

TOWN OF LAKE CLARKE SHORES, FLORIDA



FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED SEPTEMBER 30, 2017

TOWN OF LAKE CLARKE SHORES, FLORIDA
SEPTEMBER 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the budgetary comparison data on pages 56 and 57, and the Schedule of Funding Progress - Other Postemployment Benefits on page 58 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, 2018, 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, 2018

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 \$16,010,601 (net position). Of this amount, \$2,546,996 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- The governmental activities revenues were \$2,722,256 at the close of fiscal year 2017.
- The business-type activities revenues were \$2,968,039 at the close of fiscal year 2017.
- The total cost of all Town programs was \$5,584,524 during the fiscal year 2017.
- At the end of the 2017 fiscal year, the total fund balance for the General Fund was \$994,291. The General Fund’s fund balance was comprised of \$17,692 non-spendable – prepaids, \$152,916 restricted for infrastructure projects, \$125,700 restricted for transportation projects, and the unassigned fund balance of \$697,983 or 25% of total General Fund expenditures.
- The General Fund had an increase in fund balance of \$106,657 for the current year.

USING THIS REPORT

The following graphic is provided for your review.

MD&A	Management’s Discussion & Analysis (Required supplemental information)
BASIC FINANCIAL STATEMENTS	Government-Wide Financial Statements (new) (pages 12-14) Fund Financial Statements (Refocused) (Pages 15-21) Notes to the Financial Statements (Expanded/ Restructured) (Pages 22-55)
REQUIRED SUPPLEMENTAL INFORMATION	Required Supplementary Information (Other than MD&A) (Expanded) (Pages 56-58)

Management's Discussion and Analysis

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Lake Clarke Shores' finances, in a manner similar to a private-sector business. The Statement of Net Position includes all of the government's assets, 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 2017 is reported at \$16,010,601. Net position of the Town’s governmental activities for the fiscal year ending 2017 is \$6,399,565. The net position of our business-type activities is reported at \$9,611,036 for the fiscal year ending 2017. Overall the financial position of the total primary government is \$105,771 more than the prior year, with a decrease of \$2,005 in net position for the governmental activities and an increase of \$107,776 in net position for the business-type activities.

Town of Lake Clarke Shores Net Position September 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 1,261,547	\$ 1,093,693	\$ 3,964,397	\$ 3,047,523	\$ 5,225,944	\$ 4,141,216
Capital Assets	5,683,004	5,900,861	7,981,923	7,729,069	13,664,927	13,629,930
Total Assets	6,944,551	6,994,554	11,946,320	10,776,592	18,890,871	17,771,146
Deferred Outflows of Resources	-	-	3,031	8,998	3,031	8,998
Current and Other Liabilities	219,284	184,941	488,679	409,317	707,963	594,258
Long Term Liabilities	308,399	389,184	1,849,636	873,013	2,158,035	1,262,197
Total Liabilities	527,683	574,125	2,338,315	1,282,330	2,865,998	1,856,455
Deferred Inflows of Resources	17,303	18,859	-	-	17,303	18,859
Net Investment in Capital Assets	5,496,950	5,629,326	7,052,001	6,899,222	12,548,951	12,528,548
Restricted	290,527	98,809	624,127	893,834	914,654	992,643
Unrestricted	612,088	673,435	1,934,908	1,710,204	2,546,996	2,383,639
Total Net Position	\$ 6,399,565	\$ 6,401,570	\$ 9,611,036	\$ 9,503,260	\$ 16,010,601	\$ 15,904,830

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 governmental activities net position decreased by \$2,005 for fiscal year 2017.
- The business-type net position increased by \$107,776 for fiscal year 2017.

