TOWN OF HAVERHILL
HAVERHILL, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015

TOWN OF HAVERHILL
HAVERHILL, FLORIDA

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INDEPENDENT AUDITOR'S REPORT

To the Council
Town of Haverhill
Haverhill, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Haverhill, Florida (the "Town") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 and the major fund of the Town as of September 30, 2015, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the accompanying financial statements, the Town adopted the recognition and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68, effective October 1, 2014. The net position balance of the governmental activities as of October 1, 2014 has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as shown 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated June 30, 2016, on our consideration of the Town's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

June 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Haverhill, Florida (the "Town") provides a narrative overview of the Town's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the Town's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the Town exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year resulting in a net position balance of $2,051,135.

- The change in the Town's total net position in comparison with the prior fiscal year was $62,322, an increase. The key components of the Town's net position and change in net position are reflected in the table in the government-wide financial analysis section.

- At September 30, 2015, the Town's governmental funds reported combined ending fund balances of $843,103, an increase of $134,574 in comparison with the prior fiscal year. A portion of total fund balance is assigned to subsequent year's expenditures and the remainder is unassigned fund balance which is available for spending at the Town's discretion.

- Implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 restated beginning net position by a decrease of ($114,921) as explained further in Note 2.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The statement of net position presents information on all the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by ad valorem taxes, non-ad valorem assessments, intergovernmental revenues, rental revenue and franchise fees. The Town does not have any business-type activities. The functions/programs are: general government, public safety, physical environment, transportation, and parks and recreation.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has one fund category, governmental funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one governmental fund for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is a major fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Town, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources at the close of the most recent fiscal year.

Key components of the Town's net position are reflected in the following table:

NET POSITION
SEPTEMBER 30,

	2015	2014
Current and other assets	$ 914,005	$ 790,680
Capital assets, net of depreciation	1,325,663	1,395,205
Total assets	2,239,668	2,185,885
Deferred outflows of resources	121,929	-
Current liabilities	70,902	82,151
Long-term liabilities	176,683	
Total liabilities	247,585	82,151
Deferred inflows of resources	62,877	-
Net position		
Investment in capital assets	1,325,663	1,395,205
Unrestricted	725,472	708,529
Total net position	$ 2,051,135	$ 2,103,734

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

A portion of the Town's net position reflects its investment in capital assets (e.g. land, land improvements, infrastructure and furniture and equipment). The amount is required to be reported less any related debt used to acquire those assets that is still outstanding. The Town has no debt outstanding related to the acquisition of its capital assets. Capital assets are used to provide services to residents; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net position may be used to meet the Town's other obligations.

The Town's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

Key elements of the change in net position are reflected in the following table:

CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,

	2015	2014
Revenues:		
Program revenues		
Charges for services	$ 397,772	$ 323,742
Capital grants and contributions	-	61,163
General revenues		
Taxes	644,649	588,004
Miscellaneous	34,467	13,931
Total revenues	1,076,888	986,840
Expenses:		
General government	408,433	349,530
Public safety	133,596	128,478
Physical environment	260,431	244,665
Transportation	191,828	177,876
Parks and recreation	20,278	20,936
Total expenses	1,014,566	921,485
Change in net position	62,322	65,355
Net position - as previously reported	2,103,734	2,038,379
Effect of adoption of GASB No. 68 (See Note 2)	(114,921)	-
Net position - beginning, restated	1,988,813	2,038,379
Net position - ending	$ 2,051,135	$ 2,103,734

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2015 was $1,014,566. The costs of the Town's activities were primarily funded by program revenues and general revenues. Program revenues are comprised primarily of non ad valorem assessments levied to fund solid waste costs and rental revenues from cell towers. General revenues are comprised primarily of property taxes, intergovernmental revenues, and franchise fees. The remainder of the current fiscal year revenue includes interest revenue, miscellaneous revenues, and a non-cash donation of cell tower assets. In total, expenses increased from the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the Town pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Town Council. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2015.

