activities of the marina and campsite area.

The *Cemetery Fund* accounts for the operation of the Port Mayaca Cemetery.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. The City does not accrue property tax revenues since the collection of these taxes coincides with the fiscal year in which levied, and since the City consistently has no material uncollected property taxes at year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 60-day availability period is used for revenue recognition for governmental fund revenues. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences, claims and judgments, are recorded only when payment is due.

Fines and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash. Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenues, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses report on the costs to maintain the proprietary systems, the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturities of three months or less when purchased.

This caption also includes amounts held in the Florida PRIME investment pool administered by the State Board of Administration. The City reports its investment in Florida PRIME at amortized cost. Investments in Florida PRIME are exempt from the GASB 72 fair value hierarchy disclosures.

Accounts Receivable

Accounts receivable from the governmental funds and enterprise funds consist of billed and unbilled receivables.

Inventory

Inventory is valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventory are recorded as expenditures when consumed rather than when purchased.

Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers among funds. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions (Continued)

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks) are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than $5,000. Capital assets are recorded at cost or the fair market value of the assets at the time of contribution. Depreciation has been calculated over the useful lives using the straight-line method. The estimated useful lives are as follows:

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

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the government and its employees are accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place. All vacation, sick leave, and sabbatical leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The City follows GASB 101.

Interest Cost

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unavailable Revenue

The government reports unavailable revenue on its governmental funds balance sheet. Unavailable revenues in governmental funds arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Unearned Revenue

The government reports unearned revenue on its government wide statement of net position and proprietary statement of net position. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures.

Deferred Outflows of Resources

In addition to assets, the statement of financial position might sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that is applicable to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) in the current period. At the current time, the City has only pension related items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position might sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) in the current period. At the current time, the City has three items that qualify for reporting in this category: (1) Pension related items; (2) Local business tax receipts that are received by the City prior to the period for which the taxes are levied are reported as deferred inflows of resources on both the entity-wide statement of net position and on the governmental funds balance sheet; and (3) Governmental fund revenues that are not received within 60 days of the fiscal year end don’t meet the availability criterion for revenue recognition of the modified accrual basis of accounting and are therefore reported as deferred inflows of resources on the governmental funds balance sheet.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

1. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

2. *Restricted net position* – Consists of net position with constraints placed on the use either by: 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions of enabling legislation.

3. *Unrestricted net position* – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Balances

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

1. *Nonspendable Fund Balance* – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

2. *Restricted Fund Balance* – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

3. *Committed Fund Balance* – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the City's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (an ordinance) it employed to previously commit those amounts.

4. *Assigned Fund Bal*ance – Includes amounts intended to be used by the City for specific purposes but are neither restricted nor committed. Intent should be expressed by the City Commission or the City Manager to which the City Commission has delegated authority to assign amounts to be used for specific purposes. The authority for making an assignment is not required to be the City's highest level of decision-making authority. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts classified as committed.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

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

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This Statement will provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

This Statement is effective for the fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement is effective for the fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In September 2024, the GASB issued Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

Formal budgetary integration is employed as a management control device during the year for the General Fund and the Enterprise Funds. All budgets are legally enacted. The annual appropriated budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. Except for not budgeting for depreciation, the annual appropriated budgets for the Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles. For budgeting purposes, current year encumbrances are not treated as expenditures.

The following procedures are utilized to establish the annual budget:

1. Prior to August 1st, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to October 1st, the budget is legally enacted through passage of a resolution.

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

Budgetary Data (Continued)

4. The City Manager is authorized to transfer budgeted amounts within functional areas (general government, public safety, transportation, and culture and recreation); however, any revisions that alter the total expenditure of the functional area must be approved by the City Commission through a legally enacted resolution.

5. Appropriations along with encumbrances lapse on September 30th.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide.

The tax levy of the City is established by the City Commission prior to October 1st of each year and the Palm Beach County Property Appraiser incorporates the City's millage into the total tax levy, which includes Palm Beach County, the Palm Beach County School Board, and special district tax requirements. All property is reassessed according to its fair market value on January 1st of each year, which is also the lien date. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all the appropriate requirements of State statutes. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The tax rate for the Palm Beach County Fire/Rescue Municipal Service Taxing Unit (MSTU) is included in the 10 mills. See Note 15. The millage rate assessed by the City for the year ended September 30, 2025, was 6.5419 ($6.5419 for each $1,000 of assessed valuation). The MSTU portion of the City's millage rate was 3.4581 mills.

All taxes are due and payable on November 1st of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1st following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without a discount. Delinquent taxes on real property bear interest of 18% per year. On or prior to June 1st following the tax year, certificates are sold for all delinquent taxes on real property. After the sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. At September 30, 2025, unpaid delinquent taxes were not material.

NOTE 3 – CASH AND CASH EQUIVALENTS

Deposits with Financial Institutions

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act,* the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The City's deposits at year end are considered insured for custodial credit risk purposes. At year end, the City's reported amounts were $4,339,884 for Fiscal year 2025 and $5,279,307 for fiscal year 2024.

Investments

Florida Statutes and the City's investment policy authorize the City to invest in the following types of securities:

- The Local Government Surplus Funds Trust Fund.
- Direct obligations of the United States Treasury.
- Interest bearing time deposits (Certificates of Deposit) or savings accounts in Qualified Public Depositories as defined in Florida Statutes.
- Obligations of federal agencies and instrumentalities.
- The Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

The investment policy applies to all funds held by the City in excess of those required to meet current expenses, with the exception of pension fund assets and funds whose uses are restricted by debt covenants or legal, regulatory or other constraints. The State Board of Administration (SBA) administers the Florida PRIME investment pool, which is governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME. The investment in Florida PRIME is reported at amortized cost in accordance with GASB Statement No. 79, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 79). The investment in the Florida PRIME is not insured by FDIC or any other governmental agency.

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

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."
With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2025, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value in the Florida PRIME.

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

As of September 30, 2025, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value in the Florida PRIME.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2025, was 47 days. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

As of September 30, 2025, the City had the following short-term investments:

Investment Measured at Amortized Cost	WAM	Amount
Florida PRIME	47 days	$ 386,492

The cash and cash equivalents balance as of September 30, 2025, is as follows:

By category:	
Deposits	$ 3,953,392
Petty cash	550
Florida Prime	386,492
Total Cash and Cash Equivalents	$ 4,340,434
Presented in the statement of net position:	
Unrestricted cash and cash equivalents	$ 3,570,848
Restricted cash and cash equivalents	769,587
Total cash and cash equivalents	$ 4,340,434

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The City's investment policies limit its investments to high quality investments to control credit risk. As of September 30, 2025, the SBA Florida PRIME Pool was rated AAA by Standard and Poor's.

Interest Rate Risk

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

Concentration of Credit Risk

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

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

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2025, are comprised of the following:

	General Fund	Special Revenues Fund	Capital Projects Fund	Marina and Campground Fund	Cemetery Fund
Billed	$ 3,022	$ -	$ -	$ 500	$ 3,468
Unbilled	328,979	-	-	-	-
Taxes receivable	136,158	32,120		-	-
Due from other governments	82,682	-	413,801	-	-
Subtotal	550,841	32,120	413,801	500	3,468
Less allowance for uncollectable	-	-	-	-	-
Total	$ 550,841	$ 32,120	$ 413,801	$ 500	$ 3,468

The Palm Beach County Water Utility Department (PBCWUD) provides billing and collection services for the City's solid waste collection activities. Amounts collected by the PBCWUD but not yet paid to the City are reported as due from other governments. The amounts are reported net of a one percent administrative fee.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 404,743	$ -	$ -	$ -	$ 404,743
Construction in progress	6,517,509	1,118,177	-	(7,534,120)	101,566
Total not being depreciated	6,922,252	1,118,177	-	(7,534,120)	506,309
Capital assets being depreciated:					
Improvements other than buildings	6,170,995	-	(927,133)	7,473,270	12,717,132
Buildings	5,296,791	-	-	60,850	5,357,641
Equipment	2,021,275	-	-	-	2,021,275
Leased equipment	109,077	5,400	-	-	114,477
Total being depreciated	13,598,138	5,400	(927,133)	7,534,120	20,210,525
Total at historical cost	20,520,390	1,123,577	(927,133)	-	20,716,833
Less accumulated depreciation for:					
Improvements other than buildings	(2,815,510)	(341,258)	-	-	(3,156,768)
Buildings	(4,601,747)	(78,919)	-	-	(4,680,666)
Equipment	(1,989,893)	(22,152)			(2,012,045)
Leased equipment	(24,458)	(18,804)	-	-	(43,262)
Total accumulated depreciation	(9,431,608)	(461,133)	-	-	(9,892,741)
Governmental activities capital assets, net	$ 11,088,782	$ 662,444	$ (927,133)	$ -	$ 10,824,092

