

TOWN OF LAKE CLARKE SHORES, FLORIDA



FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED SEPTEMBER 30, 2014

TOWN OF LAKE CLARKE SHORES, FLORIDA
 SEPTEMBER 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Clarke Shores, Florida as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Lake Clarke Shores, Florida'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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Clarke Shores, Florida as of September 30, 2014, 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.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, the Town adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year ended September 30, 2014. The net position of the business-type activities and the Enterprise Fund as of October 1, 2013 have been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the budgetary comparison data on pages 50 and 51, and the Schedule of Funding Progress - Other Postemployment Benefits on page 52 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, 2015, 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 & Mimer, P.A.

West Palm Beach, Florida
June 24, 2015

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

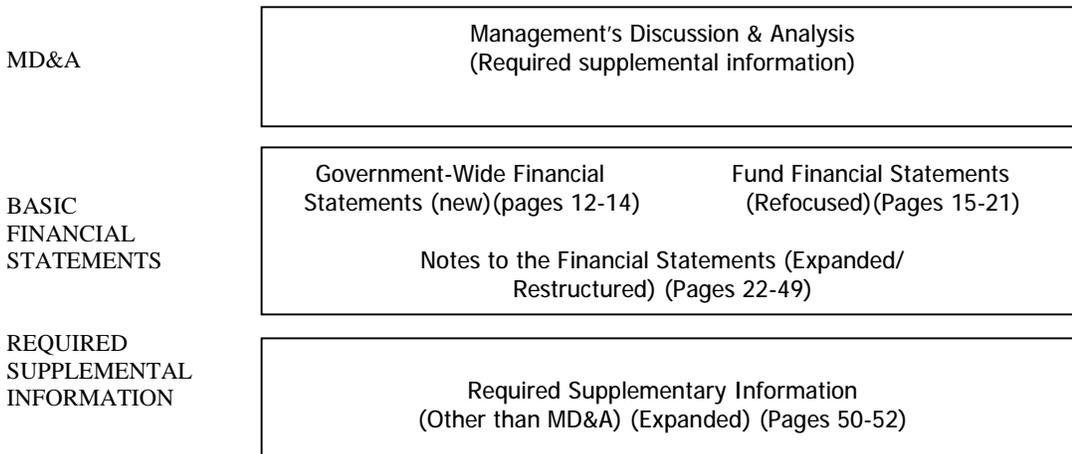
Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current year’s activities, resulting changes and currently known facts, please read it in conjunction with the Town’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Ø The assets plus deferred outflows of resources of the Town of Lake Clarke Shores exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year by \$14,189,875 (net position). Of this amount, \$2,639,069 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- Ø The government activities revenues were \$2,297,865 at the close of fiscal year 2014.
- Ø The business-type activities revenues were \$2,731,827 at the close of fiscal year 2014.
- Ø The total cost of all Town programs was \$4,864,499 during the fiscal year 2014.
- Ø At the end of the 2014 fiscal year, unassigned fund balance for the general fund was \$615,498 or 24% 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.



Management's Discussion and Analysis

The new 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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources – is one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net position may serve as a useful indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the 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 2014 is reported at \$14,189,875. Net position of the Town's governmental activities for the fiscal year ending 2014 is \$6,643,021. The net position of our business-type activities is reported at \$7,546,854 for the fiscal year ending 2014. Overall the financial position of the total primary government is \$165,193 more than the prior year, with a decrease of \$208,175 in net position for the governmental activities and an increase of \$373,368 in net position for the business-type activities.

**Town of Lake Clarke Shores
Net Position
September 30, 2013 and 2014**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Current and other Assets	\$870,525	\$837,164	\$ 3,872,239	\$ 3,502,170	\$ 4,742,764	\$ 4,339,334
Capital Assets	<u>6,708,456</u>	<u>6,508,520</u>	<u>6,023,367</u>	<u>6,191,030</u>	<u>12,731,823</u>	<u>12,699,550</u>
TOTAL ASSETS	<u>7,578,981</u>	<u>7,345,684</u>	<u>9,895,606</u>	<u>9,693,200</u>	<u>17,474,587</u>	<u>17,038,884</u>
Deferred Outflows	<u>-</u>	<u>-</u>	<u>43,366</u>	<u>29,285</u>	<u>43,366</u>	<u>29,285</u>
Current and Other Liabilities	94,617	146,746	504,800	364,504	599,417	511,250
Long Term liabilities	<u>610,794</u>	<u>535,106</u>	<u>2,260,686</u>	<u>1,811,127</u>	<u>2,871,480</u>	<u>2,346,233</u>
TOTAL LIABILITIES	<u>705,411</u>	<u>681,852</u>	<u>2,765,486</u>	<u>2,175,631</u>	<u>3,470,897</u>	<u>2,857,483</u>
Deferred Inflows	<u>22,374</u>	<u>20,811</u>	<u>-</u>	<u>-</u>	<u>22,374</u>	<u>20,811</u>
Net Investment in Capital Assets	6,198,938	6,075,158	3,825,540	4,431,738	10,024,478	10,506,896
Restricted	25,433	68,330	1,189,507	975,580	1,214,940	1,043,910
Unrestricted	<u>626,825</u>	<u>499,533</u>	<u>2,125,439</u>	<u>2,139,536</u>	<u>2,785,264</u>	<u>2,639,069</u>
TOTAL NET ASSETS	<u>\$6,851,196</u>	<u>\$6,643,021</u>	<u>\$7,173,486</u>	<u>\$7,546,854</u>	<u>\$14,024,682</u>	<u>\$14,189,875</u>

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 \$208,175.
- Ø The business-type net position increased by \$373,368 during fiscal year 2014 due to a decrease in operating expenses.