The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

CAPITAL ASSETS

At September 30, 2015, the Town had $3,325,365 invested in capital assets. This investment in capital assets includes land, buildings and improvements, improvements other than buildings, machinery and equipment and infrastructure. In the government-wide financial statements, depreciation of $1,999,702 has been taken resulting in a net book value of $1,325,663. More detailed information about the Town's capital assets is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's local economy is primarily based upon residential activity, while commercial retail and service activity combine for a small segment. The Town estimates a 100% occupancy rate among the business establishments. In November of 2015, the Town Council granted site plan approval for the Haverhill Pointe subdivision. The builder, DR Horton plans to build 24 single family homes on the 4.76-acre parcel of land located on the east side of Haverhill Road formally owned by the Haverhill Baptist Church. This will be the third DR Horton subdivision in the Town, with Sunset Isles (14 homes) having been completed in 2014 and Emerald Cove (22 homes) almost completed in 2015.

TOWN WIDE GOALS AND OBJECTIVES

- There has been a noticeable upswing in development projects and growth throughout Palm Beach County. Although the Town Council had been successful in having the six-laning of Belvedere Road removed from both the feasibility and needs study of Palm Beach County's 2040 Traffic Improvement Plan, the Town continues to monitor Palm Beach County's proposed comprehensive plan amendments and zoning applications for projects that may increase traffic on Belvedere Road and stands ready to object to any project or plan that could result in widening of Belvedere and/or Haverhill Roads.

- FEMA (Federal Emergency Management Agency) presented all Palm Beach County municipalities participating in the National Flood Insurance Program (NFIP) with revised Flood Insurance Rate Maps (FIRM). The information provided to a majority of Palm Beach County municipalities, including the Town of Haverhill, by FEMA was inaccurate and deficient and prompted the Town of Haverhill to undergo several studies to correct the flood hazard data being used for Haverhill. The Town has since entered into an Interlocal Agreement with Palm Beach County and will obtain LIDAR data that will correct the information and accurately depict the Town's Flood Insurance Rate Maps.

- The Town of Haverhill has almost completed drainage improvement projects for the Woodland Avenue neighborhood. The first phase of the continued roadway improvement plans for Park and Cyprus Lanes had been completed, however, the project continues with the Town's ultimate goal to bring the drainage system up to minimum standards. Due to the Town's aging infrastructure, consideration will need to be given to funding necessary repairs and replacement of the Town's existing swales and drainage systems.

- The Town Council continues to sponsor an Annual Picnic, neighborhood yard sales and our Halloween Event for the residents in an effort to promote Haverhill's Hometown Atmosphere. The annual picnic includes a classic car show with prizes awarded. The Town of Haverhill will continue to keep its residents informed through newsletters and its user friendly website.

- After several years of outsourcing Building Official Services, the Town has hired an in house Building Official.

- The Town Council will continue to fund police coverage through the Palm Beach County Sheriff's office so that our streets and neighborhoods remain safe from crime. The Palm Beach County Sheriff's presence throughout the Town is a known deterrent for criminals.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Haverhill's finances for all of those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town Administrator at the Town of Haverhill, 4585 Charlotte Street, Haverhill, FL 33417.

TOWN OF HAVERHILL, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 442,022
Investments	433,213
Accounts receivable	38,770
Capital assets:	
Non-depreciable	15,224
Depreciable, net	1,310,439
Total assets	2,239,668
DEFERRED OUTFLOWS OF RESOURCES	
Pension	121,929
LIABILITIES	
Accounts payable and accrued expenses	49,282
Due to other governmental units	4,971
Unearned revenues	16,649
Non-current liabilities:	
Net pension liability	176,683
Total liabilities	247,585
DEFERRED INFLOWS OF RESOURCES	
Pension	62,877
NET POSITION	
Investment in capital assets	1,325,663
Unrestricted	725,472
Total net position	$ 2,051,135

See notes to the financial statements

TOWN OF HAVERHILL, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
General government	$ 408,433	$ -	$ -	$ (408,433)
Public safety	133,596	28,497	-	(105,099)
Physical environment	260,431	369,275	-	108,844
Transportation	191,828	-	-	(191,828)
Parks and recreation	20,278	-	-	(20,278)
Total governmental activities	1,014,566	397,772	-	(616,794)

