

CITY OF LABELLE, FLORIDA

Annual Financial Report

September 30, 2016

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Honorable Mayor and City Commissioners
City of LaBelle, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LaBelle, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LaBelle, Florida, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of LaBelle, Florida's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and Chapter 10.550, *Rules of the Auditor General*, and other supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and State Financial Assistance and other supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and State Financial Assistance and other supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2017, on our consideration of the City of LaBelle, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of LaBelle, Florida's internal control over financial reporting and compliance.

Boy, Miller, Kisker & Perry, P.A.

LaBelle, Florida
June 15, 2017

CITY OF LABELLE, FLORIDA MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis presents a narrative overview and analysis of the City of LaBelle's (City) financial performance for the fiscal year ended September 30, 2016. It is designed to provide a broad overview and a short and long-term analysis of the City's activities based on information presented in the financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activities, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), clarify material deviations from the approved budget, and explain individual fund issues. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements (beginning on page 12) and notes to the financial statements (pages 27-71).

HIGHLIGHTS

Financial Highlights for the Fiscal Year Ended September 30, 2016.

1. The City's overall net position increased by \$2,264,346 primarily because the business-type activities net position increased by \$1,930,933.
2. The total cost of all the City's programs was \$7,076,017 which was more than the previous year by \$697,645.
3. The City's governmental activities increased net position by \$333,413 as a result of program and general revenues exceeding program expenses for governmental activities.
4. During the year, the City had expenses of \$3,703,272 for governmental activities which was \$356,630 more than the previous year.
5. The City's business-type activities increased net position by \$1,930,933 primarily due to capital grants and contributions in the amount of \$2,412,944.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents financial information on all of the City's assets, liabilities, and deferred inflow/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. 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 for some items that will result in cash flows in future fiscal periods.

Governmental Activities

Most of the City's basic services are reported in the governmental activities including policing services, fire, animal control, streets and parks departments, and general administration. Property taxes, special assessments, franchise fees, and intergovernmental revenues finance most of these activities.

Business-type Activities

The City provides water and sewer services through customer charges that help the City recover the cost of these services. The City's Water and Sewer Fund is reported as a business-type activity.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over financial resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The main features of each are described below.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of cash, as well as cash balances available at year end (fund balance). Such information may be useful in evaluating a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements, so it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand long-term impacts of near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. (See pages 16 and 19).

The City maintains only one governmental fund; the General Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund.

The City adopts an annual appropriated budget for the governmental fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. (See Other Information below)

Fund Financial Statements (continued)

Proprietary Funds

The City's charges for water and sewer services and related expenses are reported in the proprietary fund. Proprietary funds are reported using the same accounting method that is used to report these activities in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for the proprietary fund.

Fiduciary (Trust and Agency) Funds - The City as a Trustee

The City is the trustee, or fiduciary, for the Firefighters Pension Trust Fund. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 25 and 26. We excluded these activities from the City's other financial statements because the City is required to use these resources to provide benefits to participants in the pension plan. Also, the City provides solid waste disposal services through an independent contractor. The charges for solid waste disposal services and payments to the independent contractor for these services are accounted for in an Agency Fund, which is shown on page 25, where assets equal liabilities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-71.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information, including a budgetary comparison schedule for the General Fund, and detailed information concerning the City's obligation to provide pension benefits to its employees. The required supplementary information can be found on pages 72-81 of this report.

Additional supplemental schedules are included in this report on pages 82-88 to provide information about interlocal agreements, breakdown of revenue, expenses, and budget comparisons for the water and sewer systems. Information about the City's federal and state financial assistance, including required schedule of expenditures and reports required by Single Audit Acts are shown on Pages 89-97.

THE CITY AS A WHOLE

Financial Analysis of the City as a Whole

During the fiscal year ended September 30, 2016, the City's combined net position increased to \$28.67 million from \$26.41 million, at the beginning of the year, or \$2,264,346. The City's net position of the governmental activities increased \$333,413. Net position of the business-type activities increased \$1,930,933. The City's unrestricted net position for governmental activities (the part of net position that can be used to finance day-to-day operations) was \$1.70 million as of September 30, 2016, an increase of \$.27 million from September 30, 2015.

The condensed Statements of Net Position and Changes in Net Position on the following pages provide a comprehensive analysis of the government-wide financial information for the fiscal years ended September 30, 2016, and September 30, 2015.

GOVERNMENT WIDE STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the current and preceding years:

Summary of Statement of Net Position as of September 30, 2016, and September 30, 2015 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 3,988	\$ 3,757	\$ 2,354	\$ 1,882	\$ 6,342	\$ 5,639
Capital assets	<u>6,839</u>	<u>6,504</u>	<u>34,100</u>	<u>32,695</u>	<u>40,939</u>	<u>39,199</u>
Total assets	<u>10,827</u>	<u>10,261</u>	<u>36,454</u>	<u>34,577</u>	<u>47,281</u>	<u>44,838</u>
Deferred outflows of resources	<u>355</u>	<u>173</u>	<u>150</u>	<u>57</u>	<u>505</u>	<u>230</u>
Total assets and deferred outflows of resources	<u>11,182</u>	<u>10,434</u>	<u>36,604</u>	<u>34,634</u>	<u>47,786</u>	<u>45,068</u>
Long-term liabilities	1,216	718	16,548	16,696	17,764	17,414
Other liabilities	<u>456</u>	<u>506</u>	<u>829</u>	<u>614</u>	<u>1,285</u>	<u>1,120</u>
Total liabilities	<u>1,672</u>	<u>1,224</u>	<u>17,377</u>	<u>17,310</u>	<u>19,049</u>	<u>18,534</u>
Deferred inflows of resources	<u>54</u>	<u>87</u>	<u>13</u>	<u>41</u>	<u>67</u>	<u>128</u>
Total liabilities and deferred inflows of resources	<u>1,726</u>	<u>1,311</u>	<u>17,390</u>	<u>17,351</u>	<u>19,116</u>	<u>18,662</u>
Net position:						
Invested in capital assets, net of related debt	6,609	6,423	17,683	16,153	24,292	22,576
Restricted	1,142	1,269	2,026	1,402	3,168	2,671
Unrestricted	<u>1,705</u>	<u>1,431</u>	<u>(495)</u>	<u>(272)</u>	<u>1,210</u>	<u>1,159</u>
Total net position	<u>\$ 9,456</u>	<u>\$ 9,123</u>	<u>\$ 19,214</u>	<u>\$ 17,283</u>	<u>\$ 28,670</u>	<u>\$ 26,406</u>

For more detailed information, see the Statement of Net Position on page 12.

Statement of Activities

The following table reflects the condensed Statement of Activities, which shows the revenues and expenses of the total primary government broken down by governmental activities and business-type activities for the current and preceding years:

Summary of Statement of Activities for the Fiscal Years Ended September 30, 2016, and September 30, 2015 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues, fees, fines and charges for services	\$ 1,640	\$ 1,613	\$ 2,880	\$ 2,565	\$ 4,520	\$ 4,178
Operating grants and contributions	79	65	-	-	79	65
Capital grants and contributions	264	-	2,413	486	2,677	486
General revenues						
Property taxes	620	525	-	-	620	525
Other taxes	664	649	-	-	664	649
Intergovernmental	688	617	-	-	688	617
Other	81	46	11	10	92	56
Total revenues	<u>4,036</u>	<u>3,515</u>	<u>5,304</u>	<u>3,061</u>	<u>9,340</u>	<u>6,576</u>
Expenses						
General government	950	979	-	-	950	979
Public safety	756	710	-	-	756	710
Physical environment	20	11	-	-	20	11
Public works	1,278	945	3,373	3,031	4,651	3,976
Culture and recreation	462	469	-	-	462	469
Economic environment	27	37	-	-	27	37
Human services	204	190	-	-	204	190
Interest on long-term debt	6	6	-	-	6	6
Total expenses	<u>3,703</u>	<u>3,347</u>	<u>3,373</u>	<u>3,031</u>	<u>7,076</u>	<u>6,378</u>
Changes in net position	<u>\$ 333</u>	<u>\$ 168</u>	<u>\$ 1,931</u>	<u>\$ 30</u>	<u>\$ 2,264</u>	<u>\$ 198</u>
Ending net position	<u>\$ 9,456</u>	<u>\$ 9,123</u>	<u>\$ 19,214</u>	<u>\$ 17,283</u>	<u>\$ 28,670</u>	<u>\$ 26,406</u>

For more detailed information, see the Statement of Activities on pages 13-14.

Governmental Activities

The increase in net position of governmental activities for the fiscal year ended September 30, 2016, was \$333,413 which resulted from program and general revenues being greater than governmental activities expenses. Depreciation on governmental activities capital assets was \$305,901 for the fiscal year ended September 30, 2016.

Business-type Activities

The increase in net position of business-type activities for the fiscal year ended September 30, 2016, was \$1,930,933, which was a result of capital grants and impact fees received of \$2,412,944 and a current year loss before contributions of \$482,011.

THE CITY'S FUNDS

Governmental Type Funds (General Fund)

As of September 30, 2016, the governmental fund (as presented on page 15) reported a fund balance of \$2.89 million which is \$.15 million greater than at the beginning of the year (\$2.74 million). The General Fund experienced a net increase in the fund balance of \$154,627 due to revenues over expenditures using the modified accrual basis of accounting during the fiscal year ended September 30, 2016. The adjustments to reconcile the \$154,627 increase in the fund balance of the General Fund to the \$333,413 increase in net position of governmental activities is shown on page 19.

Business-type Funds (Proprietary Fund - Water and Sewer Fund)

As of year-end, the business-type fund (Water and Sewer Fund) reported a combined net position of \$19.21 million which is 11.17% greater than at the beginning of the year (\$17.28 million).

The Water and Sewer Fund's increase in net position primarily resulted from capital grants and other capital contributions, which were greater than the operating loss incurred by the system during the fiscal year ended September 30, 2016. Rate changes were made to increase the revenues of the system and the water system improvement project was completed during the fiscal year ended September 30, 2014. The City completed a \$2 million wastewater recycling project during the fiscal year ended September 30, 2016.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2016, the City Commission made no revisions to the City's budget.

The General Fund's actual revenues were \$315,076 greater than budgeted, primarily due to greater than anticipated receipts for taxes and special assessments during the fiscal year ended September 30, 2016.

The General Fund's actual expenditures were \$89,551 less than budgeted, primarily due to favorable budget variances in the expenditures for general government and culture and recreation for the fiscal year ended September 30, 2016.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$40,939,489 (net of depreciation) invested in a broad range of capital assets, including land, buildings, fire and street equipment, park facilities, roads, and water and sewer utility systems. This amount represents a net increase (including additions, deletions, and current depreciation) of \$1,740,650 or 4.44% greater than last year. See pages 40 and 41 in the notes to the financial statements for detailed changes in capital assets.

Capital Assets at Year End (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land & improvements	\$ 3,306,104	\$ 3,092,192	\$ 1,461,404	\$ 1,461,742	\$ 4,767,508	\$ 4,553,934
Buildings, utility treatment plants and systems	775,331	754,355	32,462,914	31,022,690	33,238,245	31,777,045
Equipment, furniture and fixtures	700,634	532,385	176,033	210,171	876,667	742,556
Roads and streets	2,057,069	2,125,304	-	-	2,057,069	2,125,304
Totals	<u>\$ 6,839,138</u>	<u>\$ 6,504,236</u>	<u>\$ 34,100,351</u>	<u>\$ 32,694,603</u>	<u>\$ 40,939,489</u>	<u>\$ 39,198,839</u>

The City budgeted an additional \$497,266 in capital expenditures for the fiscal year ended September 30, 2017, which consisted of \$315,175 in capital expenditures in the governmental fund and \$182,091 in capital expenditures in the business-type fund.

The City has completed the wastewater collection phase of their expansion to the utility system and the construction of a new reverse osmosis water treatment plant. The cost of the new water treatment plant was approximately \$19 million. The City financed the water treatment plant project by a \$13 million USDA Rural Development loan and a \$6 million USDA Rural Development grant. The City completed a wastewater recycling project at a cost of \$2 million, and also began a LaBelle wharf project during the fiscal year ending September 30, 2016.

Debt

At September 30, 2016, the City had \$17,947,342 in notes and bonds payable and net pension liability outstanding versus \$17,486,285 at September 30, 2015, (an increase of 2.64%) as shown in the schedule below.

Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Notes payable	\$ 230,000	\$ 82,050	\$ 191,691	\$ 202,815	\$ 421,691	\$ 284,865
Revenue bonds payable (secured by water and sewer net revenue)	-	-	16,226,000	16,339,000	16,226,000	16,339,000
Net pension liability	880,596	584,635	419,055	277,785	1,299,651	862,420
Totals	<u>\$ 1,110,596</u>	<u>\$ 666,685</u>	<u>\$ 16,836,746</u>	<u>\$ 16,819,600</u>	<u>\$ 17,947,342</u>	<u>\$ 17,486,285</u>

See Notes 8 through 11 for more information about the City's debt, such as interest rates and amortization of debt.

Other obligations of the City include accrued vacation pay and sick leave. (See Note 12)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City Commission considered many factors while determining the fiscal year 2017 budget, setting the new millage rate and special assessments, and analyzing the fees which will be charged by the business-type activities. One of those factors was the economy.

LaBelle's local economy consists largely of retail, agriculture, and service industries. Some of the largest business entities in LaBelle include agribusiness, general merchandise, grocery, and vehicle retail establishments. Hendry County's unemployment rate was 8% in December, 2016, which was .6% lower than December, 2015. The labor force in 2016 was approximately 16,800.

Preparations were made for new commercial establishments and residential housing within the City. However, changes in the economy delayed many of the development projects. Discussion is resuming on some of the delayed and previously abandoned development projects. Some of the discussion has resumed primarily due to the completion of the new 1.5 MGD Water Treatment Plant, the Wastewater Recycling Project and the LaBelle Wharf Project.

The current real estate market and general economy in Hendry County and surrounding areas caused a considerable slowdown that is now beginning to pick back up. While activity has not resumed at the pre-recession pace, it appears the local market and economy is beginning to recover. Some activity is resuming and several projects have been permitted and constructed, continuing to lower the unemployment rate by a small margin. The future prospects are once again beginning to look more positive.