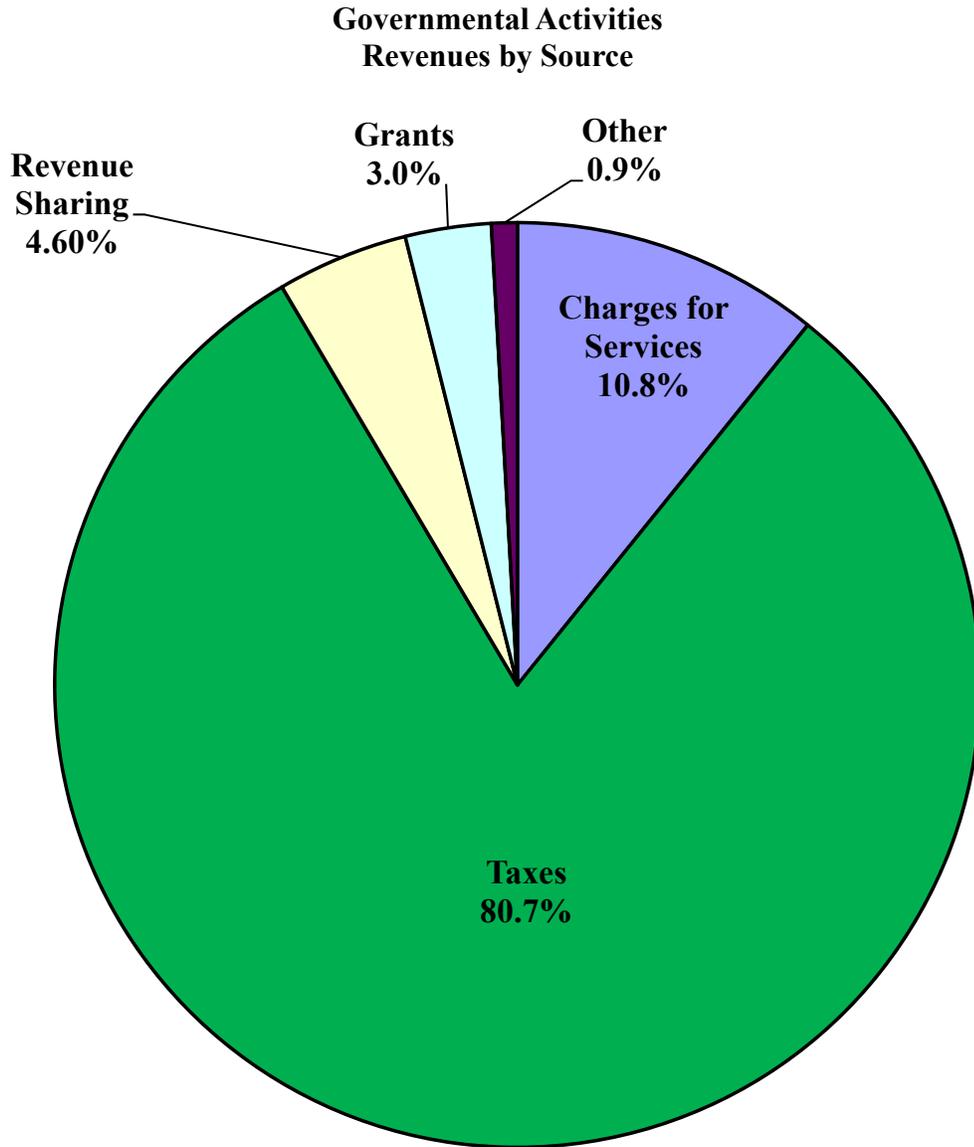
Town of Lake Clarke Shores Changes in Net Position For the Fiscal Years Ended September 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services	\$ 274,440	\$ 267,174	\$ 2,926,347	\$ 2,831,428	\$ 3,200,787	\$ 3,098,602
Operating Grants and Contributions	28,342	24,544			28,342	24,544
Capital Grants and Contributions	25,000	50,000			25,000	50,000
General Revenues						
Taxes	2,232,355	1,989,654			2,232,355	1,989,654
State Revenue Sharing	117,341	112,495			117,341	112,495
Other	44,778	21,258	41,692	35,185	86,470	56,443
Total Revenues	2,722,256	2,465,125	2,968,039	2,866,613	5,690,295	5,331,738
Expenses						
Governmental Activities						
General Government	1,027,859	1,028,277			1,027,859	1,028,277
Public Safety	1,516,557	1,428,579			1,516,557	1,428,579
Culture and Recreation	131,145	142,747			131,145	142,747
Highways and Streets	260,329	256,243			260,329	256,243
Interest on Long-Term Debt	8,371	11,234			8,371	11,234
Business-Type Activities						
Water and Sewer			2,640,263	2,343,393	2,640,263	2,343,393
Total Expenses	2,944,261	2,867,080	2,640,263	2,343,393	5,584,524	5,210,473
Excess (Deficiency) Before Transfers	(222,005)	(401,955)	327,776	523,220	105,771	121,265
Transfers	220,000	220,000	(220,000)	(220,000)	-	-
Change in Net Position	(2,005)	(181,955)	107,776	303,220	105,771	121,265
Net Position - Beginning	6,401,570	6,583,525	9,503,260	9,200,040	15,904,830	15,783,565
Net Position - Ending	\$ 6,399,565	\$ 6,401,570	\$ 9,611,036	\$ 9,503,260	\$ 16,010,601	\$ 15,904,830

