

## **TOWN OF LAKE CLARKE SHORES, FLORIDA**



### **FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON**

**FISCAL YEAR ENDED SEPTEMBER 30, 2013**

TOWN OF LAKE CLARKE SHORES, FLORIDA  
 SEPTEMBER 30, 2013

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# NOWLEN, HOLT & MINER, P.A.

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Council  
Town of Manalapan, Florida

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### 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 Town of Manalapan, Florida, as of and for the year ended September 30, 2013, 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.

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 Town of Lake Clarke Shores, Florida as of September 30, 2013, 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 through 11, the budgetary comparison data on pages 49 and 50, and the Schedule of Funding Progress - Other Postemployment Benefits on page 51 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 Town of Lake Clarke Shores, Florida's basic financial statements. The Schedule of Departmental Expenditures – Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Departmental Expenditures – Budget and Actual is the responsibility of management and was derived from and relates 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 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 Departmental Expenditures – Budget and Actual is 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 24, 2014, on our consideration of the Town of Lake Clarke Shores, Florida'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 of Lake Clarke Shores, Florida's internal control over financial reporting and compliance.

*Nowlen, Holt & Miner, P.A.*

West Palm Beach, Florida  
June 24, 2014

## Management’s Discussion and Analysis

The Town of Lake Clarke Shores (the “Town”) discussion and analysis is designed to:

- A. Assist the reader in focusing on significant financial issues
- B. Provide an overview of the Town’s financial activity
- C. Identify changes in the Town’s financial position
- D. Identify any material deviations from the financial plan (approved budget)
- E. Identify individual fund issues or concerns

Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current year’s activities, resulting changes and currently known facts, please read it in conjunction with the Town’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- Ø The assets of the Town of Lake Clarke Shores exceeded its liabilities at the close of the most recent fiscal year by \$14,043,751 (net position). Of this amount, \$2,804,333 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- Ø The government activities revenues were \$2,211,659 at the close of fiscal year 2013.
- Ø The business-type activities revenues were \$2,850,794 at the close of fiscal year 2013.
- Ø The total cost of all Town programs was \$5,293,847 during the fiscal year 2013.
- Ø At the end of the 2013 fiscal year, unassigned fund balance for the general fund was \$744,742 or 28% of total general fund expenditures.

### USING THIS REPORT

In light of the fact that this is a very different presentation from the pre-GASB 34 Statements, the following graphic is provided for your review.

MD&A	Management’s Discussion & Analysis (Required Supplemental Information)				
BASIC FINANCIAL STATEMENTS	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; text-align: center;">Government-Wide Financial Statements (pages 12-14)</td> <td style="width: 50%; text-align: center;">Fund Financial Statements (Pages 15-21)</td> </tr> <tr> <td colspan="2" style="text-align: center;">Notes to the Financial Statements (Pages 22-48)</td> </tr> </table>	Government-Wide Financial Statements (pages 12-14)	Fund Financial Statements (Pages 15-21)	Notes to the Financial Statements (Pages 22-48)	
Government-Wide Financial Statements (pages 12-14)	Fund Financial Statements (Pages 15-21)				
Notes to the Financial Statements (Pages 22-48)					
REQUIRED SUPPLEMENTAL INFORMATION	Required Supplementary Information (Other than MD&A) (Pages 49-51)				

## Management's Discussion and Analysis

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

### Government-Wide Financial Statements

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

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

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

- Ø Governmental activities – Most of the Town's basic services are reported here, including the police, public services and general administration. Property taxes, franchise fees and state shared revenue finance most of these activities.
- Ø Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides.

### Fund Financial Statements

Our analysis of the Town's major funds begins on page 15. The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for a particular purpose.

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

## Management's Discussion and Analysis

Ø Proprietary Funds – Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long and short-term financial information.

§ The Town's enterprise fund (one type of proprietary fund) is the same as its business type activities, but provides more detail and additional information, such as cash flows.

### FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

#### Net Position

The Town's combined net position for the fiscal year ending 2013 is reported at \$14,043,751. Net position of the Town's governmental activities for the fiscal year ending 2013 is \$6,851,196. The net position of our business-type activities is reported at \$7,192,555 for the fiscal year ending 2013. Overall the financial position of the total primary government is less than the prior year, with a decrease of \$338,141 in net position for the governmental activities and an increase of \$106,747 in net position for the business-type activities.

#### Town of Lake Clarke Shores Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Current and Other Assets	\$1,105,320	\$ 870,525	\$4,095,723	\$3,891,308	\$ 5,201,043	\$ 4,761,833
Capital Assets, Net	6,891,263	6,708,456	6,099,047	6,023,367	12,990,310	12,731,823
<b>TOTAL ASSETS</b>	<b><u>7,996,583</u></b>	<b><u>7,578,981</u></b>	<b><u>10,194,770</u></b>	<b><u>9,914,675</u></b>	<b><u>18,191,353</u></b>	<b><u>17,493,656</u></b>
Current and Other Liabilities	132,310	116,991	474,463	504,800	606,773	621,791
Long Term Liabilities Outstanding	674,936	610,794	2,634,499	2,217,320	3,309,435	2,828,114
<b>TOTAL LIABILITIES</b>	<b><u>807,246</u></b>	<b><u>727,785</u></b>	<b><u>3,108,962</u></b>	<b><u>2,722,120</u></b>	<b><u>3,916,208</u></b>	<b><u>3,449,905</u></b>
Net Investment in Capital Assets	6,308,566	6,198,938	3,483,618	3,825,540	9,792,184	10,024,478
Restricted	25,241	25,433	1,051,636	1,189,507	1,076,877	1,214,940
Unrestricted	855,530	626,825	2,550,554	2,177,508	3,406,084	2,804,333
<b>TOTAL NET POSITION</b>	<b><u>\$7,189,337</u></b>	<b><u>\$6,851,196</u></b>	<b><u>\$7,085,808</u></b>	<b><u>\$7,192,555</u></b>	<b><u>\$14,275,145</u></b>	<b><u>\$14,043,751</u></b>

## Management's Discussion and Analysis

### Changes in Net Position

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

- Ø The decrease in net position for governmental activities totaled \$338,141.
- Ø The business-type net position increased by \$106,747 during fiscal year 2013 due to an decrease in operating expenses.

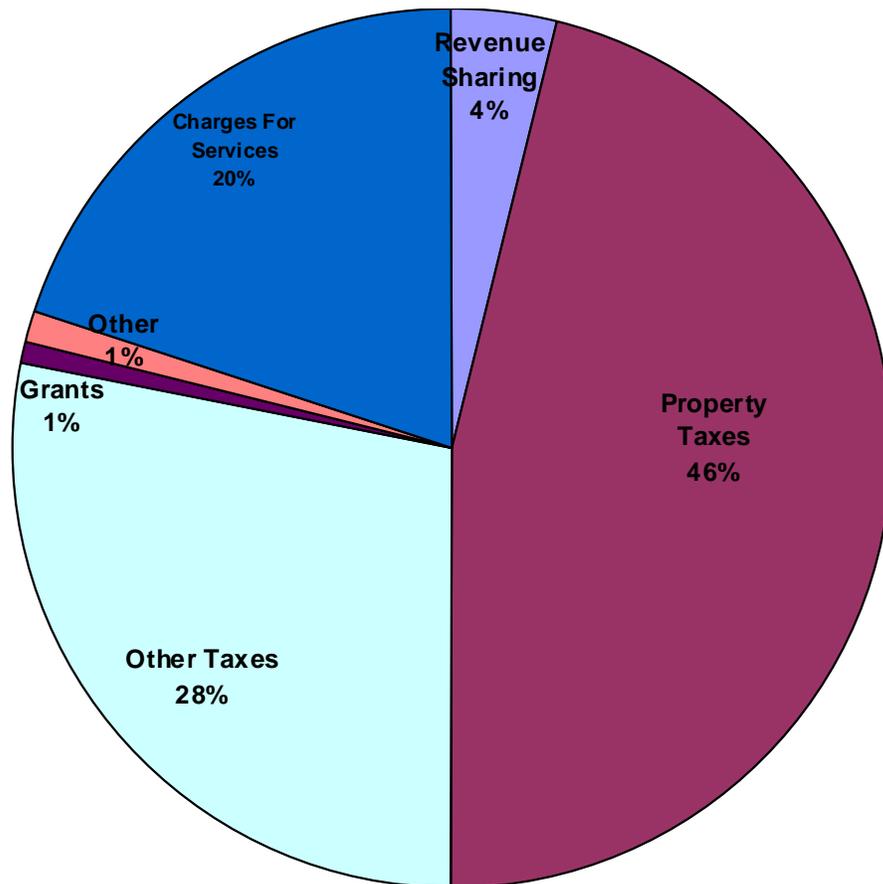
#### Town of Lake Clarke Shores Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
<u>Revenues:</u>						
<i>Program Revenues:</i>						
Charges for services	\$ 323,956	\$ 303,295	\$2,803,980	\$2,756,889	\$3,127,936	\$3,060,184
Operating grants	13,966	20,266		38,456	13,966	58,722
Capital grants						
Culture and recreation	1,000	6,641			1,000	6,641
<i>General Revenues:</i>						
Taxes	1,780,643	1,761,489			1,780,643	1,761,489
State revenue sharing	96,285	100,685			96,285	100,685
Other	<u>45,980</u>	<u>19,283</u>	<u>71,890</u>	<u>55,449</u>	<u>117,870</u>	<u>74,732</u>
Total Revenues	<u>2,261,830</u>	<u>2,211,659</u>	<u>2,875,870</u>	<u>2,850,794</u>	<u>5,137,700</u>	<u>5,062,453</u>
<u>Expenses:</u>						
<i>Governmental Activities:</i>						
General government	564,108	568,649			564,108	568,649
Public safety	1,447,416	1,455,528			1,447,416	1,455,528
Culture and recreation	94,792	98,629			94,792	98,629
Highways and streets	254,082	236,446			254,082	236,446
Physical environment	344,552	359,594			344,552	359,594
Interest on long-term debt	23,810	20,954			23,810	20,954
<i>Business-Type Activities:</i>						
Purchased utilities			1,292,335	1,296,144	1,292,335	1,296,144
Personal and contractual services			652,407	666,305	652,407	666,305
Repair and maintenance			104,376	72,149	104,376	72,149
Utilities and supplies			58,633	67,310	58,633	67,310
Intragovernmental expense			35,000	35,000	35,000	35,000
Other charges			118,132	96,711	118,132	96,711
Interest and fiscal charges			131,310	112,861	131,310	112,861
Depreciation and amortization			<u>200,837</u>	<u>207,567</u>	<u>200,837</u>	<u>207,567</u>
Total Expenses	<u>2,728,760</u>	<u>2,739,800</u>	<u>2,593,030</u>	<u>2,554,047</u>	<u>5,321,790</u>	<u>5,293,847</u>
Excess (deficiency) Before Transfers	<u>(466,930)</u>	<u>(528,141)</u>	<u>282,840</u>	<u>296,747</u>	<u>(184,090)</u>	<u>(231,394)</u>
Transfers	<u>190,000</u>	<u>190,000</u>	<u>(190,000)</u>	<u>(190,000)</u>		
Change in Net Position	<u>(276,930)</u>	<u>(338,141)</u>	<u>92,840</u>	<u>106,747</u>	<u>(184,090)</u>	<u>(231,394)</u>
Net Position – Beginning	<u>7,466,267</u>	<u>7,189,337</u>	<u>6,992,968</u>	<u>7,085,808</u>	<u>14,459,235</u>	<u>14,275,145</u>
Net Position – Ending	<u>\$7,189,337</u>	<u>\$6,851,196</u>	<u>\$7,085,808</u>	<u>\$7,192,555</u>	<u>\$14,275,145</u>	<u>\$14,043,751</u>