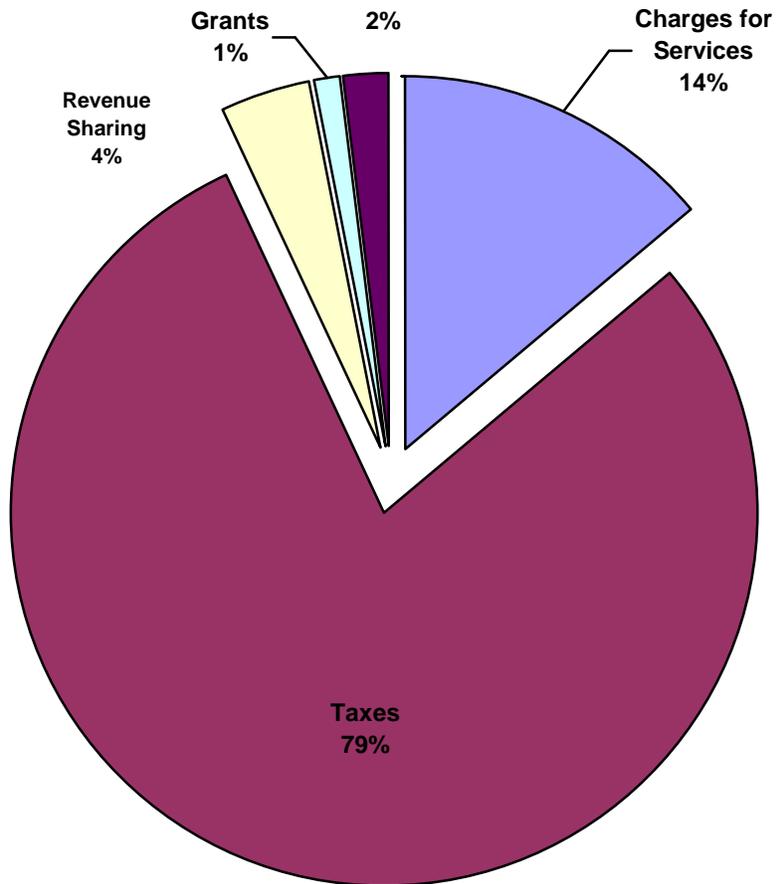
Town of Lake Clarke Shores Changes in Net Position For the Fiscal Years Ended September 30, 2013 and 2014

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 303,295	\$ 317,080	\$2,756,889	\$2,698,984	\$3,060,184	\$ 3,016,064
Operating grants	20,266	22,753	34,456		58,722	27,753
Capital grants	6,641				6,641	
Culture and recreation						
<i>General Revenues:</i>						
Taxes	1,761,489	1,818,574			1,761,489	1,818,574
State revenue sharing	100,685	104,575			100,685	104,575
Other	<u>19,283</u>	<u>34,883</u>	<u>55,449</u>	<u>32,843</u>	<u>74,732</u>	<u>67,726</u>
Total Revenues	<u>2,211,659</u>	<u>2,297,865</u>	<u>2,850,794</u>	<u>2,731,827</u>	<u>5,062,453</u>	<u>5,029,692</u>
Expenses:						
<i>Governmental Type Activities:</i>						
General government	568,649	558,018			568,649	558,018
Public safety	1,455,528	1,482,721			1,455,528	1,482,721
Culture and recreation	98,629	264,786			98,629	264,786
Highways and streets	236,446	305,155			236,446	305,155
Physical environment	359,594	97,386			359,594	97,386
Interest on long-term debt	20,954	17,974			20,954	17,974
<i>Business-Type Activities:</i>						
Purchased utilities			1,296,144	985,503	1,296,144	985,503
Personal and contractual services			666,305	585,676	666,305	585,676
Repair and maintenance			72,149	68,622	72,149	68,622
Utilities and supplies			67,310	67,483	67,310	67,483
Intragovernmental expense			35,000	35,000	35,000	35,000
Other charges			96,711	86,781	96,711	86,781
Interest and fiscal charges			108,024	88,725	108,024	88,725
Depreciation and amortization			<u>207,567</u>	<u>220,669</u>	<u>207,567</u>	<u>220,669</u>
Total Expenses	<u>2,739,800</u>	<u>2,726,040</u>	<u>2,549,210</u>	<u>2,138,459</u>	<u>5,289,010</u>	<u>4,864,499</u>
Excess (deficiency) Before Transfers	<u>(528,141)</u>	<u>(428,175)</u>	<u>301,584</u>	<u>593,368</u>	<u>(226,557)</u>	<u>165,193</u>
Transfers	<u>190,000</u>	<u>220,000</u>	<u>(190,000)</u>	<u>(220,000)</u>		
Change in Net Position	<u>(338,141)</u>	<u>(208,175)</u>	<u>111,584</u>	<u>373,368</u>	<u>(226,557)</u>	<u>165,193</u>
Net Position – Beginning	<u>7,189,337</u>	<u>6,851,196</u>	<u>7,061,902</u>	<u>7,173,486</u>	<u>14,251,239</u>	<u>14,024,682</u>
Net Position – Ending	<u>\$ 6,851,196</u>	<u>\$ 6,643,021</u>	<u>\$ 7,173,486</u>	<u>\$7,546,854</u>	<u>\$14,024,682</u>	<u>\$14,189,875</u>

Management's Discussion and Analysis

Governmental Activities – Revenues by Source

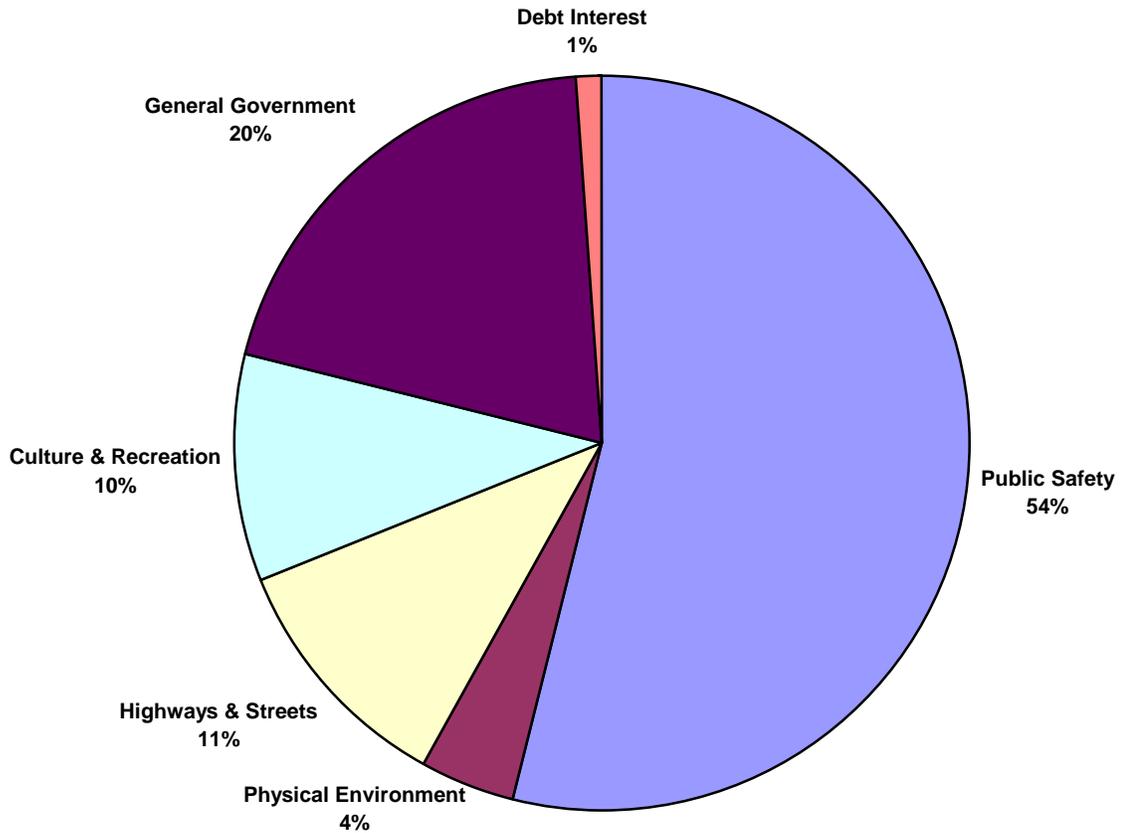
Approximately 79% of the Town's governmental revenue comes from taxes such as property, franchise and sales use. Property taxes alone account for nearly 62% of the various types of taxes and 49% of all revenues. (Please see chart below.)