Management's Discussion and Analysis

Governmental Activities – Revenues by Source

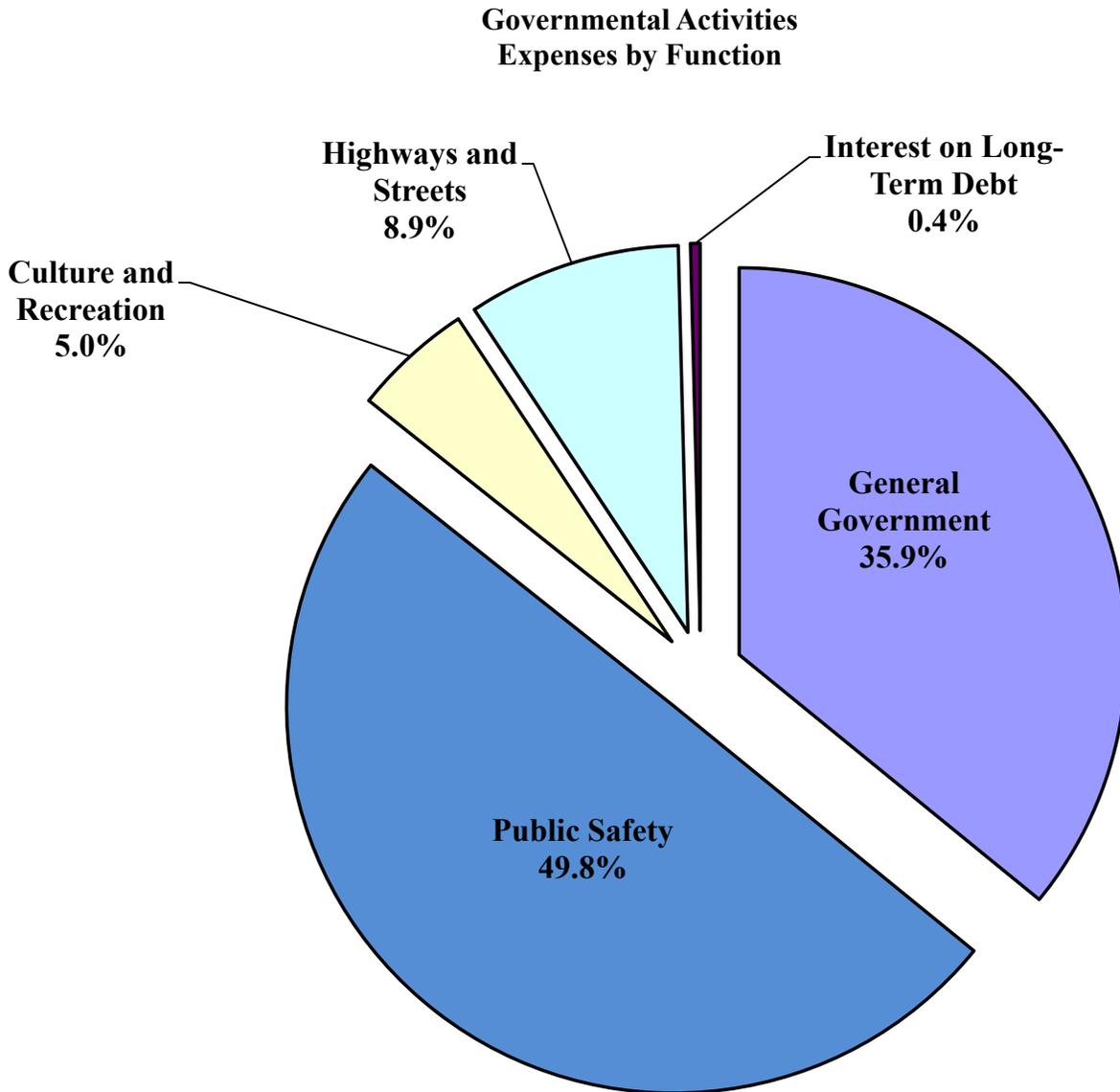
Approximately 81% of the Town's governmental activities revenue comes from taxes such as property, franchise and sales use. Property taxes alone account for nearly 69% of the various types of taxes and 56% of all revenues. (Please see chart below.)



Management's Discussion and Analysis

Governmental Activities – Expenses by Function

The Town's governmental expenses cover a range of services, with 50% relating to Public Safety and 35% 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 \$697,983, a decrease of \$102,041 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 2017 was \$1,934,908. This represents an increase of \$224,704. The total net position of the Enterprise Fund was \$9,611,036 at the end of fiscal year 2017, an increase of \$107,776 from the prior year.

General Fund Budgetary Highlights

The actual expenditures were \$50,022 less than the budget amounts. Revenues were \$56,635 more than the budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017 the Town had invested \$13,664,927 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 Accumulated Depreciation)
September 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	517,753	517,753	88,760	88,760	606,513	606,513
Construction in Progress		8,800	649,274	131,960	649,274	140,760
Buildings	2,557,247	2,621,348	185,583	194,182	2,742,830	2,815,530
Improvements Other Than Buildings	1,454,386	1,412,923	4,922,152	5,171,929	6,376,538	6,584,852
Equipment	180,316	204,519	136,588	138,584	316,904	343,103
Infrastructure	973,302	1,135,518			973,302	1,135,518
Intangible Assets			1,999,566	2,003,654	1,999,566	2,003,654
Total	5,683,004	5,900,861	7,981,923	7,729,069	13,664,927	13,629,930

