

TOWN OF LAKE CLARKE SHORES, FLORIDA



FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED SEPTEMBER 30, 2015

TOWN OF LAKE CLARKE SHORES, FLORIDA
 SEPTEMBER 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Clarke Shores, Florida as of and for the year ended September 30, 2015, 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, 2015, 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 1 to the financial statements, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, during the fiscal year ended September 30, 2015. Our opinions are 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 52 and 53, and the Schedule of Funding Progress - Other Postemployment Benefits on page 54 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 30, 2016, 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 30, 2016

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

- 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 \$15,783,565 (net position). Of this amount, \$2,630,459 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- The government activities revenues were \$2,412,900 at the close of fiscal year 2015.
- The business-type activities revenues were \$4,060,035 at the close of fiscal year 2015.
- The total cost of all Town programs was \$4,879,245 during the fiscal year 2015.
- At the end of the 2015 fiscal year, unassigned fund balance for the general fund was \$752,348 or 30% of total general fund expenditures.

USING THIS REPORT

The following graphic is provided for your review.

MD&A	Management’s Discussion & Analysis (Required supplemental information)				
BASIC FINANCIAL STATEMENTS	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;">Government-Wide Financial Statements (new)(pages 12-14)</td> <td style="width: 50%; border: none;">Fund Financial Statements (Refocused)(Pages 15-21)</td> </tr> <tr> <td colspan="2" style="border: none; text-align: center;">Notes to the Financial Statements (Expanded/ Restructured) (Pages 22-51)</td> </tr> </table>	Government-Wide Financial Statements (new)(pages 12-14)	Fund Financial Statements (Refocused)(Pages 15-21)	Notes to the Financial Statements (Expanded/ Restructured) (Pages 22-51)	
Government-Wide Financial Statements (new)(pages 12-14)	Fund Financial Statements (Refocused)(Pages 15-21)				
Notes to the Financial Statements (Expanded/ Restructured) (Pages 22-51)					
REQUIRED SUPPLEMENTAL INFORMATION	Required Supplementary Information (Other than MD&A) (Expanded) (Pages 52-54)				

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:

- 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.
- 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.

- 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

- 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 2015 is reported at \$15,783,565. Net position of the Town's governmental activities for the fiscal year ending 2015 is \$6,583,525. The net position of our business-type activities is reported at \$9,200,040 for the fiscal year ending 2015. Overall the financial position of the total primary government is \$1,593,690 more than the prior year, with a decrease of \$59,496 in net position for the governmental activities and an increase of \$1,653,186 in net position for the business-type activities.

Business decisions made by the Town Council to partner with Palm Beach County Water Utility are reflected in a \$751,060 increase to capital contributions from the CDBG grant for the Seminole Manor sewer improvement project. An additional \$559,338 in special assessments has been recognized for the Forest Hill Sewer Project referred to as the Lake Clarke Shores Sewer System.

Town of Lake Clarke Shores Net Position September 30, 2014 and 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Current and Other Assets	\$ 837,164	\$1,037,770	\$ 3,502,170	\$3,412,973	\$ 4,339,334	\$ 4,450,743
Capital Assets	<u>6,508,520</u>	<u>6,207,045</u>	<u>6,191,030</u>	<u>7,511,731</u>	<u>2,699,550</u>	<u>13,718,776</u>
TOTAL ASSETS	<u>7,345,684</u>	<u>7,244,815</u>	<u>9,693,200</u>	<u>10,924,704</u>	<u>17,038,884</u>	<u>18,169,519</u>
DEFERRED OUTFLOWS	<u>-</u>	<u>-</u>	<u>29,285</u>	<u>17,805</u>	<u>29,285</u>	<u>17,805</u>
Current and Other Liabilities	146,746	179,240	364,504	393,341	511,250	572,581
Long Term liabilities	<u>535,106</u>	<u>459,812</u>	<u>1,811,127</u>	<u>1,349,128</u>	<u>2,346,233</u>	<u>1,808,940</u>
TOTAL LIABILITIES	<u>681,852</u>	<u>639,052</u>	<u>2,175,631</u>	<u>1,742,469</u>	<u>2,857,483</u>	<u>2,381,521</u>
DEFERRED INFLOWS	<u>20,811</u>	<u>22,238</u>	<u>-</u>	<u>-</u>	<u>20,811</u>	<u>22,238</u>
Net Investment in Capital Assets	6,075,158	5,852,913	4,431,738	6,183,585	10,506,896	12,036,498
Restricted	68,330	95,603	975,580	1,021,005	1,043,910	1,116,608
Unrestricted	<u>499,533</u>	<u>635,009</u>	<u>2,139,536</u>	<u>1,995,450</u>	<u>2,639,069</u>	<u>2,630,459</u>
TOTAL NET POSITION	<u>\$6,643,021</u>	<u>\$6,583,525</u>	<u>\$7,546,854</u>	<u>\$9,200,040</u>	<u>\$14,189,875</u>	<u>\$15,783,565</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).

- The decrease in net position for governmental activities totaled \$59,496.
- The business-type net position increased by \$1,653,186 during fiscal year 2015 due to an increase in special assessments and capital contributions.