General revenues:	
Ad valorem taxes	278,632
Intergovernmental revenues, not restricted for specific programs	282,705
Unrestricted intergovernmental shared tax	83,312
Unrestricted investment earnings	11,549
Miscellaneous	22,918
Total general revenues	679,116
Change in net position	62,322
Net position - as previously reported	2,103,734
Effect of adoption of GASB No. 68 (See Note 2)	(114,921)
Net position - beginning	1,988,813
Net position - ending	$ 2,051,135

See notes to the financial statements

TOWN OF HAVERHILL, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2015

	Major Fund General Fund	Total Governmental Fund
ASSETS		
Cash and cash equivalents	$ 442,022	$ 442,022
Investments	433,213	433,213
Accounts receivable	38,770	38,770
Total assets	$ 914,005	$ 914,005
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	$ 49,282	$ 49,282
Due to other governmental units	4,971	4,971
Unearned revenue	16,649	16,649
Total liabilities	70,902	70,902
Fund balance:		
Assigned to:		
Subsequent year's expenditure	164,228	164,228
Unassigned	678,875	678,875
Total fund balance	843,103	843,103
Total liabilities and fund balance	$ 914,005	$ 914,005

See notes to the financial statements

TOWN OF HAVERHILL, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Fund balance - governmental fund		$ 843,103
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 as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.		
Cost of capital assets	3,325,365	
Accumulated depreciation	(1,999,702)	1,325,663
Deferred outflows of resources related to pensions are recorded in the statement of net position.		121,929
Deferred outflows of resources related to pensions are recorded in the statement of net position.		(62,877)
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term are reported in the government-wide fiancial statements.		
Net pension liability		(176,683)
Net position of governmental activities		$ 2,051,135

See notes to the financial statements

TOWN OF HAVERHILL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Major Fund
	General Fund
REVENUES	
Ad valorem taxes	$ 278,632
Non ad valorem assessments	138,871
Intergovernmental revenue	282,705
Rental revenue	121,395
Franchise fees	83,312
Licenses and permits	109,009
Fines and forfeitures	28,497
Miscellaneous	22,918
Investments income	11,549
Total revenues	1,076,888
EXPENDITURES	
Current:	
General government	398,056
Public safety	133,596
Physical environment	260,431
Transportation	102,612
Parks and recreation	14,987
Capital outlay	32,632
Total expenditures	942,314
Excess (deficiency) of revenues over (under) expenditures	134,574
Fund balance - beginning	708,529
Fund balance - ending	$ 843,103

See notes to the financial statements

TOWN OF HAVERHILL, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balance - total governmental funds	$ 134,574
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.	32,632
Changes to the net pension liability and deferred outflows and inflows of resources related to pensions are recorded as adjustments to expenses in the statement of activities.	(2,710)
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(102,174)
Change in net position of governmental activities	$ 62,322

See notes to the financial statements

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

The Town of Haverhill, Florida (the "Town"), was incorporated May 11, 1950, and organized pursuant to the Laws of Florida, Chapter 59-1330, House Bill 1753. The Town is governed by a five member Council, elected at large for two year staggered terms. A Mayor and Vice Mayor are elected annually from among the sitting Council Members. The Town Administrator serves as the Chief Administrative Officer of the Town. The Town provides the following services to its residents: public safety, sanitation, streets, and general administrative services. The Town Council is responsible for legislative and fiscal control of the Town.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the Town Council is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that, if excluded, the financial statements of the Town would be considered incomplete or misleading. There are no entities considered to be component units of the Town; therefore, the financial statements include only the operations of the Town.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; operating-type special assessments for maintenance and debt service are treated as charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Assessments
Assessments are non-ad valorem assessments levied each November 1 on property of record as of the previous January. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through November 30 and become delinquent on April 1. The assessments are billed and collected by the County Tax Assessor/Collector on behalf of the Town. The amounts remitted to the Town are net of applicable discounts or fees.

Property Taxes
Property taxes are ad valorem and levied each November 1 on property as of the previous January 1. The fiscal year for which annual assessments are levied begins on October 1 with a maximum discount available for payments through November 30 and become delinquent on April 1. The taxes are billed and collected by the County Tax Assessor/Collector on behalf of the Town. The amounts remitted to the Town are net of applicable discounts or fees.