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	$ 98,000	$ -	$ -	$ -	$ 98,000
Total not being depreciated	98,000	-	-	-	98,000
Capital assets being depreciated:					
Improvements other than buildings	9,536,316	927,133	-	-	10,463,449
Buildings	8,170,493	-	-	-	8,170,493
Equipment	163,046	-	-	-	163,046
Total being depreciated	17,869,855	927,133	-	-	18,796,988
Total at historical cost	17,967,855	927,133	-	-	18,894,988
Less accumulated depreciation for:					
Improvements other than buildings	(8,167,922)	(366,643)	-	-	(8,534,565)
Buildings	(3,920,134)	(265,882)	-	-	(4,186,016)
Equipment	(163,046)	-	-	-	(163,046)
Total accumulated depreciation	(12,251,102)	(632,525)	-	-	(12,883,627)
Business-types activities capital assets, net	$ 5,716,753	$ 294,608	$ -	$ -	$ 6,011,361

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

Governmental activities:		
General government		20,869
Public safety		3,743
Transportation		262,956
Culture and recreation		173,565
Total depreciation expense governmental activities	$	461,133
Business-type activities:		
Marina & Campground	$	631,287
Cemetery		1,239
Total depreciation expense business-type activities	$	632,526

NOTE 6 – INTERFUND TRANSACTIONS

The composition of the interfund balances at September 30, 2025, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Cemetery Fund	Henderson Endowment Fund	$ 20,227

The outstanding balances between funds result primarily from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur; transactions are recorded in the accounting system; and payments between funds are made.

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Marina and Campground Fund	197,470
General Fund	Cemetery Fund	412,370
		$ 609,840

The outstanding balances between funds represent interfund loans to cover operating deficits.

Transfers

Interfund transfers for the year ended September 30, 2025, are as follows:

Transfers Out	Transfer In	Amount
Special Revenues Fund	General Fund	$ 29,000
Special Revenues Fund	Capital Projects Fund	1,494,015
Henderson Endowment Fund	Cemetery Fund	18,263
		$ 1,541,278

NOTE 7 – LONG-TERM LIABILITIES

Governmental Activities

Long-term liabilities of the governmental activities at September 30, 2025, consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Governmental activities:					
Compensated absences	$ 137,217	$ 9,840	$ -	$ 147,057	$56,260
Net pension liability	158,586	-	(65,941)	92,645	-
OPEB	139,191	298,601	-	437,792	-
Total governmental	$ 434,994	$ 308,441	$ (65,941)	$ 677,494	$ 56,260

Business-Type Activities

Long-term liabilities of the business-type activities at September 30, 2025, consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Business-type activities:					
Compensated absences	$ 5,011	$ 4,079	$ -	$ 9,090	$ 2,818

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

NOTE 8 – FLORIDA RETIREMENT SYSTEM

General Information

All full-time employees hired before January 1, 1996, are eligible to participate in the Florida Retirement System (FRS). The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the Florida Retirement System Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost sharing multiple-employer defined benefit pension plan, to assist retired members of any state administered retirement system in paying the costs of health insurance.

Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000 or calling toll free at 877-377-1737. The report is also available at the Florida Department of Management Services web site www.dms.myflorida.com.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (FRSP) and the Florida Retirement System Health Insurance Subsidy Program and additions to/deduction from the FRSP and HIS fiduciary net position have been determined on the same basis as they are reported by FRSP and HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Significant Accounting Policies

PENSION PLAN

Plan Description

The FRS Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

Regular Class
Special Risk Class
Elected Officials Class
Senior Management Service Class

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service.
Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal year's earnings. The total percentage value of the benefit received is determined by calculating the total value of all services, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following table shows the percentage value for each year of service credit earned:

Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%

Retirement at age 65 or with 33 or more years of service	1.68%
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
Special Risk Class	
Service from December 1, 1970, through September 30, 1974,	2.00%
Service on or after October 1, 1974,	3.00%
Elected Officials Class	3.00%
Senior Management Service Class	2.00%

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011 will not have a cost-of-living adjustment after retirement.

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1st of each year. The employer contribution rates by job class for the fiscal year ended September 30, 2025, were as follows:

Class	10/01/24 through 06/30/25	07/01/25 through 09/30/25
Regular Class	13.63%	14.03%
Senior Management Service Class	34.52%	33.24%
Special Risk Class	32.79%	35.19%
DROP	21.13%	22.02%

The employer contribution rates include a 2.00% HIS Plan subsidy and a 0.06% administrative and educational assessment, as applicable. The DROP rate includes the applicable HIS and UAL contributions; the administrative and educational assessment does not apply to DROP participants.

For the fiscal year ending September 30, 2025, the City made contributions of $28,005 to the Pension Plan and the City's employees made contributions of 4,329, for total contributions of $32,334.

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

At September 30, 2025, the City reported a liability of $62,727 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The City's proportionate share of the net pension liability was based on the City's 2024-2025 fiscal year contributions relative to the 2023-2024 fiscal year contributions of all participating members. At June 30, 2025, the City's proportionate share was 0.000202116 percent, which was a decrease of 0.000020778 percent from its proportionate share measured as of June 30, 2024. For the fiscal year ended September 30, 2025, the City recognized pension expense of $7,515 related to the Plan. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions on the following page from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 6,700	$ -
Change of assumptions	7,284	-
Net difference between projected and actual earnings of Pension Plan investments	-	(10,473)
Change in proportion and differences between City Pension Plan contributions and proportionate share of contributions	10,457	(7,007)
Organization contributions subsequent to measurement date	12,068	
	$ 36,509	$ (17,480)

The deferred outflows of resources related to the Pension Plan, totaling $7,992 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, 2025. 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
2026	$20,155
2027	(3,581)
2028	(5,359)
2029	(4,253)
Thereafter	-
	$ 6,962

Actuarial Assumptions

The total pension liability on June 30, 2025, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2025
Measurement date	June 30, 2025
Inflation	2.40 %
Salary increases	3.50%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation
Mortality	Generational pub-2010, projected using MP-2021
Actuarial cost method	Individual Entry Age

The FRS Pension Plan assumptions are based on the FRS experience study for July 1, 2018 through June 30, 2023, completed in 2024.

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	Annual Arithmetic Return	Compound Annual Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.1%
Fixed Income	19.8%	4.5%	4.4%	3.4%
Global Equity	54.0%	8.7%	7.1%	18.1%
Real Estate (Property)	10.3%	7.6%	6.6%	14.8%
Private Equity	11.1%	11.9%	8.8%	26.3%
Strategic Investments	3.8%	6.3%	6.1%	7.7%
Assumed Inflation - Mean			2.4%	1.4%

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

Discount Rate

The long-term expected rate of return assumption of 6.70% used in the discount rate calculations consists of two building block components: 1) a real (in excess of inflation) return of 4.3%, consistent with the currently articulated real return target in the current Florida State Board of Administration's investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; 2) a long-term average annual inflation assumption of 2.4% as most recently adopted in October 2018 by the FRS Actuarial Assumption Conference. The discount rate of 6.70% used for the net pension liability calculations differs from the 7.50% investment rate of return chosen by the FRS Actuarial Assumptions Conference used for funding policy.

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 6.70%, 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 (5.70%) or one percentage point higher (7.70%) than the current rate:

Asset Class	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
City's proportionate share of the net pension liability	$ 66,302	$ 62,727	$ 67,557

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.

Payable to the Pension Plan

On September 30, 2025, the City reported no payable for outstanding contributions to the Pension Plan.

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM

Plan Description

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2025, 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 the 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, 2025, the HIS contribution was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled $2,086 for the fiscal year ended September 30, 2025.

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

At September 30, 2025, the City reported a liability of $29,918 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The City's proportionate share of the net pension liability was based on the City's 2024-2025 fiscal year contributions relative to the 2023-2024 fiscal year contributions of all participating members.

At June 30, 2025, the City's proportionate share was 0.000233415 percent, which was an increase of 0.0233042878 percent from its proportionate share measured as of June 30, 2024.