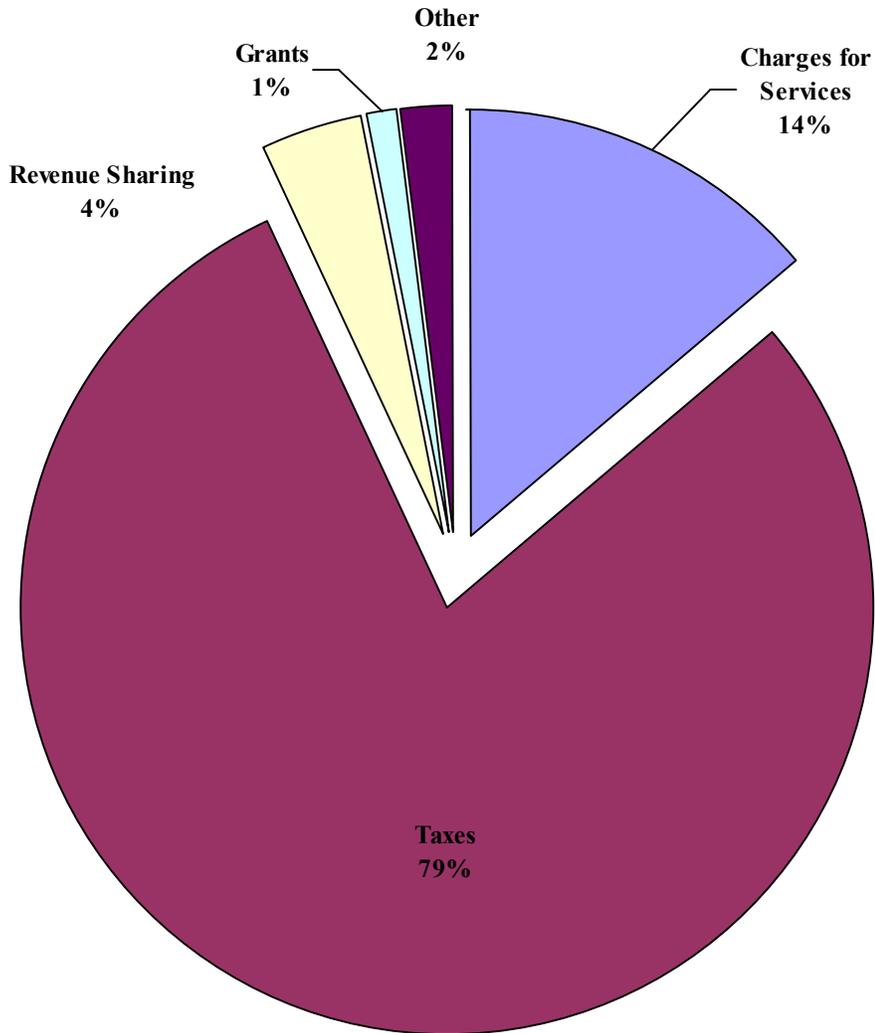
**Town of Lake Clarke Shores
Changes in Net Position
For the Fiscal Years Ended September 30, 2014 and 2015**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
<u>Revenues:</u>						
<i>Program Revenues:</i>						
Charges for services	\$ 317,080	\$ 329,505	\$2,698,984	\$3,257,843	\$3,016,064	\$ 3,587,348
Operating grants	22,753	17,912			22,753	17,912
Capital grants				751,060		751,060
<i>General Revenues:</i>						
Taxes	1,818,574	1,904,101			1,818,574	1,904,101
State revenue sharing	104,575	110,821			104,575	110,821
Other	<u>34,883</u>	<u>50,561</u>	<u>32,843</u>	<u>51,132</u>	<u>67,726</u>	<u>101,693</u>
Total Revenues	<u>2,297,865</u>	<u>2,412,900</u>	<u>2,731,827</u>	<u>4,060,035</u>	<u>5,029,692</u>	<u>6,472,935</u>
<u>Expenses:</u>						
<i>Governmental Type Activities:</i>						
General government	863,173	918,408			863,173	918,408
Public safety	1,482,721	1,384,449			1,482,721	1,384,449
Culture and recreation	97,386	128,455			97,386	128,455
Highways and streets	264,786	246,327			264,786	246,327
Interest on long-term debt	17,974	14,757			17,974	14,757
<i>Business-Type Activities:</i>						
Purchased utilities			985,503	978,193	985,503	978,193
Personal and contractual services			585,676	628,546	585,676	628,546
Repair and maintenance			68,622	53,025	68,622	53,025
Utilities and supplies			67,483	70,930	67,483	70,930
Intragovernmental expense			35,000	35,000	35,000	35,000
Other charges			86,781	99,008	86,781	99,008
Interest and fiscal charges			88,725	68,707	88,725	68,707
Depreciation and amortization			<u>220,669</u>	<u>253,440</u>	<u>220,669</u>	<u>253,440</u>
Total Expenses	<u>2,726,040</u>	<u>2,692,396</u>	<u>2,138,459</u>	<u>2,186,849</u>	<u>4,864,499</u>	<u>4,879,245</u>
Excess (deficiency) Before Transfers	<u>(428,175)</u>	<u>(279,496)</u>	<u>593,368</u>	<u>1,873,186</u>	<u>165,193</u>	<u>1,593,690</u>
Transfers	<u>220,000</u>	<u>220,000</u>	<u>(220,000)</u>	<u>(220,000)</u>		
Change in Net Position	<u>(208,175)</u>	<u>(59,496)</u>	<u>373,368</u>	<u>1,653,186</u>	<u>165,193</u>	<u>1,593,690</u>
Net Position – Beginning	<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>
Net Position – Ending	<u>\$ 6,643,021</u>	<u>\$ 6,583,525</u>	<u>\$ 7,546,854</u>	<u>\$ 9,200,040</u>	<u>\$ 14,189,875</u>	<u>\$ 15,783,565</u>

Management's Discussion and Analysis

Governmental Activities – Revenues by Source

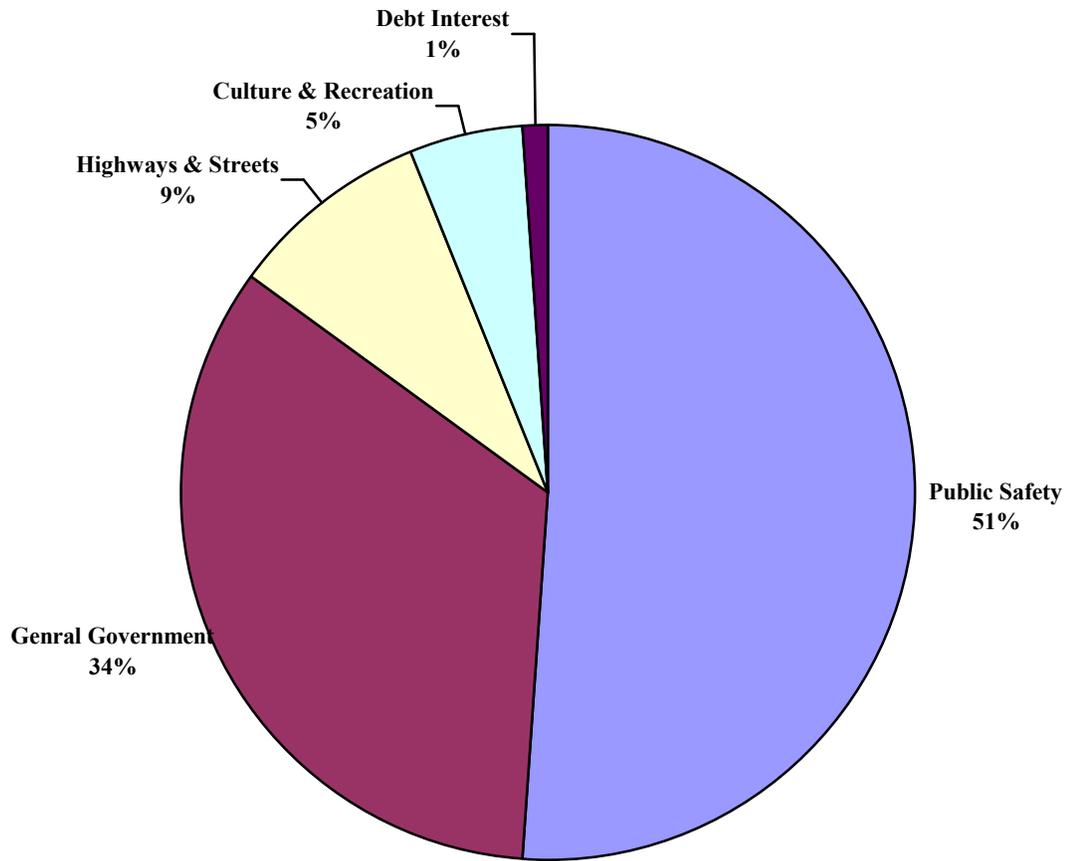
Approximately 79% of the Town's governmental activities revenue comes from taxes such as property, franchise and sales use. Property taxes alone account for nearly 63% of the various types of taxes and 50% of all revenues. (Please see chart below.)