Assessments, property taxes, franchise fees, licenses and permits, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized in revenues of the current fiscal period. The portion of receivables due within the current fiscal period is considered to be susceptible to accrual as revenue for the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental fund:

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

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

Assets, Liabilities and Net Position or Equity

Deposits and Investments
The Town considers cash on hand, demand deposits, and all other short-term investments that are highly liquid as cash equivalents. Highly liquid short-term investments are those readily convertible to a known amount of cash, and at the day of purchase, have a maturity date no longer than three months. In addition, nonnegotiable certificates of deposits held by the Town are considered cash deposits.

The Town has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The Town may invest any surplus public funds in the following:

a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
c) Interest bearing time deposits or savings accounts in qualified public depositories;
d) Direct obligations of the U.S. Treasury.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deposits and Investments (Continued)
The State Board of Administration's Local Government Surplus Funds Trust Fund (Florida PRIME) is a"2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. Rule 2a-7 is the rule that allows money market funds to use amortized cost to maintain a constant NAV of $1.00 per share, provided that such funds meet certain conditions. The Town has reported its investment in Florida PRIME at the same value as the pooled shares allocated to the Town.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured.

The Town records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Receivables
The Town's policy is to report accounts and property tax receivable net of an allowance for uncollectible balances. All of the Town's receivables are considered collectible at September 30, 2015; therefore, no allowance has been estimated.

Prepaid Items
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets
Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	10-50
Improvements other than buildings	20-40
Machinery and equipment	5-10
Infrastructure	25-50

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Unearned Revenue
Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Deferred Outflows/Inflows of Resources
Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the Town would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the Town reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

Fund Equity/Net Position
In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Town Council. Commitments may be changed or lifted only by the Town Council taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts, established by the Towns' Council, that are intended to be used for specific purposes that are neither considered restricted nor committed. The Council may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The Town first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the Town's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Other Disclosures

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 amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Disclosures (Continued)

New Accounting Standards Adopted
During fiscal year 2015, the Town adopted three new accounting standards as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*

The primary objective of this Statement is to improve accounting and 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 interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans.

This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*

The objective of this Statement is to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations by providing guidance specific to the situations and circumstances encountered within the governmental environment.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The implementation of GASB 68 had the following effect on beginning net position in fiscal year 2015:

	Governmental Activities
Net position, previously reported	$ 2,103,734
Adjustment for FRS	(47,145)
Adjustment for HIS	(67,776)
Total pension related adjustment	(114,921)
Net Position, restated	$ 1,988,813

NOTE 3 – BUDGETARY INFORMATION

The Town is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all annual appropriations lapse at fiscal year end.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

a) Each year the Town Administrator submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1.
b) Public hearings are conducted to obtain taxpayer comments.
c) Prior to October 1, the budget is legally adopted by the Town Council.
d) All budget changes must be approved by the Town Council.
e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – PROPERTY TAXES

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January I of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment rolls meet all of the appropriate requirements of State law.

The tax levy of the Town is established by the Council prior to October 1 of each year during the budget process and levied on November 1. The Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, County School Board, and special Town tax requirements. The millage rate assessed by the Town for the fiscal year ended September 30, 2015, was 4.5000 ($4.5000 for each $1,000 of assessed valuation).

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year. On or prior to June I following the tax year, certificates are offered for sale for all delinquent taxes on real property. After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by Palm Beach County.

NOTE 5 – DEPOSITS AND INVESTMENTS

Deposits

The Town's cash balances, including certificates of deposit as shown below, were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The Town's investments were held as follows at September 30, 2015:

	Fair Value	Credit Risk	Maturities
Bank United certificate of deposit - 18 months	$ 102,505	N/A	5/25/2018
Bank United certificate of deposit - 36 months	310,703	N/A	11/25/2016
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	20,005	S&P AAAm	Weighted average of the fund portfolio: 29 days
	$ 433,213		

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The Town places no limit on the amount the Town may invest in any one issuer.