## Management's Discussion and Analysis

### Governmental Activities – Revenues by Source

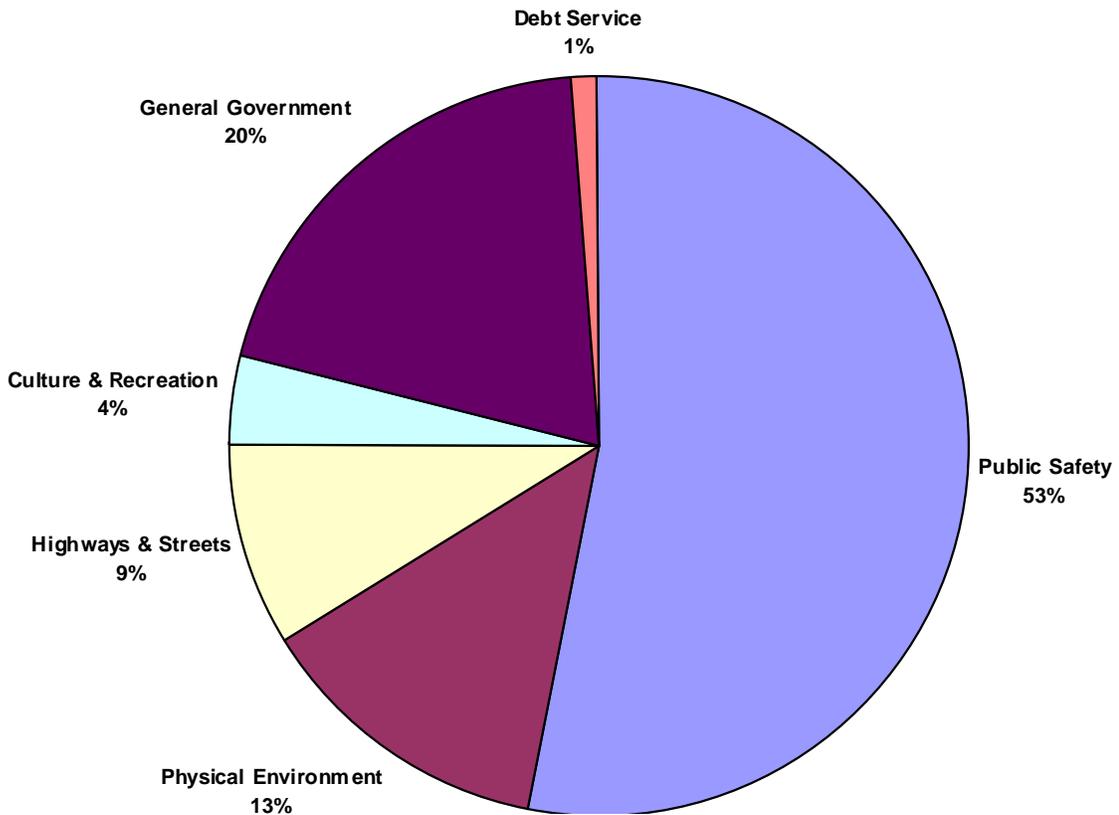
Approximately 74% of the Town's governmental revenue comes from taxes such as property, franchise and sales use. Property taxes alone account for nearly 63% of the various types of taxes and 46% of all revenues. (Please see chart below.)



# Management's Discussion and Analysis

## Governmental Activities – Expenses

The Town's governmental expenses cover a range of services, with 53% relating to public safety. The Town completed construction of a new municipal complex that included a Town Hall and Police Station in 2009 creating a debt service expense of 1% total governmental expenses. (Please see chart below.)



## Financial Analysis of the Governmental Fund on the Fund Basis

As the Town of Lake Clarke Shores completed the year, the general fund reported an unassigned fund balance of \$744,742 a decrease of \$222,086 from the previous fiscal year.

## Management's Discussion and Analysis

### Financial Analysis of the Proprietary Fund

Unrestricted net position of the water fund at the end of the fiscal year 2013 was \$2,177,508. This represents a decrease of \$373,046. The total net position of the water fund was \$7,192,555 at the end of fiscal year 2013, an increase of \$106,747 from the prior year.

### General Fund Budgetary Highlights

The actual expenditures were \$103,062 less than the budget amounts. Revenues were \$18,972 more than the budget amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2013 the Town had invested \$12,731,823 including intangible assets, in a broad range of capital assets including police equipment, buildings, infrastructure and water improvements. Additional information can be found in Note 6 to the financial statements.

#### Town of Lake Clarke Shores Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Land	\$ 517,753	\$ 517,753	\$ 88,760	\$ 88,760	\$ 606,513	\$ 606,513
Buildings	2,877,751	2,813,650			2,877,751	2,813,650
Improvements other than buildings	1,500,174	1,524,675	3,986,675	3,908,415	5,486,849	5,433,090
Infrastructure	1,784,384	1,622,168			1,784,384	1,622,168
Equipment	211,201	230,210	49,152	45,973	260,353	276,183
Construction in progress			37,956	47,803	37,956	47,803
Intangible assets			<u>1,936,504</u>	<u>1,932,416</u>	<u>1,936,504</u>	<u>1,932,416</u>
<b>TOTALS</b>	<u>\$6,891,263</u>	<u>\$6,708,456</u>	<u>\$6,099,047</u>	<u>\$6,023,367</u>	<u>\$12,990,310</u>	<u>\$12,731,823</u>

## Management's Discussion and Analysis

### Debt

As of September 30, 2013, the Town had \$658,345 in a Promissory Note Series 2004, \$1,582,848 in a Promissory Note Series 2005, \$509,518 in a Promissory Note Series 2007 and \$88,087 in compensated absences as shown in the following table: Additional information can be found in Note 8 to the financial statements.

#### Town of Lake Clarke Shores Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Promissory Note Series 2004	\$	\$	\$862,403	\$658,345	\$862,403	\$658,345
Promissory Note Series 2005			1,813,003	1,582,848	1,813,003	1,582,848
Less Deferred Amount on Refunding			(59,977)	(43,366)	(59,977)	(43,366)
Promissory Note Series 2007	582,697	509,518			582,697	509,518
Other Postemployment Benefits	16,579	24,510	5,559	8,252	22,138	32,762
Compensated Absences	<u>75,660</u>	<u>76,766</u>	<u>13,511</u>	<u>11,241</u>	<u>89,171</u>	<u>88,007</u>
<b>TOTALS</b>	<u>\$674,936</u>	<u>\$610,794</u>	<u>\$2,634,499</u>	<u>\$2,217,320</u>	<u>\$3,309,435</u>	<u>\$2,828,114</u>

### Other Postemployment Benefits (OPEB)

As a result of GASB Statement No. 45 the Town's annual OPEB cost was \$14,218 and the net OPEB obligation as of September 30, 2013 was \$32,762

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2014 fiscal year, general fund revenue projections have been moderately increased due to an increase in transfers from the Utility Fund.

- Ø The budget is balanced.
- Ø Most user fee rates should increase for fiscal year 2014 due to an increase in the CPI and changes implemented as a result of a rate study.
- Ø The millage rate of 6.2798 was more than the calculated rolled-back rate of 6.1565.

### CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives and disburses. If you have any questions about this report or need additional information, please contact the Town of Lake Clarke Shores, 1701 Barbados Road, Lake Clarke Shores, FL 33406.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Net Position**  
**September 30, 2013**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 63,559	\$ 648,255	\$ 711,814
Investments	686,760	1,159,724	1,846,484
Accounts receivable (net)	54,932	245,234	300,166
Due from other governments	39,841		39,841
Assessments receivable		348,748	348,748
Inventories		18,516	18,516
Deferred charges		19,069	19,069
Security deposits			
<b>Restricted assets</b>			
Cash and cash equivalents	25,433	1,443,782	1,469,215
Investments		7,980	7,980
<b>Capital assets</b>			
<b>Non-depreciable</b>			
Land	517,753	88,760	606,513
Intangible assets		1,870,424	1,870,424
Construction in progress		47,803	47,803
<b>Depreciable</b>			
Buildings	3,205,037		3,205,037
Improvements other than buildings	1,952,189	6,007,127	7,959,316
Equipment	1,088,251	485,367	1,573,618
Infrastructure	6,488,657		6,488,657
Less: accumulated depreciation	(6,543,431)	(2,538,106)	(9,081,537)
Intangible assets		163,500	163,500
Less: accumulated amortization		(101,508)	(101,508)
Total assets	<u>7,578,981</u>	<u>9,914,675</u>	<u>17,493,656</u>
<b>Liabilities</b>			
Accounts payable	66,158	180,454	246,612
Contracts payable		36,949	36,949
Unearned revenue	22,374	21,880	44,254
Accrued liabilities	11,818	3,262	15,080
Accrued interest payable	16,641	34,405	51,046
Deposits payable from restricted assets		227,850	227,850
<b>Non-current liabilities</b>			
Due within one year	153,336	463,857	617,193
Due in more than one year	457,458	1,753,463	2,210,921
Total liabilities	<u>727,785</u>	<u>2,722,120</u>	<u>3,449,905</u>
<b>Net position</b>			
Net investment in capital assets	6,198,938	3,825,540	10,024,478
<b>Restricted for</b>			
Debt service		689,507	689,507
Renewal and replacement		500,000	500,000
Law enforcement	25,433		25,433
Unrestricted	626,825	2,177,508	2,804,333
Total net position	<u>\$ 6,851,196</u>	<u>\$ 7,192,555</u>	<u>\$ 14,043,751</u>

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Activities**  
**For the Year Ended September 30, 2013**

Function/ Program Activities	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 568,649	\$ 156,915	\$ 5,480
Public safety	1,455,528	142,887	880
Highways and streets	236,446		
Physical environment	359,594		
Culture and recreation	98,629	3,493	13,906
Interest on long-term debt	20,954		
Total governmental activities	<u>2,739,800</u>	<u>303,295</u>	<u>20,266</u>
Business-type activities:			
Enterprise-water and sewer utility	<u>2,554,047</u>	<u>2,756,889</u>	<u>38,456</u>
Total business-type activities	<u>2,554,047</u>	<u>2,756,889</u>	<u>38,456</u>
Total government	<u>\$ 5,293,847</u>	<u>\$ 3,060,184</u>	<u>\$ 58,722</u>

General revenues:

- Property taxes
- Telecommunication service taxes
- Sales and use taxes
- Franchise taxes
- Intergovernmental not restricted to specific programs
- Investment earnings
- Net increase in fair value of investments
- Miscellaneous
- Transfers
- Total general revenues and transfers

Change in net position

- Net position, beginning of year
- Net position, end of year

Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 6,641	\$ (399,613)	\$	\$ (399,613)
	(1,311,761)		(1,311,761)
	(236,446)		(236,446)
	(359,594)		(359,594)
	(81,230)		(81,230)
	(20,954)		(20,954)
<u>6,641</u>	<u>(2,409,598)</u>		<u>(2,409,598)</u>
		241,298	241,298
		241,298	241,298
<u>\$ 6,641</u>	<u>(2,409,598)</u>	<u>241,298</u>	<u>(2,168,300)</u>
	1,104,797		1,104,797
	154,388		154,388
	331,934		331,934
	170,370		170,370
	100,685		100,685
	7,018	50,366	57,384
	2,070	5,083	7,153
	10,195		10,195
	190,000	(190,000)	
	<u>2,071,457</u>	<u>(134,551)</u>	<u>1,936,906</u>
	(338,141)	106,747	(231,394)
	7,189,337	7,085,808	14,275,145
<u>\$ 6,851,196</u>	<u>\$ 7,192,555</u>	<u>\$ 14,043,751</u>	

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2013**

	<u>General</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 63,559	\$	\$ 63,559
Cash and cash equivalents - restricted		25,433	25,433
Investments	686,760		686,760
Accounts receivable (net)	54,932		54,932
Due from other governments	39,841		39,841
Total assets	<u>\$ 845,092</u>	<u>\$ 25,433</u>	<u>\$ 870,525</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 66,158	\$	\$ 66,158
Accrued liabilities	11,818		11,818
Unearned revenue	22,374		22,374
Total liabilities	<u>100,350</u>		<u>100,350</u>
<b>Fund balances</b>			
Restricted for:			
Public safety		25,433	25,433
Unassigned	744,742		744,742
Total fund balances	<u>744,742</u>	<u>25,433</u>	<u>770,175</u>
Total liabilities and fund balances	<u>\$ 845,092</u>	<u>\$ 25,433</u>	<u>\$ 870,525</u>

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Statement of Net Position**  
**Governmental Funds**  
**September 30, 2013**

Fund balances - total governmental funds		\$ 770,175
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 13,251,887	
Less accumulated depreciation	<u>(6,543,431)</u>	
		6,708,456
<p>Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities at year end consist of:</p>		
Note payable		(509,518)
Accrued interest payable		(16,641)
Other postemployment benefits		(24,510)
Compensated absences		<u>(76,766)</u>
Net position of governmental activities		<u>\$ 6,851,196</u>

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2013**

	General	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 1,288,432	\$	\$ 1,288,432
Licenses and permits	277,708		277,708
Intergovernmental	451,961		451,961
Fines and forfeitures	39,560	26,398	65,958
Interest income	7,018		7,018
Net increase in fair value of investments	2,070		2,070
Intragovernmental	35,000		35,000
Charges for services	77,808		77,808
Miscellaneous	39,824	880	40,704
Total revenues	<u>2,219,381</u>	<u>27,278</u>	<u>2,246,659</u>
Expenditures:			
Current			
General government	551,582		551,582
Public safety	1,351,977	4,911	1,356,888
Highways and streets	51,965		51,965
Physical environment	359,594		359,594
Culture and recreation	64,894		64,894
Capital outlay	154,904	22,175	177,079
Debt service			
Principal	73,179		73,179
Interest	23,372		23,372
Total expenditures	<u>2,631,467</u>	<u>27,086</u>	<u>2,658,553</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(412,086)</u>	<u>192</u>	<u>(411,894)</u>
Other financing sources (uses):			
Transfers in	<u>190,000</u>		<u>190,000</u>
Total other financing sources (uses)	<u>190,000</u>		<u>190,000</u>
Net change in fund balance	(222,086)	192	(221,894)
Fund balances, beginning of year	<u>966,828</u>	<u>25,241</u>	<u>992,069</u>
Fund balances, end of year	<u>\$ 744,742</u>	<u>\$ 25,433</u>	<u>\$ 770,175</u>

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of the Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2013**

Net change in fund balances - total governmental funds \$ (221,894)

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 capital assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 177,079	
Less: current year depreciation	<u>(359,886)</u>	
		(182,807)

The repayment of the principal on long-term debt consumes current financial resources of governmental funds, but does not have any effect on the changes in net position of governmental activities and are not recorded in the Statement of Activities.

Principal payments on debt	73,179
Decrease in accrued interest payable on long-term debt	2,418

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in other postemployment benefits	(7,931)
Change in compensated absences	<u>(1,106)</u>

Change in net position of governmental activities	<u><u>\$ (338,141)</u></u>
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See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Net Position**  
**Proprietary Fund**  
**September 30, 2013**

	Enterprise
Assets	
Current assets	
Cash and cash equivalents	\$ 648,255
Investments	1,159,724
Accounts receivable (net)	245,234
Assessments receivable	348,748
Deferred charges	19,069
Supplies inventory	18,516
Restricted assets	
Cash and cash equivalents	1,443,782
Investments	7,980
Total current assets	3,891,308
Non-current assets	
Capital assets	
Non depreciable	
Land	88,760
Intangible assets	1,870,424
Construction in progress	47,803
Depreciable	
Improvements other than buildings	6,007,127
Equipment	485,367
Less accumulated depreciation	(2,538,106)
Intangible assets	163,500
Less accumulated amortization	(101,508)
Total non-current assets	6,023,367
Total assets	9,914,675
Liabilities	
Current liabilities	
Accounts payable	180,454
Contracts payable	36,949
Accrued liabilities	3,262
Unearned revenue	21,880
Compensated absences payable	11,241
Notes payable - current portion	452,616
Payable from restricted assets	
Accrued interest payable	34,405
Customer deposits	227,850
Total current liabilities	968,657
Non-current liabilities	
Notes payable	1,745,211
Other postemployment benefits	8,252
Total non-current liabilities	1,753,463
Total liabilities	2,722,120
Net position	
Net investment in capital assets	3,825,540
Restricted for	
Debt service	689,507
Renewal and replacement	500,000
Unrestricted	2,177,508
Total net position	\$ 7,192,555