Management's Discussion and Analysis

Governmental Activities – Expenses

The Town's governmental expenses cover a range of services, with 54% relating to public safety and 20% relating to General Government. (Please see chart below.)



Financial Analysis of the Governmental Funds on the Fund Basis

As the Town of Lake Clarke Shores completed the year, the general fund reported an unassigned fund balance of \$615,498 a decrease of \$129,244 from the previous fiscal year.

Management's Discussion and Analysis

Financial Analysis of the Proprietary Fund

Unrestricted net position of the Enterprise Fund at the end of the fiscal year 2014 was \$2,139,536. This represents an increase of \$14,097. The total net position of the Enterprise Fund was \$7,546,854 at the end of fiscal year 2014, an increase of \$373,368 from the prior year.

General Fund Budgetary Highlights

The actual expenditures were \$173,282 less than the budget amounts. Revenues were \$52,252 more than the budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014 the Town had invested \$12,699,550 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)
September 30, 2013 and 2014**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Land	\$ 517,753	\$ 517,753	\$ 88,760	\$ 88,760	\$ 606,513	\$ 606,513
Buildings	2,813,650	2,749,550		211,379	2,813,650	2,960,929
Improvements other than buildings	1,524,675	1,491,879	3,908,415	3,719,726	5,433,090	5,211,605
Infrastructure	1,622,168	1,459,951			1,622,168	1,459,951
Equipment	230,210	289,387	49,973	108,418	276,183	397,805
Construction in progress			47,803	134,419	47,803	134,419
Intangible assets			<u>1,932,416</u>	<u>1,928,328</u>	<u>1,928,328</u>	<u>1,928,328</u>
TOTALS	<u>\$6,708,456</u>	<u>\$6,508,520</u>	<u>\$6,023,367</u>	<u>\$6,191,030</u>	<u>\$12,731,823</u>	<u>\$12,699,550</u>

Management's Discussion and Analysis

Long-Term Liabilities

As of September 30, 2014, the Town had \$446,778 in a Promissory Note Series 2004, \$1,341,799 in a Promissory Note Series 2005, \$433,362 in a Promissory Note Series 2007 and \$82,067 in long term 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
Long-Term Liabilities
September 30, 2013 and 2014**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Promissory Note Series 2004	\$	\$	\$658,345	\$446,778	\$658,345	\$446,778
Promissory Note Series 2005			1,582,848	1,341,799	1,582,848	1,341,799
Promissory Note Series 2007	509,518	433,362			509,518	433,362
Other Postemployment Benefits	24,510	31,749	8,252	10,478	32,762	42,227
Compensated Absences	<u>76,766</u>	<u>69,995</u>	<u>11,241</u>	<u>12,072</u>	<u>88,007</u>	<u>82,067</u>
TOTALS	<u>\$610,794</u>	<u>\$535,106</u>	<u>\$2,260,686</u>	<u>\$1,811,127</u>	<u>\$2,871,480</u>	<u>\$2,346,233</u>

Other Postemployment Benefits (OPEB)

As a result of GASB Statement No. 45 the Town's annual OPEB cost was \$13,547 and the net OPEB obligation as of September 30, 2014 was \$42,227

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2015 fiscal year, general fund revenue projections have been moderately increased due to an increase in taxable value.

- Ø The budget is balanced.
- Ø Most user fee rates should increase for fiscal year 2015 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 5.8691.

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, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,990	\$ 619,023	\$ 629,013
Investments	680,281	1,152,830	1,833,111
Accounts receivable (net)	57,844	274,254	332,098
Due from other governments	39,569		39,569
Assessments receivable		225,577	225,577
Inventories		19,108	19,108
Restricted assets			
Cash and cash equivalents	49,480	939,138	988,618
Cash with fiscal agent		272,240	272,240
Capital assets			
Non-depreciable			
Land	517,753	88,760	606,513
Intangible assets		1,870,424	1,870,424
Construction in progress		134,419	134,419
Depreciable			
Buildings	3,205,037	214,962	3,419,999
Improvements other than buildings	1,976,459	6,007,127	7,983,586
Equipment	816,440	426,008	1,242,448
Infrastructure	6,488,657		6,488,657
Less: accumulated depreciation	(6,495,826)	(2,608,574)	(9,104,400)
Intangible assets		163,500	163,500
Less: accumulated amortization		(105,596)	(105,596)
Total assets	7,345,684	9,693,200	17,038,884
Deferred Outflows of Resources			
Unamortized loss on refunding		29,285	29,285
Liabilities			
Accounts payable	87,771	101,858	189,629
Unearned revenue		21,880	21,880
Accrued liabilities	44,754	4,968	49,722
Accrued interest payable	14,221		14,221
Payable from restricted assets			
Accrued interest payable		28,483	28,483
Customer deposits		207,315	207,315
Non-current liabilities			
Due within one year	149,470	477,923	627,393
Due in more than one year	385,636	1,333,204	1,718,840
Total liabilities	681,852	2,175,631	2,857,483
Deferred Inflows of Resources			
Unearned revenue	20,811		20,811
Net position			
Net investment in capital assets	6,075,158	4,431,738	10,506,896
Restricted for			
Debt service		475,580	475,580
Renewal and replacement		500,000	500,000
Transportation	33,978		33,978
Law enforcement	34,352		34,352
Unrestricted	499,533	2,139,536	2,639,069
Total net position	\$ 6,643,021	\$ 7,546,854	\$ 14,189,875