The City budgeted government-wide revenues of \$7.53 million and government-wide expenditures of \$7.79 million, including \$.5 million in capital expenditures for the fiscal year ended September 30, 2017. If the budgeted revenues and expenditures are realized, the City's financial reserves will be decreased by \$.26 million during fiscal year 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with an understanding of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this financial report or need additional information, contact the City Finance Department at the City of LaBelle, 481 Highway 80 West, LaBelle, Florida, 33935.

CITY OF LABELLE, FLORIDA
Government-wide Statement of Net Position
September 30, 2016

	Governmental Activities	Business-type Activities	Totals
Assets			
Cash	\$ 226,256	\$ 33,446	\$ 259,702
Investments	1,180,067	573,543	1,753,610
Receivables (net of allowance for doubtful accounts)			
Taxes and special assessments	38,375	53,034	91,409
Accounts	176,606	402,824	579,430
Accrued interest	-	34,792	34,792
Due from other governments	565,864	-	565,864
Internal balances	1,142,206	(1,142,206)	-
Restricted assets			
Cash	-	280,388	280,388
Investments	-	1,978,868	1,978,868
Due from other governments	-	138,729	138,729
Capital assets			
Land and improvements	3,306,106	1,466,338	4,772,444
Depreciable capital assets, net	3,533,032	32,634,013	36,167,045
Net pension asset	658,925	-	658,925
Total assets	<u>10,827,437</u>	<u>36,453,769</u>	<u>47,281,206</u>
Deferred outflows of resources			
Deferred outflows related to pension plans	354,933	150,331	505,264
Total assets and deferred outflows of resources	<u>11,182,370</u>	<u>36,604,100</u>	<u>47,786,470</u>
Liabilities			
Accounts payable	140,363	81,310	221,673
Accrued liabilities	73,721	87,163	160,884
Accrued interest	4,091	-	4,091
Due to other governments	193,908	-	193,908
Notes payable - due within one year	44,061	-	44,061
Liabilities payable from restricted assets			
Contracts payable	-	57,533	57,533
Accrued interest	-	40,737	40,737
Deposits payable	-	273,856	273,856
Current portion of long-term debt	-	288,427	288,427
Due in more than one year			
Notes payable	185,939	180,264	366,203
Revenue bonds payable	-	15,949,000	15,949,000
Compensated absences	149,692	-	149,692
Net pension liability	880,596	419,055	1,299,651
Total liabilities	<u>1,672,371</u>	<u>17,377,345</u>	<u>19,049,716</u>
Deferred inflows of resources			
Deferred inflows related to pension plans	53,892	12,970	66,862
Total liabilities and deferred inflows of resources	<u>1,726,263</u>	<u>17,390,315</u>	<u>19,116,578</u>
Net position			
Invested in capital assets, net of related debt	6,609,138	17,682,660	24,291,798
Restricted for construction and debt retirement	-	2,025,859	2,025,859
Restricted for noncurrent receivables	1,142,206	-	1,142,206
Unrestricted	1,704,763	(494,734)	1,210,029
Total net position	<u>\$ 9,456,107</u>	<u>\$ 19,213,785</u>	<u>\$ 28,669,892</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Government-wide Statement of Activities
Year Ended September 30, 2016

Functions / Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 949,938	\$ 117,577	\$ -	\$ -	\$ (832,361)
Public safety					
Police	257,584	290,244	-	-	32,660
Fire	416,724	477,891	3,861	-	65,028
Protective inspections	82,192	-	-	-	(82,192)
Total public safety	756,500	768,135	3,861	-	15,496
Physical environment					
Mosquito control	12,359	-	-	-	(12,359)
Stormwater management	7,421	-	-	-	(7,421)
Total physical environment	19,780	-	-	-	(19,780)
Transportation					
Streets and lighting	1,277,841	448,114	75,319	-	(754,408)
Culture and recreation					
Library	25,000	-	-	-	(25,000)
Parks and recreation	333,527	167,763	-	264,166	98,402
Civic Center and Hendry House	103,038	28,417	-	-	(74,621)
Total culture and recreation	461,565	196,180	-	264,166	(1,219)
Economic environment					
Economic development	26,817	-	-	-	(26,817)
Human services					
Animal control	204,383	110,110	-	-	(94,273)
Interest on long-term debt	6,448	-	-	-	(6,448)
Total governmental activities	3,703,272	1,640,116	79,180	264,166	(1,719,810)
Business-type activities					
Water System	2,128,063	2,058,739	-	902,309	832,985
Sewer System	1,244,682	821,231	-	1,510,635	1,087,184
Total business-type activities	3,372,745	2,879,970	-	2,412,944	1,920,169
Total	\$ 7,076,017	\$ 4,520,086	\$ 79,180	\$ 2,677,110	\$ 200,359

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Government-wide Statement of Activities (continued)
September 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Net (expense) / revenue from previous page	\$ (1,719,810)	\$ 1,920,169	\$ 200,359
General revenues			
Taxes	1,284,090	-	1,284,090
Intergovernmental	687,821	-	687,821
Investment income	2,827	10,764	13,591
Miscellaneous	<u>78,485</u>	<u>-</u>	<u>78,485</u>
Total general revenues	<u>2,053,223</u>	<u>10,764</u>	<u>2,063,987</u>
Changes in net position	333,413	1,930,933	2,264,346
Net position, October 1, 2015	<u>9,122,694</u>	<u>17,282,852</u>	<u>26,405,546</u>
Net position, September 30, 2016	<u>\$ 9,456,107</u>	<u>\$ 19,213,785</u>	<u>\$ 28,669,892</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2016

Assets

Cash	\$ 226,256
Investments	1,180,067
Receivables	
Accounts	176,606
Taxes	3,199
Special assessments	7,458
Due from other funds	1,142,206
Due from other governments	<u>565,864</u>
Total assets	<u>\$ 3,301,656</u>

Liabilities and Fund Balance

Liabilities	
Accounts payable	\$ 140,363
Accrued liabilities	73,721
Due to other governments	<u>193,908</u>
Total liabilities	<u>407,992</u>
Fund balance	
Nonspendable	1,142,206
Unassigned	<u>1,751,458</u>
Total fund balance	<u>2,893,664</u>
Total liabilities and fund balance	<u>\$ 3,301,656</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2016

Total fund balance - governmental funds	\$ 2,893,664
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,839,138
Other assets that are not available to pay for current-period expenditures are not reported in the funds.	27,718
Assets, liabilities, and deferred outflows/inflows of resources related to the pension plans are not reported in the funds.	79,370
Long-term liabilities, including notes and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(383,783)</u>
Net position of governmental activities	<u>\$ 9,456,107</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds
Year Ended September 30, 2016

Revenues	
Taxes and special assessments	\$ 2,626,867
Licenses and permits	72,111
Intergovernmental revenue	695,236
Charges for services	490,845
Fines and forfeitures	30,159
Miscellaneous revenues	<u>70,126</u>
Total revenues	<u>3,985,344</u>
Expenditures	
Current	
General government	<u>877,105</u>
Public safety	
Police	257,584
Fire	592,109
Protective inspections	<u>75,373</u>
Total public safety	<u>925,066</u>
Physical environment	
Mosquito control	<u>12,231</u>
Transportation	
Streets and lighting	<u>1,275,578</u>
Culture and recreation	
Library	25,000
Parks	538,292
Civic Center and Hendry House	<u>90,260</u>
Total culture and recreation	<u>653,552</u>
Economic environment	
Economic development	<u>26,817</u>
Human services	
Animal control	<u>204,700</u>
Debt service - fire trucks	
Principal retirement	82,050
Interest	<u>3,618</u>
Total debt service	<u>85,668</u>
Total expenditures (carried forward)	<u>4,060,717</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Funds (continued)
Year Ended September 30, 2016

Total expenditures (brought forward)	<u>4,060,717</u>
Excess of revenues under expenditures	(75,373)
Other financing sources (uses)	
Loan proceeds	<u>230,000</u>
Net change in fund balance	154,627
Fund balance - October 1, 2015	<u>2,739,037</u>
Fund balance - September 30, 2016	<u>\$ 2,893,664</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
Year Ended September 30, 2016

Net changes in fund balance - total governmental funds	\$ 154,627
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Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays in the governmental funds in the current period exceeded depreciation expense in the Statement of Activities	335,902
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Net effect of various transactions involving available financial resources	7,908
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Net change in pension related outflows/inflows of resources and net pension asset/liability	(808)
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Net changes in debt other than net pension liability	<u>(164,216)</u>
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Change in net position of governmental activities	<u>\$ 333,413</u>
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See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2016

	Business-type Activities Enterprise Fund Water and Sewer Systems
Current Assets	
Cash	\$ 33,446
Investments	573,543
Receivables, net	
Accounts	402,824
Special assessments	53,034
Accrued interest	<u>34,792</u>
Total current assets	<u>1,097,639</u>
Restricted assets	
Cash	280,388
Investments	1,978,868
Due from other governments	<u>138,729</u>
Total restricted assets	<u>2,397,985</u>
Capital assets	
Land and improvements	1,466,338
Depreciable capital assets, net	<u>32,634,013</u>
Total capital assets	<u>34,100,351</u>
Total assets	<u>37,595,975</u>
Deferred outflows of resources	
Deferred outflows related to pension plans	<u>150,331</u>
Total assets and deferred outflows of resources (carried forward)	<u>37,746,306</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Net Position
Proprietary Funds (continued)
September 30, 2016

	Business-type Activities Enterprise Fund Water and Sewer Systems
Total assets and deferred outflows of resources (brought forward)	<u>37,746,306</u>
Liabilities	
Current liabilities	
Accounts payable	81,310
Accrued liabilities	<u>87,163</u>
Total current liabilities	<u>168,473</u>
Liabilities payable from restricted assets	
Contracts payable	57,533
Accrued interest	40,737
Deposits payable	273,856
Current portion of long-term debt	<u>288,427</u>
Total liabilities payable from restricted assets	<u>660,553</u>
Noncurrent liabilities	
Due to other funds	1,142,206
Notes payable	180,264
Revenue bonds payable	15,949,000
Net pension liability	<u>419,055</u>
Total noncurrent liabilities	<u>17,690,525</u>
Total liabilities	<u>18,519,551</u>
Deferred inflows of resources	
Deferred inflows related to pension plans	<u>12,970</u>
Total liabilities and deferred inflows of resources	<u>18,532,521</u>
Net position	
Invested in capital assets, net of related debt	17,682,660
Restricted for construction and debt retirement	2,025,859
Unrestricted	<u>(494,734)</u>
Total net position	<u>\$ 19,213,785</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Revenues, Expenses
and Change in Net Position
Proprietary Funds
Year Ended September 30, 2016

	Business-type Activities Enterprise Fund Water and Sewer Systems
Operating revenues	
Charges for services	\$ 2,879,970
Operating expenses	
Administrative	209,834
Treatment plants	1,155,661
Water distribution	212,879
Wastewater collection	141,669
Depreciation	1,145,926
Total operating expenses	2,865,969
Operating income	14,001
Nonoperating revenues (expenses)	
Interest income	10,764
Interest expense and fiscal charges	(506,776)
Total nonoperating revenues (expenses)	(496,012)
Net loss before contributions	(482,011)
Capital contributions	2,412,944
Changes in net position	1,930,933
Net position, October 1, 2015	17,282,852
Net position - September 30, 2016	\$ 19,213,785

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2016

	Business-type Activities Enterprise Fund Water and Sewer Systems
Cash flows from operating activities:	
Cash received from customers	\$ 2,842,050
Cash payments for goods and services	(1,111,012)
Cash payments to employees for services and related payroll costs	<u>(581,307)</u>
Net cash provided by operating activities	<u>1,149,731</u>
Cash flows from noncapital financing activities:	
Deposits received from customers less deposits returned to customers	<u>13,623</u>
Net cash provided by noncapital financing activities	<u>13,623</u>
Cash flows from capital and related financing activities	
Capital contributed - impact fees	9,524
Capital grants received	2,509,941
Net change in due to other funds	(127,096)
Acquisition and construction of capital assets	(2,522,972)
Principal paid on revenue bonds payable	(113,000)
Principal paid on note payable	(11,124)
Interest paid on notes and revenue bonds payable	<u>(507,173)</u>
Net cash used for capital and related financing activities	<u>(761,900)</u>
Cash flows from investing activities:	
Principal received on special assessments	2,932
Interest received on special assessments	2,524
Interest received on investments	<u>5,924</u>
Net cash provided by investing activities	<u>11,380</u>
Net increase in cash and cash equivalents	412,834
Cash and cash equivalents - October 1, 2015	<u>2,453,411</u>
Cash and cash equivalents - September 30, 2016	<u><u>\$ 2,866,245</u></u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Cash Flows (continued)
Proprietary Funds
Year Ended September 30, 2016

	Business-type Activities Enterprise Fund Water and Sewer Systems
<hr/>	
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ <u>14,001</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,145,926
Changes in assets and liabilities:	
Increase in trade receivables	(37,920)
Increase in trade accounts payable	3,739
Increase in accrued payroll and compensated absences	4,218
Increase in pension related liability and outflows/inflows of resources	<u>19,767</u>
Total adjustments	<u>1,135,730</u>
Net cash provided by operating activities	<u>\$ 1,149,731</u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2016

	<u>Firefighters Pension Trust Fund</u>	<u>Agency Fund</u>
Assets		
Investments	\$ 1,328,693	\$ 128,501
Receivables, net	<u>17,942</u>	<u>148,686</u>
Total assets	<u>1,346,635</u>	<u>\$ 277,187</u>
Liabilities		
Accounts payable	<u>-</u>	<u>\$ 277,187</u>
Total liabilities	<u>-</u>	<u>\$ 277,187</u>
Net position		
Held in trust for pension benefits	<u>1,346,635</u>	
Total net position	<u>\$ 1,346,635</u>	

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2016

	<u>Firefighters Pension Trust Fund</u>
Additions	
Contributions and earnings	
Employer	\$ 18,657
Employee	1,533
State	16,511
Investment earnings	<u>99,392</u>
Total contributions and earnings	<u>136,093</u>
Deductions	
Administrative	3,503
Benefits	<u>-</u>
Total deductions	<u>3,503</u>
Changes in net position	132,590
Net position - October 1, 2015	<u>1,214,045</u>
Net position - September 30, 2016	<u><u>\$ 1,346,635</u></u>

See accompanying notes to financial statements.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

The accounting methods and procedures adopted by the City of LaBelle, Florida, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City of LaBelle's financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of LaBelle (the City) was incorporated under the Florida Statutes, Acts of 1925, Chapter 11580 - (245). The City is governed by a five-member board consisting of an elected mayor and four other elected commissioners. The City's major operations include police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the City owns and operates water and sewer systems.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Significant changes in the Statement affecting the financial statements include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the City's governmental and business-type activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City elected to implement the general provisions of the Statement during the fiscal year ended September 30, 2003, and made the adjustment to retroactively report infrastructure assets (assets acquired prior to October 1, 2002) during the fiscal year ended September 30, 2007.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity

Government Accounting Standards Board (GASB) Statement 14 entitled "The Financial Reporting Entity" establishes criteria for determining which organizations should be included in a governmental financial reporting entity. Based upon application of these criteria, the City has determined that there are no additional governmental departments, agencies, institutions, commissions, public authorities or other governmental organizations operating within the jurisdiction of the City Commission that would be considered component units to be included in the financial statements of the City.