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended September 30, 2013**

	Enterprise
Operating revenue	
Charges for services	\$ 2,756,889
Total operating revenues	2,756,889
Operating expenses	
Purchased utilities	1,296,144
Personal services	434,244
Contractual services	232,061
Supplies	45,181
Utilities and communications	22,129
Repairs and maintenance	72,149
Intragovernmental expense	35,000
Other charges	96,711
Depreciation	203,479
Amortization	4,088
Total operating expenses	2,441,186
Operating income	315,703
Nonoperating revenues (expenses)	
Investment earnings	50,366
Net increase in fair value of investments	5,083
Grant revenue	38,456
Interest expense and fiscal charges	(112,861)
Total nonoperating revenues (expenses)	(18,956)
Net income before capital contributions and transfers	296,747
Transfers to other funds	(190,000)
Change in net position	106,747
Net position - beginning	7,085,808
Net position - ending	\$ 7,192,555

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended September 30, 2013**

	<u>Enterprise</u>
Cash flows from operating activities:	
Receipts from customers	\$ 2,778,387
Payments to suppliers for goods or services	(1,745,785)
Payments to employees for services	(433,161)
Payments for interfund services used	(35,000)
Net cash provided by operating activities	564,441
Cash flows from non-capital financing activities:	
Grant proceeds	38,456
Transfers to other funds	(190,000)
Net cash used by non-capital financing activities	(151,544)
Cash flows from capital and related financing activities:	
Special assessments	124,230
Interest paid on debt	(97,079)
Principal paid on debt	(434,214)
Acquisition of capital assets	(120,794)
Net cash used by capital and related financing activities	(527,857)
Cash flows from investing activities:	
Sale of investments	16,056
Interest and dividends on investments	50,366
Net cash provided by investing activities	66,422
Net increase in cash and cash equivalents	(48,538)
Cash and cash equivalents at beginning of year	2,140,575
Cash and cash equivalents at end of year	\$ 2,092,037
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 315,703
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	203,479
Amortization	4,088
Change in assets and liabilities	
Increase in accounts receivable	(5,952)
Decrease in inventories	9,689
Increase in accounts payable	8,901
Increase in accrued liabilities	3,353
Increase in deposits	5,570
Decrease in compensated absences	(2,270)
Increase in unearned revenue	21,880
Total adjustments	248,738
Net cash provided by operating activities	\$ 564,441
Cash and cash equivalents:	
Unrestricted	\$ 648,255
Restricted	1,443,782
Total cash and cash equivalents	\$ 2,092,037
Noncash capital financing activities	
Amortization of deferred loss on refunding	16,611
Amortization of loan issue costs	4,836
Total noncash activities	\$ 21,447

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Lake Clarke Shores, Florida (the “Town”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

*Reporting Entity*

The Town of Lake Clarke Shores, Florida, was incorporated in 1957 pursuant to Chapter 57-1478, Laws of Florida. The Town is governed by an elected Mayor, Vice Mayor, President Pro-Tem, and the Town Council, which appoints a Town Administrator. The Town’s major operations include public safety (police and building inspection), water and sewer systems, sanitation, streets and roads, culture and recreation, and general administrative services.

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

- a) the Town appoints a voting majority of the organization’s governing board and (1) the Town is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town, or
- b) the organization is fiscally dependent on the Town and (1) there is a potential for the organization to provide specific financial benefits to the Town or (2) impose specific financial burdens on the Town.

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

Based upon application of the above criteria, management of the Town has determined that no component units exist which would require inclusion in this report. Further, the Town is not aware of any entity that would consider the Town to be a component unit.

*Government-wide 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 the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

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

*Government-wide Financial Statements* (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

*Fund Financial Statements*

The underlying accounting system for the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures or expenses, as appropriate.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds used by the Town are classified into two categories: governmental and proprietary. Separate financial statements are provided for governmental funds and proprietary funds.

Governmental fund financial statements include a balance sheet and a statement of revenue, expenditures, and changes in fund balances for all major governmental funds and non-major governmental funds in the aggregate.

Proprietary fund financial statements include a statement of net position and a statement of revenue, expenses, and changes in fund net position, and a statement of cash flows for the Town's major proprietary fund.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

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

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

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

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

*Governmental Funds*

Governmental funds 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 afterwards to pay liabilities of the current period. The Town considers revenues collected within 60 days of the year end to be available to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

*Proprietary Funds*

Proprietary funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred,

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

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

*Proprietary Funds* (Continued)

and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

The Town reports one proprietary fund. The Enterprise Fund is used to account for operations that provide services on a user charge basis to the public and for activities where periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes. Proprietary fund activities and basis of accounting are similar to those often found in the private sector. The Town's proprietary activities consist of a water treatment and distribution system and a sewage collection system.

The Town has elected to not apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, as permitted by Statement No. 20 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

*Cash and Cash Equivalents*

Cash and cash equivalents include amounts on deposit in demand accounts and money market accounts. For the purposes of the statement of cash flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Investments*

Investments are reported at fair value, which is determined by using various third party pricing sources. The Local Government Surplus Funds Trust Fund, administered by the Florida State Board of Administration is a "2A-7 like" pool and, thus, these investments are valued using the pooled share price.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

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

*Inventories*

Inventories are valued at cost determined on a first-in, first-out basis. Inventories in the Enterprise Fund consist of expendable parts and supplies held for consumption. The initial cost is recorded as an asset at the time the individual inventory items are purchased and is charged against operations in the period when used.

*Bonds and Related Premiums, Discounts, and Issuance Costs*

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

In governmental fund financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

*Accounts Receivable*

Accounts receivable consist primarily of amounts due from local businesses for franchise fees and amounts due from individuals for water and sewer services. Accounts receivable include billed and unbilled amounts and are reported net of an allowance for doubtful accounts.

*Capital Assets*

Capital assets, which include plant, property, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks) are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements. Effective October 1, 2011, the Town increased the capitalization threshold from \$750 for all classes of capital assets to the following amounts:

Building	\$10,000
Improvements other than buildings	10,000
Infrastructure	10,000
Equipment	5,000

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

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

*Capital Assets* (Continued)

The change was made prospectively, and all capital assets placed into service prior to October 1, 2011 will remain capitalized. Such assets are recorded at cost or the fair market value of the assets at the time of purchase or contribution. The Town is a Phase 3 government under GASB 34, but the Town has elected to report major general infrastructure assets retroactively. Depreciation has been provided over the useful lives using the straight line method. The costs of normal maintenance and repairs that do not add to the productive capacity of the asset or materially extend asset lives are not capitalized. The estimated useful lives are as follows:

Buildings	25 years
Improvements other than buildings	10-30 years
Infrastructure	25-40 years
Equipment	5-25 years

*Compensated Absences*

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

All vacation, sick leave, and sabbatical leave is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The Town's employees are granted compensated absence pay for vacation and sick leave in varying amounts based on length of service.

*Estimates*

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure, of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and useful lives and impairment of tangible and intangible assets. Accordingly, actual results could differ from those estimates.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

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

*Interfund Transactions*

During the course of normal operations, it is necessary for the Town to enter into transactions among its various funds. These transactions consist of one or more of the following types:

Transactions for services rendered or facilities provided are recorded as revenue in the receiving fund and expenditures or expenses in the disbursing fund.

Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them are recorded as operating transfers in and out.

All other outstanding balances between funds are reported as “due to/from other funds.”

*Bonds and Related Premiums, Discounts, and Issuance Costs*

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

In governmental fund financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

*Fund Balance*

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

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

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

*Fund Balance* (Continued)

1. Nonspendable fund balances – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.
2. Restricted fund balance – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the Town’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action (an ordinance) it employed to previously commit those amounts.
4. Assigned fund balance – Includes amounts intended to be used by the Town for specific purposes, but are neither restricted or committed. Intent should be expressed by the Town Council or the Town Administrator to which the Town Council has delegated authority to assign amounts to be used for specific purposes. The authority form making an assignment is not required to be the Town’s highest level of decision making authority. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts classified as committed.
5. Unassigned fund balance – Includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

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

*Fund Balance* (Continued)

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

*Net Position*

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

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by: 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions of enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

*Implementation of Governmental Accounting Standards Board Statements*

The town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended September 30, 2013.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

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

*Implementation of Governmental Accounting Standards Board Statements* (Continued)

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 directly incorporates the applicable guidance from FASB and AICPA pronouncements into the state and local government accounting and financial reporting standards, with provisions modified, as appropriate, to recognize the effects of the governmental environment and the needs of governmental financial statement users without affecting the substance of the applicable guidance.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

*Recently Issued Accounting Pronouncements*

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

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for the fiscal year ending September 30, 2014.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for the fiscal year ending September 30, 2014.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans primarily through enhanced note disclosures and schedules of required supplementary information. This Statement is effective for the fiscal year ending September 30, 2014.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

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

*Recently Issued Accounting Pronouncements* (Continued)

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. This Statement is effective for the fiscal year ending September 30, 2015.

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. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB 68.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Budgetary Data*

State of Florida statutes require that all municipal governments establish budgetary systems and approve balanced annual operating budgets. The Town Council annually adopts an operating budget and appropriates funds for the General Fund and the Enterprise Fund. The procedures for establishing budgetary data are as follows:

- Prior to August 1, the Town Administrator submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Upon completion of the public hearings, and prior to October 1, a final operating budget is legally enacted through passage of a resolution. Estimated beginning fund balances are considered in the budgetary process.
- All budgetary revisions equal to or in excess of \$2,500 or between departments must be approved by the Town Council. The Town Administrator is authorized to make budget transfers within a department in amounts less than \$2,500.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

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

*Budgetary Data* (Continued)

- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- Appropriations along with encumbrances lapse on September 30.