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Activities
For the Year Ended September 30, 2014

Function/ Program Activities	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 558,018	\$ 187,766	\$ 9,540
Public safety	1,482,721	124,756	
Highways and streets	264,786		
Physical environment	305,155		
Culture and recreation	97,386	4,558	13,213
Interest on long-term debt	17,974		
Total governmental activities	<u>2,726,040</u>	<u>317,080</u>	<u>22,753</u>
Business-type activities:			
Enterprise-water and sewer utility	<u>2,138,459</u>	<u>2,698,984</u>	
Total business-type activities	<u>2,138,459</u>	<u>2,698,984</u>	
Total government	<u>\$ 4,864,499</u>	<u>\$ 3,016,064</u>	<u>\$ 22,753</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, as restated
Net position, end of year

Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$	\$ (360,712)	\$	\$ (360,712)
	(1,357,965)		(1,357,965)
	(264,786)		(264,786)
	(305,155)		(305,155)
	(79,615)		(79,615)
	(17,974)		(17,974)
	<u>(2,386,207)</u>		<u>(2,386,207)</u>
		<u>560,525</u>	<u>560,525</u>
		<u>560,525</u>	<u>560,525</u>
<u>\$</u>	<u>(2,386,207)</u>	<u>560,525</u>	<u>(1,825,682)</u>
	1,132,613		1,132,613
	142,810		142,810
	354,063		354,063
	189,088		189,088
	104,575		104,575
	5,141	32,843	37,984
	(1,090)		(1,090)
	30,832		30,832
	220,000	(220,000)	
	<u>2,178,032</u>	<u>(187,157)</u>	<u>1,990,875</u>
	(208,175)	373,368	165,193
	6,851,196	7,173,486	14,024,682
<u>\$</u>	<u>6,643,021</u>	<u>\$ 7,546,854</u>	<u>\$ 14,189,875</u>

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2014

	<u>General</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 9,990	\$	\$ 9,990
Cash and cash equivalents - restricted		49,480	49,480
Investments	680,281		680,281
Accounts receivable (net)	57,844		57,844
Due from other governments	39,569		39,569
Total assets	<u>\$ 787,684</u>	<u>\$ 49,480</u>	<u>\$ 837,164</u>
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 72,643	\$ 15,128	\$ 87,771
Accrued liabilities	44,754		44,754
Total liabilities	<u>117,397</u>	<u>15,128</u>	<u>132,525</u>
Deferred inflows of resources			
Unearned revenue	20,811		20,811
Total deferred inflows of resources	<u>20,811</u>		<u>20,811</u>
Fund balances			
Restricted for:			
Public safety		34,352	34,352
Transportation	33,978		33,978
Unassigned	615,498		615,498
Total fund balances	<u>649,476</u>	<u>34,352</u>	<u>683,828</u>
Total liabilities and fund balances	<u>\$ 787,684</u>	<u>\$ 49,480</u>	<u>\$ 837,164</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, 2014

Fund balances - total governmental funds		\$ 683,828
<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	\$ 13,004,346	
Less accumulated depreciation	<u>(6,495,826)</u>	
		6,508,520
<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		(433,362)
Accrued interest payable		(14,221)
Other postemployment benefits		(31,749)
Compensated absences		<u>(69,995)</u>
Net position of governmental activities		<u><u>\$ 6,643,021</u></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, 2014

	General	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 1,304,843	\$	\$ 1,304,843
Licenses and permits	326,727		326,727
Intergovernmental	469,651		469,651
Fines and forfeitures	19,162	47,666	66,828
Interest income	5,141		5,141
Net increase in fair value of investments	(1,090)		(1,090)
Intragovernmental	35,000		35,000
Charges for services	58,556		58,556
Miscellaneous	67,209		67,209
Total revenues	2,285,199	47,666	2,332,865
Expenditures:			
Current			
General government	551,293		551,293
Public safety	1,370,445	33,707	1,404,152
Highways and streets	79,411		79,411
Physical environment	305,155		305,155
Culture and recreation	68,349		68,349
Capital outlay	129,262	5,040	134,302
Debt service			
Principal	76,156		76,156
Interest	20,394		20,394
Total expenditures	2,600,465	38,747	2,639,212
Excess (deficiency) of revenues over (under) expenditures	(315,266)	8,919	(306,347)
Other financing sources (uses):			
Transfers in	220,000		220,000
Total other financing sources (uses)	220,000		220,000
Net change in fund balance	(95,266)	8,919	(86,347)
Fund balances, beginning of year	744,742	25,433	770,175
Fund balances, end of year	\$ 649,476	\$ 34,352	\$ 683,828

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, 2014

Net change in fund balances - total governmental funds \$ (86,347)

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	\$ 176,610	
Less: current year depreciation	<u>(356,033)</u>	
		(179,423)

Gains and losses on the disposal of fixed assets are not reported in the governmental funds but are reported in the statement of activities.

Net book value of capital asset dispositions	(20,513)
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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	76156
Decrease in accrued interest payable on long-term debt	2420

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	(7,239)
Change in compensated absences	<u>6,771</u>

Change in net position of governmental activities	<u><u>\$ (208,175)</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, 2014

	Enterprise
Assets	
Current assets	
Cash and cash equivalents	\$ 619,023
Investments	1,152,830
Accounts receivable (net)	274,254
Assessments receivable	225,577
Supplies inventory	19,108
Restricted assets	
Cash and cash equivalents	939,138
Cash with fiscal agent	272,240
Total current assets	3,502,170
Non-current assets	
Capital assets	
Non depreciable	
Land	88,760
Intangible assets	1,870,424
Construction in progress	134,419
Depreciable	
Buildings	214,962
Improvements other than buildings	6,007,127
Equipment	426,008
Less accumulated depreciation	(2,608,574)
Intangible assets	163,500
Less accumulated amortization	(105,596)
Total non-current assets	6,191,030
Total assets	9,693,200
Deferred outflows of resources	
Unamortized loss on refunding	29,285
Liabilities	
Current liabilities	
Accounts payable	101,858
Accrued liabilities	4,968
Unearned revenue	21,880
Compensated absences payable	12,072
Notes payable - current portion	465,851
Payable from restricted assets	
Accrued interest payable	28,483
Customer deposits	207,315
Total current liabilities	842,427
Non-current liabilities	
Notes payable	1,322,726
Other postemployment benefits	10,478
Total non-current liabilities	1,333,204
Total liabilities	2,175,631
Net position	
Net investment in capital assets	4,431,738
Restricted for	
Debt service	475,580
Renewal and replacement	500,000
Unrestricted	2,139,536
Total net position	\$ 7,546,854