Basic Financial Statements - Government-wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, streets and sidewalks, and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City had no nonmajor funds to be reported in the fund financial statements.

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund

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

Proprietary Funds

The focus of the proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flow. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund (Water and Sewer Fund) of the City:

Enterprise Funds

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements (continued)

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The City's fiduciary funds (Firefighters' Pension Trust Fund and Agency Fund) are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after the year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments (continued)

The City does not have an adopted investment policy since it follows Florida Statute 218.45 for investment decisions. Florida Statutes authorize investments that include money market accounts, savings accounts, repurchase agreements, the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration (SBA), obligations of the U.S. Government, governmental agencies guaranteed by the U.S. Government, and certain bond mutual funds. In addition, the pension trust plan for the firefighters is allowed to invest in equity securities, corporate bonds, and mutual funds.

The City follows state statutes for allowable investments. However, state statutes do not specifically address the risks disclosed in GASB No. 40. No policy exists for the following risks: credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

For all funds, except the pension trust fund which is required to be invested separately, investments consist of noninterest-bearing and interest-bearing bank accounts at financial institutions that qualify as public depositories. These funds are insured by the Federal Deposit Insurance Corporation or by collateral pursuant to the Florida Securities for Public Deposits Act (Florida Statutes 280).

Investments of the pension fund consist of mutual funds and cash equivalents. All investments, except as noted below, are reported at fair market value using quoted market prices. Money market investments with a remaining maturity at the time of purchase of one year or less are reported at amortized cost. The difference between cost and fair value of investments held is recorded as net unrealized gains or losses and is included in net investment earnings. Purchases and sales of investments are recorded on the trade dates. Net realized gains and losses on sale of investments are reflected in current operating results as investment earnings along with interest and dividends.

Receivables

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Buildings	40 years
Water and sewer system	30 - 50 years
Machinery and equipment	5 - 10 years
Improvements	10 - 20 years
Other infrastructure	10 - 40 years

There were no projects under construction during the fiscal year ended September 30, 2016, for which construction period interest was required to be capitalized.

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the fiscal year ended September 30, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2007. The City elected to implement the general provisions of GASB Statement No. 34 during the fiscal year ended September 30, 2003, and implemented the retroactive infrastructure provisions in the fiscal year ended September 30, 2007.

The City engaged a professional consultant to determine the proper amounts for the retroactive infrastructure provisions implementation. The City recorded the amounts provided by the professional consultant for the retroactive infrastructure assets as of September 30, 2006, by adjusting the beginning balances for the governmental activities capital assets of the City.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The significant components of the deferred outflows of resources shown in the statement of net position for the year ended September 30, 2016, are as follows.

Florida Retirement System Pension Plan	\$ 367,994
Florida Retirement System Retiree Health Insurance Subsidy Program	97,834
Firefighters' Retirement Plan	<u>39,436</u>
Total deferred outflows related to pension plans	<u>\$ 505,264</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The significant components of the deferred inflows of resources shown in the statement of net position for the year ended September 30, 2016, are as follows.

Florida Retirement System Pension Plan	\$ 22,675
Florida Retirement System Retiree Health Insurance Subsidy Program	17,862
Firefighters' Retirement Plan	<u>26,325</u>
Total deferred inflows related to pension plans	<u>\$ 66,862</u>

See Note 16, Note 17, and Note 18 (pages 52-68) for additional information concerning the breakdown of deferred outflows/inflows of resources for the year ended September 30, 2016.

Net Position and Fund Balances

In the government-wide financial statements, the difference between the City's total assets, liabilities, and deferred outflows/inflows of resources represents net position. Net position has three components - invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Commission through approval of resolutions. Committed fund balance can be assigned for other uses only by similar action of the City Commission. Assigned fund balance is a limitation imposed by a designee of the City Commission. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

Proprietary fund net position is classified the same as in the government-wide statements.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced 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 policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period the inventory items are used, rather than in the period purchased.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. The City uses the vesting method in accruing sick leave liability. The vesting method accrues sick leave liability for employees who are currently eligible to receive termination payments upon separation, as well as those expected to become eligible in the future. An employee is entitled to a termination payment for sick leave after ten years of service.

Proprietary Fund

The only nonoperating revenue for the Proprietary Fund was investment earnings. All other revenues were considered operating revenues.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as internal balances (government-wide statements) or as interfund receivables and payables (fund financial statements) as appropriate and are subject to elimination upon consolidation. 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 benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental activities and business-type activities are netted as transfers - internal in the government-wide financial statements. There were no transfers - internal between governmental activities and business-type activities during the fiscal year ended September 30, 2016.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalization Policy

The capitalization policy of the City is to capitalize all assets with a cost of \$5,000 or more with an expected life of one year or more.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

Implementation of Governmental Accounting Standards Board Statements with Impact on the Financial Statements

The City implemented the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2015.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27*. GASB 68 improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The implementation of this statement resulted in a restatement of beginning net position, as well as related deferred outflows of resources and deferred inflows of resources due to recording the City's net pension liability on the statement of net position.

In November 2013, the GASB issued Statement No. 71, *Pension Transition Contributions Made Subsequent to the Measurement Date - an amendment to GASB Statement No. 68*. This Statement amends paragraph 137 of GASB 68 to require that, at transition, a government recognize the beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

The City follows these procedures in establishing the legally adopted budgetary data of the City's funds, as reflected in the financial statements:

1. During August or September of each year, the Treasurer submits to the City Commission proposed operating budgets for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and the means of financing them. Budgetary control is established at the fund level.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budgets are legally enacted through passage of a Resolution required by the State of Florida.
4. The budgets of the City's funds are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted revenues and expenditures in the accompanying financial statements reflect amounts as originally adopted. There were no amendments made to the budget during the fiscal year ended September 30, 2016.

Date of Management's Review

Management has evaluated subsequent events through June 15, 2017, the date on which the financial statements were available to be issued.

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS

Cash

At year end, the City's cash consisted of funds in petty cash and non-interest bearing bank accounts in financial institutions which have been designated qualified public depositories. The petty cash for all funds at September 30, 2016, was \$1,475. The noninterest-bearing bank accounts totaled \$538,615 at September 30, 2016.

Deposits

At September 30, 2016, the carrying amount of the City's noninterest-bearing and interest-bearing bank accounts (including agency fund) was \$4,399,594 and the banks' balances were \$4,600,753. The difference was due to checks that had been written but not yet paid by the banks and deposits in transit.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (continued)

Deposits (continued)

These deposits are insured by the Federal Deposit Insurance Corporation or by collateral pursuant to the Florida Security for Public Deposits Act (Florida Statutes Chapter 280). Under this Act, financial institutions that qualify as public depositories pledge securities that have a market value equal to 50% - 125% of the average daily balance for each month of all public deposits in excess of applicable deposit insurance. The Public Depository Security Trust Fund has a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof.

Investments

Florida Statutes authorize investments that include money market accounts, savings accounts repurchase agreements, the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration (SBA), obligations of the U.S. Government, governmental agencies guaranteed by the U.S. Government, and certain bond mutual funds.

During the year, investments consisted of interest-bearing bank accounts and an investment in a single employer defined benefit pension plan. At September 30, 2016, the City had the following investments:

Interest-bearing bank accounts (including agency fund)	\$ 3,860,979
Investment in single employer defined benefit pension plan	<u>1,328,693</u>
	<u>\$ 5,189,672</u>

Due to the City's use of short-term interest-bearing bank accounts in financial institutions that are covered by federal depository insurance or collateral pledged under Florida Statutes Chapter 280, it is considered that credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk to these assets are nominal or nonexistent.

The City's firefighters' retirement plan is a single employer defined benefit pension plan with the following assets at market value as of September 30, 2016:

Cash	\$ 10,629
Bond pooled fund	207,276
Core pooled fund	316,229
Growth stock pooled fund	100,981
Small to mid-cap stock pooled fund	150,142
Large cap value stock pooled fund	108,953
Russell 1000 index fund	304,271
International stock pooled fund	<u>130,212</u>
	<u>\$1,328,693</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (continued)

Investments (continued)

The firefighters participate in the Florida Municipal Pension Trust Fund Defined Benefit Plan and Trust administered by the Florida League of Cities. The concentration of credit risk and foreign currency risk are addressed by having a diversified group of pooled funds with only 9.8% invested in an international stock pooled fund.

More information regarding the firefighters' retirement plan can be found in Note 17 beginning on page 61.

NOTE 3 - PROPERTY TAXES

In general, the City is permitted by the State to levy property taxes up to \$10 per \$1,000 of assessed valuation for general governmental services. There are some limitations as to the amount of the annual increase in tax levy; however, these limitations can be overridden by a majority vote of the City Commission. The tax levy rate for general government services for the year ended September 30, 2016, was \$3.6046 per \$1,000, and was adopted by resolution on September 24, 2015.

Ad valorem taxes are levied on property values as of January 1 with the millage established during September. The taxes are due and payable on November 1 of each year. Liens are placed on property as of January 1. All unpaid taxes become delinquent on April 1 following the year in which they are levied. Discounts are allowed for early payment based on a graduated scale until taxes paid in March are without any discount. On or prior to June 1 following the tax year, tax certificates are sold for all delinquent taxes.

The City accrues property tax revenue in the fund statements only to the extent that the revenue is measurable and available since the collection of these taxes coincides with the fiscal year in which levied, and the City consistently has no material uncollected property taxes at year end. The billing and collection of all property taxes is done for the City by Hendry County.

NOTE 4 - ACCOUNTS RECEIVABLE - BUSINESS-TYPE ACTIVITIES AND AGENCY FUND

Accounts receivable of the business-type activities and agency fund consisted of the following as of September 30, 2016:

	Business-type Activities	Agency Fund
Billed	\$175,799	\$ 81,496
Unbilled	<u>227,025</u>	<u>67,190</u>
Total	<u><u>\$402,824</u></u>	<u><u>\$148,686</u></u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 5 - INTERNAL BALANCES AND TRANSFERS - INTERNAL

Internal balances (receivables and payables) between the governmental activities and the business-type activities at September 30, 2016, were as follows:

	Internal Receivables	Internal Payables
Governmental Activities		
General Fund	\$ 1,142,206	\$ -
Business-type Activities		
Water and Sewer Fund	<u>-</u>	<u>1,142,206</u>
Total	<u><u>\$ 1,142,206</u></u>	<u><u>\$ 1,142,206</u></u>

Interfund receivables and payables within the fiduciary funds were reclassified as receivables or payables to external parties in the government-wide statement of net position and on the individual fund balance sheets.

The City had no transfers - internal between the governmental activities and business-type activities during the fiscal year ended September 30, 2016.

NOTE 6 - RESTRICTED CASH, INVESTMENTS, AND DUE FROM OTHER GOVERNMENTS

The restricted assets in the business-type activities were comprised of the following as of September 30, 2016:

Debt service accounts established by bond ordinance, the expenditure of which is restricted by the terms of the ordinance	\$ 575,072
Due from other governments for current wastewater recycling project construction and water treatment plant construction	138,729
Construction funds for future development	1,410,328
Customer utility deposits	<u>273,856</u>
Total	<u><u>\$2,397,985</u></u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 7 - CAPITAL ASSETS

The following is a summary of changes in the governmental activities capital assets for the year ended September 30, 2016.

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
Land and improvements	\$ 3,867,686	\$ 284,166	\$ 1,000	\$ 4,150,852
Buildings - City Hall	915,345	-	-	915,345
Buildings - other	957,231	68,275	-	1,025,506
Equipment, furniture and fixtures	2,647,549	289,362	32,389	2,904,522
Roads and streets	2,687,399	-	-	2,687,399
Roads and streets - retroactive	<u>951,681</u>	<u>-</u>	<u>-</u>	<u>951,681</u>
	12,026,891	641,803	33,389	12,635,305
Less accumulated depreciation	<u>5,522,655</u>	<u>305,901</u>	<u>32,389</u>	<u>5,796,167</u>
Totals	<u>\$ 6,504,236</u>	<u>\$ 335,902</u>	<u>\$ 1,000</u>	<u>\$ 6,839,138</u>

The following is a summary of changes in the business-type activities capital assets for the year ended September 30, 2016.