The adopted budgets are prepared in accordance with generally accepted accounting principles, with the exception that depreciation and amortization are not budgeted in the Enterprise Fund.

*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 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment roll meets all of the appropriate requirements of State law. The assessed value of property within the corporate limits of the Town at January 1, 2012, upon which the 2012-2013 levy was based, was approximately \$183 million. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

The tax levy of the Town is established by the Town Council prior to October 1 of each year during the budget process. 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 District tax requirements. The millage rate assessed by the Town for the year ended September 30, 2013 was 6.2798 (\$6.2798 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 1 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 the County. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations. At September 30, 2013, unpaid delinquent taxes are not material and have not been recorded by the Town.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

*Deposits*

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit eligible collateral with the Treasurer or another banking institution. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Town's deposits at year end are considered insured for custodial credit risk purposes. As of September 30, 2013, the Town's deposits included \$1,821,543 certificates of deposit with terms to maturity of greater than three months when purchased. These certificates of deposit are reported as investments.

*Investments*

The Town has adopted an investment policy which authorizes the Town to invest any surplus public funds in the Local Government Surplus Funds Trust Fund, administered by the State Board of Administration, negotiable direct obligations of the United States Government, interest bearing time deposits or savings accounts, provided that any such deposits are secured by collateral as prescribed by law, obligations of the federal farm credit banks, obligations of the Federal National Mortgage Association, and securities of, or other interests in, any open-end or closed-end management type investment company or investment trust.

The State Board of Administration is part of the Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A, (Local Government Surplus Funds Trust Fund Investment Pool) consisted of all money market appropriate assets. Pool B, (Surplus Funds Trust Fund) consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B. On August 3, 2009 the SBA announced "Florida PRIME" as the highly enhanced version of the SBA's prior Local Government

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

*Investments* (Continued)

Investment Pool. Pool A is now referred to as Florida PRIME. At September 30, 2013, Florida PRIME was rated AAAM by Standard and Poor’s. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balances should be considered its fair value. Fund B is not rated by any national rating agency.

Pool B is now referred to as Fund B and is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2013 was 1.13262284. The factor should be multiplied by the account balance in order to calculate the fair value of the investment in Fund B.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2013, was 44 days. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

The weighted average life based on expected cash flows (WAL) of Fund B at September 30, 2013 was 4.04 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

As of September 30, 2013, the Town had \$45,781 invested in Florida PRIME. The cost basis of Fund B as of September 30, 2013, was \$29,066 and the fair value and adjusted book value was \$32,921. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

As of September 30, 2013, the Town had the following investments. The investment in the State Board of Administration Investment Florida PRIME pool is reported as cash and cash equivalents in the balance sheet. The investment in the Fund B and the certificates of deposit are reported as investments.

	<u>Maturity</u>	<u>Fair Value</u>
State Board of Administration Investment Pool		
Florida PRIME	44 days	\$ 45,781
Fund B	4.04 years	<u>32,921</u>
		<u>\$ 78,702</u>
Certificate of Deposit	23 days	\$ 632,390
Certificate of Deposit	115 days	511,926
Certificate of Deposit	115 days	<u>677,227</u>
		<u>\$1,821,543</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

*Credit Risk*

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Town's investment policies limit its investments to high quality investments to control credit risk. As of September 30, 2013, the SBA Florida PRIME was rated AAAM by Standard and Poor's Rating Service. Fund B is not rated by any national rating agency.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

**NOTE 4 – RESTRICTED ASSETS**

Certain proceeds from the Enterprise Fund Series 2004 note are classified as restricted assets because their use is limited by applicable loan covenants. Certain resources set aside for the repayment of Enterprise Fund Series 2005 promissory note are classified as restricted assets on the balance sheet because their use is limited by applicable loan covenants. Other restricted assets include amounts collected as customer deposits. Restricted assets for the business-type activities at September 30, 2013, consist of:

Debt Service – used to identify resources set aside for the purpose of paying principal and interest on long-term debt.	\$ 723,912
Renewal and Replacement Account - used to identify resources set aside for the purpose of paying the cost of extensions or improvements to the water supply system and wastewater collection system.	500,000
Customer Deposits - used to segregate deposits received from customers to insure against non-payment of billings.	<u>227,850</u>
	<u>\$1,451,762</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 5 – ACCOUNTS RECEIVABLE**

Accounts receivable as of September 30, 2013, are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>
Accounts receivable - billed	\$ 54,932	\$ 88,320
Accounts receivable - unbilled		190,914
Total receivables	<u>54,932</u>	<u>279,234</u>
Less allowance for uncollectible accounts		(34,000)
Net receivables	<u>\$ 54,932</u>	<u>\$ 245,234</u>

**NOTE 6 – CAPITAL ASSETS**

The following is a summary of changes in the entity-wide financial statements during the fiscal year.

Governmental activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 517,753	\$ _____	\$ _____	\$ 517,753
Total capital assets not being depreciated	<u>517,753</u>	_____	_____	<u>517,753</u>
Capital assets being depreciated				
Buildings	3,205,037			3,205,037
Improvements-other than buildings	1,869,869	82,320		1,952,189
Equipment	993,492	94,759		1,088,251
Infrastructure	<u>6,488,657</u>	_____	_____	<u>6,488,657</u>
Total capital assets being depreciated	<u>12,557,055</u>	<u>177,079</u>	_____	<u>12,734,134</u>
Total at historical cost	<u>13,074,808</u>	<u>177,079</u>	_____	<u>13,251,887</u>
Less accumulated depreciation for				
Buildings	327,286	64,101		391,387
Improvements-other than buildings	369,695	57,819		427,514
Equipment	782,291	75,750		858,041
Infrastructure	<u>4,704,273</u>	<u>162,216</u>	_____	<u>4,866,489</u>
Total accumulated depreciation	<u>6,183,545</u>	<u>359,886</u>	_____	<u>6,543,431</u>
Total governmental activities, net	<u>\$ 6,891,263</u>	<u>\$ (182,807)</u>	\$ _____	<u>\$ 6,708,456</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 6 – CAPITAL ASSETS** (Continued)

Business-type activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 88,760	\$	\$	\$ 88,760
Intangible assets – water rights	1,870,424			1,870,424
Construction in progress	<u>37,956</u>	<u>119,082</u>	<u>(109,235)</u>	<u>47,803</u>
Total capital assets not being depreciated/amortized	<u>1,997,140</u>	<u>119,082</u>	<u>(109,235)</u>	<u>2,006,987</u>
Capital assets being depreciated/amortized				
Improvements-				
Other than buildings	5,897,892	109,235		6,007,127
Equipment	472,562	12,805		485,367
Intangible asset - goodwill	<u>163,500</u>	<u>-</u>	<u>-</u>	<u>163,500</u>
Total capital assets being depreciated/amortized	<u>6,533,954</u>	<u>122,040</u>	<u>-</u>	<u>6,655,994</u>
Total at historical cost	<u>8,531,094</u>	<u>241,122</u>	<u>(109,235)</u>	<u>8,662,981</u>
Less accumulated depreciation/amortization for				
Improvements-				
Other than buildings	1,911,217	187,495		2,098,712
Equipment	423,410	15,984		439,394
Intangible asset - goodwill	<u>97,420</u>	<u>4,088</u>	<u>-</u>	<u>101,508</u>
Total accumulated depreciation/amortization	<u>2,432,047</u>	<u>207,567</u>	<u>-</u>	<u>2,639,614</u>
Total business-type activities, net	<u>\$ 6,099,047</u>	<u>\$ 33,555</u>	<u>\$ (109,235)</u>	<u>\$ 6,023,367</u>

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

Governmental activities	
General government	\$ 52,801
Public safety	88,869
Highways and streets	184,481
Culture and recreation	<u>33,735</u>
Total depreciation expense for governmental activities	<u>\$ 359,886</u>
Business-type activities	
Municipal water and sewer	<u>\$ 207,567</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 7 – INTANGIBLE ASSETS**

Intangible assets consist of goodwill arising from the purchase of assets from Florida Water Service, Inc. and water distribution rights resulting from agreements with the City of Lake Worth and the Village of Palm Springs.

Goodwill represents the excess of the purchase price over the estimated fair value of the net position of the acquired utility system and is being amortized on a straight line basis over the period of the expected benefit of 40 years.

Water distribution rights represent the cost to construct the various improvements required as part of the agreements with the City of Lake Worth and the Village of Palm Springs. The rights have indefinite useful lives and are not being amortized.