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, 2014

	Enterprise
Operating revenue	
Charges for services	\$ 2,698,984
Total operating revenues	2,698,984
Operating expenses	
Purchased utilities	985,503
Personal services	393,872
Contractual services	191,804
Supplies	40,479
Utilities and communications	27,004
Repairs and maintenance	68,622
Intragovernmental expense	35,000
Other charges	86,633
Depreciation	216,581
Amortization	4,088
Total operating expenses	2,049,586
Operating income	649,398
Nonoperating revenues (expenses)	
Investment earnings	32,843
Loss on disposal of capital assets	(148)
Interest expense and fiscal charges	(88,725)
Total nonoperating revenues (expenses)	(56,030)
Net income before capital contributions and transfers	593,368
Transfers to other funds	(220,000)
Change in net position	373,368
Net position - beginning, as restated	7,173,486
Net position - ending	\$ 7,546,854

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2014

	Enterprise
Cash flows from operating activities:	
Receipts from customers	\$ 2,649,429
Payments to suppliers for goods or services	(1,479,233)
Payments to employees for services	(389,109)
Payments for interfund services used	(35,000)
Net cash provided by operating activities	746,087
Cash flows from non-capital financing activities:	
Transfers to other funds	(220,000)
Net cash used by non-capital financing activities	(220,000)
Cash flows from capital and related financing activities:	
Special assessments	123,171
Interest paid on debt	(80,566)
Principal paid on debt	(452,616)
Acquisition of capital assets	(425,429)
Net cash used by capital and related financing activities	(835,440)
Cash flows from investing activities:	
Sale of investments	14,874
Interest and dividends on investments	32,843
Net cash provided by investing activities	47,717
Net increase in cash and cash equivalents	(261,636)
Cash and cash equivalents at beginning of year	2,092,037
Cash and cash equivalents at end of year	\$ 1,830,401
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 649,398
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	216,581
Amortization	4,088
Change in assets and liabilities	
Increase in accounts receivable	(29,020)
Increase in inventories	(592)
Decrease in prepaid expenses	
Decrease in accounts payable	(78,596)
Increase in accrued liabilities	3,932
Decrease in customer deposits	(20,535)
Increase in compensated absences payable	831
Increase in unearned revenue	
Total adjustments	96,689
Net cash provided by operating activities	\$ 746,087
Cash and cash equivalents:	
Unrestricted	\$ 619,023
Restricted	939,138
Total cash and cash equivalents	\$ 1,558,161
Noncash capital financing activities	
Amortization of deferred loss on refunding	\$ 14,081

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

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, 2014

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.

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, 2014

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, 2014

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.

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.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Internal Balances

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the entity-wide governmental and business-type activities columns of the statements of net position, except for the residual amount, which is presented as internal balances.

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

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unavailable Revenue

The Town reports unavailable revenue on its governmental funds balance sheet for resource inflows that do not qualify for recognition as revenue in a governmental fund because they are not yet available.

Unearned Revenue

Unearned revenue arises when resources are obtained prior to revenue recognition. In subsequent periods, when revenue recognition criteria are met the unearned revenue is removed and revenue is recognized. Unearned revenue consists of local business tax receipts collected at the end of the fiscal year that relate to and will be earned in the subsequent fiscal year.

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future period.

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Bonds, Bonds Discounts, Bond Premiums, and Issuance Costs

In the governmental funds, the face amount of the bonds is reported as “Other Financing Sources” in the year of issue. Bond discounts are reported as “Other Financing Uses” and bond premiums are reported as “Other Financing Sources” in the year of the issue. In the entity-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are 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, except any portion related to prepaid insurance costs, are recognized as an expenditure/expense in the period incurred.

Deferred Losses on Refunding

In the entity-wide financial statements and the proprietary fund financial statements the difference between the re-acquisition price of new debt and the net carrying amount of old debt refunded is recorded as a deferred outflow of resources and recognized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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."

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the 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 plus deferred inflows of resources. 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."

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements

The Town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended September 30, 2014.

GASB 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. The cumulative effect of applying this statement is required to be reported as a restatement of beginning net position. See Note 16.

GASB 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*. Implementation of this standard had no significant impact on the Town's financial statements.

GASB 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. Implementation of this standard had no significant impact on the Town's financial statements.

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 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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

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.
- 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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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, 2013, upon which the 2013-2014 levy was based, was approximately \$186 million. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

Budgetary Data (Continued)

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, 2014 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.

The Town does not accrue unpaid delinquent property taxes as a receivable because they are not material.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

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.

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, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Investment Pool. Pool A is now referred to as Florida PRIME, and Pool B is referred to as Fund B. During the fiscal year ended September 30, 2014, the remaining principal balances in Fund B were distributed to each Fund B participant, and the Fund was closed.

At September 30, 2014, 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.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2014, was 39 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.

Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

As of September 30, 2014, 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 certificates of deposit are reported as investments.