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
Land and improvements	\$ 1,466,338	\$ -	\$ -	\$ 1,466,338
Treatment plants and systems	40,976,986	1,655,989	-	42,632,975
Other equipment	561,749	-	25,743	536,006
Construction in progress - water treatment plant improvement project	<u>-</u>	<u>895,685</u>	<u>-</u>	<u>895,685</u>
	43,005,073	2,551,674	25,743	45,531,004
Less accumulated depreciation	<u>10,310,470</u>	<u>1,145,926</u>	<u>25,743</u>	<u>11,430,653</u>
Totals	<u>\$ 32,694,603</u>	<u>\$ 1,405,748</u>	<u>\$ -</u>	<u>\$ 34,100,351</u>

There were no projects under construction during the fiscal year ended September 30, 2016, for which construction period interest was required to be capitalized.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 7 - CAPITAL ASSETS (continued)

Depreciation Expense Allocation

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government	\$ 47,895
Public safety	81,108
Physical environment	7,421
Transportation	98,436
Culture and recreation	70,688
Human services	<u>353</u>
Total depreciation expense - governmental activities	<u>\$ 305,901</u>
Business-type activities	
Water system	\$ 652,759
Sewer system	<u>493,167</u>
Total depreciation expense - business-type activities	<u>\$ 1,145,926</u>

NOTE 8 - SUMMARY OF LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2016:

	Balance October 1, 2015	New Debt Issued	Retirement of Debt	Balance Sept. 30, 2016	Due Within One Year	Amounts Due in More Than One Year
Governmental Activities						
General Fund (see Note 9)						
Notes payable - fire trucks	\$ 82,050	\$ 230,000	\$ 82,050	\$ 230,000	\$ 44,061	\$ 185,939
Compensated absences	133,426	16,266	-	149,692	-	149,692
Net pension liability	584,635	295,961	-	880,596	-	880,596
Business-type Activities						
Water and Sewer Fund						
Revenue bonds payable (see Note 10)	16,339,000	-	113,000	16,226,000	277,000	15,949,000
Note payable - FDEP SRF (see Note 11)	202,815	-	11,124	191,691	11,427	180,264
Net pension liability	<u>277,785</u>	<u>141,270</u>	<u>-</u>	<u>419,055</u>	<u>-</u>	<u>419,055</u>
	<u>\$ 17,619,711</u>	<u>\$ 683,497</u>	<u>\$ 206,174</u>	<u>\$ 18,097,034</u>	<u>\$ 332,488</u>	<u>\$ 17,764,546</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 9 - AMOUNTS DUE WITHIN ONE YEAR AND IN MORE THAN ONE YEAR -
GOVERNMENTAL ACTIVITIES

Schedule of Changes in the Amounts Due Within One Year and in More Than One Year

	Notes Payable	Compensated Absences	Net Pension Liability	Totals
Amounts due within one year and in more than one year at October 1, 2015	\$ 82,050	\$ 133,426	\$ 584,635	\$ 800,111
Debt issued	230,000	-	-	230,000
Debt retired	(82,050)	-	-	(82,050)
Increase in compensated absences and net pension liability	<u>-</u>	<u>16,266</u>	<u>295,961</u>	<u>312,227</u>
Amounts due within on year and in more than one year at September 30, 2016	<u>\$230,000</u>	<u>\$ 149,692</u>	<u>\$ 880,596</u>	<u>\$ 1,260,288</u>

Compensated Absences

Maximum accumulated earned vacation and sick leave benefits as of September 30, 2016, are \$59,616 and \$90,076, respectively.

Composition of the Amounts Due Within One Year and in More Than One Year

The composition of the amounts due within one year and in more than one year of the governmental activities as of September 30, 2016, is as follows:

Notes Payable - Fire Truck

Note payable to a local bank, payable in annual installments of \$49,035, including interest at 2.15% with the final payment due December, 2020, secured by a fire truck with a book value of \$227,430.

\$ 230,000

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 9 - AMOUNTS DUE WITHIN ONE YEAR AND IN MORE THAN ONE YEAR -
GOVERNMENTAL ACTIVITIES (continued)

Compensated Absences

Maximum accumulated earned vacation and sick leave benefits as of September 30, 2016	149,692
Net pension liability	<u>880,596</u>
	1,260,288
Less amounts due in one year	<u>44,061</u>
Amounts due in more than one year	<u><u>\$1,216,227</u></u>

Annual Maturities of the Amounts Due Within One Year and in More Than One Year

The annual requirements to amortize the amounts due within one year and in more than one year of the governmental activities as of September 30, 2016, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 44,061	\$ 4,974	\$ 49,035
2018	44,998	4,037	49,035
2019	45,975	3,060	49,035
2020	46,973	2,062	49,035
2021	47,993	1,042	49,035
Amount provided for compensated absences	149,692	-	149,692
Net pension liability	<u>880,596</u>	<u>-</u>	<u>880,596</u>
	<u><u>\$1,260,288</u></u>	<u><u>\$ 15,175</u></u>	<u><u>\$ 1,275,463</u></u>

Annual maturities of compensated absences and net pension liability cannot be reasonably determined.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 10 - REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES

During the fiscal year ended September 30, 2005, the City issued Water and Sewer Revenue Bonds, Series 2005, dated June 28, 2005, to finance a part of the cost of acquiring, constructing and erecting extensions and improvements to the municipal water and sewer systems. The bonds are payable from and secured by a lien upon and the pledge of the net revenues to be derived from the operation of the systems. The bonds are payable, equally and ratably, from such pledged funds with the outstanding Water and Sewer Revenue Bonds, Series 2002, dated on February 28, 2002.

During the fiscal year ended September 30, 2013, the City issued Water and Sewer Revenue Bonds, Series 2013, dated September 26, 2013, to finance a part of the cost of acquiring and constructing production and deep injection wells and a new reverse osmosis water treatment plant. The bonds are payable from and secured by a lien upon and the pledge of the net revenues to be derived from the operation of the systems and the portion of the Revenue Sharing Funds designated as the City's "guaranteed entitlement" under the provisions of Chapter 218, Part II, Florida Statutes, as amended. The bonds are payable from the pledged funds on a parity with the issuer's outstanding Water and Sewer Revenue Bonds, Series 2002, dated on February 28, 2002, and Water and Sewer Revenue Bond, Series 2005, dated June 28, 2005, in the manner provided in the bond resolution.

The Water and Sewer Fund had the following bonds outstanding as of September 30, 2016:

Water and Sewer Revenue Bonds - Series 2002

4.375% revenue bonds payable, issued to finance improvements to water and sewer systems; payment of principal, interest, and reserve account contributions are secured by net revenues of the water and sewer systems; interest only for 2002 and 2003, then bonds mature serially on September 1, each year until the year 2041.

\$ 2,175,000

Water and Sewer Revenue Bonds - Series 2005

4.25% revenue bonds payable, issued to finance improvements to water and sewer systems; secured by a lien on net revenues of the water and sewer systems; interest only for 2005 and 2006, then bonds mature serially on September 1, each year until the year 2044.

1,067,000

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 10 - REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES (continued)

Water and Sewer Revenue Bonds - Series 2013

2.75% revenue bonds payable, issued to finance improvements to the water system; secured by a lien on net revenues of the water and sewer systems and the guaranteed entitlement; interest only for 2014 and 2015, then bonds mature serially on September 1, each year until the year 2053.	<u>12,984,000</u>
	16,226,000
Less current portion	<u>277,000</u>
Long-term portion	<u>\$15,949,000</u>

The following is a summary of bond transactions of the City for the year ended September 30, 2016:

	Water & Sewer Revenue Bonds - Series 2002	Water & Sewer Revenue Bonds - Series 2005	Water & Sewer Revenue Bonds - Series 2013
Original amount issued	<u>\$2,612,000</u>	<u>\$1,232,000</u>	<u>\$13,029,000</u>
Revenue bonds payable at October 1, 2015	\$2,223,000	\$1,087,000	\$13,029,000
Debt issued during fiscal year ended September 30, 2016	-	-	-
Debt retired during fiscal year ended September 30, 2016	<u>48,000</u>	<u>20,000</u>	<u>45,000</u>
Revenue bonds payable at September 30, 2016	<u>\$2,175,000</u>	<u>\$1,067,000</u>	<u>\$12,984,000</u>
Original date of obligation	2002	2005	2013
Final maturity date	2041	2044	2053

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 10 - REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES (continued)

The annual requirements to amortize the **Water and Sewer Revenue Bonds - Series 2002** bonds outstanding as of September 30, 2016, are as follows.

<u>Year Ending September 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2017	\$ 95,156	\$ 50,000	\$ 145,156
2018	92,969	53,000	145,969
2019	90,650	55,000	145,650
2020	88,244	58,000	146,244
2021	85,706	59,000	144,706
2022-2026	387,100	340,000	727,100
2027-2031	306,250	418,000	724,250
2032-2036	206,719	514,000	720,719
2037-2041	84,394	628,000	712,394
	<u>\$ 1,437,188</u>	<u>\$ 2,175,000</u>	<u>\$ 3,612,188</u>

The annual requirements to amortize the **Water and Sewer Revenue Bonds - Series 2005** bonds outstanding as of September 30, 2016, are as follows.

<u>Year Ending September 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2017	\$ 45,348	\$ 21,000	\$ 66,348
2018	44,455	21,000	65,455
2019	43,443	22,000	65,443
2020	42,744	23,000	65,744
2021	41,650	24,000	65,650
2022-2026	192,055	137,000	329,055
2027-2031	160,227	169,000	329,227
2032-2036	121,238	208,000	329,238
2037-2041	73,094	256,000	329,094
2042-2044	16,185	186,000	202,185
	<u>\$ 780,439</u>	<u>\$ 1,067,000</u>	<u>\$ 1,847,439</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 10 - REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES (continued)

The annual requirements to amortize the **Water and Sewer Revenue Bonds - Series 2013** bonds outstanding as of September 30, 2016, are as follows.

Year Ending September 30,	Interest	Principal	Total
2017	\$ 357,060	\$ 206,000	\$ 563,060
2018	351,395	212,000	563,395
2019	345,565	218,000	563,565
2020	339,570	224,000	563,570
2021	333,410	230,000	563,410
2022-2026	1,568,518	1,250,000	2,818,518
2027-2031	1,386,935	1,431,000	2,817,935
2032-2036	1,179,172	1,638,000	2,817,172
2037-2041	941,105	1,878,000	2,819,105
2042-2046	668,195	2,151,000	2,819,195
2047-2051	355,795	2,464,000	2,819,795
2052-2053	44,825	1,082,000	1,126,825
	<u>\$ 7,871,545</u>	<u>\$ 12,984,000</u>	<u>\$ 20,855,545</u>

The annual requirements to amortize the **Water and Sewer Revenue Bonds - All Series** bonds outstanding as of September 30, 2016, are as follows.

Year Ending September 30,	Interest	Principal	Total
2017	\$ 497,564	\$ 277,000	\$ 774,564
2018	488,819	286,000	774,819
2019	479,658	295,000	774,658
2020	470,558	305,000	775,558
2021	460,766	313,000	773,766
2022-2026	2,147,673	1,727,000	3,874,673
2027-2031	1,853,412	2,018,000	3,871,412
2032-2036	1,507,129	2,360,000	3,867,129
2037-2041	1,098,593	2,762,000	3,860,593
2042-2046	684,380	2,337,000	3,021,380
2047-2051	355,795	2,464,000	2,819,795
2052-2053	44,825	1,082,000	1,126,825
	<u>\$ 10,089,172</u>	<u>\$ 16,226,000</u>	<u>\$ 26,315,172</u>

CITY OF LABELLE, FLORIDA
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September 30, 2016

NOTE 10 - REVENUE BONDS PAYABLE - BUSINESS-TYPE ACTIVITIES (continued)

The revenue bond indentures provide for the establishment of various reserve accounts and also provide for compliance with certain limitations and restrictions. Some of the requirements of the bond covenants are as follows:

1. **Water and Sewer System Revenue Fund** - established to which all gross revenue shall be deposited and then disbursed into other accounts as follows:
2. **Operation and Maintenance Fund** - used exclusively for the purpose of receiving funds monthly for paying operating expenses pursuant to the annual budget.
3. **Water and Sewer Revenue Bonds, Sinking Fund** - sums funded monthly sufficient to pay the interest and principal due each September 1.
4. **Reserve Account to the Sinking Fund** - sums funded monthly equal to 1/120 of the maximum annual bond service requirement until the reserve equals or exceeds the maximum annual bond service requirement.
5. **Renewal and Replacement Short-Lived Asset Fund** - transfer from the Revenue Fund to the Renewal and Replacement Short-Lived Asset Fund the amount of \$50,000 each year until the Renewal and Replacement Short-Lived Asset Fund equals \$500,000. The Renewal and Replacement Short-Lived Asset Fund is to be maintained at the \$500,000 level. (Bond Series 2013). The balance of the Renewal and Replacement Short-Lived Asset Fund was approximately \$112,000 as of September 30, 2016.
6. **Utility Rate Covenant** - The City shall establish utility rates sufficient to produce revenues which are equal to or greater than the operating expenses of the water and sewer systems, less depreciation, plus all bond sinking and reserve requirements.

Pledged Revenues

The City has pledged certain revenues to repay the revenue bonds and a note payable outstanding as of September 30, 2016. The following table reports the revenues pledged for each debt issue; the amounts of such revenues received in the current year; the current year principal and interest paid on the debt; the approximate percentage of each revenue pledged to meet the debt obligation; the maturity date of all debt agreements; and the total pledged future revenues for all debt issuances, which is the amount of the remaining principal and interest on the bonds and note payable at September 30, 2016.

Description of Issue	Pledged Revenue	Revenue Received	Principal and Interest Paid	Estimated Percentage of Revenues Pledged	Outstanding Principal and Interest	Pledged Through
Business-type Activities						
Water and Sewer Revenue Bonds - Series 2002, 2005, and 2013	Net operating revenues of the water and sewer systems	\$ 2,879,970	\$ 614,751	21.35%	\$ 26,315,172	2053
Note payable - FDEP - State Revolving Fund	Net operating revenues of the water and sewer systems	\$ 2,879,970	\$ 16,545	0.57%	\$ 261,630	2030

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 11 - NOTE PAYABLE - FDEP STATE REVOLVING FUND - BUSINESS-TYPE ACTIVITIES

Note payable to Florida Department of Environmental Protection State Revolving Fund. The beginning of the repayment period is July 15, 2010. The note is payable in forty semi-annual payments of \$8,272, including interest at the rate of 2.71%, beginning January 15, 2011. The maturity date of the loan is July 15, 2030. The note is secured by the revenues of the water and sewer systems. Proceeds from the loan were used to construct improvements to the older water treatment plant.

	\$ 191,691
Less current portion	<u>11,427</u>
Long-term portion	<u>\$ 180,264</u>

The annual requirements to amortize the Note Payable - FDEP State Revolving Fund as of September 30, 2016, are as follows:

Year Ending September 30,	Interest	Principal	Total
2017	\$ 5,118	\$ 11,427	\$ 16,545
2018	4,806	11,739	16,545
2019	4,486	12,059	16,545
2020	4,157	12,388	16,545
2021	3,819	12,726	16,545
2022-2026	13,693	69,032	82,725
2027-2031	3,859	62,320	66,179
	<u>\$ 39,938</u>	<u>\$ 191,691</u>	<u>\$ 231,629</u>

NOTE 12 - EMPLOYEE ANNUAL LEAVE

As explained in Note 1, City employees may accumulate unused vacation and sick leave within certain limits.