Management's Discussion and Analysis

Governmental Activities – Expenses

The Town's governmental expenses cover a range of services, with 51% relating to public safety and 34% relating to General Government. (Please see chart below.)



Management's Discussion and Analysis

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 \$752,348 an increase of \$136,850 from the previous fiscal year.

Financial Analysis of the Proprietary Fund

Unrestricted net position of the Enterprise Fund at the end of the fiscal year 2015 was \$1,995,450. This represents a decrease of \$144,086. The total net position of the Enterprise Fund was \$9,200,040 at the end of fiscal year 2015, an increase of \$1,653,186 from the prior year.

General Fund Budgetary Highlights

The actual expenditures were \$145,773 less than the budget amounts. Revenues were \$36,168 more than the budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015 the Town had invested \$13,718,776 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, 2014 and 2015**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Land	\$ 517,753	\$ 517,753	\$ 88,760	\$ 88,760	\$ 606,513	\$ 606,513
Buildings	2,749,550	2,685,449	211,379	202,780	2,960,929	2,888,229
Improvements other than buildings	1,491,879	1,431,311	3,719,726	5,094,187	5,211,605	6,525,498
Infrastructure	1,459,951	1,297,734			1,459,951	1,297,734
Equipment	289,387	225,233	108,418	118,264	397,805	343,497
Construction in progress		49,565	134,419		134,419	49,565
Intangible assets			<u>1,928,328</u>	<u>2,007,740</u>	<u>1,928,328</u>	<u>2,007,740</u>
TOTALS	<u><u>\$6,508,520</u></u>	<u><u>\$6,207,045</u></u>	<u><u>\$6,191,030</u></u>	<u><u>\$7,511,731</u></u>	<u><u>\$12,699,550</u></u>	<u><u>\$13,718,776</u></u>

Management’s Discussion and Analysis

Long-Term Liabilities

As of September 30, 2015, the Town had long-term liabilities of \$227,425 in a Promissory Note Series 2004, \$1,095,301 in a Promissory Note Series 2005, \$354,132 in a Promissory Note Series 2007, \$79,422 in compensated absences, and \$52,000 in other postemployment benefits 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, 2014 and 2015

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Promissory Note Series 2004	\$	\$	\$446,778	\$227,425	\$446,778	\$227,425
Promissory Note Series 2005			1,341,799	1,095,301	1,341,799	1,095,301
Promissory Note Series 2007	433,362	354,132			433,362	354,132
Other Postemployment Benefits	31,749	39,443	10,478	13,217	42,227	52,660
Compensated Absences	<u>69,995</u>	<u>66,237</u>	<u>12,072</u>	<u>13,185</u>	<u>82,067</u>	<u>79,422</u>
TOTALS	<u>\$535,106</u>	<u>\$459,812</u>	<u>\$1,811,127</u>	<u>\$1,349,128</u>	<u>\$2,346,233</u>	<u>\$1,808,940</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

For the 2016 fiscal year, general fund revenue projections have been moderately increased due to an increase in taxable value.

- The budget is balanced.
- Several activities will be undertaken in 2016. We have budgeted for
 - the creation of a Community Redevelopment Agency along Forest Hill Boulevard,
 - recodification of the Town’s Codes and Ordinances,
 - installation of docks at the Town’s Boat Ramp, and
 - closeout of the 2015 Parks Improvement Grant for Community Park.
- The Utility Fund will see an additional special assessment for the Lake Clarke Shores Sewer System Project and an increase in capital assets from the completion of the private portion of the project.
- The Town anticipates entering into a developer agreement for a new development in the Seminole Manor area for water and sewer services.
- The Town anticipates a new Interlocal Agreement with Palm Beach County increasing our sewer and water service area by approximately 600 customers. This is an increase of approximately 33% of our Seminole Manor customer base.
- We anticipate renegotiating the water delivery contract with Palm Beach County increasing the capacity and deleting the penalty clauses of the agreement.