Management’s Discussion and Analysis

Long-Term Liabilities

As of September 30, 2017, the Town had long-term liabilities of \$1,991,735 in Promissory Notes, \$98,921 in compensated absences, and \$67,379 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, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Promissory Note Series 2005			567,919	838,845	567,919	838,845
Promissory Note Series 2007	186,054	271,535			186,054	271,535
Promissory Note Series 2016			1,237,762		1,237,762	
Other Postemployment Benefits	49,299	44,420	18,080	15,436	67,379	59,856
Compensated Absences	73,046	73,229	25,875	18,732	98,921	91,961
Total	<u>308,399</u>	<u>389,184</u>	<u>1,849,636</u>	<u>873,013</u>	<u>2,158,035</u>	<u>1,262,197</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

For the 2018 fiscal year, General Fund revenue projections have been moderately increased due to an increase in taxable value.

- The General Fund budget is balanced.
- Several activities will be undertaken in 2018. We have budgeted for
 - server upgrades and wireless
 - recodification of the Town’s Codes and Ordinances
 - Comprehensive Plan update
 - new police vehicles and police radios
- The Utility Fund will see completion of the LDDW-17 Pipeline Project, the completion of the Carandis Road/Mango Circle Water Main project, and the start of the 12-inch water main on Lawrence Road.
- The Town will complete the installation of new radio-read meters within the Hypoluxo Village water service area.
- The Town anticipates creating an Infrastructure Surtax Oversight Committee and authorizing our first roadway improvement project with the 1-cent infrastructure sales tax revenue.
- The CRA has budgeted for landscaping along Forest Hill Boulevard.

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, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 569,509	\$ 418,833	\$ 988,342
Investments	510,351	930,866	1,441,217
Accounts receivable (net)	63,372	246,731	310,103
Due from other governments	88,712		88,712
Prepaid items	17,692		17,692
Assessments receivable		497,901	497,901
Security deposits		47,390	47,390
Inventories		47,804	47,804
Restricted assets			
Cash and cash equivalents	11,911	1,774,872	1,786,783
Capital assets			
Non-depreciable			
Land	517,753	88,760	606,513
Intangible assets		1,953,924	1,953,924
Construction in progress		649,274	649,274
Depreciable			
Buildings	3,205,037	214,962	3,419,999
Improvements other than buildings	2,126,603	7,907,270	10,033,873
Equipment	823,244	511,976	1,335,220
Infrastructure	6,488,657		6,488,657
Less: accumulated depreciation	(7,478,290)	(3,389,885)	(10,868,175)
Intangible assets		163,500	163,500
Less: accumulated amortization		(117,858)	(117,858)
Total assets	6,944,551	11,946,320	18,890,871
Deferred Outflows of Resources			
Unamortized loss on refunding		3,031	3,031
Liabilities			
Accounts payable	125,337	134,551	259,888
Contracts payable		56,471	56,471
Unearned revenue		29,078	29,078
Accrued liabilities	87,705	22,723	110,428
Accrued interest payable	6,242		6,242
Payable from restricted assets			
Accrued interest payable		27,341	27,341
Customer deposits		218,515	218,515
Non-current liabilities			
Due within one year	162,126	420,233	582,359
Due in more than one year	146,273	1,429,403	1,575,676
Total liabilities	527,683	2,338,315	2,865,998
Deferred Inflows of Resources			
Unearned revenue	17,303		17,303
Net position			
Net investment in capital assets	5,496,950	7,052,001	12,548,951
Restricted for			
Renewal and replacement		624,127	624,127
Infrastructure	152,916		152,916
Transportation	125,700		125,700
Law enforcement	11,911		11,911
Unrestricted	612,088	1,934,908	2,546,996
Total net position	\$ 6,399,565	\$ 9,611,036	\$ 16,010,601

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Activities
For the Year Ended September 30, 2017

Function/ Program Activities	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 1,022,859	\$ 194,532	\$ 5,327
Public safety	1,521,557	74,570	
Highways and streets	260,329		
Culture and recreation	131,145	5,338	23,015
Interest on long-term debt	8,371		
Total governmental activities	2,944,261	274,440	28,342
Business-type activities:			
Enterprise-water and sewer utility	2,640,263	2,926,347	
Total business-type activities	2,640,263	2,926,347	
Total government	\$ 5,584,524	\$ 3,200,787	\$ 28,342