For the fiscal year ended September 30, 2025, the City recognized a pension income of $2,057. In addition, the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 179	$ 47
Change in assumptions	265	7,236
Net difference between projected and actual earnings on pension plan investments	-	25
Change in proportion and differences between City pension plan contributions and proportionate share of contributions	23,753	37,421
Organization contributions subsequent to measurement date	2,086	
	$ 26,283	$ 44,729

The deferred outflows of resources related to the HIS Plan, totaling $743 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2026	(4,530)
2027	(5,423)
2028	(4,566)
2029	(3,659)
Thereafter	(2,355)
	$ (20,533)

Actuarial Assumptions

The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2025
Measurement date	June 30, 2025
Inflation	2.40 %
Salary increases	3.50%, average, including inflation
Municipal bond rate	5.20%
Investment rate of return	N/A
Mortality	PUB-2010-based-assumptions
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2025, valuation was based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

Discount Rate

The discount rate used to measure the total pension liability was 5.20%. 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 5.20%, 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 (4.20%) or one percentage point higher (6.20%) than the current rate:

Asset Class	1% Decrease (4.20%)	Discount Rate (5.20%)	1% Increase (6.20%)
City's proportionate share of the net pension liability	$ 30,711	$ 29,918	$ 31,773

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, 2025, the City reported no payable for outstanding contributions to the HIS Plan.

The following table provides a summary of significant information related to the Florida Retirement System defined benefit plans for the year ended September 30, 2025:

Description	Pension Plan	HIS Program	Total
Total pension liability	$ 492,396	$ 31,949	$ 524,345
Plan fiduciary net position	429,669	2,031	431,700
Net pension liability	62,727	29,918	92,645
Deferred outflows of resources	36,509	26,283	62,792
Deferred inflows of resources	(17,480)	44,729	27,249
Pension expense	7,515	(2,057)	5,458

NOTE 9 – GENERAL EMPLOYEES' RETIREMENT PLAN

The General Employees Retirement Plan (the "Plan") is a single employer defined contribution pension plan established by the City to provide retirement and death benefits to general employees hired on or after January 1, 1996. A defined contribution pension plan has terms that specify how contributions to an individual's account are to be determined rather than the amount of pension benefits the individual is to receive. In a defined contribution plan, the pension benefits a participant will receive depend only on the amount contributed to the participant's account, earnings on investments of these contributions, and forfeitures of other participant's benefits that may be allocated to the participant's account. Under the terms of the Plan agreement, all forfeitures shall be used to reduce the employer's contributions.

Vesting commences at a rate of 20% each year until the employee is fully vested after five years. Credited service begins with the first day of the month coinciding with or the next day following six months of service. Plan provisions and contribution requirements are established and may be amended by the City Commission.

The City is required to contribute 3% of the covered compensation. Plan members are not allowed to contribute to the Plan. However, if Plan members contribute 3% of compensation to the Internal Revenue Code Section 457 Deferred Compensation Plan (see Note 10), the City will make a matching contribution of 4.35% to the General Employees' Retirement Plan. For the year ended September 30, 2025, the City recognized pension expense of $33,215 for the General Employees' Retirement Plan. At September 30, 2025, the City reported no payable for outstanding contributions to the Plan.

The Plan is administered by the Florida League of Cities, which provides various investment alternatives. Participants direct the allocation of contributions to investment alternatives offered under the Plan. Because the City does not hold or administer funds for the Plan, the Plan does not meet the criteria for inclusion in the City's financial statements as a fiduciary fund.

NOTE 10 – DEFERRED COMPENSATION PLAN

Employees of the City of Pahokee may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. Valic, Inc. administers the deferred compensation plan.

On December 15, 1998, the Deferred Compensation Plan was amended to conform with the changes in the Internal Revenue Code brought about by the Small Business Job Protection Act of 1996 (the "Act"). The Act requires that eligible deferred compensation plans established and maintained by governmental employers be amended to provide that all assets of the plan be held in trust, or under one or more appropriate annuity contracts or custodial accounts, for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, plan assets will no longer be subject to the claims of the City's general creditors.

Because the City has little administrative involvement and does not perform the investing function for funds in the Pinnacle Associates Plan, the City's activities do not meet the criteria for inclusion in the fiduciary funds of a government.

NOTE 11 – PROPRIETARY NET POSITION

As of September 30, 2025, the Marina and Campground Enterprise Fund reported a positive net position of $5,242,927 and as a change in net position of $162,671 after a capital contribution of $927,133. The Cemetery Enterprise Fund reported a loss of ($58,954) in total net position, and a deficit of $20,265 as a change in net position.

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City has not significantly reduced insurance coverage from the prior year, and there were no settled claims which exceeded insurance coverage during the past three fiscal years.

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

NOTE 13 – LITIGATION CONTINGENCIES

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

NOTE 14 – COMMITMENTS

Palm Beach County Fire Rescue Services Interlocal Agreement

On September 12, 2006, the City entered into a 10-year inter-local agreement with Palm Beach County to provide fire suppression, emergency medical services, special operations, hazardous materials response and mitigation, emergency communications, confined space rescue, dive rescue, fire code inspections, arson investigation, new construction inspection, community education programs, and all other emergency and non-emergency services to the City of Pahokee commencing October 1, 2006. Under the terms of the Agreement, the City transferred all the City's fire rescue apparatus and related equipment, to Palm Beach County Fire Rescue on October 1, 2006.

The costs of the services under the Agreement are to be funded through the Fire/Rescue MSTU pursuant to ordinances adopted by the County and the City providing for the inclusion of the City into the Fire/Rescue MSTU. It is anticipated that the County Fire/Rescue dispatch and related communication services to the City will be funded from countywide ad valorem tax revenues through the Countywide Common Dispatch program offered by the County to any fire-rescue providers that desire these services. If the County's ability to fund the dispatch and related communication services from non-MSTU revenues is eliminated for any reason, then the County may fund these dispatch and related services to the City through the Fire/Rescue MSTU. The tax rate for the MSTU is included in the 10 mills the City is legally allowed to assess. For the fiscal year ended September 30, 2025, the MSTU portion of the City's millage rate was 3.4581 mills.

Should the City for any reason no longer be included in the Fire/Rescue MSTU during the term of the Agreement, the City shall pay the County an annual, or prorated, contract amount equal to the value of taxable property within the incorporated boundaries of the City multiplied by the Fire/Rescue MSTU millage rate.

As part of the Agreement, the City agreed to lease the building and surrounding property known as the Pahokee Fire Station to the County for its use as a fire station for the sum of one dollar per year for a period of ten years commencing on October 1, 2006.

The City entered into an inter-local agreement with the Palm Beach County Sheriff's Office to provide law enforcement services commencing February 12, 2006, and ending September 30, 2008. The agreement was later amended to extend the contract through September 30, 2009. On July 12, 2020, the City approved the eleventh addendum to the agreement extending the agreement through September 30, 2025. The contractual cost for the year ended September 30, 2025, was $611,939.

NOTE 15 – SPECIAL ENDOWMENT

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

The City has established a permanent fund to account for the endowment principal, investment earnings, and transfers to the Cemetery Fund for upkeep, maintenance, and beautification of the cemetery. During the fiscal year ended September 30, 2025, the permanent fund transferred $18,263 to the Cemetery Fund.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS

In June 2015, GASB released GASB Statement No. 75 which replaces the accounting standards for other post-employment benefits (OPEB) for employer accounting. This standard will be applied to post employment medical benefits that are provided to the City's retirees. Prior to the GASB No. 75, benefits were accounted for under GASB No. 45.

Under GASB No. 45, the net OPEB obligation was a liability of the City. Under GASB No. 75, the entire unfunded actuarial accrued liability is now reported on the financial statements. There is no longer a net OPEB obligation. The annual expense is equal to the increase (decrease) in the funded actuarial accrued liability. To minimize expense volatility, some of the increase (decrease) is deferred.

Plan Description

The City provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries to continue to obtain health benefits upon retirement. The normal retirement age for City employees is age 62 for employees enrolled in the retirement plan before July 1, 2011 and age 65 for employees enrolled in the retirement plan after July 1, 2011. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

Funding Policy

The City does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the City for active employees by its healthcare provider. However, the City’s actuaries in their actuarial valuation calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the City or its active employees for coverage of the retirees and their dependents for the year net of the retiree’s own payments for the year.

Plan membership

Based on the actuarial valuation results as of September 30, 2023, the number of participants included in the plan is as follows:

Retired participants	17
Active employees	16
Total	33

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	September 30, 2023
Actuarial cost method	Entry Age Normal (Alternative Measurement Method)
Amortization method	Level Dollar - Open
Amortization period	30-year closed period
Asset valuation method	Not Applicable
Actuarial assumptions:	
Discount rate	4.87%
Healthcare cost trend	Based on the SOA-Getzen Model (2023 update), trending down to 5.0% over the long term.
Mortality	RP-2014 Total Dataset Mortality Table with MP-2021 improvement scale for males and females.