Goodwill	\$ 163,500
Water and sewer distribution rights:	
City of Lake Worth	1,726,971
Village of Palm Springs	<u>143,453</u>
Total intangible assets	2,033,924
Accumulated amortization - goodwill	<u>(101,508)</u>
Total intangible assets, net	<u>\$ 1,932,416</u>

**NOTE 8 – LONG-TERM LIABILITIES**

*Governmental Activities*

On December 18, 2007, the Town issued its Promissory Note, Series 2007 in the principal amount of \$850,000 to provide funds for a portion of the design, engineering, and construction of the Town's municipal complex. Principal and interest payments on the Note are due in annual installments commencing on December 1, 2008 and on each December 1 thereafter until final maturity on December 1, 2018. The Note bears interest at the rate of 3.94%. Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 76,570	\$ 19,980	\$ 96,550
2015	79,586	16,964	96,550
2016	82,722	13,828	96,550
2017	85,981	10,569	96,550
2018	89,369	7,181	96,550
2019	<u>95,290</u>	<u>3,661</u>	<u>98,951</u>
Total	<u>\$509,518</u>	<u>\$ 72,183</u>	<u>\$581,701</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 8 – LONG-TERM LIABILITIES** (Continued)

*Business-type Activities*

On November 17, 2004, the Town issued its Promissory Note, Series 2004 in the principal amount of \$1,943,336 to provide funds for the construction of a potable water distribution system for Hypoluxo Village. Interest payments on the Note are due in semiannual installments commencing February 1, 2005 and on each February 1, and August 1, thereafter through August 1, 2016. The Note bears interest at the rate of 3.68%. Principal payments on the Note are due in annual installments from August 1, 2007 through August 1, 2016. Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 211,567	\$ 24,227	\$ 235,794
2015	219,353	16,441	235,794
2016	<u>227,425</u>	<u>8,369</u>	<u>235,794</u>
Total	<u>\$ 658,345</u>	<u>\$ 49,037</u>	<u>\$ 707,382</u>

On April 20, 2005, the Town issued its Promissory Note, Series 2005 in the principal amount of \$3,020,778 to refinance the outstanding Utility System Revenue Refunding and Improvement Bonds, Series 1994. Principal payments on the Note are due in annual installments from October 1, 2006 through October 1, 2018. Interest payments on the Note are due in semiannual installments commencing October 1, 2005 and on each April 1, and October 1, thereafter until final maturity on October 1, 2018. The Note bears interest at the rate of 3.837%. Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 241,049	\$ 56,109	\$ 297,158
2015	246,498	46,756	293,254
2016	256,456	37,107	293,563
2017	270,926	26,989	297,915
2018	279,792	16,423	296,215
2019	<u>288,127</u>	<u>5,527</u>	<u>293,654</u>
Total	<u>\$1,582,848</u>	<u>\$ 188,911</u>	<u>\$1,771,759</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 8 – LONG-TERM LIABILITIES** (Continued)

*Changes in Long-Term Liabilities*

During the year ended September 30, 2013, the following changes occurred in long-term liabilities:

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013	Due Within One Year
Governmental activities					
Promissory Note, Series 2007	\$ 582,697	\$	\$ (73,179)	\$ 509,518	\$ 76,570
Other postemployment benefits	16,579	7,931		24,510	
Compensated absences	75,660	1,106		76,766	76,766
Total governmental activities	<u>\$ 674,936</u>	<u>\$ 9,037</u>	<u>\$ (73,179)</u>	<u>\$ 610,794</u>	<u>\$ 153,336</u>
Business-type activities					
Promissory Note, Series 2004	\$ 862,403	\$	\$ (204,058)	\$ 658,345	\$ 211,567
Promissory Note, Series 2005	1,813,003		(230,155)	1,582,848	241,049
Less deferred loss on refunding	(59,977)		16,611	(43,366)	
Total bonds payable	2,615,429		(417,602)	2,197,827	452,616
Other postemployment benefits	5,559	2,693		8,252	
Compensated absences	13,511		(2,270)	11,241	11,241
Total business-type activities	<u>\$ 2,634,499</u>	<u>\$ 2,693</u>	<u>\$ (419,872)</u>	<u>\$ 2,217,320</u>	<u>\$ 463,857</u>

The compensated absences of the governmental activities are liquidated by the General Fund.

*Interest Expense*

The total interest costs incurred and paid on all Town debt for the year ended September 30, 2013, were \$128,979 and \$120,453, respectively. No interest was capitalized in the Enterprise Fund during the year.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 9 – 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 for which the Town carries commercial insurance. The Town has not significantly reduced insurance coverage from the prior year, and there were no settled claims which exceeded insurance coverage during the past three fiscal years.

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

Effective September 30, 2008, the Town withdrew from the Southeast Risk Management Association (SERMA), a quasi-governmental agency created by an interlocal agreement, as authorized by Florida Statute 163. SERMA administered the property and casualty coverage for the Town. In accordance with the interlocal agreement, if a member withdraws, the member continues to be fully responsible and obligated for their portion of covered claims and expenses for covered claims that were incurred during the term of their membership. A withdrawn member may be entitled to a return of surplus, as if it were still a member of SERMA.

**NOTE 10 – COMMITMENTS**

*Waste Collection Services*

On September 10, 2013, the Town amended the agreement with Waste Management of Florida, Inc. for waste collection services. The contract as amended expires September 30, 2020 and may be extended for an additional five year term upon mutual agreement of the parties. The Town negotiated significant changes to the contract resulting in rates that are more than 20% lower than the original agreement with an escalation factor not to exceed 2% per year. For the year ended September 30, 2013, the Town was charged \$277,097 for waste collection.

*Village of Palm Springs Interlocal Agreement to Purchase Bulk Water*

On November 10, 1988, the Town entered into an open-ended interlocal agreement with the Village of Palm Springs, Florida (the Village) for the purchase and sale of bulk potable water. Rates for water service are based on the Village's large user rates. The Town is billed monthly on an average 400,000 gallons per day contracted minimum. For the year ended September 30, 2013, the Town was charged \$199,570 for purchased water.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 10 – COMMITMENTS** (Continued)

*City of Lake Worth Interlocal Agreement to Provide Sewer Treatment Services*

On September 17, 2013, the Town entered into a new interlocal agreement with the City of Lake Worth, Florida (the “City”) for wastewater service and wastewater facilities cost sharing reducing the costs of service by more than 50% and providing for a methodology to calculate annual increases to Service Costs. An independent Board has been created to oversee the operation of the City of Lake Worth’s wastewater system and to approve and endorse costs which would impact Service Costs. The agreement rescinded all previous contracts relating to the subject matter between the Town and the City. The initial term of the agreement expires on September 20, 2023. The Town may extend the agreement for up to three additional ten year periods. Charges for treatment of sewage disposal are billed to the Town monthly. The Town was charged \$625,617 for sewage disposal services for the year ended September 30, 2013.

*City of Lake Worth Interlocal Agreement to Purchase Bulk Water*

On October 13, 1993, the Town entered into an interlocal agreement with the City of Lake Worth, Florida (the City) for the purchase and sale of bulk potable water for the Seminole Manor Service Area for a period of ten years, renewable for successive periods of five years at the option of the City. The City agreed to provide bulk water service at a rate of \$0.65 cents per thousand gallons for a minimum of three years. In October 2002, the Town paid for an additional 82 equivalent residential units to serve the Hypoluxo Village Service Area. The agreement expired on October 13, 2008.

On February 15, 2011, the Town entered into a new interlocal agreement with the City of Lake Worth for the purchase and sale of bulk potable water to serve residents living within the Hypoluxo Village Service Area for a period of ten years, renewable for successive periods of five years each, upon the same terms and conditions, by written agreement of both parties to the agreement prior to expiration of the initial term or any renewal thereof. Bulk potable water purchases and sales for the Seminole Manor Service Area were discontinued under the agreement. The City agreed to provide water service at a bulk service rate of \$0.303 cents per hundred gallons. Future rate changes will be allowed only at the time of the City’s water system rate increases. The new rate to be charged will be equal to the current rate plus the monetary change in the rate of the lowest tier residential water rate placed into effect at the time of the new rate change. The Town is billed on a monthly basis for actual metered water service delivered by the City, based upon a reserve capacity of 200,000 gallons per day. A 25% surcharge shall be added for all usage exceeding the reserve capacity in any month. For the year ended September 30, 2013, the Town was charged \$120,590 for water purchased from the City.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 10 – COMMITMENTS** (Continued)

*Palm Beach County Interlocal Agreement to Purchase Bulk Water*

On February 2, 2010, the Town entered into an interlocal agreement with Palm Beach County, Florida (the County) for the purchase and sale of bulk potable water for a period of thirty years, renewable for successive periods of five years each, upon the same terms and conditions, by written agreement of both parties prior to expiration of the initial term or any renewal thereof. The Town pays the County a full cost recovery commodity fee based upon a reserve capacity of 400,000 gallons per day. The initial fee was \$2.43 per thousand gallons. Beginning October 1, 2010, and for each year thereafter, the fee shall be adjusted upward or downward by an amount equal to three-fourths (3/4) of the change in the prior year's (measured July to July) Consumer Price Index all Urban Consumers, Water and Sewerage Maintenance, published by the U.S. Department of Labor, Bureau of Labor Statistics (CPI) or some other mutually agreed-upon index if the CPI is discontinued. The Town is obligated to take or pay the County a minimum amount of three-fourths of the capacity reserved under the agreement, calculated on an annual basis, regardless of actual usage. For the year ended September 30, 2013, the Town incurred charges of \$350,367 under the agreement.

*Village of Palm Springs Interlocal Agreement to Purchase Police Dispatch Services*

Effective October 1, 2010 the Town entered into an agreement with the Village of Palm Springs to provide Police Dispatch Services to the Town. On July 9, 2013 the agreement was amended to be a 5 year agreement with a second automatic 5 year renewal effective October 1 2013. The cost for the fiscal year ending September 30, 2014 is \$41,086. The agreement has an automatic cost escalation clause tied to the CPI but limited to a maximum of 3% per year.

*Construction and Other Projects*

As of September 30, 2013, the Town had entered into the following commitments for construction projects and agreements to purchase equipment.