General revenues:
Property taxes
Infrastructure surtax
Telecommunication service taxes
Sales and use taxes
Franchise taxes
Intergovernmental not restricted to specific programs
Investment earnings
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
\$	\$ (823,000)	\$	\$ (823,000)
	(1,446,987)		(1,446,987)
	(260,329)		(260,329)
25,000	(77,792)		(77,792)
	(8,371)		(8,371)
25,000	(2,616,479)		(2,616,479)
		286,084	286,084
		286,084	286,084
\$ 25,000	(2,616,479)	286,084	(2,330,395)
	1,375,904		1,375,904
	152,916		152,916
	118,181		118,181
	385,497		385,497
	199,857		199,857
	117,341		117,341
	12,881	41,692	54,573
	31,897		31,897
	220,000	(220,000)	
	2,614,474	(178,308)	2,436,166
	(2,005)	107,776	105,771
	6,401,570	9,503,260	15,904,830
\$ 6,399,565	\$ 9,611,036	\$ 16,010,601	

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2017

	General	Nonmajor Governmental Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 569,509	\$ 11,911	\$ 581,420
Investments	510,351		510,351
Accounts receivable (net)	63,372		63,372
Due from other governments	88,712		88,712
Prepaid items	17,692		17,692
Total assets	\$ 1,249,636	\$ 11,911	\$ 1,261,547
 Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 125,337	\$	\$ 125,337
Accrued liabilities	87,705		87,705
Total liabilities	213,042		213,042
 Deferred inflows of resources			
Unearned revenue	17,303		17,303
Unavailable revenue	25,000		25,000
Total deferred inflows of resources	42,303		42,303
 Fund balances			
Non-spendable:			
Prepays	17,692		17,692
Restricted for:			
Law enforcement		11,911	11,911
Infrastructure	152,916		152,916
Transportation	125,700		125,700
Unassigned	697,983		697,983
Total fund balances	994,291	11,911	1,006,202
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,249,636	\$ 11,911	\$ 1,261,547

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, 2017

Fund balances - total governmental funds		\$ 1,006,202
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	\$ 13,161,294	
Less accumulated depreciation	<u>(7,478,290)</u>	
		5,683,004
Governmental funds do not include revenues collected after 60 days of year end and are therefore deferred. Government-wide reporting recognizes revenues when they are earned, regardless of when they are collected.		
Florida Boating Improvement Program Grant		25,000
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		(186,054)
Accrued interest payable		(6,242)
Other postemployment benefits		(49,299)
Compensated absences		<u>(73,046)</u>
Net position of governmental activities		<u>\$ 6,399,565</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, 2017

	General	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 1,671,096	\$	\$ 1,671,096
Licenses and permits	343,211		343,211
Intergovernmental	517,440		517,440
Fines and forfeitures	46,957	1,198	48,155
Interest income	12,881		12,881
Intragovernmental	35,000		35,000
Charges for services	29,370		29,370
Miscellaneous	75,103		75,103
Total revenues	2,731,058	1,198	2,732,256
Expenditures:			
Current			
General government	946,786		946,786
Public safety	1,397,485	486	1,397,971
Highways and streets	74,954		74,954
Culture and recreation	92,135		92,135
Capital outlay	236,491		236,491
Debt service			
Principal	85,481		85,481
Interest	11,069		11,069
Total expenditures	2,844,401	486	2,844,887
Excess (deficiency) of revenues over (under) expenditures	(113,343)	712	(112,631)
Other financing sources (uses):			
Transfers in	220,000		220,000
Total other financing sources (uses)	220,000		220,000
Net change in fund balance	106,657	712	107,369
Fund balances, beginning of year	887,634	11,199	898,833
Fund balances, end of year	<u>\$ 994,291</u>	<u>\$ 11,911</u>	<u>\$ 1,006,202</u>

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of the Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds \$ 107,369

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	\$ 155,909	
Less: current year depreciation	<u>(353,185)</u>	(197,276)

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

Net book value of capital asset dispositions		(20,581)
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The repayment of the principal on long-term debt consumes current financial resources of governmental funds, but does not have any effect on the changes in net position of governmental activities and are not recorded in the Statement of Activities.

Principal payments on debt		85,481
Decrease in accrued interest payable on long-term debt		2,698

Governmental funds report revenues when earned and available. However, in the Statement of Activities, revenues are recognized when earned, regardless of availability.

Florida Boating Improvement Program Grant		25,000
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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		(4,879)
Change in compensated absences		<u>183</u>

Change in net position of governmental activities		<u>\$ (2,005)</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, 2017