Change in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of 9/30/2022	151,827	-	151,827
Service Cost	9,091	-	9,091
Interest on Total OPEB Liability	3,910	-	3,910
Difference Between Expected and Actual Experience	164,828		164,828
Changes of Assumptions and Other Inputs	280,507		280,507
Other Changes	(7,543)	-	(7,543)
Net Changes	272,964	-	272,964
Balances as of 9/30/2023	437,792	-	437,792

Sensitivity of Net OPEB Liability

The following table presents the net OPEB liability, using a discount rate and health care cost trend rate that is 1-percentage point lower and 1-percentage point higher:

	1% Decrease	Current Discount Rate	1% Increase
Discount rate	3.87%	4.87%	5.87%
Total OPEB Liability	$ 536,155	$ 437,791	$ 361,127

Discount Rate

The City does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/ Aa or higher (or equivalent quality on another rating scale). A rate of 4.87% is used, which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of September 30, 2023.

OPEB Expense

Service Cost	$ 9,091
Total OPEB Liability (TOL)	3,910
Interest Cost	-
Recognized Experience Gains/Losses	(1,774)
Changes of Assumptions and Other Inputs	29,359
Total	$ 40,586

Schedule of Deferred Inflows and Outflows of Resources

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,774
Changes of assumptions	29,359	-
Net difference between projected and actual earnings	-	-
Employer contribution subsequent to measurement date	$ 29,359	$ 1,774

The deferred outflows and deferred inflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan are as follows:

Fiscal Year Ending September 30	Outflows	Inflows
2024	$ 4,893	$ (296)
2025	4,893	(296)
2026	4,893	(296)
2027	4,893	(296)
2028	4,893	(296)
2029	4,894	(294)
	$ 29,359	$ (1,774)

NOTE 17 – OPERATING LEASES

Effective October 1, 2021, the City implemented GASB 87 Leases. There was no change in the beginning net position / fund balance due to the implementation, and no restatement was required.

Everglades Preparatory Academy

In March 2007, the City entered into an agreement with Everglades Preparatory Academy, Inc. (Everglades) to lease certain facilities at the Old Pahokee High School to Everglades. The term of the lease was for a 10-year period commencing on May 1, 2007, with an option to renew for an additional 10-year term. In 2017, Everglades exercised its option to renew the lease. Total lease payments received under the lease during the fiscal year ended September 30, 2025, were $33,349.

The General Fund's amortization lease payments receivable as of September 30, 2025, are as follows:

Fiscal Year Ending	Prinicipal	Interest	Total
2026	35,334	1,044	36,378
2027	21,100	182	21,282
	$ 56,434	$ 1,226	$ 57,660

Lutheran Services Florida

In June 2025, the City entered into an agreement with Lutheran Services Florida, Inc. (Lutheran) to lease to Lutheran a building and various other improvements located at 380 East Dr. Martin Luther King Jr. Boulevard to Lutheran. The lease term was for a 5-year period, with an option to renew for an additional 5-year lease term. Lutheran also has the right to terminate the lease for any reason upon 120 days prior written notice to the City. Total lease payments received under the lease during the fiscal year ended September 30, 2025, were $15,951.

Fiscal Year Ending	Prinicipal	Total
2026	30,000	30,000
2027	30,000	30,000
2028	30,000	30,000
2029	30,000	30,000
2030	30,000	30,000
	$ 150,000	$ 150,000

Metro PCS

In April 2005 the City entered into an agreement with MetroPCS California/Florida, Inc. (Metro PCS) to lease land consisting of approximately 180 square feet located at 335 Muck City Road to Metro PCS for use as a personal communications service system. The lease term was for a 5-year period commencing on April 29, 2005. The agreement will be automatically renewed for four additional terms of 5 years each unless Metro PCS provides the City notice of intention not to renew not less than 90 days prior to the expiration of any renewal term. Total lease payments received under the lease during the fiscal year ended September 30, 2025, were $25,062. As of September 30, 2025, the cost of the land under the operating lease was approximately $81.

The General Fund's amortization lease payments receivable as of September 30, 2025, are as follows:

Fiscal Year Ending	Prinicipal	Interest	Total
2026	$ 24,322	$ 3,108	$ 27,430
2027	25,832	2,421	28,253
2028	27,408	1,693	29,101
2029	29,054	920	29,974
2030	17,625	162	17,787
	$ 124,241	$ 8,304	$ 132,545

NOTE 18 – SUBSEQUENT EVENT

Management has evaluated significant subsequent events through September 28, 2026, the date the financial statements available to be issued to determine if events or transactions require potential adjustment to or disclosure in the financial statements. Management has not found anything to be reported.

Required Supplementary Information

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	$ 2,184,251	$ 2,184,251	$ 1,479,132	$ (705,119)
Licenses and permits	1,110,050	1,110,050	430,688	$ (679,362)
Intergovernmental	313,774	313,774	1,297,373	$ 983,599
Charges for services	734,920	734,920	887,187	$ 152,267
Fines and forfeitures	82,000	82,000	159,548	$ 77,548
Investment income	122,850	122,850	34,929	$ (87,921)
Lease and Rental Revenue	-	-	94,176	$ 94,176
Miscellaneous	891,063	891,063	37,806	$ (853,257)
Total revenues	5,438,908	5,438,908	4,420,839	(1,018,069)
Expenditures:				
Current:				
General government	1,862,939	1,862,939	1,594,517	268,422
Public safety	630,000	630,000	960,773	(330,773)
Transportation	1,019,841	1,019,841	759,775	260,066
Culture and recreation	722,932	722,932	777,930	(54,998)
Physical environment	510,000	510,000	660,268	(150,268)
Other sources	98,325	98,325	-	98,325
Total expenditures	4,844,037	4,844,037	4,753,263	90,774
Excess of revenues over expenditures	594,871	594,871	(332,424)	(927,295)
Other financing sources (uses):				
Operating transfer out	(183,595)	(183,595)	29,000	212,595
Sale of assets	-	-	-	-
Total other financing sources (uses):	(183,595)	(183,595)	29,000	212,595
Net change in fund balance	$ 411,276	$ 411,276	(303,424)	$ (714,700)
Fund balance, beginning of year			3,155,305	
Fund balance, end of year			$ 2,851,881	

See notes to the budgetary required supplementary information

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenues Fund
For the Fiscal Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	$ 867,000	$ 867,000	$ 546,756	$ (320,244)
Intergovernmental	-	-	127,433	127,433
Total revenues	867,000	867,000	674,189	(192,811)
Expenditures:				
Current:				
General government	-	-	27,300	(27,300)
Culture and recreation	-	-		-
Capital Outlay	867,000	867,000	60,850	806,150
Total expenditures	867,000	867,000	88,150	778,850
Excess of revenues over expenditures	-	-	586,039	586,039
Other financing sources (uses):				
Operating transfer in/(out)	(135,234)	(135,234)	(1,523,015)	(1,387,781)
Total other financing sources (uses):	(135,234)	(135,234)	(1,523,015)	(1,387,781)
Net change in fund balance	$ (135,234)	$ (135,234)	(936,976)	$ (801,742)
Fund balance, beginning of year			1,494,184	
Fund balance, end of year			$ 557,208	

See notes to the budgetary required supplementary information

CITY OF PAHOKEE, FLORIDA
Notes to the Budgetary Required Supplementary Information
For the Fiscal Year Ended September 30, 2025

Note 1 - Basis of Accounting

A budgetary comparison schedule is presented for the General Fund and the major Special revenue Fund, as required by generally accepted accounting principles. The procedures for establishing budgetary data reflected in the budgetary comparison schedule are described in Note 2 to the financial statements. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Note 2 - Stewardship, Compliance, and Accountability

Formal budgetary integration is employed within the accounting system as a management control device. Appropriations are legally controlled at the functional area level and expenditures may not legally exceed budgeted appropriations at that level.

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule for Funding Progress
Other Postemployment Benefits
For the Fiscal Year Ended September 30, 2025

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age(1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2012	$ -	$ 89,191	$ 89,191	$ -	N/A	N/A
10/1/2015	-	84,708	84,708	-	1,182,214	7.17%
10/1/2017	-	88,987	88,987	-	1,428,366	6.23%
10/1/2018	-	96,173	96,173	-	1,428,366	6.73%
10/1/2020	-	139,191	139,191	-	1,017,696	13.68%
9/30/2023	-	437,791	437,791	-	N/A	N/A

The schedule of funding progress presented above will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The City implemented GASB 75 beginning with the fiscal year ended September 30, 2018, replacing GASB 45, therefore, trend information prior to GASB 75 implementation is not presented. Under GASB 75, the City is required to obtain an actuarial valuation at least every two years. The most recent valuation was completed as of September 30, 2023. As additional GASB 75 valuations are completed, required trend data will be presented.