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, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 410,748	\$ 60,603	\$ 471,351
Investments	502,587	1,161,416	1,664,003
Accounts receivable (net)	60,063	250,981	311,044
Due from other governments	38,392		38,392
Assessments receivable		651,081	651,081
Security deposits		11,732	11,732
Inventories		25,337	25,337
Restricted assets			
Cash and cash equivalents	25,980	974,354	1,000,334
Cash with fiscal agent		277,469	277,469
Capital assets			
Non-depreciable			
Land	517,753	88,760	606,513
Intangible assets		1,953,924	1,953,924
Construction in progress	49,565		49,565
Depreciable			
Buildings	3,205,037	214,962	3,419,999
Improvements other than buildings	1,976,459	7,588,852	9,565,311
Equipment	828,714	469,343	1,298,057
Infrastructure	6,488,657		6,488,657
Less: accumulated depreciation	(6,859,140)	(2,857,926)	(9,717,066)
Intangible assets		163,500	163,500
Less: accumulated amortization		(109,684)	(109,684)
Total assets	<u>7,244,815</u>	<u>10,924,704</u>	<u>18,169,519</u>
Deferred Outflows of Resources			
Unamortized loss on refunding		17,805	17,805
Liabilities			
Accounts payable	95,019	100,667	195,686
Contracts payable		23,225	23,225
Unearned revenue		21,880	21,880
Accrued liabilities	72,562	16,751	89,313
Accrued interest payable	11,659		11,659
Payable from restricted assets			
Accrued interest payable		22,408	22,408
Customer deposits		208,410	208,410
Non-current liabilities			
Due within one year	148,834	497,066	645,900
Due in more than one year	310,978	852,062	1,163,040
Total liabilities	<u>639,052</u>	<u>1,742,469</u>	<u>2,381,521</u>
Deferred Inflows of Resources			
Unearned revenue	22,238		22,238
Net position			
Net investment in capital assets	5,852,913	6,183,585	12,036,498
Restricted for			
Debt service		521,005	521,005
Renewal and replacement		500,000	500,000
Transportation	69,623		69,623
Law enforcement	25,980		25,980
Unrestricted	635,009	1,995,450	2,630,459
Total net position	<u>\$ 6,583,525</u>	<u>\$ 9,200,040</u>	<u>\$ 15,783,565</u>

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Activities
For the Year Ended September 30, 2015

Function/ Program Activities	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 918,408	\$ 212,903	\$ 5,275
Public safety	1,384,449	111,631	
Highways and streets	246,327		
Culture and recreation	128,455	4,971	12,637
Interest on long-term debt	14,757		
Total governmental activities	<u>2,692,396</u>	<u>329,505</u>	<u>17,912</u>
Business-type activities:			
Enterprise-water and sewer utility	<u>2,186,849</u>	<u>3,257,843</u>	
Total business-type activities	<u>2,186,849</u>	<u>3,257,843</u>	
Total government	<u>\$ 4,879,245</u>	<u>\$ 3,587,348</u>	<u>\$ 17,912</u>

General revenues:
Property taxes
Telecommunication service taxes
Sales and use taxes
Franchise taxes
Intergovernmental not restricted to specific programs
Investment earnings
Insurance recoveries
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

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

Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$	\$ (700,230)	\$	\$ (700,230)
	(1,272,818)		(1,272,818)
	(246,327)		(246,327)
	(110,847)		(110,847)
	(14,757)		(14,757)
	<u>(2,344,979)</u>		<u>(2,344,979)</u>
<u>751,060</u>		<u>1,822,054</u>	<u>1,822,054</u>
<u>751,060</u>		<u>1,822,054</u>	<u>1,822,054</u>
<u>\$ 751,060</u>	<u>(2,344,979)</u>	<u>1,822,054</u>	<u>(522,925)</u>
	1,203,816		1,203,816
	135,985		135,985
	372,740		372,740
	191,560		191,560
	110,821		110,821
	9,307	51,132	60,439
	19,394		19,394
	21,860		21,860
	220,000	(220,000)	
	<u>2,285,483</u>	<u>(168,868)</u>	<u>2,116,615</u>
	(59,496)	1,653,186	1,593,690
	<u>6,643,021</u>	<u>7,546,854</u>	<u>14,189,875</u>
<u>\$ 6,583,525</u>	<u>\$ 9,200,040</u>	<u>\$ 15,783,565</u>	

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2015

	General	Nonmajor Governmental Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 410,748	\$	\$ 410,748
Cash and cash equivalents - restricted		25,980	25,980
Investments	502,587		502,587
Accounts receivable (net)	60,063		60,063
Due from other governments	38,392		38,392
Total assets	\$ 1,011,790	\$ 25,980	\$ 1,037,770
 Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 95,019	\$	\$ 95,019
Accrued liabilities	72,562		72,562
Total liabilities	167,581		167,581
 Deferred inflows of resources			
Unearned revenue	22,238		22,238
Total deferred inflows of resources	22,238		22,238
 Fund balances			
Restricted for:			
Police activities		25,980	25,980
Transportation	69,623		69,623
Unassigned	752,348		752,348
Total fund balances	821,971	25,980	847,951
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,011,790	\$ 25,980	\$ 1,037,770

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, 2015

Fund balances - total governmental funds		\$ 847,951
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 13,066,185	
Less accumulated depreciation	<u>(6,859,140)</u>	
		6,207,045
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:		
Note payable		(354,132)
Accrued interest payable		(11,659)
Other postemployment benefits		(39,443)
Compensated absences		<u>(66,237)</u>
Net position of governmental activities		<u><u>\$ 6,583,525</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, 2015

	General	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 1,368,591	\$	\$ 1,368,591
Licenses and permits	354,504		354,504
Intergovernmental	497,633		497,633
Fines and forfeitures	42,693	759	43,452
Interest income	9,307		9,307
Intragovernmental	35,000		35,000
Charges for services	68,386		68,386
Miscellaneous	51,633		51,633
Total revenues	2,427,747	759	2,428,506
Expenditures:			
Current			
General government	885,515		885,515
Public safety	1,296,797	9,131	1,305,928
Highways and streets	60,952		60,952
Culture and recreation	87,979		87,979
Capital outlay	66,854		66,854
Debt service			
Principal	79,230		79,230
Interest	17,319		17,319
Total expenditures	2,494,646	9,131	2,503,777
Excess (deficiency) of revenues over (under) expenditures	(66,899)	(8,372)	(75,271)
Other financing sources (uses):			
Insurance recoveries	19,394		19,394
Transfers in	220,000		220,000
Total other financing sources (uses)	239,394		239,394
Net change in fund balance	172,495	(8,372)	164,123
Fund balances, beginning of year	649,476	34,352	683,828
Fund balances, end of year	\$ 821,971	\$ 25,980	\$ 847,951

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, 2015

Net change in fund balances - total governmental funds \$ 164,123

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	\$ 61,839	
Less: current year depreciation	<u>(363,314)</u>	(301,475)

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		79,230
Decrease in accrued interest payable on long-term debt		2,562

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		(7,694)
Change in compensated absences		<u>3,758</u>

Change in net position of governmental activities		<u><u>\$ (59,496)</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, 2015