Interest rate risk – The Town does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

NOTE 6 – RECEIVABLES

Receivables at September 30, 2015 for the Town are as follows:

Franchise fees & others	$ 38,770
Total	$ 38,770

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	$ 15,224	$ -	$ -	$ 15,224
Total capital assets, not being depreciated	15,224	-	-	15,224
Capital assets, being depreciated				
Buildings and improvements	217,294	10,832	-	228,126
Improvements other than buildings	661,272	19,800	-	681,072
Machinery and equipment	233,985	2,000	-	235,985
Infrastructure	2,164,958		-	2,164,958
Total capital assets, being depreciated	3,277,509	32,632	-	3,310,141
Less accumulated depreciation for:				
Buildings and improvements	97,382	8,632	-	106,014
Improvements other than buildings	325,595	21,064	-	346,659
Machinery and equipment	147,006	17,437	-	164,443
Infrastructure	1,327,545	55,041	-	1,382,586
Total accumulated depreciation	1,897,528	102,174	-	1,999,702
Total capital assets, being depreciated, net	1,379,981	(69,542)	-	1,310,439
Governmental activities capital assets, net	$ 1,395,205	$ (69,542)	$ -	$ 1,325,663

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to function/programs as follows:

General government	$	7,667
Transportation		89,216
Parks and recreation		5,291
Total	$	102,174

NOTE 8 – INTERGOVERNMENTAL REVENUE

Intergovernmental revenues for the fiscal year ended September 30, 2015 are comprised of the following:

Communications services tax	$	25,435
First local option fuel tax		28,319
Second local option fuel tax		13,353
State revenue sharing		65,206
Half cent sales tax		150,392
Total	$	282,705

NOTE 9 – OPERATING LEASES

The Town owns a parcel of land, which it has leased to various cell phone providers in connection with the provision for wireless communications services. During the fiscal year ended September 30, 2015, there were five lease agreements in effect; two of which require a five year commitment with 3 consecutive 5 year renewal options. The remaining 3 agreements have annual commitments only. In the current fiscal year, two of the cell phone providers did not renew their annual lease when expired. For the fiscal year ended September 30, 2015 the Town received rental income of approximately $120,300. In addition, one provider pays its rent in advance; therefore, advanced rent totaling $10,950 has been recorded as unearned revenue at September 30, 2015.

Future minimum rentals on non-cancellable leases in the aggregate for the next five fiscal years and thereafter are as follows:

2016	$	62,131
2017		51,181
2018		51,181
2019		33,079
2020		4,563
	$	202,135

NOTE 10 – FLORIDA RETIREMENT SYSTEM

General Information about FRS

Effective October 1, 2004, the Town is contributing to the Florida Retirement System (FRS). The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

NOTE 10 – FLORIDA RETIREMENT SYSTEM (Continued)

General Information about FRS (Continued)

All regular employees of the Town are eligible to enroll as members of the FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The Town's pension expense totaled $50,486 for the fiscal year ended September 30, 2015.

FRS Pension Plan

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

- Regular Class – Member of the FRS who do not qualify for membership in another class.
- Senior Management Service Class – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

NOTE 10 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

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

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 66 or with 33 years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 30 years of service	1.60
Retirement at age 66 or with 31 years of service	1.63
Retirement at age 67 or with 32 years of service	1.65
Retirement at age 68 or with 33 years of service	1.68
Senior Management Service Class	2.00

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

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015 fiscal year were as follows:

	Percent of Gross Salary October 1, 2014 to June 30, 2015		Percent of Gross Salary July 1, 2015 to September 30, 2015	
Class	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.00	7.37	3.00	7.26
FRS, Senior Management Service Class	3.00	21.14	3.00	21.43
DROP, Applicable to all members in the above classes	0.00	12.28	0.00	12.88

(1) Employer rates include a postemployment HIS contribution rate of 1.26% through June 30, 2015 and 1.66% from July 1 to September 30, 2015. Also, employer rates include .04% for administrative costs of the Investment plan.

The Town's contributions to the Plan totaled $19,201 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the Town reported a liability of $98,007 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Town's proportionate share of the net pension liability was based on the Town's contributions for the year ended June 30, 2015 relative to the contributions made during the year ended June 30, 2014 of all participating members. At June 30, 2015, the Town's proportionate share was .0008%, which was an increase of .0001% from its proportionate share measured as of June 30, 2014.