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule for Employer Contributions
Florida Retirement System
Pension Plan

Last 10 Fiscal Years*

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required contribution	$ 5,217	$ 5,382	$ 5,868	$ 5,257	$ 5,841	$ 6,103	$ 6,172	$ 10,203	$ 12,622	$ 28,005
Contribution in relation to the contractually required contribution	5,217	5,382	5,868	5,257	5,841	6,103	6,172	10,203	12,622	28,005
City's covered-employee payroll	87,507	92,780	110,573	104,500	110,536	63,383	63,383	63,383	99,458	144,292
Contribution as a percentage of covered-employee payroll	5.96%	5.80%	5.31%	5.03%	5.28%	9.63%	9.74%	16.10%	12.69%	19.41%

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule for Proportionate Share of Net Pension Liability
Florida Retirement System
Pension Plan

Last Ten Fiscal Years*

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
City's proportion of the net pension liability (asset)	0.000213941%	0.000206741%	0.000205914%	0.000169532%	0.000175806%	0.000160215%	0.000144630%	0.000212082%	0.000222894%	0.000202116%
City's proportion share of the net pension liability (asset)	$ 54,020	$ 61,174	$ 62,023	$ 58,383	$ 76,197	$ 12,102	$ 53,814	$ 53,814	$ 86,226	$ 62,727
City's covered-employee payroll	92,780	110,573	104,500	110,536	63,383	63,383	63,383	63,383	99,458	144,292
City's proportion share of the net pension liability (asset) as a percentage of its covered-employee payroll	58.22%	55.32%	59.35%	52.82%	120.22%	19.09%	84.90%	84.90%	86.70%	43.47%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	83.89%	83.70%	82.61%	78.85%	96.40%	82.38%	82.38%	83.70%	82.33%

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule for Employer Contribution
Florida Retirement System
Retiree Health Insurance Subsidy Program

Last Ten Fiscal Years*

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required contribution	$ 1,453	$ 1,541	$ 1,571	$ 1,644	$ 1,761	$ 1,325	$ 1,126	$ 2,448	$ 4,048	$ 2,086
Contribution in relation to the contractually required contribution	1,453	1,541	1,571	1,644	1,761	1,325	1,126	2,448	4,048	2,086
City's covered-employee payroll	92,780	110,573	104,500	104,500	63,383	63,383	63,383	63,383	99,458	144,292
Contribution as a percentage of covered-employee payroll	1.6%	1.4%	1.5%	1.6%	2.8%	2.1%	1.8%	3.9%	4.1%	1.4%

CITY OF PAHOKEE, FLORIDA
Required Supplementary Information
Schedule for Proportionate Share of Net Pension Liability
Florida Retirement System
Retiree Health Insurance Subsidy Program

Last Ten Fiscal Years*

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
City's proportion of the net pension liability (asset)	0.041674824%	0.042122000%	0.044162719%	0.045544109%	0.000076570%	0.000074857%	0.000074857%	0.000372122%	0.000048237%	0.000233415%
City's proportion share of the net pension liability (asset)	$ 35,422	$ 31,124	$ 30,668	$ 33,121	$ 37,319	$ 27,650	$ 19,707	$ 19,707	$ 72,360	$ 29,918
City's covered-employee payroll	92,780	110,573	104,500	110,536	63,383	63,383	63,383	63,383	99,458	144,292
City's proportion share of the net pension liability (asset) as a percentage of its covered-employee payroll	38.18%	28.15%	29.35%	29.96%	58.88%	43.62%	31.09%	31.09%	72.75%	20.73%
Plan fiduciary net position as a percentage of the total pension liability	0.97%	1.64%	2.15%	2.63%	3.00%	3.56%	4.81%	4.81%	4.80%	6.36%

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 Pahokee, Florida
Pahokee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund information of the City of Pahokee, Florida (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 28, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of audit findings as items 2025-05, 2025-10, 2025-11, 2010-01, 2015-01, and 2016-01 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of audit findings as items 2024-01, 2025-01, 2025-02, 2025-03, 2025-04, 2025-06, 2025-07, 2025-08 and 2025-09 to be significant deficiencies.

Report on 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 audit findings as items 2014-04 and 2017-01.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HCT Certified Public Accountants & Consultants, LLC
Hollywood, Florida
September 28, 2026

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

I. Summary of Independent Auditor's Results

Financial Statements

Type of report the auditor issued:

Opinion Unit	Type of Opinion
Governmental Activities	
General Fund	Unmodified
Henderson Endowment Fund	Unmodified
Special Revenues Fund	Unmodified
Capital Projects Fund	Unmodified
Business-Type Activities	
Marina and Campground Fund	Qualified
Cemetery Fund	Qualified

Internal control over financial reporting:

- Material weakness(es) identified? __X__ yes ___ no
- Significant deficiency(s) __X__ yes ____ none reported

Noncompliance material to financial statements noted? __X__ yes ____ no

The remainder of this page was left blank intentionally

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

II. Financial Statement Findings

A. Current Year Findings

2025-01- Trial Balance Preparation- Significant Deficiency

Audit Finding
Lack of adequate internal controls over the preparation and review of the trial balance.

Condition
The trial balance initially provided by the City did not balance and did not contain the complete detail necessary to support the financial statement audit. The revised trial balance identified inconsistencies in the presentation of account balances. Specifically, certain liability and revenue balances were presented using debit/credit signs that were inconsistent with their normal account classification, resulting in the trial balance being out of balance.

Effect
An inaccurate or incomplete trial balance also increases the risk that errors or inconsistencies in the City's accounting records may not be identified timely and may result in inaccurate financial reporting if not detected and corrected through other procedures.

Cause
The condition appears to have resulted from limitations in the City's trial balance reporting and review process. The initial report parameters did not produce the detailed revenue and expenditure activity expected by the City, resulting in a report containing system-generated control accounts rather than the underlying operating statement accounts. Additionally, the trial balance preparation and review process did not identify that certain account balances were being presented with inconsistent debit and credit signs or that the resulting trial balance was out of balance.

Criteria
A trial balance used for financial reporting and audit purposes should be complete, accurate, and mathematically balanced, with total debit balances equal to total credit balances. Account balances should also be presented consistently with their appropriate debit or credit classification.

Management should have processes in place to review the trial balance and related report parameters to ensure that the report contains the appropriate accounts and activity and that any differences or unusual account presentations are identified and resolved before the trial balance is used for financial reporting or provided to the auditors.

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

Recommendation
We recommend that management strengthen its process for preparing and reviewing trial balance reports prior to providing them for financial reporting and audit purposes.
Specifically, management should:

- Verify that the report parameters selected in the City's accounting system capture all required balance sheet and operating statement accounts and activity, including the detailed revenue and expenditure accounts underlying any system-generated control accounts.
- Review the trial balance to ensure that all account balances are presented using the appropriate debit or credit sign based on the nature of the account.
- Reconcile total debits to total credits and investigate any imbalance before the trial balance is finalized.
- Perform and document a management review of the final trial balance to confirm that it is complete, accurate, and suitable for use in the preparation of the financial statements and audit.

Views of responsible officials and planned corrective actions:
Management does not concur with the finding as currently written. The City provided the fund-level trial balance generated directly from Black Mountain without manual alteration. The report presents balance sheet accounts and system-generated revenue and expenditure control accounts rather than individual revenue and expenditure accounts. The City subsequently provided the supplemental account detail, which reconciled to those control accounts.

Management requests that HCT evaluate the complete submission and identify any remaining imbalance, omitted account, or sign inconsistency. The finding should distinguish limitations in system-generated report presentation from any demonstrated deficiency in the underlying records or management review. Finance will retain the system report, supplemental detail, control-account reconciliation, and documented review together for future audit submissions

The remainder of this page was left blank intentionally

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

2025-02- No supervisory bank reconciliations review performed- Significant Deficiency

Audit Findings
We noted no oversight or review procedures over the bank reconciliation process.

Condition
During the period October 2024 through September 2025, the city did not complete its monthly bank reconciliations on a timely basis. In addition, there was no documentation process for the review and approval of completed bank reconciliations. We noted that bank reconciliations did not contain evidence of supervisory review, such as a reviewer's signature or documented approval. As a result, the City did not have sufficient monitoring controls to ensure that bank reconciliations were prepared, reviewed and completed in a timely manner.