Records are maintained for employees showing the number of days leave accrued. The amount of vacation and sick leave accrued in the governmental activities as an accrued liability for the year ended September 30, 2016, was \$7,956. The amount accrued in the governmental activities as long-term debt was \$149,692. The amount of accrued annual leave in the business-type activities was \$73,969 which is reported as an accrued liability.

NOTE 13 - NET POSITION AND FUND BALANCE

Restrictions of net position and classifications of fund balance of the City are created to either (1) satisfy legal covenants which require that a portion of the net position/fund balance be segregated, or (2) identify the portion of the net position/fund balance that is not appropriable for future expenditures. Specific restrictions of the net position and classifications of the fund balance are as follows:

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 13 - NET POSITION AND FUND BALANCE (continued)

Restricted for Construction and Debt Retirement

This restriction of net position was created to segregate the portion attributed for monies which have been designated for future construction or debt retirement. Within the Enterprise Fund, all impact fees which have been collected are designated for future construction. Also, within the Enterprise Fund, the sinking fund, reserve account, and renewal and replacement accounts are restricted for construction and debt retirement.

Restricted for Noncurrent Receivables

This restriction of net position was created to identify the portion attributed to receivables not expected to be collected in the next fiscal year.

Nonspendable Fund Balance

This classification of fund balance was created to identify the portion attributed to receivables not expected to be collected in the next fiscal year.

Held in Trust for Pension Benefits

This restriction of net position was created to identify all resources contributed to or earned by the Pension Trust Funds as designated solely for pension benefits.

NOTE 14 - OPERATING GRANTS, CAPITAL GRANTS, AND OTHER CONTRIBUTIONS

The following is a schedule of operating grants, capital grants, and other contributions received by the City during the fiscal year ended September 30, 2016.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Federal Awards Programs	\$ 3,861	\$ 895,685	\$ 899,546
State Financial Assistance	339,485	1,507,735	1,847,220
Contributions from customers and developers	<u>-</u>	<u>9,524</u>	<u>9,524</u>
	<u>\$ 343,346</u>	<u>\$ 2,412,944</u>	<u>\$ 2,756,290</u>

See pages 89-91 for more information concerning federal awards programs and state financial assistance received by the City during the fiscal year ended September 30, 2016.

Contributions from customers and developers to the business-type activities consisted of impact fees paid as required by a City ordinance. The impact fees are reserved for current and future construction.

CITY OF LABELLE, FLORIDA
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September 30, 2016

NOTE 15 - SEGMENT INFORMATION

The following is a list of key segment information for the business-type activities as of and for the year ended September 30, 2016.

	Water System	Sewer System	Total
Assets and deferred outflows of resources			
Current assets	\$ 3,081,351	\$ 414,273	\$ 3,495,624
Capital assets	23,002,036	11,098,315	34,100,351
Deferred outflows of resources	112,575	37,756	150,331
Liabilities and deferred inflows of resources			
Current liabilities	694,132	134,894	829,026
Long-term liabilities	13,431,686	4,258,839	17,690,525
Deferred inflows of resources	9,165	3,805	12,970
Net assets			
Invested in capital assets, net of related debt	9,826,345	7,856,315	17,682,660
Restricted	939,838	1,086,021	2,025,859
Unrestricted	1,294,796	(1,789,530)	(494,734)
Operating revenues	2,058,739	821,231	2,879,970
Operating expenses	1,764,506	1,101,463	2,865,969
Operating income (loss)	294,233	(280,232)	14,001
Non-operating revenues (expenses)	(359,446)	(136,566)	(496,012)
Capital contributions	902,309	1,510,635	2,412,944
Changes in net position	837,096	1,093,837	1,930,933
Beginning net position	11,223,883	6,058,969	17,282,852
Ending net position	12,060,979	7,152,806	19,213,785
Net cash provided by (used for):			
Operating activities	942,861	206,870	1,149,731
Noncapital financing activities	13,623	-	13,623
Capital and related financing activities	(1,260,334)	498,434	(761,900)
Investing activities	4,111	7,269	11,380
Beginning cash and cash equivalents	2,082,741	370,670	2,453,411
Ending cash and cash equivalents	1,783,002	1,083,243	2,866,245

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 16 - FLORIDA RETIREMENT SYSTEM

General Information

As provided by Chapters 121 and 112, Florida Statutes, the Florida Retirement System (FRS) provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy Program (HIS Program). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

Effective January 1, 2008, membership in the FRS was required for all of the City's full-time and part-time employees working in regularly established positions, except firefighters. General employees, except firefighters, which were hired from January 1, 1996, to December 31, 2007, were previously participants in a defined contribution plan for public employees. The City purchased the past service costs for these employees when the City elected to make them participants in the FRS as of January 1, 2008.

The FRS has five classes of membership. The City's employees, not including firefighters, belong to two of the five classes, the Elected Officers' Class, consisting of City Commissioners, and the Regular Class, consisting of administrative, operations, and clerical employees.

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 from the Web site: www.dms.myflorida.com

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expenses, information about the fiduciary net position of the Pension Plan and HIS Program and additions to/deductions from the Pension Plan and HIS Program fiduciary net position have been determined on the same basis as they are reported by the Pension Plan and HIS Program. 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.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 16 - FLORIDA RETIREMENT SYSTEM (continued)

Pension Plan

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular Class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular and Elected Officers' class members. Also, the final average compensation will be based on the eight highest years of salary.

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

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 16 - FLORIDA RETIREMENT SYSTEM (continued)

Pension Plan (continued)

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2015, through June 30, 2016, and from July 1, 2016, through September 30, 2016, respectively, were as follows: Regular Class - 7.26% and 7.52%; Elected Officers' Class - 42.27% and 42.47%; and DROP participants - 12.88% and 12.99%. These employer contribution rates include 1.66% HIS Program subsidy for the period October 1, 2015, through September 30, 2016.

The City's contributions, including employee contributions, to the Pension Plan totaled \$136,886 for the fiscal year ended September 30, 2016.

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

At September 30, 2016, the City reported a liability of \$772,210 for its proportionate share of the FRS Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was .003058246%, which was a decrease of .000130286% from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$43,467 related to the FRS Pension Plan. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to the FRS Pension Plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 59,126	\$ 7,190
Change of assumptions	46,716	-
Net difference between projected and actual earnings on Pension Plan investments	199,607	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	37,288	15,485
City Pension Plan contributions subsequent to the measure- ment date	<u>25,257</u>	<u>-</u>
Total	<u>\$ 367,994</u>	<u>\$ 22,675</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 16 - FLORIDA RETIREMENT SYSTEM (continued)

Pension Plan (continued)

The deferred outflows of resources related to the FRS Pension Plan, totaling \$25,257 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the FRS Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Amount
2017	\$ 44,072
2018	44,072
2019	127,609
2020	87,313
2021	12,834
Thereafter	<u>4,162</u>
	<u>\$ 320,062</u>

Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Valuation date	July 1, 2016
Measurement date	June 30, 2016
Inflation	2.60%
Salary increase	3.25%, average, including inflation
Investment rate of return	7.6%, net of Pension Plan investment expense, including inflation
Mortality	Generational RP-2000 with Projection Scale BB tables
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on FRS 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

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 16 - FLORIDA RETIREMENT SYSTEM (continued)

Pension Plan (continued)

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:

<u>Asset Class</u>	<u>(1) Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.0%	3.0%	1.7%
Fixed Income	18.0%	4.7%	4.6%	4.6%
Global Equity	53.0%	8.1%	6.8%	17.2%
Real Estate (Property)	10.0%	6.4%	5.8%	12.0%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.7%	11.1%
Total	<u>100.0%</u>			
Assumed Inflation - Mean			2.6%	1.9%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The FRS Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate.

	<u>1% Decrease (6.60%)</u>	<u>Current Discount Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
City's proportionate share of the net pension liability	\$1,421,691	\$772,210	\$231,603

Pension Plan Fiduciary Net Position

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

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 16 - FLORIDA RETIREMENT SYSTEM (continued)

Pension Plan (continued)

Payables to the Pension Plan

At September 30, 2016, the City reported a payable in the amount of \$13,150 for outstanding contributions to the FRS Pension Plan required for the fiscal year ended September 30, 2016.

Retiree Health Insurance Subsidy Program

Program Description

The HIS Program 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, 2016, 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 Program is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2016, the HIS contributions for the period October 1, 2015, through September 30, 2016, was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Program contributions are deposited in a separate trust fund from which payments are authorized. HIS Program 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 Program totaled \$23,982 for the fiscal year ended September 30, 2016.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 16 - FLORIDA RETIREMENT SYSTEM (continued)

Retiree Health Insurance Subsidy Program (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to FRS HIS Program

At September 30, 2016, the City reported a liability of \$527,441 for its proportionate share of the HIS Program's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was .004525607%, which was an increase of .000107496% from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$17,711 related to the HIS Program. In addition the City reported deferred outflows of resources and deferred in flows of resources related to the HIS Program from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,201
Change of assumptions	82,769	-
Net difference between projected and actual earnings on Program investments	61	-
Changes in proportion and differences between City HIS Program contributions and proportionate share of contributions	8,693	16,661
City HIS Program contributions subsequent to the measurement date	<u>6,311</u>	<u>-</u>
Total	<u>\$ 97,834</u>	<u>\$ 17,862</u>

The deferred outflows of resources related to the HIS Program, totaling \$6,311 resulting from City contributions to the HIS Program subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Program will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 13,193
2018	13,193
2019	13,141
2020	13,119
2021	11,351
Thereafter	<u>9,664</u>
	<u>\$ 73,661</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 16 - FLORIDA RETIREMENT SYSTEM (continued)

Retiree Health Insurance Subsidy Program (continued)

Actuarial Assumptions

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2016
Measurement date	June 30, 2016
Inflation	2.60%
Salary increase	3.25%, average, including inflation
Municipal Bond Rate	2.85%
Investment rate of return	N/A
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 2.85%. 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 Program sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 16 - FLORIDA RETIREMENT SYSTEM (continued)

Retiree Health Insurance Subsidy Program (continued)

Sensitivity of the City's Proportionate Share of the HIS Program 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 2.85%, 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 (1.85%) or one percentage point higher (3.85%) than the current rate.

	1% Decrease <u>(1.85%)</u>	Current Discount Rate <u>(2.85%)</u>	1% Increase <u>(3.85%)</u>
City's proportionate share of the net pension liability	\$605,095	\$527,441	\$462,993

HIS Program Fiduciary Net Position

Detailed information regarding the HIS Program'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 HIS Program

At September 30, 2016, the City reported a payable in the amount of \$2,287 for outstanding contributions to the HIS Program required for the fiscal year ended September 30, 2016.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 17 - FIREFIGHTERS' RETIREMENT PLAN

During December 1995, the City passed a resolution to participate in the Florida Pension Municipal Trust Fund Defined Benefit Plan and Trust for all full-time and volunteer firefighters hired by the City on or after January 1, 1996. All firefighters shall become eligible to participate in the plan immediately when hired. Social Security coverage is also provided to the firefighters.

The following information about the Plan is provided for general information purposes only. Participants should refer to the Plan documents for more complete information.

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Contributions from the Plan's members are recognized as revenue in the period in which the contributions are due. Contributions from the City, as calculated by the Plan's actuary, are recognized as revenue when due and when the City has made a formal commitment to provide contributions. Expenses are recognized in the accounting period incurred, if measureable. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Pension Plan Description

Name of the pension plan	Retirement Plan for the Firefighters of the City of LaBelle
Legal plan administrator	Board of Trustees of the Retirement Plan for the Firefighters of the City of LaBelle
Plan type	Single-employer defined benefit pension plan
Number of covered individuals	62 (4 deferred vested inactive participants; 36 inactive employees due a refund; 22 active employees)
Contribution requirement	Employer contributions are actuarially determined; employees must contribute 1% of pensionable earnings; employee contribution requirement may be amended by City ordinance, but employer contributions requirement is subject to State minimums
Pension plan reporting	The Plan issues a stand-alone financial report each year which contains information about the Plan's fiduciary net position. The Plan's fiduciary net position has been determined on the same basis used by the pension plan and is equal to the market value of assets calculated under the accrual basis of accounting. The report is available to the public at the Plan's administrative office: Retirement Department, Florida League of Cities, Inc., P.O. Box 1757, Tallahassee, FL 32302, (800)342-8112. The financial information is included as a Pension Trust Fund in the City's financial statements on pages 25 and 26. Also, a breakdown of the Plan's investments as of September 30, 2016, is included in Note 2 on page 37.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 17 - FIREFIGHTERS' RETIREMENT PLAN (continued)

Description of the benefits provided

Employees covered	Full-time and volunteer firefighters employed by the City of LaBelle
Types of benefits offered	Retirement, disability, and pre-retirement death benefits
Basic pension formula	3% of average earnings X service
Early retirement adjustment	Early retirement pension is reduced by 3% for each year by which the early retirement precedes the normal retirement date
Disability pension	Larger of basic pension formula or 50% of average earnings (for service-connected disabilities) Larger of basic pension formula or 25% of average earnings (for non-service-connected disabilities if the participant has earned at least 10 years of service) Disability benefits are offset as necessary to preclude the total of the disability benefit, worker's compensation, and other City-provided disability compensation from exceeding average earnings
Pre-retirement death benefit	Basic pension formula payable for 10 years at early or normal retirement age (payable to the beneficiary of a vested participant) Return of accumulated employee contributions (payable to the beneficiary of a non-vested participant)
Normal retirement age	Age 55 with at least 10 years of service, or Any age with at least 25 years of service
Early retirement age	Age 50 with at least 10 years of service
Vesting requirement	100% vesting after 10 years of service
Form of payment	Actuarially increased single life annuity 10-year certain and life annuity Actuarially equivalent 50%, 66 ² / ₃ %, 75%, or 100% joint and contingent annuity Any other actuarially equivalent form of payment approved by the Board of Trustees
Average earnings	Average of the highest 5 years of pensionable earnings out of the last 10 years
Cost-of-living adjustment	None provided
Legal authority	The Plan was established effective January 1, 1996, pursuant to City ordinance and has been amended several times since that date.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 17 - FIREFIGHTERS' RETIREMENT PLAN (continued)

Plan Changes

The plan was amended effective August 11, 2016, as follows:

- 1) The normal retirement date was changed from the earlier of age 55 with 10 years of service or age 52 with 25 years of service to the earlier of age 55 with 10 years of service or any age with 25 years of service.
- 2) The benefit formula multiplier was increased from 2% to 3%.
- 3) The minimum service-connected disability benefit was increased from 42% of average compensation to 50% of average compensation.
- 4) A Deferred Retirement Option Plan (DROP) was added for those participants who attain normal retirement age.