	<u>Enterprise</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 418,833
Investments	930,866
Accounts receivable (net)	246,731
Assessments receivable	497,901
Security deposits	47,390
Supplies inventory	47,804
Restricted assets	
Cash and cash equivalents	<u>1,774,872</u>
Total current assets	<u>3,964,397</u>
Non-current assets	
Capital assets	
Non depreciable	
Land	88,760
Intangible assets	1,953,924
Construction in progress	649,274
Depreciable	
Buildings	214,962
Improvements other than buildings	7,907,270
Equipment	511,976
Less accumulated depreciation	(3,389,885)
Intangible assets	163,500
Less accumulated amortization	<u>(117,858)</u>
Total non-current assets	<u>7,981,923</u>
Total assets	<u>11,946,320</u>
Deferred outflows of resources	
Unamortized loss on refunding	<u>3,031</u>
Liabilities	
Current liabilities	
Accounts payable	134,551
Contracts payable	56,471
Accrued liabilities	22,723
Unearned revenue	29,078
Compensated absences payable	25,875
Notes payable - current portion	394,358
Payable from restricted assets	
Accrued interest payable	27,341
Customer deposits	<u>218,515</u>
Total current liabilities	<u>908,912</u>
Non-current liabilities	
Notes payable	1,411,323
Other postemployment benefits	<u>18,080</u>
Total non-current liabilities	<u>1,429,403</u>
Total liabilities	<u>2,338,315</u>
Net position	
Net investment in capital assets	7,052,001
Restricted for	
Renewal and replacement	624,127
Unrestricted	<u>1,934,908</u>
Total net position	<u>\$ 9,611,036</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, 2017

	Enterprise
Operating revenue	
Charges for services	\$ 2,926,347
Total operating revenues	2,926,347
Operating expenses	
Purchased utilities	1,180,389
Personal services	582,056
Contractual services	206,771
Supplies	44,875
Utilities and communications	26,811
Repairs and maintenance	62,062
Intragovernmental expense	35,000
Other charges	111,654
Depreciation	311,244
Amortization	4,088
Total operating expenses	2,564,950
Operating income	361,397
Nonoperating revenues (expenses)	
Investment earnings	41,692
Loss on disposal of capital assets	(18,756)
Interest expense and fiscal charges	(56,557)
Total nonoperating revenues (expenses)	(33,621)
Net income before transfers	327,776
Transfers out	(220,000)
Change in net position	107,776
Net position - beginning	9,503,260
Net position - ending	\$ 9,611,036

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2017

	Enterprise
Cash flows from operating activities:	
Receipts from customers	\$ 2,929,198
Payments to suppliers for goods or services	(1,623,200)
Payments to employees for services	(571,966)
Payments for interfund services used	(35,000)
Net cash provided by operating activities	699,032
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	21,187
Interest paid on debt	(39,342)
Principal paid on debt	(283,164)
Debt proceeds	1,250,000
Acquisition of capital assets	(563,817)
Net cash used by capital and related financing activities	384,864
Cash flows from investing activities:	
Sale of investments	139,244
Interest and dividends	41,692
Net cash provided by investing activities	180,936
Net increase in cash and cash equivalents	1,044,832
Cash and cash equivalents at beginning of year	1,148,873
Cash and cash equivalents at end of year	\$ 2,193,705
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 361,397
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	311,244
Amortization	4,088
Change in assets and liabilities	
Increase in accounts receivable	(9,642)
Increase in inventories	(22,831)
Increase in accounts payable	32,193
Increase in accrued liabilities	2,947
Increase in customer deposits	9,090
Increase in unearned revenue	3,403
Increase in compensated absences payable	7,143
Total adjustments	337,635
Net cash provided by operating activities	\$ 699,032
Cash and cash equivalents:	
Unrestricted	\$ 418,833
Restricted	1,774,872
Total cash and cash equivalents	\$ 2,193,705
Noncash capital financing activities	
Amortization of deferred loss on refunding	\$ 5,967

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

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 the Town is financially accountable for the Lake Clarke Shores Community Redevelopment Agency and that it should be included in the Town’s reporting entity. Management has determined that no other 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.

On July 12, 2016, the Town Council approved Ordinance Number 16-03 creating the Lake Clarke Shores Community Redevelopment Agency (CRA). The Town Council serves as the governing board for the CRA. The CRA was established to develop and revitalize certain areas of the Town. The CRA’s services are rendered wholly within the boundaries of the Town, and its activities and transactions are intended to benefit the Town by returning improved property to the

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Town's tax rolls, enhance the business and cultural environment, and provide employment. The CRA is dependent on the Town to fund deficits, meet debt service requirements, and pay other expenditures in the event that the revenues of the CRA are insufficient. As of September 30, 2017, no financial activity had taken place in the CRA. The CRA will be included in the Town reporting entity as a blended component unit whenever financial activities begin.

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.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

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.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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 one 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.

The Town reports one nonmajor governmental fund. The Forfeitures Special Revenue Fund is used to account for the proceeds from forfeiture activities.

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, 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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Except as discussed below, investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of fair value measurement in both cases is the same, that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The City categorizes investments reported at fair value in accordance with the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*.

Investments include amounts held in the Florida PRIME investment pool administered by the State Board of Administration. Florida PRIME is a Securities and Exchange Commission Rule 2a-7 like pool that measures all of the investments in the pool at amortized cost. The City reports its investment in Florida PRIME at amortized cost. Investments in Florida PRIME are exempt from the GASB 72 fair value hierarchy disclosures.