	<u>Maturity</u>	<u>Fair Value</u>
State Board of Administration Investment Pool		
Florida PRIME	39 days	\$ 74,943
Certificate of Deposit	18 days	\$ 680,281
Certificate of Deposit	115 days	638,595
Certificate of Deposit	115 days	<u>514,235</u>
		<u>\$1,833,111</u>

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, 2014, the SBA Florida PRIME was rated AAAM by Standard and Poor's Rating Service.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

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, 2014, consist of:

Debt Service – used to identify resources set aside for the purpose of paying principal and interest on long-term debt.	\$ 504,063
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>207,315</u>
	<u><u>\$1,211,378</u></u>

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2014, are as follows:

	General Fund	Enterprise Fund
Accounts receivable - billed	\$ 57,844	\$ 154,064
Accounts receivable - unbilled		154,190
Total receivables	57,844	308,254
Less allowance for uncollectible accounts		(34,000)
Net receivables	\$ 57,844	\$ 274,254

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

<u>Governmental activities</u>	<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 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	1,952,189	31,000	(6,730)	1,976,459
Equipment	1,088,251	145,610	(417,421)	816,440
Infrastructure	6,488,657			6,488,657
Total being depreciated	<u>12,734,134</u>	<u>176,610</u>	<u>(424,151)</u>	<u>12,486,593</u>
Total at historical cost	<u>13,251,887</u>	<u>176,610</u>	<u>(424,151)</u>	<u>13,004,346</u>
Less accumulated depreciation				
Buildings	391,387	64,100		455,487
Improvements other than buildings	427,514	59,535	(2,469)	484,580
Equipment	858,041	70,181	(401,169)	527,053
Infrastructure	4,866,489	162,217		5,028,706
Total accumulated depreciation	<u>6,543,431</u>	<u>356,033</u>	<u>(403,638)</u>	<u>6,495,826</u>
Total governmental activities, net	<u>\$ 6,708,456</u>	<u>\$(179,423)</u>	<u>\$ (20,513)</u>	<u>\$ 6,508,520</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 6 – CAPITAL ASSETS (Continued)

<u>Business-type activities</u>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 88,760	\$	\$	\$ 88,760
Intangible assets – water rights	1,870,424			1,870,424
Construction in progress	47,803	301,578	(214,962)	134,419
Total not being depreciated	<u>2,006,987</u>	<u>301,578</u>	<u>(214,962)</u>	<u>2,093,603</u>
Capital assets being depreciated				
Buildings		214,962		214,962
Improvements other than buildings	6,007,127			6,007,127
Equipment	485,367	86,902	(146,261)	426,008
Intangible asset - goodwill	163,500			163,500
Total being depreciated	<u>6,655,994</u>	<u>301,864</u>	<u>(146,261)</u>	<u>6,811,597</u>
Total at historical cost	<u>8,662,981</u>	<u>603,442</u>	<u>(361,223)</u>	<u>8,905,200</u>
Less accumulated depreciation				
Buildings		3,583		3,583
Improvements other than buildings	2,098,712	188,689		2,287,401
Equipment	439,394	24,309	(146,113)	317,590
Intangible asset - goodwill	101,508	4,088		105,596
Total accumulated depreciation	<u>2,639,614</u>	<u>220,669</u>	<u>(146,113)</u>	<u>2,714,170</u>
Total governmental activities, net	<u>\$ 6,023,367</u>	<u>\$ 382,773</u>	<u>\$ (215,110)</u>	<u>\$ 6,191,030</u>

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

Governmental activities	
General government	\$ 59,672
Public safety	76,949
Highways and streets	185,375
Culture and recreation	<u>34,037</u>
Total depreciation expense for governmental activities	<u>\$ 356,033</u>
Business-type activities	
Municipal water and sewer	<u>\$ 220,669</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

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>(105,596)</u>
Total intangible assets, net	<u>\$ 1,928,328</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>
2015	\$ 79,475	\$17,075	\$ 96,550
2016	82,607	13,943	96,550
2017	85,862	10,688	96,550
2018	89,245	7,305	96,550
2019	<u>96,173</u>	<u>377</u>	<u>96,550</u>
Total	<u>\$433,362</u>	<u>\$49,388</u>	<u>\$482,750</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

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>
2015	\$ 219,353	\$ 16,441	\$ 235,794
2016	<u>227,425</u>	<u>8,369</u>	<u>235,794</u>
Total	<u>\$ 446,778</u>	<u>\$ 24,810</u>	<u>\$ 471,588</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>
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>\$1,341,799</u>	<u>\$ 132,802</u>	<u>\$1,474,601</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

During the year ended September 30, 2014, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Promissory Note, Series 2007	\$ 509,518	\$	\$ (76,156)	\$ 433,362	\$ 79,475
Other postemployment benefits	24,510	7,239		31,749	
Compensated absences	<u>76,766</u>	<u>51,548</u>	<u>(58,319)</u>	<u>69,995</u>	<u>69,995</u>
Total governmental activities	<u>\$ 610,794</u>	<u>\$ 58,787</u>	<u>\$ (134,475)</u>	<u>\$ 535,106</u>	<u>\$ 149,470</u>
Business-type activities					
Promissory Note, Series 2004	\$ 658,345	\$	\$ (211,567)	\$ 446,778	\$ 219,353
Promissory Note, Series 2005	<u>1,582,848</u>		<u>(241,049)</u>	<u>1,341,799</u>	<u>246,498</u>
Total bonds payable	2,241,193		(452,616)	1,788,577	465,851
Other postemployment benefits	8,252	2,226		10,478	
Compensated absences	<u>11,241</u>	<u>16,719</u>	<u>(15,888)</u>	<u>12,072</u>	<u>12,072</u>
Total business-type activities	<u>\$ 2,260,686</u>	<u>\$ 18,945</u>	<u>\$ (468,504)</u>	<u>\$ 1,811,127</u>	<u>\$ 477,923</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, 2014, were \$106,699 and \$101,786, 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, 2014

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.

During the fiscal year ended September 30, 2014, SERMA was dissolved and the Town's portion of outstanding claims and expenses were transferred to the Town. The Town also received \$30,020 from SERMA as their portion of the claims reserve balance. The Town accrued a liability in this amount in the General Fund. Management believes this liability is adequate to cover the outstanding claims.

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, 2014, the Town was charged \$222,758 for waste collection services pursuant to the agreement.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 10 – COMMITMENTS (Continued)

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, 2014, the Town was charged \$213,753 for purchased water pursuant to the agreement.

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. For the year ended September 30, 2014, the Town was charged \$277,384 for sewage disposal services pursuant to the agreement.

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 10 – COMMITMENTS (Continued)

City of Lake Worth Interlocal Agreement to Purchase Bulk Water (Continued)

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, 2014, the Town was charged \$92,093 for water purchased from the City.

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, 2014, the Town incurred charges of \$385,453 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. The cost for the fiscal year ending September 30, 2015 is \$42,319.

Sewer Construction Agreement

On April 8, 2014 the Town entered into an agreement with the owner of certain commercial property located within the Town at 1800 Forest Hill Boulevard. Under the terms of the agreement, the property owner will construct certain wastewater facilities which will become a part of the Town's master sewer system. The Town agreed to purchase the completed facilities from the property owner for reasonable, customary, and usual expenses associated with the

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 10 – COMMITMENTS (Continued)

Sewer Construction Agreement (Continued)

design, permitting, and construction of the facilities within 60 days of acceptance of the facilities by the Town. The estimated cost of the facilities is \$240,333.