Criteria
Effective internal control over cash requires bank accounts to be reconciled timely and reviewed by an individual independent of the reconciliation preparation process. The reconciliation should be reviewed and approved by appropriate management, with evidence of the review retained. Policies and procedures should establish responsibility for preparing and reviewing bank reconciliations and specify the required time frame for completion following month-end.

Cause
This condition was primarily caused by the staff turnover within the City's financial services department and insufficient oversight by the former finance director. The city did not have a written policy establishing a required time frame for completion of monthly bank reconciliations or a formal process for their review and approval. Consequently, delays in completing bank reconciliations were not identified and addressed timely.

Effect
The lack of timely preparation and documented review of bank reconciliations increases the risk that errors, unauthorized transactions, or other irregularities affecting cash balances may not be identified and corrected timely. Because bank reconciliation are a key internal control over cash, the absence of an effective reconciliation and review process reduced management's ability to detect and correct potential misstatements in a timely manner and represents a deficiency in the City's internal control over cash.

Recommendation
We recommend that the City establish and implement a formal bank reconciliation policy and procedures that:

- Require all bank accounts to be reconciled within a specified number of days after month-end.
- Clearly assign responsibility for preparing and reviewing bank reconciliations.
- Require an individual independent of the preparation process to review and approve each reconciliation.
- Require documented evidence of review and approval, such as the reviewer's signature and date.
- Establish a process for monitoring outstanding overdue reconciliations and ensuring time resolution.
- Provide appropriate supervisory oversight to ensure compliance with the policy and procedures.

Management should also consider periodically reviewing the bank reconciliation process to ensure the controls are operating effectively and consistently.

Views of responsible officials and planned corrective actions:
Management acknowledges the need for timely preparation and documented independent review of bank reconciliations. The City's corrective-action work includes reconciliation requirements and month-end closing procedures. Management will establish preparation and review responsibilities, completion deadlines, and monitoring of overdue reconciliations. An individual independent of preparation will document review and follow-up on significant or outstanding reconciling items. Where staffing limits segregation of duties, management will designate and document an appropriate compensating review.

The remainder of this page was left blank intentionally

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

2025- 03- Documentation of Review Processes- Significant Deficiency

Audit Findings
Lack of oversight by management of weekly and monthly processes. No documentation on current financial system workflow or reporting procedures.

Condition
During our audit, we noted that the City does not have sufficiently documented procedures governing its weekly and monthly financial processes. There was no documented evidence of management review or oversight for certain recurring financial activities. In addition, the City has not maintained current documentation of its financial system, workflow, reporting procedures, or the controls in place over the preparation and review of financial reports.
The lack of documented procedures and evidence of review makes it difficult to demonstrate that key financial processes are consistently performed and appropriately monitored.

Criteria
Effective internal control requires management to establish and maintain documented policies and procedures for significant financial processes. These procedures should clearly identify responsibilities, required review and approval activities, and the appropriate workflow for processing in reporting financial information. Management should also maintain evidence that key controls and review procedures have been performed.

Cause
The condition was caused by lack of formalized documentation and oversight over the City's financial process. Management had not established a comprehensive process for documenting current financial system workflows, recurring weekly and monthly procedures, reporting responsibilities, and required management review. In addition, management review activities were not consistently documented to demonstrate that appropriate oversight had occurred.

Effect
The absence of documented procedures and management review increased the risk that financial processes may not be performed consistently and that errors, omissions, or inaccurate financial information, may not be identified and corrected timely. It also created a risk that key processes may depend on the knowledge of individual employees, particularly during staff turnover or changes in personnel. Without documented workflows, and evidence of review, management has limited ability to demonstrate that financial reporting controls are operating effectively.

Recommendation
We recommend that the City develop, document, and implement formal procedures for its significant weekly and monthly financial processes. At a minimum, the city should:

- Document the current financial system workflow, including key processing and reporting steps.
- Establish written procedures for recurring weekly and monthly financial activities.
- Clearly identify the employee responsible for preparing, reviewing, and approving each significant financial process.
- Establish required management review procedures for financial reports and other significant activities.
- Require documented evidence of review and approval, including reviewer initials/signature and date, as appropriate.
- Periodically review and update the procedures to ensure they accurately reflect the City's current financial system and operations.

Management should also consider maintaining a centralized procedures manual or process documentation repository to promote consistency and facilitate continuity when staff responsibilities change.

Views of responsible officials and planned corrective actions:
Management acknowledges the need to document recurring financial procedures and retain evidence of supervisory review. The City's corrective-action work includes the development of financial workflows, procedures, and training materials. Management will confirm that these materials reflect current operations and identify preparation, review, and approval responsibilities. Current approved procedures and forms will be maintained in a central repository, and evidence of required reviews will be retained. Procedures will be updated as systems, staffing, or responsibilities change.

The remainder of this page was left blank intentionally

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

2025- 04- Year-End Processes and Procedures- Significant Deficiency

Audit Findings
Lack of documented year-end processes and procedures, resulting in multiple adjustments to the trial balance.

Condition
During our audit, we noted that the City does not have sufficient documented year-end closing processes and procedures to ensure that its accounting records are complete and accurate prior to the commencement of the annual audit.

Several account balances were not reconciled to their supporting subsidiary ledgers or other underlying documentation during the year or at year-end. As a result, multiple adjustments to the City's trial balance were required during the audit to properly state account balances and financial activity.

Criteria
Effective accounting and internal control processes require management to establish and implement formal year-end closing procedures to ensure that the financial records are complete, accurate, and properly supported prior to the commencement of the annual audit. Significant general ledger account balances should be reconciled to subsidiary ledgers and supporting documentation on a timely basis, including at year-end, and differences should be investigated and resolved promptly.

Cause
The condition was caused by the absence of sufficiently documented and consistently implemented year-end closing procedures. The City had not established a formal year-end close process that clearly identifies required reconciliations, review procedures, supporting documentation, responsibilities, and deadlines. In addition, certain account reconciliations were not performed consistently throughout the year or at year-end, resulting in account balances that had not been adequately reviewed and supported before the audit began.

Effect
The lack of effective year-end closing procedures and timely account reconciliations increases the risk that errors, omissions, or misstatements in the City's accounting records may not be identified and corrected prior to the preparation of the financial statements. The condition resulted in multiple audit adjustments being necessary to the trial balance and increased the time and effort required to complete the audit. Without an effective year-end close process, management does not have reasonable assurance that the accounting records are complete and accurate before the commencement of the audit.

Recommendation

We recommend that the City develop and implement a formal year-end closing process that includes:

- A documented year-end close checklist identifying all required closing activities and account reconciliations.
- Clear assignment of responsibility and deadlines for each year-end activity.
- Reconciliation of all significant general ledger accounts to subsidiary ledgers and supporting documentation on a timely basis.
- Investigation and resolution of reconciling items prior to the commencement of the annual audit.
- Documented management review and approval of significant account reconciliations and year-end closing entries.
- A final review of the trial balance to identify unusual balances, unsupported amounts, and potential adjustments before the accounting records are provided to the auditors.

The City should also perform significant account reconciliations throughout the year rather than relying solely on year-end procedures. This will allow errors and discrepancies to be identified and corrected more timely and should reduce the number of adjustments required during the annual audit.

Views of responsible officials and planned corrective actions:

Management acknowledges the need to strengthen the year-end closing process. The City has developed year-end closing instructions addressing cutoff deadlines, reconciliation requirements, and audit-support procedures, together with month-end and year-end closing procedures. Management will implement a closing checklist assigning responsibilities and deadlines for significant reconciliations, closing entries, and supporting schedules. Finance will document review of significant balances and entries, resolve discrepancies, and review the final trial balance before providing the audit reporting package.

The remainder of this page was left blank intentionally

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

2025- 05- Unsupported Rental Revenue / Lease Documentation- Material Weakness

Audit Finding
Lack of internal controls over lease agreements and rental revenue.

Condition:
During our testing of rental revenue, we noted that the City inappropriately recorded rental revenue during FY2025. The amount represented monthly rental payments received from October 2024 through May 2025. The prior lease term supporting this rental amount which expired in 2024, and the new lease agreement provided by the City has an effective date in June 2025. The City has not provided documentation supporting the basis of the continued occupancy of the property and payment of rent during the period October 2024 through May 2025.

Effect:
In the absence of supporting documentation, we were unable to determine whether the rental revenue recorded during the period October 2024 through May 2025 was supported by an authorized and enforceable rental arrangement. Additionally, the lack of documentation may result in rental revenue and related lease balances not being properly recorded or classified in accordance with applicable accounting requirements.