NOTE 10 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

For the fiscal year ended September 30, 2015 the Town recognized pension expense of $19,317 related to the Pension Plan. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,347	$ (2,324)
Change of assumptions	6,505	-
Net difference between projected and actual earnings on FRS pension plan investments	34,521	(57,923)
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	54,708	-
Town FRS contributions subsequent to the measurement date	4,914	-
Total	$ 110,995	$ (60,247)

The deferred outflows of resources related to pensions, totaling $4,914, resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	Amount
2016	$ 4,557
2017	4,557
2018	4,557
2019	23,865
2020	7,178
Thereafter	1,120
Total	$ 45,834

Actuarial Assumptions – The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA. The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

NOTE 10 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Arithmetic Return	Geometric Return	Standard Deviation
Cash	1.0%	3.2%	3.1%	1.7%
Fixed income	18.0%	4.8%	4.7%	4.7%
Global equity	53.0%	8.5%	7.2%	17.7%
Real estate (property)	10.0%	6.8%	3.2%	12.0%
Private equity	6.0%	11.9%	8.2%	30.0%
Strategic investments	12.0%	6.7%	6.1%	11.4%
Total	**100.0%**			
Assumed inflation - mean		2.6%		1.9%

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

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

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.65%	7.65%	8.65%
Net Pension Liability	$ 253,959	$ 98,007	$ (31,770)

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

HIS Pension Plan

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

Benefits Provided – For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

NOTE 10 – FLORIDA RETIREMENT SYSTEM (Continued)

HIS Pension Plan (Continued)

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the contribution rate was 1.26% of payroll from October 1, 2014 through June 30, 2015 and 1.66% of payroll for July 1, 2015 through September 30, 2015 pursuant to section 112.363, Florida Statues. The Town contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Town's contributions to the HIS Plan totaled $3,345 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the Town reported a net pension liability of $78,675 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Town's proportionate share of the net pension liability was based on the year ended June 30, 2015 contributions relative to the year ended June 30, 2014 contributions of all participating members. At June 30, 2015, the Town's proportionate share was .0008%, which was an increase of .0001% from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the Town recognized pension expense of $5,939 related to the HIS Plan. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Change of assumptions	6,190	-
Net difference between projected and actual earnings on FRS pension plan investments	43	-
Changes in proportion and differences between Town HIS contributions and proportionate share of HIS contributions	3,621	(2,630)
Town HIS contributions subsequent to measurement date	1,080	-
Total	$ 10,934	$ (2,630)

The deferred outflows of resources related to pensions, totaling $1,081, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	Amount
2016	$ 1,156
2017	1,156
2018	1,156
2019	1,147
2020	1,143
Thereafter	1,466
Total	$ 7,224

NOTE 10 – FLORIDA RETIREMENT SYSTEM (Continued)

HIS Pension Plan (Continued)

Actuarial Assumptions – The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25% average, including inflation
Investment rate of return	3.80 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009, through June 30, 2014.

Discount Rate – The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.80%) or 1- percentage-point higher (4.80%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	2.80%	3.80%	4.80%
Net Pension Liability	$ 89,647	$ 78,675	$ 69,527

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

FRS – Defined Contribution Pension Plan

The Town contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Local Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

NOTE 10 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS – Defined Contribution Pension Plan (Continued)

Allocations to the investment member's accounts during the 2015 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30%
FRS, Special Risk	14.00%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Town's Investment Plan pension expense totaled $25,230 for the fiscal year ended September 30, 2015.

NOTE 11 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. The Town is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of $100,000/$200,000 for all claims relating to the same accident. There have been no claims from these risks that exceeded commercial insurance coverage over the past three years

TOWN OF HAVERHILL, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Ad valorem taxes	$ 270,678	$ 278,632	$ 7,954
Non ad valorem assessments	144,846	138,871	(5,975)
Franchise fees	71,000	83,312	12,312
Licenses and permits	47,850	109,009	61,159
Intergovernmental revenue	279,805	282,705	2,900
Fines and forfeitures	19,000	28,497	9,497
Investments income	800	11,549	10,749
Rental revenue	100,000	121,395	21,395
Miscellaneous	5,050	22,918	17,868
Total revenues	939,029	1,076,888	137,859
EXPENDITURES			
Current:			
General government	415,700	398,056	17,644
Public safety	135,000	133,596	1,404
Physical environment	138,260	161,031	(22,771)
Transportation	300,550	102,612	197,938
Parks and recreation	15,700	14,987	713
Solid waste	144,846	99,400	45,446
Capital outlay	-	32,632	(32,632)
Total expenditures	1,150,056	942,314	207,742
Excess (deficiency) of revenues over (under) expenditures	(211,027)	134,574	345,601
OTHER FINANCING SOURCES (USES)			
Use of fund balance	211,027	-	(211,027)
Total other financing sources (uses)	211,027	-	(211,027)
Net change in fund balance	$ -	134,574	$ 134,574
Fund balance - beginning		708,529	
Fund balance - ending		$ 843,103	