	<u>Enterprise</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 60,603
Investments	1,161,416
Accounts receivable (net)	250,981
Assessments receivable	651,081
Security deposits	11,732
Supplies inventory	25,337
Restricted assets	
Cash and cash equivalents	974,354
Cash with fiscal agent	277,469
Total current assets	<u>3,412,973</u>
Non-current assets	
Capital assets	
Non depreciable	
Land	88,760
Intangible assets	1,953,924
Depreciable	
Buildings	214,962
Improvements other than buildings	7,588,852
Equipment	469,343
Less accumulated depreciation	(2,857,926)
Intangible assets	163,500
Less accumulated amortization	(109,684)
Total non-current assets	<u>7,511,731</u>
Total assets	<u>10,924,704</u>
Deferred outflows of resources	
Unamortized loss on refunding	<u>17,805</u>
Liabilities	
Current liabilities	
Accounts payable	100,667
Contracts payable	23,225
Accrued liabilities	16,751
Unearned revenue	21,880
Compensated absences payable	13,185
Notes payable - current portion	483,881
Payable from restricted assets	
Accrued interest payable	22,408
Customer deposits	208,410
Total current liabilities	<u>890,407</u>
Non-current liabilities	
Notes payable	838,845
Other postemployment benefits	13,217
Total non-current liabilities	<u>852,062</u>
Total liabilities	<u>1,742,469</u>
Net position	
Net investment in capital assets	6,183,585
Restricted for	
Debt service	521,005
Renewal and replacement	500,000
Unrestricted	1,995,450
Total net position	<u>\$ 9,200,040</u>

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, 2015

	Enterprise
Operating revenue	
Charges for services	\$ 2,698,505
Total operating revenues	2,698,505
Operating expenses	
Purchased utilities	978,193
Personal services	444,319
Contractual services	184,227
Supplies	44,172
Utilities and communications	26,758
Repairs and maintenance	53,025
Intragovernmental expense	35,000
Other charges	99,008
Depreciation	249,352
Amortization	4,088
Total operating expenses	2,118,142
Operating income	580,363
Nonoperating revenues (expenses)	
Investment earnings	51,132
Special assessments	559,338
Interest expense and fiscal charges	(68,707)
Total nonoperating revenues (expenses)	541,763
Net income before capital contributions and transfers	1,122,126
Capital contributions	751,060
Transfers out	(220,000)
Change in net position	1,653,186
Net position - beginning	7,546,854
Net position - ending	\$ 9,200,040

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2015

	Enterprise
Cash flows from operating activities:	
Receipts from customers	\$ 2,722,873
Payments to suppliers for goods or services	(1,392,803)
Payments to employees for services	(428,684)
Payments for interfund services used	(35,000)
Net cash provided by operating activities	866,386
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	133,833
Interest paid on debt	(63,301)
Principal paid on debt	(465,851)
Acquisition of capital assets	(811,588)
Net cash used by capital and related financing activities	(1,206,907)
Cash flows from investing activities:	
Purchase of investments	(8,586)
Interest and dividends on investments	51,132
Net cash provided by investing activities	42,546
Net increase in cash and cash equivalents	(517,975)
Cash and cash equivalents at beginning of year	1,830,401
Cash and cash equivalents at end of year	\$ 1,312,426
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 580,363
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	249,352
Amortization	4,088
Change in assets and liabilities	
Decrease in accounts receivable	23,273
Increase in inventories	(6,229)
Decrease in accounts payable	(1,191)
Increase in accrued liabilities	14,522
Increase in customer deposits	1,095
Increase in compensated absences payable	1,113
Total adjustments	286,023
Net cash provided by operating activities	\$ 866,386
Cash and cash equivalents:	
Unrestricted	\$ 60,603
Restricted	1,251,823
Total cash and cash equivalents	\$ 1,312,426
Noncash capital financing activities	
Amortization of deferred loss on refunding	\$ 14,081
Special assessments	\$ 425,504

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015.

GASB 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.

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 February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value of certain investments and disclosures related to all fair value measurements. This Statement is effective for the fiscal year ending September 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Certain sections of this Statement are effective for the fiscal year ending September 30, 2016 and the remaining sections are effective for the fiscal year ending September 30, 2017.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. This Statement is effective for the fiscal year ending September 30, 2017.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In June 2015 the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for the fiscal year ending September 30, 2018.

In June 2015 the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement identifies – in the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles. This Statement is effective for the fiscal year ending September 30, 2016.

In August 2015 the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. This Statement is effective for the fiscal year ending September 30, 2017.

In December 2015 the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement is effective for the fiscal year ending September 30, 2017.

In December 2015 the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for the fiscal year ending September 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for the fiscal year ending September 30, 2017. Earlier application is encouraged.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

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.

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, 2014, upon which the 2014-2015 levy was based, was approximately \$200 million. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Property Taxes (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, 2015 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.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

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

On August 3, 2009 the Florida State Board of Administration (SBA) announced “Florida PRIME” as the highly enhanced version of the SBA’s prior Local Government Investment Pool, which was also previously known as the Local Government Surplus Funds Trust Fund. The SBA administers Florida PRIME which is governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME. The Florida PRIME 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, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The fair share of the position in the Florida PRIME is equal to the value of the pool shares.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2015, was 29 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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2015, 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	29 days	\$ <u>82,000</u>
Certificate of Deposit	13 days	\$ 644,862
Certificate of Deposit	115 days	502,587
Certificate of Deposit	115 days	<u>516,554</u>
		<u>\$1,664,003</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, 2015, the SBA Florida PRIME was rated AAAM by Standard and Poor's Rating Service.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

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, 2015, consist of:

Debt Service – used to identify resources set aside for the purpose of paying principal and interest on long-term debt.	\$ 543,413
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>208,410</u>
	<u>\$1,251,823</u>

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2015, are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>
Accounts receivable - billed	\$ 60,063	\$ 127,738
Accounts receivable - unbilled		157,243
Total receivables	<u>60,063</u>	<u>284,981</u>
Less allowance for uncollectible accounts		(34,000)
Net receivables	<u>\$ 60,063</u>	<u>\$ 250,981</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 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
Construction in progress		49,565		49,565
Total not being depreciated	<u>517,753</u>	<u>49,565</u>		<u>567,318</u>
Capital assets being depreciated				
Buildings	3,205,037			3,205,037
Improvements other than buildings	1,976,459			1,976,459
Equipment	816,440	12,274		828,714
Infrastructure	6,488,657			6,488,657
Total being depreciated	<u>12,486,593</u>	<u>12,274</u>		<u>12,498,867</u>
Total at historical cost	<u>13,004,346</u>	<u>61,839</u>		<u>13,066,185</u>
Less accumulated depreciation				
Buildings	455,487	64,101		519,588
Improvements other than buildings	484,580	60,568		545,148
Equipment	527,053	76,428		603,481
Infrastructure	5,028,706	162,217		5,190,923
Total accumulated depreciation	<u>6,495,826</u>	<u>363,314</u>		<u>6,859,140</u>
Total governmental activities, net	<u>\$ 6,508,520</u>	<u>\$(301,475)</u>	<u>\$</u>	<u>\$ 6,207,045</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 6 – CAPITAL ASSETS (Continued)