These changes increased the normal cost rate by 19.25% of payroll.

Plan Contributions

Funding for the Plan consists of contributions from members, the State of Florida, and the City. Plan members are required to contribute 1% of their annual covered compensation. The City is required to contribute the remaining amount to fund the Plan based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by Plan members during the year. For the fiscal year ended September 30, 2016, the City's contribution rate was 12.172% of annual covered payroll. Plan provisions and contribution rates may be amended by the City Commission based upon the recommendations of the Board of Trustees, subject to minimum requirements of Florida Statutes.

The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews and approves each local government's actuarial report prior to its being appropriated for use for funding purposes.

Pursuant to Chapters 175 and 185 of Florida Statutes, premium taxes on certain property and casualty insurance contracts written on City properties is collected by the State and is remitted to the Plan. This amount totaled \$16,511 for the fiscal year ended September 30, 2016.

Investments

Investments of the Plan are reported at fair value. Net appreciation in fair value of investments include realized and unrealized gains and losses.

Rate of Return

For the year ended September 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the money-weighted rate of return calculation are determined on a monthly basis.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 17 - FIREFIGHTERS' RETIREMENT PLAN (continued)

Investments (continued)

Long-term Expected Rate of Return

The long-term expected rates of return on classes of pension plan investments were developed by the investment consultant Asset Consulting Group (ACG) using Monte Carlo Simulations to analyze a range of possible outcomes and assist in making educated investment decisions. The output of the Monte Carlo Simulations is based on ACG's capital market assumptions that are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. The long-term expected rate of return was calculated by weighting the expected future real rates of return of each asset class by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension's target asset allocation as of September 30, 2016, are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Long-term Real Return</u>	<u>Weighted Average Return</u>
U.S Large Cap Equity	39%	6.08%	2.30%
Multi-Sector	24%	1.08%	0.26%
U.S. Small Cap Equity	11%	6.83%	0.75%
Core Bonds	16%	0.58%	0.09%
Non-U.S. Equity	10%	6.83%	0.68%
Total	<u>100%</u>		4.08%
Add estimated long-term rate of inflation			<u>2.92%</u>
Estimated long-term rate of return			<u>7.00%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 17 - FIREFIGHTERS' RETIREMENT PLAN (continued)

Net Pension Asset

The components of the net pension asset of the City as of September 30, 2016, were as follows:

Description	Total Pension Liability	Fiduciary Net Position	Net Pension Asset
Balance - September 30, 2015	\$ 357,677	\$ (936,528)	\$(578,851)
Changes due to:			
Service cost	19,886	-	19,886
Expected interest growth	26,429	(66,486)	(40,057)
Unexpected investment income	-	(32,906)	(32,906)
Employer contributions	-	(28,973)	(28,973)
Employee contributions	-	(1,527)	(1,527)
Benefit payments and refunds	-	-	-
Administrative expenses	-	3,503	3,503
Total changes	46,315	(126,389)	(80,074)
Balance - September 30, 2016	<u>\$ 403,992</u>	<u>\$ (1,062,917)</u>	<u>\$(658,925)</u>

The Plan fiduciary net position was 263.10% of the total pension liability as of September 30, 2016.

Sensitivity of the Net Position Asset to Changes in the Discount Rate

The following represents the net pension asset of the City, calculated using the discount rate of 7%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
City's net pension asset	\$(590,731)	\$(658,925)	\$(714,853)

At September 30, 2016, the City reported a net pension asset of \$658,925 for the Firefighters' Retirement Plan. The liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of October 1, 2014. The City's net pension asset was based on a projection of the pension plan relative to the projected contributions during the fiscal years ended September 30, 2015, and September 30, 2016.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 17 - FIREFIGHTERS' RETIREMENT PLAN (continued)

For the fiscal year ended September 30, 2016, the City recognized revenue of \$40,603. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources.

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance - September 30, 2015	\$ 52,582	\$ -
Changes due to		
Current year amortization	(13,146)	(6,581)
Investment gain/loss	<u>-</u>	<u>32,906</u>
Total changes	<u>(13,146)</u>	<u>26,325</u>
Balance - September 30, 2016	<u>\$ 39,436</u>	<u>\$ 26,325</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expense as follows.

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 6,565
2018	6,565
2019	6,563
2020	(6,582)
2021	-
Thereafter	<u>-</u>
	<u>\$ 13,111</u>

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 17 - FIREFIGHTERS' RETIREMENT PLAN (continued)

Significant Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2014, using the following significant actuarial assumptions and other inputs:

Measurement dates	September 30, 2105, and September 30, 2016
Valuation date	October 1, 2014 (date of latest actuarial valuation)
Asset valuation method	Market value
Expected long-term real rate on return on investments	4.08%
Inflation	2.92%
Discount rate	7% (2.92% is attributable to inflation) this rate was used to discount all future benefit payments
Salary increases	4% per annum
Cost-of-living increase	None assumed
Mortality	Sex-distinct rates set forth in the RP-2000 mortality table for annuitants, project to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of IRC Section 430; future general improvements in mortality have not been reflected
Retirement	Retirement is assumed to occur at normal retirement age
Future contributions	Contributions from employer and employees are assumed to be made as legally required
Changes	No plan changes were considered since the prior measurement date for the purpose of calculating the net pension liability/asset

NOTE 18 - DEFINED BENEFIT PENSION PLAN SUMMARY DATA

The table on the following page provides a summary of significant information related to the City's defined benefit pension plans for the fiscal year ended September 30, 2016. The information for the Florida Retirement System Pension Plan and the Florida Retirement System Retiree Health Insurance Subsidy Program are the City's proportionate share of the listed items.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 18 - DEFINED BENEFIT PENSION PLAN SUMMARY DATA (continued)

Description	Florida Retirement System Pension Plan	Florida Retirement System HIS Program	Firefighters' Retirement Plan	Total
Total pension liability	\$ 5,108,219	\$ 532,594	\$ 403,992	\$ 6,044,805
Plan fiduciary net position	4,336,009	5,153	1,062,917	5,404,079
Net pension liability	772,210	527,441	-	1,299,651
Net pension asset	-	-	(658,925)	(658,925)
Deferred outflows of resources	367,994	97,834	39,436	505,264
Deferred inflows of resources	22,675	17,862	26,325	66,862
Pension expense (revenue)	43,467	17,711	(40,603)	20,575

NOTE 19 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, in which all employees are eligible to participate. Deferred compensation amounts withheld from participating employees' pay are not taxable as current income until withdrawn from the plan.

The requirement of the Internal Revenue Code 457 provides that assets or income of the plan shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of the administration of the plan. Since the assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected on the City's Statement of Net position.

NOTE 20 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At September 30, 2016, the following items within the General Fund had expenditures exceeding their budgeted amounts:

<u>Expenditure type</u>	<u>Over expenditure</u>
Current	
Public safety	\$134,474
Transportation	55,764
Economic environment	217
Human services	23,708

NOTE 21 - COMMITMENTS AND CONTINGENCIES

Grants and Assistance

In the past, activities of certain funds of the City were financed in whole or in part by various forms of grants and assistance, principally from Hendry County, the State of Florida, and the federal government. Amounts received from grantor agencies are subject to audit or adjustment by grantor agencies. Any amounts disallowed could constitute liabilities of the applicable funds. If grant requirements are not met, such as a minimum number of jobs to be created, grant funds may be required to be returned to the grantor agency.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 21 - COMMITMENTS AND CONTINGENCIES (continued)

Interlocal Agreements

The City has entered into written agreements with Hendry County to provide fire protection and animal control services to the western part of Hendry County. The duration of the interlocal agreements is basically continuous until terminated by either party. The City agrees to operate the fire and animal control departments and provide fire protection and animal control services in the area covered by the agreements. The City prepares annual joint budgets to be approved by the City and County. The joint budgets are submitted to the City and County before August 1. The interlocal agreement for the fire department was temporarily terminated during August 2006. On December 14, 2006, the City and County signed a new interlocal agreement for joint operation and funding of the fire department. Under the agreement, the County pays for its percentage of fire calls during the previous five-year period. After a study of the origin of fire calls, the entities agreed that the County would provide 67.2% of the jointly approved budget for the fire department for the fiscal year ended September 30, 2016. As in previous years, the County provided 50% of the animal control budget. The City provided the remaining funds for each department for the fiscal year ended September 30, 2016. The expenditures of the fire department and animal control department will be audited annually to determine the actual expenses during the immediate preceding fiscal year. If there is a deficit, each party will contribute proportionally to make up the deficit and if there is an overage, each party will receive a proportional refund. A schedule to determine compliance with the interlocal agreements is included in the supplemental schedules to the financial statements on page 82.

Litigation

The City, in accordance with the normal conduct of its affairs, is involved in various judgments, claims, and litigation. It is expected that the final settlement of these matters will not materially affect the financial statements of the City.

Construction Contracts

As of September 30, 2016, the City had entered into construction contracts for improvements to the water treatment plant and city wharf in the total amount of \$1,212,654. As of September 30, 2016, \$1,117,363 of the contracts had been paid or was payable by the City with the remaining \$95,291 balance of the contracts to be incurred during the fiscal year ending September 30, 2017.

NOTE 22 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of a public entity risk pool which is a cooperative group of governmental entities joining together to finance an exposure, liability, or risk. The pool provides coverage for property, liability, public officials' liability, workers' compensation, automobile physical damage, general liability, and automobile liability. The cost of the property and casualty insurance and workers' compensation is accounted for in the governmental activities and business-type activities of the City. There were no settled claims which exceeded insurance coverage during the past three fiscal years.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 22 - RISK MANAGEMENT (continued)

A loss fund is established to pay the self-insured retention amounts. Self-insured per occurrence limits are \$100,000 for property and liability claims, \$150,000 for workers' compensation, and \$25,000 for crime related claims. Any claims in excess of these established limits are covered by aggregate excess or stop loss insurance. The City financial reporting entity is covered by Florida Statutes under the Doctrine of Sovereign Immunity, which effectively limits the liability of individual claims to \$100,000/\$200,000 for all claims relating to the same incident.

To satisfy GAAP/statutory accounting and regulatory reporting requirements, the pool retained Casualty Actuarial Consultants, Inc. to estimate ultimate retained losses and net loss reserve requirements as of the fiscal year ended September 30, 2016, (the date of the latest claims liability evaluation). The actuaries have concluded that the loss fund, including contributions not yet received and interest earned on all fund years to date, is sufficient to pay the retained ultimate losses and loss adjustment expenses for all fund years through September 30, 2016. When the ultimate losses ceded under aggregate excess insurance of \$10,668,219 is included, the indicated funding adequacy translates to a claims fund surplus of \$8,773,592 at the booked level of claims reserves which is \$840,000 less than expected reserves. This balance is on a net basis, after specific and aggregate excess insurance.

The City provides hospitalization and medical coverage through commercial insurance carriers.

Major uninsurable risks include damages to infrastructure assets and damages or governmental fines due to seepage, pollution, or contamination of any kind. Since the amounts of loss cannot be reasonably estimated and the likelihood is undeterminable, no provision for such occurrences is included in these financial statements.

NOTE 23 - SUBSEQUENT EVENTS - LABELLE WHARF PROJECT

During the fiscal year ended September 30, 2016, the City began construction on a \$350,000 project for Phase III of the LaBelle Wharf Project. The City has successfully completed two wharf projects with Florida Boater Improvement Project (FBIP) grant funds to renovate and provide greater boater access to the City's wharf. Phase I of the project constructed improvements to the eastern portion of the City wharf and was completed in late 2009. Funding for Phase I was provided through FBIP grant funds in the amount of \$142,053. The City requested and received \$15,000 from the Hendry County Boating Improvement Fund to help fund the lighting portion of the project. Phase II consisted of improvements to the western portion of the City wharf and was completed in late 2013. Funding for Phase II was provided through FBIP grant funds in the amount of \$415,394.

CITY OF LABELLE, FLORIDA
Notes to Financial Statements
September 30, 2016

NOTE 23 - SUBSEQUENT EVENTS - LABELLE WHARF PROJECT (continued)

Phase III includes improvements to a significant portion of the shoreline between the Phase I and Phase II improvements. The Legislature appropriated \$350,000 toward this project. It will allow for the continued development of the fixed platform mooring facility on the Caloosahatchee River (C-43) for boats at the City's Barron Park/Library downtown waterfront region. This project will allow boaters access to Barron Park, the Barron Library, and the LaBelle Museum, as well as additional public access to the retail and commercial establishments in the downtown area. Amenities will include a mooring facility/piers which will be accessed from the existing mooring facility/piers constructed in Phase II of the project. In addition, the river bank will be stabilized with a retaining wall to allow for the construction of the mooring facility and the prevention of erosion. Construction is to be completed during the fiscal year ending September 30, 2017.

CITY OF LABELLE, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
Year Ended September 30, 2016

	Original Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Taxes and special assessments	\$ 2,217,478	\$ 2,626,867	\$ 409,389
Licenses and permits	52,200	72,111	19,911
Intergovernmental revenue	741,351	695,236	(46,115)
Charges for services	479,639	490,845	11,206
Fines and forfeitures	15,000	30,159	15,159
Miscellaneous revenues	<u>44,600</u>	<u>70,126</u>	<u>25,526</u>
Total revenues	<u>3,550,268</u>	<u>3,985,344</u>	<u>435,076</u>
Expenditures			
Current			
General government	966,118	877,105	89,013
Public safety	790,592	925,066	(134,474)
Physical environment	16,000	12,231	3,769
Transportation	1,219,814	1,275,578	(55,764)
Culture and recreation	814,483	653,552	160,931
Economic environment	26,600	26,817	(217)
Human services	180,992	204,700	(23,708)
Debt service - fire trucks			
Principal retirement	82,050	82,050	-
Interest	<u>3,619</u>	<u>3,618</u>	<u>1</u>
Total expenditures	<u>4,100,268</u>	<u>4,060,717</u>	<u>39,551</u>
Excess of revenues under expenditures	<u>(550,000)</u>	<u>(75,373)</u>	<u>474,627</u>
Other financing sources (uses)			
Loan proceeds	-	230,000	230,000
Operating transfers-in	350,000	-	(350,000)
Operating transfers-out	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Total other financing sources (uses)	<u>300,000</u>	<u>230,000</u>	<u>(70,000)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>\$ (250,000)</u>	154,627	<u>\$ 404,627</u>
Fund balance - October 1, 2015		<u>2,739,037</u>	
Fund balance - September 30, 2016		<u>\$ 2,893,664</u>	

See accompanying notes to the budgetary comparison schedule.