See notes to required supplementary information

TOWN OF HAVERHILL, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The Town is required to establish a budgetary system and an approved Annual Budget for the general fund. The Town's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Council. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Town Council. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2015.

The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

TOWN OF HAVERHILL, FLORIDA
FLORIDA RETIREMENT SYSTEM PENSION LIABILITY AND CONTRIBUTION SCHEDULES
SEPTEMBER 30, 2015

Schedule of Town's Proprotionate Share of Net Pension Liability
Florida Retirement System Pension Plan
Last 10 Years (Measurement Date)

	2015	2014
Town's proportion of the FRS net pension liability	0.014781336%	0.014314377%
Town's proportionate share of the FRS net pension liability	98,007	41,929
Town's covered employee payroll	42,658	72,040
Liability as a percentage of its covered employee payroll		
FRS plan fiducuary net position as a percentage of the total pension liability	92.00%	96.09%

Schedule of Town's Proprotionate Share of Net Pension Liability
Health Insurance Subsidy Pension Plan
Last 10 Years (Measurement Date)

	2015	2014
Town's proportion of the HIS net pension liability	0.009320335%	0.009381402%
Town's proportionate share of the HIS net pension liability	78,675	67,770
Town's covered employee payroll	42,658	72,040
Liability as a percentage of its covered employee payroll		
HIS plan fiducuary net position as a percentage of the total pension liability	0.50%	0.99%

TOWN OF HAVERHILL, FLORIDA
FLORIDA RETIREMENT SYSTEM PENSION LIABILITY AND CONTRIBUTION SCHEDULES
SEPTEMBER 30, 2015

Schedule of Town Contributions
Florida Retirement System Pension Plan
Last 10 Fiscal Years (1)

	2015
Contractually required FRS contribution	$ 19,201
FRS contributions in relation to the contractually required contribution	(19,201)
FRS contribution deficiency (excess)	-
Town's covered employee payroll	44,797
FRS contributions as a percentage of covered employee payroll	42.86%

Schedule of Town Contributions
Health Insurance Subsidy Pension Plan
Last 10 Fiscal Years (1)

	2015
Contractually required HIS contribution	$ 3,345
HIS contributions in relation to the contractually required contribution	(3,345)
HIS contribution deficiency (excess)	-
Town's covered employee payroll	44,797
HIS contributions as a percentage of covered employee payroll	7.47%

(1) Information is not available for periods prior to 2015.

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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*

To the Council
Town of Haverhill, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Town of Haverhill, Florida (the "Town") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our opinion thereon dated June 30, 2016, which includes an emphasis of a matter paragraph.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

June 30, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Council
Town of Haverhill, Florida

We have examined the Town of Haverhill, Florida's ("Town") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2015. Management is responsible for Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

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

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2015.

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

Grau & Associates

June 30, 2016

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MANAGEMENT LETTER PURSUANT TO THE RULES OF THE AUDITOR GENERAL FOR THE STATE OF FLORIDA

To the Town Council
Town of Haverhill, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Town of Haverhill, Florida (the "Town") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 30, 2016, which includes an emphasis of a matter paragraph.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards;* and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 30, 2016, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the Town, as described in the first paragraph, we report the following:

I. Current year findings and recommendations.
II. Status of prior year findings and recommendations.
III. Compliance with the Provisions of the Auditor General of the State of Florida.

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

We wish to thank The Town of Haverhill, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

Grau & Associates

June 30, 2016

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

   There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2014.

2. Any recommendations to improve the local governmental entity's financial management.

   There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2015.

3. 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.

   There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2015.

4. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2015 financial audit report.

6. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted. It is management's responsibility to monitor 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.