<u>Project</u>	<u>Authorized Amount</u>	<u>Amount Completed 09/30/13</u>	<u>Balance to Complete</u>
Utility Metal Warehouse	\$ 220,000	\$ 160,000	\$ 60,000
Lift Station Rehabilitation	29,795		29,795
IT Server Replacement	60,000		60,000
	<u>\$ 309,795</u>	<u>\$ 160,000</u>	<u>\$ 149,795</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN**

The Town of Lake Clarke Shores, Florida’s Money Purchase Plan is a defined contribution pension plan established by the Town and administered by Nationwide Life Insurance Company to provide benefits at retirement to the employees of the Town. All full-time employees are eligible to participate on attainment of age 21 and completion of six months of service, with hours of service being determined on the basis of actual hours for which an employee is paid or entitled to payment. For the year ended September 30, 2013, the Town contributed an amount equal to 8% of covered payroll. Participants are required to contribute a minimum of 2% under the plan. A participant is fully vested after six years of service. Town contributions for, and interest forfeited by, employees who leave before six years of service are used to reduce the Town’s current period contribution requirement. The Town’s total payroll for the fiscal year ended September 30, 2013, was \$1,315,696. The Town’s contribution requirement, representing 8% of the covered payroll of \$1,178,673, amounted to \$94,293.

**NOTE 12 – INTRAGOVERNMENTAL ADMINISTRATIVE FEE**

During the year ended September 30, 2013, the Enterprise Fund remitted \$35,000 to the General Fund for use of office space. This amount is reflected as intragovernmental revenue in the General Fund and as intragovernmental expense in the Enterprise Fund.

**NOTE 13 – INTERFUND TRANSFERS**

Interfund transfers for the year ended September 30, 2013, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 190,000	\$
Enterprise Fund	<u>                    </u>	<u>190,000</u>
Totals	<u>\$ 190,000</u>	<u>\$ 190,000</u>

**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS**

The Town implemented Governmental Accounting Standards Board Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective October 1, 2009. The Town elected to implement prospectively, and the change in accounting principle had no effect on changes in net position/fund equity for prior periods. Retirees of the Town pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. This implied subsidy constitutes other postemployment benefits (OPEB) under GASB 45.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

*Plan Description*

The Town provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries to continue to obtain health and dental benefits upon retirement. The normal retirement age for Town employees is age 60. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

*Funding Policy*

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

*Annual OPEB Cost and Net OPEB Obligation*

The Town’s annual OPEB cost is calculated based on the annual required contribution (ARC). The Town has elected to calculate the ARC and related information using the alternative method permitted under GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The annual OPEB cost and the net OPEB obligation for the Town for the current year and the related information are as follows:

Required contribution rate - employer	Pay-as-you-go
Required contribution rate - plan members	N/A
Annual required contribution	\$ 14,521
Interest on net OPEB obligation	996
Adjustment to annual required contribution	<u>(1,299)</u>
Annual OPEB cost (expense)	14,218
Estimated net contributions made	<u>(3,594)</u>
Increase in net OPEB obligation	10,624
Net OPEB obligation October 1, 2012	<u>22,138</u>
Net OPEB obligation September 30, 2013	<u>\$ 32,762</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

*Trend Information*

Three-Year Trend Information			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/11	\$ 10,344	23.0%	\$ 14,552
09/30/12	\$ 9,556	20.6%	\$ 22,138
09/30/13	\$ 14,218	25.3%	\$ 32,762

*Funded Status*

The funded status of the plan as of most recent actuarial valuation date was as follows:

Actuarial valuation date	October 1, 2012
Actuarial accrued liability	\$ 66,060
Actuarial value of plan assets	\$
Unfunded actuarial accrued liability (UAAL)	\$ 66,060
Funded ratio	0.0%
Covered payroll	\$1,235,528
UAAL as a percentage of covered payroll	5.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are comparable with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the fiscal year ended September 30, 2010 was the year of implementation of GASB 45 and the Town elected to apply the statement prospectively, only two years are presented in the schedule at this time. In future years, required trend data will be presented.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2013**

**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

*Actuarial Methods and Assumptions*

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

Actuarial valuation date	October 1, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Amortization period	30 year closed period
Asset valuation method	Unfunded
Actuarial assumptions:	
Discount rate	4.5%
Healthcare cost trend	8.5% for 2013 decreasing to 4.5% in 2017
Mortality Rate	RP-2000 Combined Healthy Mortality Table

Twenty percent of active employees are assumed to maintain benefit coverage after retirement. Fifty percent of active employees who elect benefit coverage are assumed to cover their spouse. Assumed termination rates vary by age as shown below.

<u>Age</u>	<u>Percent Remaining Employed Until Assumed Retirement Age</u>
20	29.60%
30	59.30%
40	84.10%
50	100.00%

**NOTE 15 – SPECIAL ASSESSMENTS**

In 2006, non-ad valorem special assessments were levied on properties specially benefited by a capital improvement project for the Hypoluxo Village potable water distribution facility. Property owners were given the option to prepay the entire amount of the assessment. Assessments that were not prepaid are payable in ten equal annual installments of principal and interest. The assessments bear interest at the rate of 6.5% per annum.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2013**

	General Fund			Variance With
	Original Adopted Budget	Final Revised Budget	Actual	Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,291,411	\$ 1,284,411	\$ 1,288,432	\$ 4,021
Licenses and permits	320,296	275,296	277,708	2,412
Intergovernmental	439,902	449,402	451,961	2,559
Fines and forfeitures	24,300	34,000	39,560	5,560
Interest income	15,000	7,500	7,018	(482)
Net increase in fair value of investments			2,070	2,070
Intragovernmental	35,000	35,000	35,000	
Charges for services	23,000	76,000	77,808	1,808
Miscellaneous	51,500	38,800	39,824	1,024
Total revenues	<u>2,200,409</u>	<u>2,200,409</u>	<u>2,219,381</u>	<u>18,972</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	628,440	782,340	743,032	39,308
Public safety	1,293,869	1,399,669	1,351,977	47,692
Highways and streets	45,000	91,765	89,840	1,925
Physical environment	365,000	365,700	359,594	6,106
Culture and recreation	58,100	95,055	87,024	8,031
Total expenditures	<u>2,390,409</u>	<u>2,734,529</u>	<u>2,631,467</u>	<u>103,062</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(190,000)</u>	<u>(534,120)</u>	<u>(412,086)</u>	<u>122,034</u>
<b>Other financing sources:</b>				
Operating transfer in	190,000	190,000	190,000	
Total other financing sources	<u>190,000</u>	<u>190,000</u>	<u>190,000</u>	
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$</u>	<u>\$ (344,120)</u>	<u>(222,086)</u>	<u>\$ 122,034</u>
Fund balance, beginning of year			<u>966,828</u>	
Fund balance, end of year			<u>\$ 744,742</u>	

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Budgetary**  
**Required Supplementary Information (RSI)**  
**General Fund**  
**September 30, 2013**

**Note 1 - Budgets and Budgetary Accounting**

As required by GASB Statement No. 34, a budgetary comparison schedule is presented for the General Fund. The procedures for establishing budgetary data reflected in the budgetary comparison schedule are described in Note 2 to the financial statements on page 32. Budgets are adopted on a basis consistent with generally accepted accounting principles. Formal budgetary integration is employed within the accounting system as a management control device. Appropriations are legally controlled at the departmental level and expenditures may not legally exceed budgeted appropriations at that level. For the year ended September 30, 2013, there were no departments that had an excess of expenditures over appropriations.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Required Supplemental Information**  
**Schedule of Funding Progress**  
**Other Postemployment Benefits**  
**For the Year Ended September 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age(1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
October 1, 2009	\$	\$ 42,780	\$ 42,780	0.0%	\$ 1,173,174	3.6%
October 1, 2012	\$	\$ 66,060	\$ 66,060	0.0%	\$ 1,235,528	5.3%

The schedule of funding progress presented above will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Town implemented GASB Statement No. 45 during the fiscal year ended September 30, 2010, and elected to apply the statement prospectively. Consequently, there are no disclosures for years prior to October 1, 2009. The Town is required to have an actuarial valuation every three years. The next valuation is scheduled for October 1, 2015. In future years, required trend data will be presented. The Town has not contributed assets to the plan at this time.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Schedule of Departmental Expenditures Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2013**

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures:			
General government:			
Mayor and council:			
Personal services:			
Executive salaries	\$ 6,000	\$ 6,000	\$
FICA	372	372	
Medicare	87	87	
Operating:			
Travel and per diem	1,500	826	674
Other current charges	400	75	325
Operating supplies	1,100	779	321
Books, dues, and education	3,100	3,045	55
Total mayor and council	<u>12,559</u>	<u>11,184</u>	<u>1,375</u>
Finance:			
Personal services:			
Regular salaries	6,200	6,107	93
FICA	400	379	21
Medicare	200	89	111
Operating:			
Consulting	7,900	4,896	3,004
Accounting and auditing	16,750	16,745	5
Total finance	<u>31,450</u>	<u>28,216</u>	<u>3,234</u>
Administration and clerk:			
Personal services:			
Regular salaries	188,596	188,589	7
Elections	2,000		2,000
FICA	11,476	11,092	384
Medicare	2,684	2,594	90
Pension contributions	14,908	14,847	61
Employee insurance	28,800	27,856	944
Operating:			
Travel and per diem	700	162	538
Communications	1,400	1,310	90
Postage and freight	800	739	61
Repairs and maintenance	5,200	4,837	363
Printing and binding	400		400
Other current charges	500	574	(74)
Advertising	3,800	3,691	109
Office supplies	300	148	152
Operating supplies	3,000	2,929	71
Books, dues, and education	2,300	2,165	135
Debt service			
Principal	73,667	73,179	488
Interest	23,483	23,372	111
Total administration	<u>364,014</u>	<u>358,084</u>	<u>5,930</u>