Certificates of deposit are stated at cost, and they are exempt from reporting under the GASB 72 fair value hierarchy.

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, 2017

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. Purchased capital assets are recorded at cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. 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, 2017

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

The Town reports unearned revenue on its statement of net position and its governmental funds balance sheet. 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

In addition to assets, the government-wide statement of net position, the proprietary fund statement of net position, and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently reports deferred outflows of resources for the unamortized loss on debt refunding in the statements of net position.

Deferred Inflows of Resources

In addition to liabilities, the government-wide statement of net position, the proprietary fund statement of net position, and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is an acquisition of net position or fund balance that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently reports business tax receipts that are received prior to the period for which the taxes are levied as deferred inflows of resources on the government-wide statement of net position and the governmental funds balance sheet.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.”

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 balance – 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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

2. Restricted fund balance – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the Town’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action (an ordinance) it employed to previously commit those amounts.
4. Assigned fund balance – Includes amounts intended to be used by the Town for specific purposes, but are neither restricted or committed. Intent should be expressed by the Town Council or the Town Administrator to which the Town Council has delegated authority to assign amounts to be used for specific purposes. The authority form making an assignment is not required to be the Town’s highest level of decision making authority. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts classified as committed.
5. Unassigned fund balance – Includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.”

Implementation of Governmental Accounting Standards Board Statements

The Town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended 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. The implementation of this Statement did not impact the Town’s financial statements.

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. The implementation of this Statement did not impact the Town’s financial statements.

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*. The implementation of this Statement did not impact the Town’s financial statements.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In January 2016 the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement no. 14*. This Statement improves financial reporting by clarifying the financial statement presentation for certain component units. The implementation of this Statement did not impact the Town’s financial statements.

Recently Issued Accounting Pronouncements

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

In June 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 March 2016 the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreement*. This Statement will improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for the fiscal year ending September 30, 2018.

In November 2016 the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for an asset retirement obligation. This Statement is effective for the fiscal year ending September 30, 2019.

In January 2017 the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for the fiscal year ending September 30, 2020.

In March 2017 the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This Statement is effective for the fiscal year ending September 30, 2018.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May 2017 the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement will improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is effective for the fiscal year ending September 30, 2018.

In May 2017 the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2021.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

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

Budgetary Data (Continued)

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, 2015, upon which the 2015-2016 levy was based, was approximately \$214 million. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

The tax levy of the Town is established by the Town Council prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, County School Board and Special District tax requirements. The millage rate assessed by the Town for the year ended September 30, 2017 was 6.2798 (\$6.2798 for each \$1,000 of assessed valuation).

In 1988 the Town opted into Palm Beach County's Fire Rescue Municipal Service Taxing Unit (MSTU) for the provision of fire rescue services within the Town. The tax for the MSTU is included in the maximum 10 mills the Town is legally allowed to assess. As of September 30, 2017, the MSTU portion of the Town's millage rate was 3.4581 mills. Including the MSTU portion, the Town's total millage rate for the year ended September 30, 2017 was 9.7379 mills.

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are offered for sale, for all delinquent taxes on real property.

After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations.

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit eligible collateral with the Treasurer or another banking institution. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Town's deposits at year end are considered insured for custodial credit risk purposes.

Investments

The Town has adopted an investment policy which authorizes the Town to invest in the following types of instruments:

1. State Board of Administration Local Government Surplus Trust Fund.
2. Savings accounts in state-certified qualified public depositories.
3. Certificates of deposit in state-certified qualified public depositories.
4. Direct obligation of the U.S. Treasury.
5. Repurchase agreements.
6. Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided the portfolio of such investment company or investment trust is limited to United States Government obligations and to repurchase agreements fully collateralized by such United States Government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

Investments in derivative products are prohibited by this investment policy. A “derivative” is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or index or asset values. The use of reverse repurchase agreements or other forms of leverage is also prohibited by this investment policy.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The State Board of Administration (SBA) administers the Florida PRIME investment pool, 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 an SEC Rule 2a-7 like external investment pool, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The investment in Florida PRIME is reported at amortized cost in accordance with GASB Statement No. 79, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 79). The investment in the Florida PRIME is not insured by FDIC or any other governmental agency.

GASB 79 requires that if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value in the Florida PRIME.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2017, was 51 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.

GASB 72 requires governments to disclose the fair value hierarchy for each type of asset or liability measured at fair value in the notes to the financial statements. The standard also requires governments to disclose a description of the valuation techniques used in the fair value measurement and any significant changes in valuation techniques. GASB 72 establishes a three-tier fair value hierarchy. The hierarchy is based on valuation inputs used to measure the fair value as follows:

- Level 1: Inputs are directly observable, quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs are other than quoted prices included within Level 1 that are for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.
- Level 3: Inputs are unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2017, the Town reported 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. Certificates of deposit are exempt from reporting under the fair value hierarchy, and they are measured at cost.