<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 88,760	\$	\$	\$ 88,760
Intangible assets – water rights	1,870,424	83,500		1,953,924
Construction in progress	134,419	647,323	(781,742)	
Total not being depreciated	<u>2,093,603</u>	<u>730,823</u>	<u>(781,742)</u>	<u>2,042,684</u>
Capital assets being depreciated				
Buildings	214,962			214,962
Improvements other than buildings	6,007,127	1,581,725		7,588,852
Equipment	426,008	43,335		469,343
Intangible asset - goodwill	163,500			163,500
Total being depreciated	<u>6,811,597</u>	<u>1,625,060</u>		<u>8,436,657</u>
Total at historical cost	<u>8,905,200</u>	<u>2,355,883</u>	<u>(781,742)</u>	<u>10,479,341</u>
Less accumulated depreciation				
Buildings	3,583	8,599		12,182
Improvements other than buildings	2,287,401	207,264		2,494,665
Equipment	317,590	33,489		351,079
Intangible asset - goodwill	105,596	4,088		109,684
Total accumulated depreciation	<u>2,714,170</u>	<u>253,440</u>		<u>2,967,610</u>
Total governmental activities, net	<u>\$6,191,030</u>	<u>\$2,102,443</u>	<u>\$(781,742)</u>	<u>\$7,511,731</u>

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

Governmental activities	
General government	\$ 68,526
Public safety	74,416
Highways and streets	185,375
Culture and recreation	<u>34,997</u>
Total depreciation expense for governmental activities	<u>\$ 363,314</u>
Business-type activities	
Municipal water and sewer	<u>\$ 253,440</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

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>226,953</u>
Total intangible assets	2,117,424
Accumulated amortization - goodwill	<u>(109,684)</u>
Total intangible assets, net	<u>\$ 2,007,740</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>
2016	\$ 82,597	\$13,953	\$ 96,550
2017	85,852	10,698	96,550
2018	89,234	7,316	96,550
2019	<u>96,449</u>	<u>101</u>	<u>96,550</u>
Total	<u>\$354,132</u>	<u>\$32,068</u>	<u>\$386,200</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

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>
2016	<u>\$ 227,425</u>	<u>\$ 8,369</u>	<u>\$ 235,794</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>
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>\$1,095,301</u>	<u>\$ 86,046</u>	<u>\$1,181,347</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

During the year ended September 30, 2015, 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	\$ 433,362	\$	\$ (79,230)	\$ 354,132	\$ 82,597
Other postemployment benefits	31,749	7,694		39,443	
Compensated absences	<u>69,995</u>	<u>48,486</u>	<u>(52,244)</u>	<u>66,237</u>	<u>66,237</u>
Total governmental activities	<u>\$ 535,106</u>	<u>\$ 56,180</u>	<u>\$ (131,474)</u>	<u>\$ 459,812</u>	<u>\$ 148,834</u>
Business-type activities					
Promissory Note, Series 2004	\$ 446,778	\$	\$ (219,353)	\$ 227,425	\$ 227,425
Promissory Note, Series 2005	<u>1,341,799</u>		<u>(246,498)</u>	<u>1,095,301</u>	<u>256,456</u>
Total bonds payable	1,788,577		(465,851)	1,322,726	483,881
Other postemployment benefits	10,478	2,739		13,217	
Compensated absences	<u>12,072</u>	<u>19,477</u>	<u>(18,364)</u>	<u>13,185</u>	<u>13,185</u>
Total business-type activities	<u>\$ 1,811,127</u>	<u>\$ 22,216</u>	<u>\$ (484,215)</u>	<u>\$ 1,349,128</u>	<u>\$ 497,066</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, 2015, were \$83,464 and \$80,620, 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, 2015

NOTE 9 – SHORT-TERM DEBT

On May 12, 2015, the Town adopted resolution No. 15-06 authorizing a revolving line of credit with Flagler Bank in the principal amount not to exceed \$1,000,000 for the purpose of providing short term financing for catastrophic events in a declared storm. The obligation of the Town to repay draws made on the line of credit shall be evidenced by the delivery by the Town of its Line of Credit Note in the principal amount not to exceed \$1,000,000.

On April 1, 2016, the Town issued the Note which shall bear interest at the rate of 3.5% per annum. Draws on the Note can be made from the date of issuance to April 1, 2019. The Note does not constitute a general obligation or indebtedness of the Town and is payable from and solely secured by a covenant of the Town to budget and appropriate non-ad valorem revenues including, but not limited to, all legally available FEMA reimbursements.

NOTE 10 – 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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 11 – 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, 2015, the Town was charged \$228,269 for waste collection services pursuant to the agreement.

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, 2015, the Town was charged \$218,159 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, 2015, the Town was charged \$224,465 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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 11 – COMMITMENTS

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

On February 15, 2011, the Town entered into a new interlocal agreement with the City of Lake Worth for the purchase and sale of bulk potable water to serve residents living within the Hypoluxo Village Service Area for a period of ten years, renewable for successive periods of five years each, upon the same terms and conditions, by written agreement of both parties to the agreement prior to expiration of the initial term or any renewal thereof. Bulk potable water purchases and sales for the Seminole Manor Service Area were discontinued under the agreement. The City agreed to provide water service at a bulk service rate of \$0.303 cents per hundred gallons. Future rate changes will be allowed only at the time of the City's water system rate increases. The new rate to be charged will be equal to the current rate plus the monetary change in the rate of the lowest tier residential water rate placed into effect at the time of the new rate change. The Town is billed on a monthly basis for actual metered water service delivered by the City, based upon a reserve capacity of 200,000 gallons per day. A 25% surcharge shall be added for all usage exceeding the reserve capacity in any month. For the year ended September 30, 2015, the Town was charged \$120,131 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, 2015, the Town incurred charges of \$415,438 under the agreement.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 11 – COMMITMENTS

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, 2015 is \$42,319. 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, 2016 is \$43,589.