(continued)

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Schedule of Departmental Expenditures Budget to Actual**  
**General Fund**  
**For the Year Ended September 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Legal:			
Operating:			
Professional fees	\$ 109,000	\$ 101,976	\$ 7,024
Other general government:			
Operating:			
Professional fees	9,500	8,031	1,469
Other contractual services	200		200
Communications	10,600	10,456	144
Postage and freight	3,000	1,669	1,331
Electric	23,500	19,898	3,602
Water and sewer	7,500	5,699	1,801
Rentals and leases	3,000	1,156	1,844
General insurance	55,000	51,053	3,947
Repairs and maintenance	32,000	31,529	471
Printing and binding	1,000	99	901
Other current charges	7,117	6,676	441
Office supplies	800	429	371
Operating supplies	11,700	7,525	4,175
Gas and oil	1,200	788	412
Uniforms	200	65	135
Books, dues, and education	3,800	3,600	200
Capital outlay:			
Improvements other than building	22,500	22,315	185
Machinery and equipment	72,700	72,584	116
Total other general government	<u>265,317</u>	<u>243,572</u>	<u>21,745</u>
Total general government	<u>782,340</u>	<u>743,032</u>	<u>39,308</u>
Public safety:			
Law enforcement:			
Personal services:			
Regular salaries	642,771	642,047	724
PD special details	66,500	66,458	42
Overtime	13,500	2,970	10,530
State incentive pay	7,139	6,978	161
FICA	43,216	43,177	39
Medicare	10,203	10,098	105
Pension contributions	48,605	48,443	162
Employee insurance	103,100	98,736	4,364
Unemployment compensation	6,400		6,400

(continued)

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Schedule of Departmental Expenditures Budget to Actual (continued)**  
**General Fund**  
**For the Year Ended September 30, 2013**

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Operating:			
Other contractual services	\$ 21,090	\$ 10,432	\$ 10,658
Dispatch services	40,650	39,890	760
Travel and per diem	1,900	1,812	88
Communications	26,000	20,704	5,296
Postage and freight	1,000	776	224
Rentals and leases	500	114	386
Police vehicle leases	4,800	4,800	
Repairs and maintenance	44,500	42,209	2,291
Repairs and maintenance - vehicles	29,100	29,084	16
Printing and binding	200	86	114
Other current charges	3,300	3,292	8
Crime prevention	600	514	86
Office supplies	1,500	1,270	230
Operating supplies	25,000	23,237	1,763
Gas and oil	39,800	39,494	306
Uniforms	8,400	8,307	93
Books, dues, and education	3,900	2,588	1,312
Total law enforcement	<u>1,193,674</u>	<u>1,147,516</u>	<u>46,158</u>
Protective inspections and code enforcement:			
Personal services:			
Regular salaries	73,616	73,221	395
Part time salaries			
Overtime	1,700	139	1,561
FICA	4,502	4,460	42
Medicare	1,053	1,042	11
Pension contributions	5,749	5,709	40
Employee insurance	17,000	16,043	957
Operating:			
Other contractual services	87,500	90,805	(3,305)
Travel and per diem	500	51	449
Communications	500		500
Postage and freight	1,300	1,291	9
Rentals and leases	500		500
Repairs and maintenance	7,300	7,273	27
Office supplies	675	431	244
Operating supplies	3,800	3,796	4
Books, dues, and education	300	200	100
Total protective inspections and code enforcement	<u>205,995</u>	<u>204,461</u>	<u>1,534</u>
Total public safety	<u>1,399,669</u>	<u>1,351,977</u>	<u>47,692</u>

(continued)

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Schedule of Departmental Expenditures Budget to Actual (continued)**  
**General Fund**  
**For the Year Ended September 30, 2013**

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Highways and streets:			
Operating:			
Professional fees	\$ 5,400	\$ 4,904	\$ 496
NPDES agreement	6,100	6,021	79
Electric	25,000	24,233	767
Repairs and maintenance	11,500	11,320	180
Operating supplies	4,700	4,506	194
Road materials and supplies	1,000	981	19
Capital outlay:			
Storm drainage	38,065	37,875	190
Total highways and streets	<u>91,765</u>	<u>89,840</u>	<u>1,925</u>
Physical environment:			
Operating:			
Lawn services	67,000	63,933	3,067
Garbage collection service	280,000	277,097	2,903
Weed control	18,700	18,564	136
Total physical environment	<u>365,700</u>	<u>359,594</u>	<u>6,106</u>
Culture and recreation:			
Parks and recreation			
Operating:			
Professional fees	5,100	5,059	41
Electric	2,500	2,263	237
Water and sewer	900	869	31
Repairs and maintenance	16,830	14,268	2,562
Operating supplies	4,200	4,199	1
Beautification landscape	10,000	9,048	952
Capital outlay:			
Improvements other than building	22,525	22,130	395
Total parks and recreation	<u>62,055</u>	<u>57,836</u>	<u>4,219</u>
Special events			
Operating:			
Postage and freight	1,500	900	600
Printing and binding	2,000	1,344	656
Promotional activities	5,000	3,074	1,926
Other current charges	300		300
Operating supplies	24,200	23,870	330
Total special events	<u>33,000</u>	<u>29,188</u>	<u>3,812</u>
Total culture and recreation	<u>95,055</u>	<u>87,024</u>	<u>8,031</u>
Total expenditures	<u>\$ 2,734,529</u>	<u>\$ 2,631,467</u>	<u>\$ 103,062</u>



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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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*

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The Honorable Mayor and Members of the Town Council  
Town of Lake Clarke Shores, 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 Town of Lake Clarke Shores, Florida, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Lake Clarke Shores, Florida’s basic financial statements and have issued our report thereon dated June 24, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Lake Clarke Shores, 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 Town of Lake Clarke Shores, Florida’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lake Clarke Shores, 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 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify the following deficiency in internal control that we consider to be a significant deficiency.

#### Finding 2013-1 Bank Reconciliations

*Condition:* We noted that in some instances bank statements were not reconciled to the general ledger control accounts on a timely basis.

*Criteria:* Bank statements should be reconciled promptly so errors or other problems can be recognized and resolved on a timely basis.

*Effect:* Errors or other problems might not be detected and corrected on a timely basis

*Recommendation:* We recommend that bank statements be reconciled to the control accounts on a timely basis.

*Management Response:* The Town is aware of the bank reconciliations issue. The Town hired a special financial consultant who was able to identify several causes for the difficulties we were experiencing. The Town is now aware of the specific problem areas and we have corrected the problems. We agree with the recommendation above and will reconcile to the control accounts on a timely basis.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Lake Clarke Shores, 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*.

#### **Town of Lake Clarke Shores, Florida's Response to Findings**

The Town of Lake Clarke Shores, Florida response to the findings identified in our audit is described above. The Town of Lake Clarke Shores, 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.

*Nowlen, Holt & Mines, P.A.*

West Palm Beach, Florida  
June 24, 2014



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and Members of the Town Council  
Town of Lake Clarke Shores, Florida

We have audited the financial statements of the Town of Lake Clarke Shores, Florida, as of and for the year ended September 30, 2013, and have issued our report thereon dated June 24, 2014.

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. 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*. Disclosures in that report, which is dated June 24, 2014, should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

### **PRIOR YEAR COMMENTS**

Rules of the Auditor General require that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.

Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

## **CURRENT YEAR COMMENTS**

### *Investment of Public Funds*

Rules of the Auditor General require our audit to include a review of the Town's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

### *Recommendations to Improve Financial Management*

Rules of the Auditor General require 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.

### *Noncompliance With of Provisions of Contracts or Grant Agreements, or Abuse*

Rules of the Auditor General require 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.

### *Oversight Unit and Component Units*

Rules of the Auditor General require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements, but has been repeated here. The Town of Lake Clarke Shores, Florida is a municipal corporation organized pursuant to Chapter 31276, Laws of Florida, 1955. Based upon the application of criteria defined in publications cited in Chapter 10.553, Rules of the Auditor General, the Town has determined that there are no component units related to the Town.

### *Consideration of Financial Emergency Criteria*

Rules of the Auditor General require a statement be included as to whether or not the local governmental entity 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 Town of Lake Clarke Shores, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Annual Financial Report

Rules of the Auditor General require that we determine whether the annual financial report for the Town of Lake Clarke Shores, Florida for the fiscal year ended September 30, 2013 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, 2013. In connection with our audit, we noted that the two reports were in substantial agreement.

Financial Condition Assessment Procedures

Pursuant to Rules of the Auditor General, we applied financial condition assessment procedures as of the fiscal year end. It is management's responsibility to monitor the Town of Lake Clarke Shores, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provide by management. The results of our procedures did not disclose any matters that are required to be reported. Our assessment was made as of the fiscal year end.

Excess of Expenditures Over Appropriations

As indicated in Note 1 to the Budgetary Required Supplementary Information for the year ended September 30, 2013, there were no departments that had expenditures in excess of appropriations.

Single Audits

The Town expended less than \$500,000 of federal awards and less than \$500,000 of state financial assistance for the year ended September 30, 2013. The Town was not required to have a federal single audit or a state single audit.

Response to Management Letter

There were no items that required a response of management.

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 state awarding agencies, pass-through entities, management of the Town of Lake Clarke Shores, Florida, and members of the Town Council, and is not intended to be and should not be used by anyone other than these specified parties.

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
June 24, 2014