Cause:
The City does not have a formal process to ensure that lease agreements are monitored for expiration and renewal and that continued occupancy and rental payments are supported by current, approved agreements or other appropriate authorization.

Criteria:
The City should maintain adequate documentation to support contractual arrangements and ensure that transactions are recorded in accordance with the terms of applicable agreements and generally accepted accounting principles.

Recommendation:
We recommend that the City establish procedures to monitor lease agreements for expiration, renewal, and modification and maintain documentation supporting continued occupancy and rental payments. The City should also evaluate rental arrangements upon expiration or renewal to ensure that related lease receivables, deferred inflows, and rental revenue are appropriately recorded and supported.

Views of responsible officials and planned corrective actions:
Management will review the rental arrangement covering October 2024 through May 2025 and assemble available agreements, correspondence, payment records, and other documentation supporting continued occupancy and rental charges. The City Attorney will assist in evaluating the contractual basis for that period. The City will establish a centralized lease record and assign responsibility for monitoring expiration, renewal, modification, and related accounting requirements.

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

2025- 06- Lack of Internal Controls over Cash Receipts process- Significant Deficiency

Audit Finding
Lack of adequate internal controls over cash receipts, including formal procedures, segregation of duties, restricted access, and timely bank reconciliations.

Condition:
During our walkthrough of the City's cash receipt process, we noted the following control deficiencies:

- Formal written cash receipt procedures were not maintained.
- All Finance staff had access to cash and checks prior to deposit.
- All Finance staff had the ability to add, edit, or delete receipt entries in the receipt register.
- Monthly cash register-to-bank reconciliations were not performed during FY2025.

Effect:
These deficiencies increase the risk that errors, unauthorized transactions, or irregularities in cash receipts may not be prevented or detected timely. The lack of segregation of duties and timely reconciliations also increases the risk of misappropriation or inaccurate financial reporting.

Cause:
The City has not established and consistently implemented formal cash receipt procedures that provide for appropriate segregation of duties, restricted access to cash and receipt records, and timely reconciliation of cash receipts to bank activity.

Criteria:
The City should maintain effective internal controls over cash receipts, including documented procedures, appropriate segregation of duties, restricted access to cash and receipt records, and timely reconciliations to ensure cash transactions are complete, accurate, authorized, and properly recorded.

Recommendation:
We recommend that the City strengthen controls over cash receipts by establishing formal written procedures, restricting access to cash and receipt records based on job responsibilities, implementing appropriate segregation of duties, and ensuring monthly cash register-to-bank reconciliations are performed and reviewed timely.

Views of responsible officials and planned corrective actions:
Management acknowledges the need for written cash receipt procedures, restricted access, segregation of duties, and documented reconciliation. The City will define responsibilities for receiving, safeguarding, recording, depositing, and reconciling receipts. Physical access to cash and checks and access to modify receipt records will be limited according to assigned responsibilities. Receipt activity will be reconciled to deposits and bank activity, with documented independent review. Any outstanding reconciliations will be identified and completed.

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

2025- 07- Lack of Internal Controls over Credit Card process- Significant Deficiency

Audit Finding
Lack of adequate internal controls over credit card purchases, including required documentation, supervisory review, and segregation of duties.

Condition:
During our walkthrough of the City's credit card process, we noted the following control deficiencies:

- Credit Card Purchase Request Forms and credit card checkout logs were missing and unavailable for inspection for the tested sample.
- Cardholders did not submit required tally sheets for purchases.
- Monthly credit card reconciliations prepared by the Senior Accountant were not independently reviewed by the Finance Director.
- Physical access to the credit card vault was concentrated with the Senior Accountant without adequate segregation of duties during the Finance Director transition period.

Effect:
These deficiencies increase the risk that unauthorized purchases, errors, or irregularities in credit card activity may not be prevented or detected timely. Missing documentation and inadequate supervisory review also reduce the City's ability to demonstrate that purchases were properly authorized and accounted for.

Cause:
The City has not consistently implemented procedures to ensure required credit card documentation is maintained, reconciliations are independently reviewed, and physical access to credit cards is appropriately restricted and segregated.

Criteria:
The City should maintain adequate documentation and effective internal controls over credit card activity, including proper authorization, custody, segregation of duties, and independent review of credit card reconciliations.

Recommendation:
We recommend that the City strengthen credit card controls by requiring and retaining all purchase authorization, checkout, receipt, and tally sheet documentation. Monthly credit card reconciliations should be independently reviewed and documented by an appropriate supervisor. The City should also restrict physical access to credit cards and establish appropriate segregation of duties over their custody and use.

Views of responsible officials and planned corrective actions:
Management acknowledges the deficiencies identified in credit card documentation, custody, and independent review. The City's OIG corrective-action plan addresses purchase authorization, supporting receipts, monthly reconciliation, independent review, and accountability for noncompliance.

Management will require the applicable purchase request forms, checkout logs, receipts, and tally sheets to be retained. Card custody and access responsibilities will be documented, and monthly reconciliations will receive documented review by an individual independent of preparation. Missing documentation and other exceptions will be tracked and resolved. Senior officials' transactions will receive independent review.

The remainder of this page was left blank intentionally

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

2025- 08- Lack of Internal Controls over Cash Disbursement process- Significant Deficiency

Audit Finding
Lack of adequate internal controls over cash disbursements, including purchase order approval, timely procurement documentation, and independent review of bank reconciliations.

Condition:
During our walkthrough of the City's cash disbursement and procurement process, we noted the following control deficiencies:

- Purchase Order forms did not contain required evidence of Finance review and approval.
- A Purchase Order was prepared and dated January 10, 2025, after the related invoices had already been issued between February 2024 and June 2024.
- Monthly bank reconciliations prepared by the Finance Director did not receive independent supervisory review.

Effect:
These deficiencies increase the risk that unauthorized purchases, procurement noncompliance, and accounting errors may not be prevented or detected timely. The lack of independent review also reduces the effectiveness of controls over cash disbursements and bank reconciliations.

Cause:
The City has not consistently implemented procedures requiring timely purchase order approval and documentation, as well as independent supervisory review of bank reconciliations.

Criteria:
The City should maintain effective controls over cash disbursements, including documented and timely purchase order approvals and independent review of bank reconciliations to ensure transactions are properly authorized, recorded, and monitored.

Recommendation:
We recommend that the City strengthen its cash disbursement and procurement controls by requiring purchase orders to be properly prepared, reviewed, and approved by authorized personnel before goods or services are ordered or incurred. The City should prohibit the use of retroactive purchase orders and establish procedures to monitor compliance with its procurement requirements.

In addition, monthly bank reconciliations should be prepared timely and independently reviewed by an appropriate supervisor who is not responsible for preparing the reconciliation. The reviewer should document the review, investigate significant or unusual reconciling items, and ensure that identified differences are resolved timely. Evidence of the review and approval should be retained with the reconciliation.

Views of responsible officials and planned corrective actions:
Management acknowledges the need for timely purchase authorization, evidence of Finance approval, and independent review of bank reconciliations. The City's corrective-action work includes revised purchasing and payment workflows. The OIG corrective-action plan requires approved requisitions and purchase orders before commitments, subject to documented lawful exceptions, and supporting invoices and receiving documentation before payment.

Management will monitor compliance and document resolution of purchases initiated outside the required approval process. Bank reconciliations will receive documented review by an individual independent of preparation, with significant reconciling items investigated and resolved.

The remainder of this page was left blank intentionally

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

2025- 09- Lack of Internal Controls over Payroll process - Significant Deficiency

Audit Finding
Lack of formalized and documented internal controls over the payroll process.

Condition:
During our payroll walkthrough, we noted that the City's payroll process relies heavily on informal and undocumented procedures performed by the HR Director and Finance Director. Key control activities, including review of employee time and approval of payroll transfers, were not consistently documented or supported by evidence of review.

Effect:
The lack of formal procedures and documented review increases the risk that payroll errors or unauthorized transactions may not be prevented or detected timely. It also limits the City's ability to demonstrate that key payroll controls were performed.

Cause:
The City has not established and consistently implemented formal written procedures requiring documented review and approval of key payroll activities.

Criteria:
The City should maintain documented payroll procedures and appropriate evidence of review and approval for key payroll activities to ensure payroll transactions are authorized, accurate, complete, and properly recorded.