Construction and Other Projects

As of September 30, 2014, 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 09/30/14</u>	<u>Balance to Complete</u>
Forest Hill Boulevard Sewer Project	<u>\$ 141,880</u>	<u>\$ 113,504</u>	<u>\$ 28,376</u>

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, 2014, was \$1,264,609. The Town's contribution requirement, representing 8% of the covered payroll of \$1,120,225, amounted to \$89,618.

NOTE 12 – INTRAGOVERNMENTAL ADMINISTRATIVE FEE

During the year ended September 30, 2014, 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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 13 – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2014, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 220,000	\$
Enterprise Fund		220,000
Totals	\$ 220,000	\$ 220,000

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.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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	\$ 14,043
Interest on net OPEB obligation	1,474
Adjustment to annual required contribution	<u>(1,970)</u>
Annual OPEB cost (expense)	13,547
Estimated net contributions made	<u>(4,082)</u>
Increase in net OPEB obligation	9,465
Net OPEB obligation October 1, 2013	<u>32,762</u>
Net OPEB obligation September 30, 2014	<u><u>\$ 42,227</u></u>

Trend Information

<u>Three-Year Trend Information</u>			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/12	\$ 9,556	20.6%	\$ 22,138
09/30/13	\$ 14,218	25.3%	\$ 32,762
09/30/14	\$ 13,547	30.1%	\$ 42,227

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

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.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 1, the Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the current fiscal year. The cumulative effect of applying GASB 65 has been reported as a restatement of the beginning net position of the business-type activities on the entity-wide financial statements and the Enterprise Fund on the fund level financial statements. A reconciliation of the prior period ending net position to the current period beginning net position is as follows.

Balance at September 30, 2013, as reported	\$ 7, 192,555
Adjustment to write-off loan issue costs	<u>(19,069)</u>
Balance at September 30, 2013, as restated	<u>\$ 7,173,486</u>

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, 2014

	General Fund			Variance With Final Budget Positive (Negative)
	Original Adopted Budget	Final Revised Budget	Actual	
Revenues:				
Taxes	\$ 1,304,665	\$ 1,304,665	\$ 1,304,843	\$ 178
Licenses and permits	320,296	322,446	326,727	4,281
Intergovernmental	451,386	451,386	469,651	18,265
Fines and forfeitures	24,300	16,650	19,162	2,512
Interest income	15,000	5,000	5,141	141
Net increase in fair value of investments			(1,090)	(1,090)
Intragovernmental	35,000	35,000	35,000	
Charges for services	23,000	56,000	58,556	2,556
Miscellaneous	59,300	41,800	67,209	25,409
Total revenues	<u>2,232,947</u>	<u>2,232,947</u>	<u>2,285,199</u>	<u>52,252</u>
Expenditures:				
General government	643,806	729,106	685,090	44,016
Public safety	1,466,441	1,534,441	1,436,460	97,981
Highways and streets	60,000	95,200	79,411	15,789
Physical environment	305,000	307,300	305,155	2,145
Culture and recreation	65,700	107,700	94,349	13,351
Total expenditures	<u>2,540,947</u>	<u>2,773,747</u>	<u>2,600,465</u>	<u>173,282</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(308,000)</u>	<u>(540,800)</u>	<u>(315,266)</u>	<u>225,534</u>
Other financing sources:				
Operating transfer in	220,000	220,000	220,000	
Total other financing sources	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ (88,000)</u>	<u>\$ (320,800)</u>	<u>(95,266)</u>	<u>\$ 225,534</u>
Fund balance, beginning of year			<u>744,742</u>	
Fund balance, end of year			<u>\$ 649,476</u>	

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2014

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, 2014, 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, 2014

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, 2014

	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	2,100	2,048	52
Other current charges	400		400
Operating supplies	1,500	485	1,015
Books, dues, and education	2,100	430	1,670
Total mayor and council	<u>12,559</u>	<u>9,422</u>	<u>3,137</u>
Finance:			
Personal services:			
Regular salaries	12,880	12,822	58
FICA	869	794	75
Medicare	233	186	47
Operating:			
Accounting and auditing	11,350	11,095	255
Total finance	<u>25,332</u>	<u>24,897</u>	<u>435</u>
Administration and clerk:			
Personal services:			
Regular salaries	192,538	192,044	494
Elections	2,000		2,000
Overtime	3,000	196	2,804
FICA	12,023	11,159	864
Medicare	2,835	2,610	225
Pension contributions	15,644	15,175	469
Employee insurance	30,800	30,613	187
Operating:			
Travel and per diem	1,100	1,071	29
Communications	1,100	1,069	31
Postage and freight	600	276	324
Repairs and maintenance	7,840	9,511	(1,671)
Printing and binding	400		400
Other current charges	500	766	(266)
Advertising	3,400	3,330	70
Office supplies	1,000	880	120
Operating supplies	2,900	2,815	85
Books, dues, and education	2,400	2,351	49
Debt service			
Principal	76,570	76,156	414
Interest	20,480	20,394	86
Total administration	<u>377,130</u>	<u>370,416</u>	<u>6,714</u>

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget to Actual
General Fund
For the Year Ended September 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Legal:			
Operating:			
Professional fees	\$ 113,000	\$ 105,956	\$ 7,044
Other general government:			
Operating:			
Professional fees	9,500	6,578	2,922
Other contractual services	1,000		1,000
Communications	9,000	5,552	3,448
Postage and freight	3,000	379	2,621
Electric	23,500	20,754	2,746
Water and sewer	7,500	5,303	2,197
Rentals and leases	3,000	1,320	1,680
General insurance	52,500	47,272	5,228
Repairs and maintenance	36,368	37,843	(1,475)
Printing and binding	1,000	499	501
Other current charges	7,117	1,964	5,153
Office supplies	1,000	966	34
Operating supplies	4,600	4,535	65
Gas and oil	1,200	766	434
Books, dues, and education	3,500	3,421	79
Capital outlay:			
Machinery and equipment	37,300	37,247	53
Total other general government	<u>201,085</u>	<u>174,399</u>	<u>26,686</u>
Total general government	<u>729,106</u>	<u>685,090</u>	<u>44,016</u>
Public safety:			
Law enforcement:			
Personal services:			
Regular salaries	686,569	626,957	59,612
PD special details	50,000	49,605	395
Overtime	19,500	6,806	12,694
State incentive pay	7,860	7,172	688
FICA	43,281	41,837	1,444
Medicare	10,322	9,859	463
Pension contributions	53,311	49,834	3,477
Employee insurance	120,900	120,149	751