CITY OF LABELLE, FLORIDA
Notes to Budgetary Comparison Schedule - General Fund
September 30, 2016

NOTE A - BUDGETARY ACCOUNTING

The City annually adopts an operating budget for all funds. The procedures for establishing the budgetary data reflected in the budgetary comparison schedule are follows:

1. During August or September of each year, the Treasurer submits to the City Commission proposed operating budgets for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The City advises the County Property Appraiser of the proposed millage rate and the date, time, and place of the public hear for budget acceptance.
4. Prior to October 1st, the budget is legally enacted through passage of a resolution.
5. Appropriations are legally controlled at the fund level and expenditures may not legally exceed budgeted appropriations at that level. Management is authorized to transfer budget line items within each fund's departments. Changes or amendments to the budget that alter fund totals must be approved by the City Commission. There were no amendments made to the budget during the fiscal year ended September 30, 2016.
6. Formal budgetary integration is employed within the accounting system as a management control device.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles.
8. The preceding schedule is presented at the functional level and not the departmental level.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At September 30, 2016, the following items within the General Fund had expenditures exceeding their budgeted amounts:

<u>Expenditure type</u>	<u>Over expenditure</u>
Current	
Public safety	\$134,474
Transportation	55,764
Economic environment	217
Human services	23,708

CITY OF LABELLE, FLORIDA
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System Pension Plan
Last Ten Fiscal Years **(1)**

<u>Fiscal Year Ended September 30,</u>	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>City's Covered- employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percent of Covered- employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percent of the Total Pension Liability</u>
2014	0.003087447%	\$ 188,380	\$ 1,360,600	13.85%	96.09%
2015	0.003188532%	\$ 411,842	\$ 1,335,290	30.84%	92.00%
2016	0.003058246%	\$ 772,210	\$ 1,444,732	53.45%	84.88%

(1) This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report. The discount rate decreased from 7.65% in 2015 to 7.60% in 2016.

CITY OF LABELLE, FLORIDA
Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System Pension Plan
Last Ten Fiscal Years **(1)**

Fiscal Year Ended September 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Excess (Deficiency)	City's Covered- employee Payroll	City's Contributions as a Percent of Covered- employee Payroll
2014	\$ 129,288	\$ 129,288	\$ -	\$ 1,360,600	6.59%
2015	\$ 131,817	\$ 131,817	\$ -	\$ 1,335,290	6.96%
2016	\$ 136,886	\$ 136,886	\$ -	\$ 1,444,732	6.56%

(1) This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will presented as they become available.

CITY OF LABELLE, FLORIDA
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years **(1)**

<u>Fiscal Year Ended September 30,</u>	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>City's Covered- employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability as a Percent of Covered- employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percent of the Total Pension Liability</u>
2014	0.004582470%	\$ 428,472	\$ 1,360,600	31.49%	.99%
2015	0.004418111%	\$ 450,578	\$ 1,335,290	33.74%	.50%
2016	0.004525607%	\$ 527,441	\$ 1,444,732	36.51%	.97%

(1) This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report. The discount rate decreased from 3.8% in 2015 to 2.85% in 2016.

CITY OF LABELLE, FLORIDA
Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years **(1)**

Fiscal Year Ended September 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Excess (Deficiency)	City's Covered- employee Payroll	City's Contributions as a Percent of Covered- employee Payroll
2014	\$ 16,530	\$ 16,530	\$ -	\$ 1,360,600	1.21%
2015	\$ 18,154	\$ 18,154	\$ -	\$ 1,335,290	1.36%
2016	\$ 23,982	\$ 23,982	\$ -	\$ 1,444,732	1.66%

(1) This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available.

CITY OF LABELLE, FLORIDA
Required Supplementary Information
Schedule of Changes in City's Net Pension Liability and Related Ratios
Firefighters' Retirement Plan
Years Ended September 30,

	<u>2015</u>	<u>2016</u>
Total pension liability		
Service cost	\$ 19,886	\$ 19,886
Interest	23,568	26,429
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	<u>(5,056)</u>	<u>-</u>
Net change in total pension liability	38,398	46,315
Total pension liability - beginning of year at 7%	<u>319,279</u>	<u>357,677</u>
Total pension liability - end of year at 7% (a)	<u><u>\$ 357,677</u></u>	<u><u>\$ 403,992</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 26,824	\$ 28,973
Contributions - employee	1,350	1,527
Net investment income	(982)	99,392
Benefit payments, including refunds of member contributions	-	-
Administrative expense	<u>(3,448)</u>	<u>(3,503)</u>
Net change in plan fiduciary net position	23,744	126,389
Plan fiduciary net position - beginning	<u>912,784</u>	<u>936,528</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 936,528</u></u>	<u><u>\$ 1,062,917</u></u>
Net pension liability (asset) - ending (a) - (b)	<u><u>\$ (578,851)</u></u>	<u><u>\$ (658,925)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	261.84%	263.10%
Covered employee payroll	<u><u>\$ 136,605</u></u>	<u><u>\$ 153,280</u></u>
Net pension liability (asset) as a percentage of covered employee payroll	-423.74%	-429.88%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

CITY OF LABELLE, FLORIDA
Required Supplementary Information
Schedule of Employer Contributions
Firefighters' Retirement Plan
Year Ended September 30, 2016

<u>Fiscal Year Ended September 30,</u>	<u>(1) Actuarilly Determined Contribution</u>	<u>(2) Contributions Recognized by the Plan</u>	<u>(3) Difference Between (1) and (2)</u>	<u>Covered Payroll</u>	<u>Contributions Recognized by the Plan as a Percent of Covered Payroll</u>
2007	\$ -0-	\$ 31,394	\$ 31,394	\$ 173,000	18.15%
2008	\$ -0-	\$ 34,331	\$ 34,331	\$ 197,000	17.43%
2009	\$ 49,329	\$ 38,393	\$ (10,936)	\$ 202,716	18.94%
2010	\$ 41,420	\$ 33,959	\$ (7,461)	\$ 193,600	17.54%
2011	\$ 46,309	\$ 34,999	\$ (11,310)	\$ 216,500	16.17%
2012	\$ 29,188	\$ 31,886	\$ 2,698	\$ 231,678	13.76%
2013	\$ 27,399	\$ 30,406	\$ 3,007	\$ 159,000	19.12%
2014	\$ 22,172	\$ 26,587	\$ 4,415	\$ 131,000	20.30%
2015	\$ -0-	\$ 26,824	\$ 26,824	\$ 136,761	19.61%
2016	\$ -0-	\$ 28,973	\$ 28,973	\$ 153,280	18.90%

See accompanying notes to Required Supplementary Information - Firefighters' Retirement Plan.

CITY OF LABELLE, FLORIDA
Required Supplementary Information
Schedule of Investment Returns
Firefighters' Retirement Plan
Year Ended September 30, 2016

<u>Fiscal Year Ended September 30,</u>	<u>Money Weighted Rate of Investment Return</u>
2014	8.42%
2015	-.08%
2016	8.11%

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

See accompanying notes to Required Supplementary Information - Firefighters' Retirement Plan.

CITY OF LABELLE, FLORIDA
Notes to Required Supplementary Information
Firefighters' Retirement Plan
Year Ended September 30, 2016

NOTE A - INFORMATION USED TO DETERMINE THE NET PENSION LIABILITY

Employer's reporting dates	September 30, 2015, and September 30, 2016
Measurement dates	September 30, 2015, and September 30, 2016
Actuarial valuation date	October 1, 2014 (date of latest actuarial valuation)
Actuarial cost method	Aggregate cost method
Amortization method	Level dollar, open
Asset valuation method	Market value

Actuarial Assumptions

Discount rate	7.00% per annum (2.92% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments
Salary increases	4.00% per annum
Cost-of-living increases	None assumed
Mortality basis	Sex-distinct rates set forth in the RP-2000 Mortality Table for annuitants, projected to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430; future generational improvements in mortality have not been reflected
Retirement	Retirement is assumed to occur at normal retirement age
Other decrements	None assumed
Non-investment expenses	Liabilities have been loaded by 16.5% to account for non-investment expenses
Future contributions	Contributions from the employer and employees are assumed to be made as legally required
Changes	No plan changes were considered since the prior measurement date for the purpose of calculating the net pension liability/asset

CITY OF LABELLE, FLORIDA
Schedule to Determine Compliance
With Interlocal Fire Protection
and Animal Control Agreements
Year Ended September 30, 2016

	<u>Fire Protection</u>	<u>Animal Control</u>
Departmental expenditures per Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds (See page 17)		
Expenditures - current	\$ 592,109	\$ 204,700
Expenditures - debt service - fire trucks	85,668	-
Less amount of new fire truck financed	<u>(230,000)</u>	<u>-</u>
Total departmental expenditures	447,777	204,700
 Hendry County's percentage of net departmental expenditures per agreements	 <u>67.2%</u>	 <u>50%</u>
Portion of net departmental expenditures to be paid by Hendry County	300,906	102,350
Total received from Hendry County for services	<u>317,835</u>	<u>90,496</u>
 Amounts due from (due to) Hendry County for the fiscal year ended September 30, 2016	 <u>\$ (16,929)</u>	 <u>\$ 11,854</u>

CITY OF LABELLE, FLORIDA
Schedule of Revenues and Expenses -
Business-type Activities - Water and Sewer Systems
Year Ended September 30, 2016

	<u>Water System</u>	<u>Sewer System</u>	<u>Totals</u>
Operating revenues			
Charges for services	<u>\$ 2,058,739</u>	<u>\$ 821,231</u>	<u>\$ 2,879,970</u>
Operating expenses			
Administrative	157,053	52,781	209,834
Treatment plants	741,815	413,846	1,155,661
Water distribution	212,879	-	212,879
Wastewater collection	-	141,669	141,669
Depreciation	<u>652,759</u>	<u>493,167</u>	<u>1,145,926</u>
Total operating expenses	<u>1,764,506</u>	<u>1,101,463</u>	<u>2,865,969</u>
Operating income (loss)	<u>294,233</u>	<u>(280,232)</u>	<u>14,001</u>
Nonoperating revenues (expenses)			
Interest income	4,111	6,653	10,764
Interest expense and fiscal charges	<u>(363,557)</u>	<u>(143,219)</u>	<u>(506,776)</u>
Total nonoperating revenues (expenses)	<u>(359,446)</u>	<u>(136,566)</u>	<u>(496,012)</u>
Net loss before contributions	(65,213)	(416,798)	(482,011)
Contributions	<u>902,309</u>	<u>1,510,635</u>	<u>2,412,944</u>
Net income	<u>\$ 837,096</u>	<u>\$ 1,093,837</u>	<u>\$ 1,930,933</u>

CITY OF LABELLE, FLORIDA
Schedule of Revenues and Expenditures -
Budget and Actual - Budgetary Basis
Business-type Activities
Year Ended September 30, 2016

	<u>Budget</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues			
User fees	\$ 2,547,774	\$ 2,835,956	\$ 288,182
Connection and turn-on fees	12,500	42,402	29,902
Miscellaneous operating revenues	22,500	1,612	(20,888)
Interest income	3,250	10,764	7,514
Capital contribution - impact fees	20,000	9,524	(10,476)
Sewer hook-up assessments	10,000	2,932	(7,068)
Capital grants	<u>1,718,424</u>	<u>2,403,420</u>	<u>684,996</u>
Total revenues	<u>4,334,448</u>	<u>5,306,610</u>	<u>972,162</u>
Expenditures			
Administration			
Payroll	103,515	94,596	8,919
Payroll taxes	7,700	7,075	625
Retirement expense	7,125	10,793	(3,668)
Engineering, legal, and other			
contract services	50,500	29,380	21,120
Audit fees	20,500	21,500	(1,000)
Travel and per diem	1,000	1,202	(202)
Telephone and communications	7,500	11,217	(3,717)
Insurance	24,108	10,789	13,319
Office supplies and other supplies	13,522	13,340	182
Fees, dues, and donations	20,500	4,221	16,279
Repairs and maintenance	2,000	5,721	(3,721)
Miscellaneous and reserve for			
contingencies	<u>154,284</u>	<u>-</u>	<u>154,284</u>
Total administration	<u>412,254</u>	<u>209,834</u>	<u>202,420</u>

CITY OF LABELLE, FLORIDA
Schedule of Revenues and Expenditures -
Budget and Actual - Budgetary Basis (continued)
Business-type Activities
Year Ended September 30, 2016

	<u>Budget</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Expenditures (continued)			
Treatment plants			
Payroll	231,547	254,360	(22,813)
Payroll taxes	17,050	16,717	333
Retirement expense	15,491	27,470	(11,979)
Uniform rental	4,000	895	3,105
Utilities and telephone	167,000	229,393	(62,393)
Tools and supplies	30,000	20,835	9,165
Chemicals	140,000	83,826	56,174
Repairs and maintenance	171,617	247,256	(75,639)
Tests	40,000	59,496	(19,496)
Insurance	104,567	158,293	(53,726)
Engineering and legal fees	4,500	-	4,500
Contract services	4,500	31,956	(27,456)
Gas and oil	35,500	9,721	25,779
Drainage district assessment	<u>15,000</u>	<u>15,443</u>	<u>(443)</u>
Total treatment plants	<u>980,772</u>	<u>1,155,661</u>	<u>(174,889)</u>
Water distribution system			
Payroll	107,045	114,903	(7,858)
Payroll taxes	8,455	8,343	112
Retirement expense	8,115	13,028	(4,913)
Repairs and maintenance	50,000	65,581	(15,581)
Tools and supplies	5,500	2,568	2,932
Insurance	<u>17,663</u>	<u>8,456</u>	<u>9,207</u>
Total water distribution system	<u>196,778</u>	<u>212,879</u>	<u>(16,101)</u>
Wastewater collection system			
Payroll	28,777	32,793	(4,016)
Payroll taxes	2,370	2,216	154
Retirement expense	2,387	3,300	(913)
Utilities	20,000	16,108	3,892
Tools and supplies	7,800	12,405	(4,605)
Repairs and maintenance	47,000	69,681	(22,681)
Insurance	4,453	5,166	(713)
Engineering fees	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total wastewater collection system	<u>115,287</u>	<u>141,669</u>	<u>(26,382)</u>