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 design, permitting, and construction of the facilities within 60 days of acceptance of the facilities by the Town. In June 2016, the Town paid \$301,933 for the facilities pursuant to the agreement.

Palm Beach County Interlocal Agreement to Purchase Bulk Wastewater Service

On November 11, 2014, the Town entered into an interlocal agreement with Palm Beach County, Florida (the County) for the purchase and sale of bulk wastewater service for a period of thirty years. The Town may deliver, and the County shall accept varying wastewater flow rates required by the Town, not to exceed an average daily flow rate of 300,000 gallons per day. The initial wastewater commodity fee shall be \$2.37 per thousand gallons. Beginning October 1, 2015, and for each year thereafter, the wastewater commodity fee shall be adjusted by one-half of the Gross Domestic Product Implicit Price Deflator as published by the United States Department of Labor, Bureau of Labor Statistics Data, Water and Sewage Maintenance, or three percent, whichever is less as measured on an annual basis using the most recently published data as of the date of application. For the fiscal year ended September 30, 2015, the Town did not incur any charges under the agreement.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 11 – COMMITMENTS

Construction and Other Projects

As of September 30, 2015, 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 09/30/15</u>	<u>Balance to Complete</u>
Community Park Improvements	<u>\$ 50,000</u>	<u>\$ 47,136</u>	<u>\$ 2,864</u>

NOTE 12 – 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. For the fiscal year ended September 30, 2015, the Town recognized pension expense of \$87,581 for the Plan, and as of the fiscal year end, the Town reported a payable in the amount of \$3,731 for outstanding contributions to the Plan. There were no forfeitures for the fiscal year.

NOTE 13 – INTRAGOVERNMENTAL ADMINISTRATIVE FEE

During the year ended September 30, 2015, 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, 2015

NOTE 14 – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2015, were as follows:

	Transfers In	Transfers Out	
General Fund	\$ 220,000	\$	
Enterprise Fund		220,000	
Totals	\$ 220,000	\$ 220,000	

NOTE 15 – 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, 2015

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS

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	\$ 14,655
Interest on net OPEB obligation	1,900
Adjustment to annual required contribution	<u>(2,581)</u>
Annual OPEB cost (expense)	13,974
Estimated net contributions made	<u>(3,541)</u>
Increase in net OPEB obligation	10,433
Net OPEB obligation October 1, 2014	<u>42,227</u>
Net OPEB obligation September 30, 2015	<u><u>\$ 52,660</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
09/30/13	\$ 14,218	25.3%	\$ 32,762
09/30/14	\$ 13,547	30.1%	\$ 42,227
09/30/15	\$ 13,974	25.3%	\$ 52,660

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 15 – 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, 2015

NOTE 15 – 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 16 – SPECIAL ASSESSMENTS

Hypoluxo Village Potable Waster Distribution Facility

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.

Forest Hill Boulevard Sanitary Sewer Project

In 2015, non-ad valorem special assessments were levied on properties specially benefited by a capital improvement project for the Forest Hill Boulevard sanitary sewer project. Property owners were given the option to prepay the entire amount of the assessment. Assessments that were not prepaid are payable in twenty equal annual installments of principal and interest. The assessments bear interest at the rate of 3.5% per annum.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended September 30, 2015

	General Fund			Variance With
	Original Adopted Budget	Final Revised Budget	Actual	Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,385,475	\$ 1,385,475	\$ 1,368,591	\$ (16,884)
Licenses and permits	320,296	320,296	354,504	34,208
Intergovernmental	529,208	529,208	497,633	(31,575)
Fines and forfeitures	24,300	24,300	42,693	18,393
Interest income	15,000	15,000	9,307	(5,693)
Intragovernmental	35,000	35,000	35,000	
Charges for services	23,000	23,000	68,386	45,386
Miscellaneous	59,300	59,300	51,633	(7,667)
Total revenues	<u>2,391,579</u>	<u>2,391,579</u>	<u>2,427,747</u>	<u>36,168</u>
Expenditures:				
General government	1,012,421	1,012,421	982,064	30,357
Public safety	1,405,438	1,405,438	1,308,607	96,831
Roads and streets	63,000	63,000	60,952	2,048
Culture and recreation	119,560	159,560	143,023	16,537
Total expenditures	<u>2,600,419</u>	<u>2,640,419</u>	<u>2,494,646</u>	<u>145,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(208,840)</u>	<u>(248,840)</u>	<u>(66,899)</u>	<u>181,941</u>
Other financing sources:				
Insurance recoveries			19,394	19,394
Operating transfer in	220,000	220,000	220,000	
Total other financing sources	<u>220,000</u>	<u>220,000</u>	<u>239,394</u>	<u>19,394</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ 11,160</u>	<u>\$ (28,840)</u>	172,495	<u>\$ 201,335</u>
Fund balance, beginning of year			<u>649,476</u>	
Fund balance, end of year			<u>\$ 821,971</u>	

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2015

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, 2015, 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, 2015

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, 2015

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures:			
General government:			
Mayor and council:			
Personal services:			
Executive salaries	\$ 6,000	\$ 6,500	\$ (500)
FICA	372	403	(31)
Medicare	87	94	(7)
Operating:			
Travel and per diem	2,500	4,173	(1,673)
Other current charges	400		400
Operating supplies	1,500	694	806
Books, dues, and education	2,700	1,604	1,096
Total mayor and council	13,559	13,468	91
Finance:			
Personal services:			
Regular salaries	9,180	9,788	(608)
FICA	569	607	(38)
Medicare	133	142	(9)
Operating:			
Consulting	2,000	-	2,000
Accounting and auditing	13,250	11,731	1,519
Total finance	25,132	22,268	2,864
Administration and clerk:			
Personal services:			
Regular salaries	202,401	207,855	(5,454)
Elections	4,500		4,500
Overtime	5,500		5,500
FICA	12,890	12,026	864
Medicare	3,015	2,812	203
Pension contributions	16,632	16,690	(58)
Employee insurance	32,400	32,413	(13)
Operating:			
Travel and per diem	1,700	2,953	(1,253)
Communications	700	922	(222)
Postage and freight	600	600	
Repairs and maintenance	6,040	3,389	2,651
Printing and binding	400		400
Other current charges	500	100	400
Advertising	2,700	2,922	(222)
Office supplies	1,000	1,184	(184)
Operating supplies	2,000	5,321	(3,321)
Books, dues, and education	1,700	3,287	(1,587)
Debt service			
Principal	79,586	79,230	356
Interest	16,964	17,319	(355)
Total administration	391,228	389,023	2,205