Recommendation:
We recommend that the City establish and implement formal written payroll procedures that clearly define the responsibilities of the HR Director, Finance Director, and other personnel involved in the payroll process. The procedures should require documented review and approval of employee time records, payroll calculations, changes to employee pay or payroll information, and payroll transfers before funds are disbursed.

Management should also establish an independent review of the payroll register and related supporting documentation prior to each payroll, with evidence of the review and approval retained. Any exceptions or unusual items identified should be investigated and resolved before payroll is processed. These procedures should be periodically reviewed and updated to ensure they remain consistent with the City's current payroll process.

Views of responsible officials and planned corrective actions:
Management acknowledges the need for written payroll procedures and documented review of key payroll activities. Finance and Human Resources will define responsibilities for employee records, authorized pay changes, time approval, payroll preparation, and payroll funding.

Procedures will require documented review of time records, payroll calculations, employee information changes, and payroll transfers. An individual independent of preparation will review the payroll register and supporting information before disbursement. Exceptions will be investigated and resolved, and evidence of review and approval will be retained.

The remainder of this page was left blank intentionally

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

2025- 10- OPEB Liability, Deferred Inflows & Outflows- Material Weakness

Audit Finding
Lack of timely updates to the actuarial valuation supporting the City's OPEB liability and related deferred balances.

Condition:
The trial balance reflects an OPEB liability, OPEB deferred outflows, and OPEB deferred inflows in Fund 950. The latest GASB 75 actuarial valuation report available was dated September 30, 2023. The actuary confirmed that the City did not obtain a subsequent GASB 75 valuation and that the September 30, 2023 valuation was not appropriate for financial reporting purposes for those fiscal years.

Effect:
The absence of an updated actuarial valuation or roll-forward analysis increases the risk that the OPEB liability, deferred outflows, and deferred inflows are materially misstated in the financial statements. This could affect reported net position, OPEB expense, and related disclosures.

Cause:
The City does not have an established process to ensure that required OPEB actuarial valuations or roll-forward analyses are obtained timely for each financial reporting period.

Criteria:
The City should obtain and maintain current actuarial information necessary to properly measure and report its OPEB liability and related deferred outflows and inflows in accordance with applicable GASB 75 requirements.

Recommendation:
We recommend that the City establish a formal process to monitor OPEB reporting requirements and ensure that an updated GASB 75 actuarial valuation or appropriate roll-forward analysis is obtained for each applicable fiscal year. The process should include assigned responsibility and established deadlines for coordinating with the actuary and obtaining the required information.

Upon receipt, management should review the actuarial valuation or roll-forward analysis and reconcile the resulting OPEB liability, deferred outflows, deferred inflows, and OPEB expense to the City's accounting records. Any differences should be investigated and corrected timely, and the related financial statement disclosures should be reviewed for completeness and accuracy before the financial statements are finalized.

Views of responsible officials and planned corrective actions:
Management acknowledges that updated actuarial information was not available to support the FY2025 OPEB amounts. The City will coordinate with its actuary to obtain appropriate information for the applicable reporting periods and establish responsibility and deadlines for future updates.
Finance will reconcile the resulting liability, deferred balances, and expense to the accounting records and coordinate required entries and disclosures with HCT. Management recognizes that this reporting issue remains unresolved until appropriate updated information is obtained and evaluated.

The remainder of this page was left blank intentionally

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

2025- 11- Expenditures- Material Weakness

Audit Finding
Lack of adequate supporting documentation for expenditures.

Condition:
During our testing of expenditures, supporting documentation was not available for the selected transactions. Management was unable to provide information supporting how the amounts were determined.

Effect:
The lack of supporting documentation prevents verification of the occurrence, validity, and accuracy of the expenditure. This increases the risk that expenditures and related capital outlay balances may be misstated in the financial statements, which could affect net position or fund balance.

Cause:
The City does not have adequate procedures to ensure that sufficient supporting documentation is maintained and readily available for expenditures recorded in the general ledger.

Criteria:
The City should maintain sufficient and appropriate supporting documentation for expenditures to demonstrate that transactions are authorized, valid, accurate, and properly recorded.

Recommendation:
We recommend that the City strengthen its expenditure documentation and review procedures to ensure that all significant expenditures, particularly capital outlay transactions, are supported by sufficient and appropriate documentation before being recorded in the general ledger. Supporting documentation should clearly demonstrate the nature, amount, authorization, and accounting treatment of each transaction and should be retained in an organized manner that allows for timely retrieval.

Management should also establish a review process requiring significant or unusual expenditures and related journal entries to be reviewed and approved by an appropriate individual before or promptly after recording. Any unsupported or unusual amounts identified during the review should be investigated and resolved before the financial records are finalized.

Views of responsible officials and planned corrective actions:
Management acknowledges the requirement to maintain sufficient support for expenditures and related entries. Finance will obtain the specific transactions underlying HCT's finding and assemble available invoices, contracts, purchase orders, receiving records, payment documentation, and explanations supporting the recorded amounts.

The City will evaluate any remaining unsupported amounts with HCT and determine whether corrections are required. Its revised purchasing and payment framework requires appropriate supporting documentation and review before payment. Significant or unusual expenditure entries will also receive documented review, and supporting records will be organized for timely retrieval. Management's final position on the identified transactions will reflect this review.

The remainder of this page was left blank intentionally

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

B. Prior Years' Findings

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.

Recommendation: We recommend the City implements 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: Partially implemented.

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.

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.

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

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.

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.

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.

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.

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.

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.

City of Pahokee, Florida
Schedule of Audit Findings
Year Ended September 30, 2025

2024-01 – Significant Deficiency

Condition:
A sample of purchases made with the City's credit card showed:
1. Two transactions with no vendor invoice were
2. Two transactions lacked the appropriate level of approval before purchases occurred.

Recommendation:

Management should reinforce compliance with the City's policies regarding purchases and use of Credit cards.

Status: Partially Implemented

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

To the Honorable Mayor and Members of the City Council
City of Pahokee, Florida
Pahokee, Florida

We have examined the City of Pahokee (the City's) compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2025. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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

In our opinion, the City complied in all material respects, with Section 218.415, Florida Statutes, relating to the investment of public funds, for the fiscal year ended September 30, 2025.

This report is intended solely to describe our testing of compliance with Section 218.415, Florida Statutes, and it is not suitable for any other purpose.

HCT Certified Public Accountants & Consultants, LLC
Hollywood, Florida
September 28, 2026

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

To the Honorable Mayor and Members of the City Council
City of Pahokee, Florida.
Pahokee, Florida

Report on the Financial Statements
We have audited the financial statements of the City of Pahokee, Florida (the "City"), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated September 28, 2026. The auditor's reports on the financial statements of the Governmental Activities, Capital Assets, General Long-Term Liabilities, Marina and Campground Fund and the Cemetery Enterprise Fund, and business-type activities were qualified because of inadequacies in the internal controls and accounting records relating to capital assets, OPEB and inventories.

Auditor's Responsibility
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards, issued* by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements
We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated September 28, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings
Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address the findings and recommendations made in the preceding annual financial audit report.

The following findings were reported in prior-year audit reports and remain uncorrected as of the current reporting date. Management is in the process of implementing corrective actions to address these findings:

Finding 2010-1 Cemetery Fund
Finding 2014-4 Credit Cards
Finding 2015-1 Marina and Campground Fund
Finding 2016-1 Purchasing
Finding 2017-1 The Marina and Campground Enterprise Fund
Finding 2024-1 Purchases

Official Title and Legal Authority
Section 10.554(1)(i)4., Rules of the Auditor General, require 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. There are no component units that need to be disclosed.

Financial Condition and Management
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 to identify 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 Statute.

Pursuant to Sections 10.554(1)(i)5. b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. 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. Our assessment was done as of the fiscal year end.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have twelve recommendations as noted in the Schedule of Audit Findings (2025-01, 2025-02, 2025-03, 2025-04, 2025-05, 2025-06, 2025-07, 2025-08, 2025-09, 2025-10, 2025-11).

The City has not fully implemented the corrective actions recommended in the prior financial audit reports, with respect to findings 2010-01, 2014-04, 2015-01, 2016-01, 2017-01 and 2024-01. Based on our current-year audit procedures, the condition continues to exist. We recommend that the City implement appropriate corrective action to address the matter.

Property Assessed Clean Energy (PACE) Programs
Section 10.554(1)(i)6.a., Rules of the Auditor General requires a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did/did not operate within the City's geographical boundaries during the fiscal year under audit. There was no PACE Program operating within the City.

Special District Component Units
Sections 10.554(1)(i)5. c., Rules of the Auditor General, require, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter
Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and City Council Members, and applicable management, 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
September 28, 2026