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget to Actual (continued)
General Fund
For the Year Ended September 30, 2014

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Operating:			
Other contractual services	\$ 23,090	\$ 4,800	\$ 18,290
Dispatch services	40,350	41,086	(736)
Travel and per diem	1,200	1,489	(289)
Communications	28,100	28,040	60
Postage and freight	1,000	918	82
Rentals and leases	500	114	386
Police vehicle leases	4,800	4,800	
Repairs and maintenance	43,000	47,248	(4,248)
Repairs and maintenance - vehicles	27,000	27,292	(292)
Printing and binding	600	455	145
Other current charges	300	48	252
Crime prevention	600	47	553
Office supplies	1,700	1,615	85
Operating supplies	27,300	29,543	(2,243)
Gas and oil	34,600	34,532	68
Uniforms	9,000	8,963	37
Books, dues, and education	4,700	4,625	75
Capital outlay:			
Machinery and equipment	66,000	66,015	(15)
Total law enforcement	<u>1,305,583</u>	<u>1,213,849</u>	<u>91,734</u>
Protective inspections and code enforcement:			
Personal services:			
Regular salaries	72,428	72,327	101
Overtime	3,000	220	2,780
FICA	4,776	4,408	368
Medicare	1,117	1,031	86
Pension contributions	5,862	5,804	58
Employee insurance	20,000	19,594	406
Operating:			
Other contractual services	102,500	102,145	355
Travel and per diem	500	10	490
Communications	500	7	493
Postage and freight	1,200	276	924
Rentals and leases	500		500
Repairs and maintenance	12,000	12,882	(882)
Office supplies	675	572	103
Operating supplies	3,500	3,335	165
Books, dues, and education	300		300
Total protective inspections and code enforcement	<u>228,858</u>	<u>222,611</u>	<u>6,247</u>
Total public safety	<u>1,534,441</u>	<u>1,436,460</u>	<u>97,981</u>

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget to Actual (continued)
General Fund
For the Year Ended September 30, 2014

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Highways and streets:			
Operating:			
Professional fees	\$ 21,500	\$ 21,161	\$ 339
NPDES agreement	1,600		1,600
NPDES agreement	7,200	7,045	155
Electric	25,400	25,336	64
Repairs and maintenance	22,500	22,488	12
Operating supplies	3,000	2,829	171
Road materials and supplies	1,000	552	448
Capital outlay:			
Storm drainage	13,000		13,000
Total highways and streets	<u>95,200</u>	<u>79,411</u>	<u>15,789</u>
Physical environment:			
Operating:			
Lawn services	65,700	63,833	1,867
Garbage collection service	222,900	222,758	142
Weed control	18,700	18,564	136
Total physical environment	<u>307,300</u>	<u>305,155</u>	<u>2,145</u>
Culture and recreation:			
Parks and recreation			
Operating:			
Professional fees	5,900	5,842	58
Electric	2,500	2,463	37
Water and sewer	700	676	24
Repairs and maintenance	24,000	23,711	289
Operating supplies	4,300	4,218	82
Beautification landscape	10,000	8,797	1,203
Capital outlay:			
Improvements other than building	33,300	26,000	7,300
Total parks and recreation	<u>80,700</u>	<u>71,707</u>	<u>8,993</u>
Special events			
Operating:			
Postage and freight	1,500	920	580
Printing and binding	2,000	1,734	266
Promotional activities	5,000	3,492	1,508
Other current charges	300	260	40
Operating supplies	18,200	16,236	1,964
Total special events	<u>27,000</u>	<u>22,642</u>	<u>4,358</u>
Total culture and recreation	<u>107,700</u>	<u>94,349</u>	<u>13,351</u>
Total expenditures	<u>\$ 2,773,747</u>	<u>\$ 2,600,465</u>	<u>\$ 173,282</u>



NOWLEN, HOLT & MINER, P.A.

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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*

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, 2014, 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, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weakness.

Finding 2014-1 Closing Procedures

Condition: Material adjustments were required to correct the accounting records.

Criteria: Accurate accounting records are required as a basis for decision making.

Effect: Prior to audit adjustments, the accounting records were misstated.

Recommendation: We recommend that the Town review the monthly and year-end financial closing and reporting procedures and update them to facilitate the preparation of more accurate financial reports.

Management Response: The Town will consolidate several departmental cost centers into only one general cost center. In addition, a review of the year-end accounts payable processing procedure will be examined to assure that the accounting software capabilities are maximized to the fullest extent possible. The fixed assets additions will be identified by department and approved by the Town Administrator to assure proper assignment of cost.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency 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 engaged 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. The Town has provided offsite access to the accounting software records to the consultant. Also, the Town will provide monthly bank statements and records related to cleared bank deposits and checks to the consultant. These two adjustments will provide timely bank reconciliation records.

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 & Mimer, P.A.

West Palm Beach, Florida
June 24, 2015



NOWLEN, HOLT & MINER, P.A.

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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

Report on the Financial Statements

We have audited the financial statements of the Town of Lake Clarke Shores, Florida, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 24, 2015.

Auditor's Responsibility

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

Other Reports

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* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.5550, Rules of the Auditor General. Disclosures in those reports, which are dated June 24, 2015, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The following prior year finding still exists.

Finding 2013-1 Bank Reconciliations

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Town of Lake Clarke Shores, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town of Lake Clarke Shores, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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 provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Town of Lake Clarke Shores, Florida for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that the two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited

financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

Based on the application of criteria in publications cited in Section 10.553, Rules of the Auditor General, there are no special district component units of the Town of Lake Clarke Shores, Florida.

Other Matters

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

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

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, 2014, and 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 by management.

Purpose of this Letter

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representative, the Florida Auditor General, Federal and state awarding agencies, pass-through entities, management of the Town of Lake Clarke Shores, 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, 2015



NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

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

We have examined the Town of Lake Clarke Shores, Florida’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2014. Management is responsible for the Town of Lake Clarke Shores, Florida’s compliance with those requirements. Our responsibility is to express an opinion on the Town of Lake Clarke Shores, Florida’s compliance based on our examination.

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

In our opinion, the Town of Lake Clarke Shores, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 24, 2015