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget to Actual
General Fund
For the Year Ended September 30, 2015

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Legal:			
Operating:			
Professional fees	\$ 78,000	\$ 77,374	\$ 626
Other general government:			
Operating:			
Professional fees	10,000	5,110	4,890
Other contractual services	1,000		1,000
Lawn services	67,000	68,332	(1,332)
Garbage collection service	225,000	228,269	(3,269)
Weed control	18,000	18,564	(564)
Communications	9,000	8,639	361
Postage and freight	3,000	3,000	
Electric	23,500	20,609	2,891
Water and sewer	10,000	11,477	(1,477)
Rentals and leases	3,000	1,156	1,844
General insurance	52,500	63,295	(10,795)
Repairs and maintenance	34,885	36,675	(1,790)
Printing and binding	1,000	475	525
Other current charges	7,117	4,434	2,683
Office supplies	800	800	
Operating supplies	4,500	6,424	(1,924)
Gas and oil	1,200	1,043	157
Books, dues, and education	3,000	1,629	1,371
Capital outlay:			
Improvements other than building	30,000		30,000
Total other general government	504,502	479,931	24,571
Total general government	1,012,421	982,064	30,357
Public safety:			
Law enforcement:			
Personal services:			
Regular salaries	663,497	584,633	78,864
PD special details	20,000	63,170	(43,170)
Overtime	22,000	18,210	3,790
State incentive pay	7,860	5,739	2,121
FICA	42,988	38,616	4,372
Medicare	10,054	8,952	1,102
Pension contributions	52,916	44,037	8,879
Employee insurance	129,600	111,843	17,757
Workers' compensation		2,023	(2,023)

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget to Actual (continued)
General Fund
For the Year Ended September 30, 2015

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Operating:			
Other contractual services	\$ 23,090	\$ 20,021	\$ 3,069
Dispatch services	42,320	42,319	1
Travel and per diem	1,200	2,487	(1,287)
Communications	26,000	29,713	(3,713)
Postage and freight	1,000	1,000	
Rentals and leases	500	114	386
Police vehicle leases	4,800	4,400	400
Repairs and maintenance	35,000	44,075	(9,075)
Repairs and maintenance - vehicles	27,000	40,859	(13,859)
Printing and binding	200	487	(287)
Other current charges	300	25	275
Crime prevention	500	179	321
Office supplies	1,500	1,758	(258)
Operating supplies	25,000	31,436	(6,436)
Gas and oil	35,000	25,703	9,297
Uniforms	8,000	7,979	21
Books, dues, and education	3,900	4,673	(773)
Capital outlay:			
Machinery and equipment	5,000	11,810	(6,810)
Total law enforcement	<u>1,189,225</u>	<u>1,146,261</u>	<u>42,964</u>
Protective inspections and code enforcement:			
Personal services:			
Regular salaries	75,275	74,319	956
Overtime	5,000	27	4,973
FICA	4,977	4,461	516
Medicare	1,164	1,044	120
Pension contributions	6,022	4,937	1,085
Employee insurance	21,600	17,765	3,835
Operating:			
Other contractual services	90,000	48,370	41,630
Travel and per diem	500	26	474
Communications	500	550	(50)
Postage and freight	1,200	736	464
Rentals and leases	500		500
Repairs and maintenance	6,500	4,099	2,401
Office supplies	675	675	
Operating supplies	2,000	5,107	(3,107)
Books, dues, and education	300	230	70
Total protective inspections and code enforcement	<u>216,213</u>	<u>162,346</u>	<u>53,867</u>
Total public safety	<u>1,405,438</u>	<u>1,308,607</u>	<u>96,831</u>

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget to Actual (continued)
General Fund
For the Year Ended September 30, 2015

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u> Favorable (Unfavorable)
Roads and streets			
Operating:			
Professional fees	\$ 6,000	\$ 18,216	\$ (12,216)
NPDES agreement	5,500	3,879	1,621
Electric	26,000	26,117	(117)
Repairs and maintenance	4,500	10,452	(5,952)
Operating supplies	3,000	1,386	1,614
Road materials and supplies	1,000	902	98
Capital outlay:			
Storm drainage	17,000		17,000
Total roads and streets	<u>63,000</u>	<u>60,952</u>	<u>2,048</u>
Culture and recreation:			
Parks and recreation			
Operating:			
Professional fees	16,160	13,094	3,066
Electric	2,500	2,737	(237)
Water and sewer	600	806	(206)
Repairs and maintenance	20,000	10,956	9,044
Operating supplies	3,000	3,353	(353)
Beautification landscape	10,000	12,939	(2,939)
Capital outlay:			
Buildings		7,200	(7,200)
Improvements other than building	57,000	47,844	9,156
Total parks and recreation	<u>109,260</u>	<u>98,929</u>	<u>10,331</u>
Special events			
Operating:			
Postage and freight	1,500	1,880	(380)
Printing and binding	7,000	4,073	2,927
Promotional activities	10,000	8,198	1,802
Other current charges	300	207	93
Operating supplies	31,500	29,736	1,764
Total special events	<u>50,300</u>	<u>44,094</u>	<u>6,206</u>
Total culture and recreation	<u>159,560</u>	<u>143,023</u>	<u>16,537</u>
Total expenditures	<u>\$ 2,640,419</u>	<u>\$ 2,494,646</u>	<u>\$ 145,773</u>



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Clarke Shores, Florida, as of and for the year ended September 30, 2015, 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 30, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider 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: In July 2015, the Town implemented several changes to our closing procedures. In addition, staff received training and new upgrades were made to the accounting software. Because the Town only had three months to implement the new practices, they are not completely reflected in the audit. We believe the changes made will be accurately reflected in the next audit.

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 finding 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 30, 2016



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

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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, 2015, and have issued our report thereon dated June 30, 2016.

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 30, 2016, 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 2014-1 Closing Procedures

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. and 10.556(7), Rules of the Auditor General, require 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. and 10.556(7), Rules of the Auditor General, require 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, 2015, 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, 2015. 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, 2015, 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 & Miner, P.A.

West Palm Beach, Florida
June 30, 2016



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, 2015. 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, 2015.

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.

West Palm Beach, Florida
June 30, 2016

Nowlen, Holt & Miner, P.A.