CITY OF LABELLE, FLORIDA
Schedule of Revenues and Expenditures -
Budget and Actual - Budgetary Basis (continued)
Business-type Activities
Year Ended September 30, 2016

	<u>Budget</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Expenditures (continued)			
Debt service			
Principal on notes and revenue bonds payable	124,123	124,123	-
Interest on notes and revenue bonds payable	<u>515,473</u>	<u>506,776</u>	<u>8,697</u>
Total debt service	<u>639,596</u>	<u>630,899</u>	<u>8,697</u>
Capital outlay			
Equipment purchases, construction costs for new services, system improvements, and construction in progress	<u>1,952,861</u>	<u>2,928,398</u>	<u>(975,537)</u>
Total expenditures	<u>4,297,548</u>	<u>5,279,340</u>	<u>(981,792)</u>
Excess of revenues over expenditures	<u>36,900</u>	<u>27,270</u>	<u>(9,630)</u>
Operating transfers			
Operating transfers-in	400,000	-	(400,000)
Operating transfers-out	<u>(450,000)</u>	<u>-</u>	<u>450,000</u>
Total operating transfers	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Excess of revenues and operating transfers-in over (under) expenditures and transfers-out - budgetary basis	<u>\$ (13,100)</u>	<u>\$ 27,270</u>	<u>\$ 40,370</u>

CITY OF LABELLE, FLORIDA
Schedule of Revenues and Expenditures
Budget and Actual - Budgetary Basis (continued)
Business-type Activities
Year Ended September 30, 2016

The following is a reconciliation of the changes in net position of the business-type activities, as shown on page 14, and net income of the business-type activities, as shown on page 83, to excess of revenues and operating transfers-in over expenditures and transfers-out on a budgetary basis, as shown on page 86.

Changes in net position - business-type activities and net income - business-type activities (page 14 and page 83)	\$ 1,930,933
Add depreciation	1,145,926
Add sewer hook-up assessments - budgetary basis	2,932
Less capital outlay - budgetary basis	(2,928,398)
Less principal on notes and bonds payable - budgetary basis	<u>(124,123)</u>
 Excess of revenues and operating transfers-in over expenditures and transfers-out - budgetary basis as shown on page 86.	 <u>\$ 27,270</u>

CITY OF LABELLE, FLORIDA
Schedule of Changes in Assets and Liabilities
Agency Fund
Year Ended September 30, 2016

	October 1, 2015	Additions	Deletions	September 30, 2016
Assets				
Investments	\$ 173,364	\$ 837,464	\$ 882,327	\$ 128,501
Accounts receivable	79,943	823,098	816,254	86,787
Due from Enterprise Fund	<u>61,899</u>	<u>-</u>	<u>-</u>	<u>61,899</u>
	<u>\$ 315,206</u>	<u>\$ 1,660,562</u>	<u>\$ 1,698,581</u>	<u>\$ 277,187</u>
Liabilities				
Accounts payable	\$ 3,107	\$ 150	\$ -	\$ 3,257
Due to sanitation contractor	144,186	769,462	768,703	144,945
Due to General Fund	164,436	43,867	82,795	125,508
Due to Enterprise Fund	<u>3,477</u>	<u>-</u>	<u>-</u>	<u>3,477</u>
	<u>\$ 315,206</u>	<u>\$ 813,479</u>	<u>\$ 851,498</u>	<u>\$ 277,187</u>

CITY OF LABELLE, FLORIDA
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2016

Federal Agency / State Pass Through Entity / Federal Program		CFDA Number	Grant Contract Number	Program or Award Amount	Expenditures	Transfers to Subrecipients
U.S. Department of Agriculture - Rural Development						
Water and Waste Disposal Systems for Rural Communities - Community Facilities Loans (B) and Grants - Grant		10.760	91-14	\$ 2,117,470	\$ 895,685	\$ -
U.S. Department of Agriculture - Forest Service						
Passed Through Florida Department of Agriculture and Consumer Services - Florida Forest Service Cooperative Forestry Assistance - (G) Volunteer Fire Assistance Grant		10.664	VFA813	\$ 7,140	<u>3,861</u>	<u>-</u>
Total Expenditures of Federal Awards					<u>\$ 899,546</u>	<u>\$ -</u>

See notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

CITY OF LABELLE, FLORIDA
Schedule of Expenditures of Federal Awards
and State Financial Assistance (continued)
Year Ended September 30, 2016

State Grantor / Program Title	CSFA Number	Grant Contract Number	Program or Award Amount	Expenditures	Transfers to Subrecipients
Florida Department of Transportation					
(G) Small County Outreach Program (SCOP) and Rural Areas of Opportunity (RAO) - Bryan Avenue Paving	55.009	G0119	\$ 75,319	\$ 75,319	\$ -
Florida Department of Environmental Protection					
(B) Statewide Surface Water Restoration and Wastewater Projects - Wastewater Recycle Project	37.039	LP26033	\$ 1,812,500	1,507,735	-
Florida Department of Environmental Protection - Division of Water Restoration Assistance					
(G) Statewide Surface Water Restoration and Wastewater Projects - LaBelle City Wharf Phase III	37.039	S0842	\$ 350,000	<u>264,166</u>	<u>-</u>
Total State Financial Assistance				<u>\$ 1,847,220</u>	<u>\$ -</u>

See notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

CITY OF LABELLE, FLORIDA
Notes to Schedule of Expenditures of Federal
Awards and State Financial Assistance
For the Year Ended September 30, 2016

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance included herein represents the federal and state grant activity of the City of LaBelle (the City) recorded by the City during the fiscal year ended September 30, 2016.

NOTE 2 - REPORTING ENTITY

For reporting entity purposes, the Schedule of Federal Awards and State Financial Assistance includes all the activities of the City of LaBelle's primary government. The City had no blended or discretely presented component units. Federal awards programs and state projects recorded in the City's business-type activities are noted by (B). Those recorded in the governmental activities are noted by (G).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards Subpart F*, Chapter 691-5, *Schedule of Expenditures of State Financial Assistance*, Rules of the Department of Financial Services; and Chapter 10.550, Rules of the Auditor General.

Basis of Accounting

The expenditures in the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance are presented using the modified accrual basis of accounting, except for the proprietary funds, which are presented on the accrual basis. The modified accrual basis recognizes expenditures in the period the associated liability is incurred, when matured and due, while under the accrual basis, expenses are recognized when incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 - SUBRECIPIENTS

The City of LaBelle provided no financial assistance to subrecipients during the fiscal year ended September 30, 2016.

NOTE 5 - CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by grantor agencies. Management is not aware of any material questioned or disallowed costs as a result of grant audits in the process or completed. However, possible disallowance by the governmental agency of any item charged to a program cannot be determined at this time.

BOY, MILLER, KISKER & PERRY, P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Honorable Mayor and City Commissioners
City of LaBelle, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of LaBelle, Florida's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the City of LaBelle, Florida's major federal programs and state projects for the year ended September 30, 2016. The City of LaBelle, Florida's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of LaBelle, Florida's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.550, *Rules of the*

Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City of LaBelle, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City of LaBelle, Florida's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City of LaBelle, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the City of LaBelle, Florida, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of LaBelle, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of LaBelle, Florida's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Bay, Miller, Kisker & Perry, P.A.

LaBelle, Florida
June 15, 2017

CITY OF LABELLE, FLORIDA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2016

1. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes

 No

Significant deficiency(ies) identified?

 Yes

 X None Reported

Noncompliance material to financial statements noted?

 Yes

 X No

Federal Awards and State Financial Assistance

Internal control over major federal programs
and major state projects:

Material weakness(es) identified?

 Yes

 X No

Significant deficiency(ies) identified?

 Yes

 X None Reported

Type of auditor's report issued on compliance for
major federal programs and major state projects:

Unmodified Opinion

Any audit findings disclosed that are
required to be reported in accordance
with Section 2 CFR 200.516(2)?

 Yes

 X No

Identification of major programs:

CFDA Number

10.760

Name of Federal Program

Communities Facilities Loans and Grants

CSFA Number

37.039

Name of State Project

Statewide Surface Water Restoration and
Wastewater Projects - Wastewater
Recycle Project

Dollar threshold used to distinguish between
type A and B programs:

Federal \$750,000

State \$300,000

Auditee qualified as low-risk auditee?

 Yes

 X No

CITY OF LABELLE, FLORIDA
Schedule of Findings and Questioned Costs (continued)
For the Fiscal Year Ended September 30, 2016

2. Financial Statement Findings

A. Internal Control Over Financial Reporting

Material Weakness

Finding 2009-1 - Internal Control Over Financial Reporting

Condition: The City of LaBelle, Florida, should have the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements.

Criteria: Statement on Auditing Standards require the auditor to determine if the City of Labelle, Florida, is capable of preparing the enclosed financial statements and has the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements.

Cause: The City of LaBelle, Florida, does not currently have the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements.

Effect: A material misstatement in the financial statements of the City of LaBelle, Florida, may not be prevented, detected, and corrected by the City.

Recommendation: The City of LaBelle, Florida, should develop a strategy to address the material weakness in internal control over financial reporting.

Views of Responsible Officials and Planned Corrective Actions: The City has reviewed the requirements related to Statements on Auditing Standards as they apply to financial reporting and determined currently it is not economically feasible to hire an individual to meet the Statements on Auditing Standards at this time. The City will continue to evaluate the costs versus benefits of meeting the standards of financial reporting as the City moves into the future.

B. Compliance and Other Matters

No matters to report.

CITY OF LABELLE, FLORIDA
Schedule of Findings and Questioned Costs (continued)
For the Fiscal Year Ended September 30, 2016

3. Federal Awards Findings and Questioned Costs

A. Internal Control Over Compliance

No matters to report.

B. Compliance

No matters to report.

4. State Financial Assistance Findings and Questioned Costs

A. Internal Control Over Compliance

No matters to report.

B. Compliance

No matters to report.

5. Other Issues

A. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal awards programs or state projects.

B. No Corrective Action Plan is required because there were no prior audit findings related to federal awards programs or state projects.

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MEMBERS

**AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**FLORIDA INSTITUTE OF
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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Honorable Mayor and City Commissioners
City of LaBelle, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LaBelle, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of LaBelle, Florida's basic financial statements and have issued our report thereon dated June 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of LaBelle, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of LaBelle, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of LaBelle, Florida's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control (Finding 2009-1) that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of LaBelle, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of LaBelle, Florida's Response to Finding

The City of LaBelle, Florida's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of LaBelle, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Boy, Miller, Kusker & Perry, P.A.

LaBelle, Florida
June 15, 2017

BOY, MILLER, KISKER & PERRY, P.A.

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

Honorable Mayor and City Commissioners
City of LaBelle, Florida

We have examined the City of LaBelle, Florida's compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2016, as required by Section 10.556(10)(a), Rules of the Auditor General of the State of Florida. Management is responsible for the City of LaBelle, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of LaBelle, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City of LaBelle, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of LaBelle, Florida's compliance with specified requirements.

In our opinion, the City of LaBelle, Florida, complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2016.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the City Commissioners and applicable management of the City of LaBelle, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Boy, Miller, Kisker & Perry, P.A.

LaBelle, Florida
June 15, 2017

BOY, MILLER, KISKER & PERRY, P.A.

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor and City Commissioners
City of LaBelle, Florida

Report on the Financial Statements

We have audited the financial statements of the City of LaBelle, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 15, 2017.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 15, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The only prior year finding and recommendation, as shown below, has been repeated in this annual financial audit report.

PRIOR YEAR FINDING AND RECOMMENDATION

See Finding 2009-1 which is described in the Schedule of Findings and Questioned Costs on page 96 and was included in the second preceding fiscal year financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Such disclosure is included in the notes to the financial statements.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City of LaBelle, Florida, has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of LaBelle, Florida, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of LaBelle, Florida's, financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of LaBelle, Florida, for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.29(3)(b), Florida Statutes. In connection with our audit, we determined there are no component units of the City of LaBelle, Florida, that are required to be reported in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

Purpose of this Letter

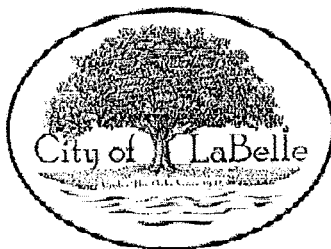
Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and State granting agencies, the City Commissioners and applicable management of the City of LaBelle, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Boy, Miller, Kisker & Perry, P.A.

LaBelle, Florida
June 15, 2017

Thomas A. Smith
Commissioner

Daniel W. Akin
Commissioner



David A. Lyons
Mayor

Julie C. Wilkins
Commissioner

Hilda L. Zimmerly
Commissioner

June 15, 2017
FD 2017-416

Ms. Sherrill F. Norman, CPA
Auditor General
State of Florida
111 W. Madison Street
Claude Denson Pepper Building
Tallahassee, FL 32399-1450

Re: City's response to auditors' findings in the Schedule of Findings and Responses for the Fiscal Year 2015-2016

Dear Ms. Norman:

The Rules of the Auditor General require the audit report to include a written statement of explanation, including corrective action to be taken, or a rebuttal regarding any deficiencies cited by the auditor in the annual financial report.

AUDITORS' FINDINGS REPORTED IN THE SCHEDULE OF FINDINGS AND RESPONSES

Prior Year Comment Which Continues to Apply

Finding 2009-1 - Internal Control Over Financial Reporting

The City has reviewed the requirements related to the Statements on Auditing Standards as they apply to financial reporting and determined currently it is not economically feasible to hire an individual to meet the Statements on Auditing Standards at this time. The City will continue to evaluate the cost versus benefits of meeting the standards of financial reporting as the City moves into the future.

Current Year Comments and Recommendations

None.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Zimmerly", is written over a horizontal line.

Ron Zimmerly
Finance Director