<u>Investments Measures at Amortized Cost</u>	<u>Maturity</u>	<u>Fair Value</u>
Florida PRIME	51 days	\$ <u>26</u>
 <u>Investments Measured at Cost</u>		
Certificate of Deposit	2 days	\$ 659,188
Certificate of Deposit	115 days	510,351
Certificate of Deposit	115 days	<u>271,678</u>
		<u>\$1,441,217</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, 2017, 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, 2017

NOTE 4 – RESTRICTED ASSETS

Certain resources set aside for utility system improvements are classified as restricted assets because their use is limited by loan covenants. Other restricted assets include amounts collected as customer deposits and special assessment proceeds. Restricted assets for the business-type activities at September 30, 2017, consisted of:

Promissory Note, Series 2016 Unspent Loan Proceeds – set aside for utility system improvements.	\$ 932,230
Hypoluxo Village Renewal and Replacement Account – used to identify resources set aside for paying the cost of utility system improvements in Hypoluxo Village	124,127
Renewal and Replacement Account – used to identify resources set aside for paying the cost of utility system improvements	500,000
Customer Deposits – used to segregate security deposits received from utility system customers	<u>218,515</u>
	<u><u>\$1,774,872</u></u>

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2017, are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>
Accounts receivable - billed	\$ 63,372	\$ 84,523
Accounts receivable - unbilled		<u>200,523</u>
Total receivables	<u>63,372</u>	285,046
Less allowance for uncollectible accounts		(38,315)
Net receivables	<u><u>\$ 63,372</u></u>	<u><u>\$ 246,731</u></u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 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	8,800	81,585	(90,385)	
Total not being depreciated	<u>526,553</u>	<u>81,585</u>	<u>(90,385)</u>	<u>517,753</u>
Capital assets being depreciated				
Buildings	3,205,037			3,205,037
Improvements other than buildings	2,018,819	107,784		2,126,603
Equipment	846,039	56,925	(79,720)	823,244
Infrastructure	6,488,657			6,488,657
Total being depreciated	<u>12,558,552</u>	<u>164,709</u>	<u>(79,720)</u>	<u>12,643,541</u>
Total at historical cost	<u>13,085,105</u>	<u>246,294</u>	<u>(170,105)</u>	<u>13,161,294</u>
Less accumulated depreciation				
Buildings	583,689	64,101		647,790
Improvements other than buildings	605,896	66,321		672,217
Equipment	641,520	60,547	(59,139)	642,928
Infrastructure	5,353,139	162,216		5,515,355
Total accumulated depreciation	<u>7,184,244</u>	<u>353,185</u>	<u>(59,139)</u>	<u>7,478,290</u>
Total governmental activities, net	<u>\$ 5,900,861</u>	<u>\$(106,891)</u>	<u>\$(110,966)</u>	<u>\$5,683,004</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

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	1,953,924			1,953,924
Construction in progress	131,960	517,314		649,274
Total not being depreciated	<u>2,174,644</u>	<u>517,314</u>		<u>2,691,958</u>
Capital assets being depreciated				
Buildings	214,962			214,962
Improvements other than buildings	7,910,204		(2,934)	7,907,270
Equipment	531,997	69,628	(89,649)	511,976
Intangible asset - goodwill	163,500			163,500
Total being depreciated	<u>8,820,663</u>	<u>69,628</u>	<u>(92,583)</u>	<u>8,797,708</u>
Total at historical cost	<u>10,995,307</u>	<u>586,942</u>	<u>(92,583)</u>	<u>11,489,666</u>
Less accumulated depreciation				
Buildings	20,780	8,599		29,379
Improvements other than buildings	2,738,275	249,746	(2,903)	2,985,118
Equipment	393,413	52,899	(70,924)	375,388
Intangible asset - goodwill	113,770	4,088		117,858
Total accumulated depreciation	<u>3,266,238</u>	<u>315,332</u>	<u>(73,827)</u>	<u>3,507,743</u>
Total governmental activities, net	<u>\$7,729,069</u>	<u>\$271,610</u>	<u>\$(18,756)</u>	<u>\$7,981,923</u>

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

Governmental activities	
General government	\$ 68,124
Public safety	60,676
Highways and streets	185,375
Culture and recreation	<u>39,010</u>
Total depreciation expense for governmental activities	<u>\$ 353,185</u>
Business-type activities	
Municipal water and sewer	<u>\$ 315,332</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

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>(117,858)</u>
Total intangible assets, net	<u>\$ 1,999,566</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%.

The 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>
2018	\$ 89,080	\$ 7,470	\$ 96,550
2019	<u>96,974</u>	<u>3,821</u>	<u>100,795</u>
Total	<u>\$186,054</u>	<u>\$11,291</u>	<u>\$197,345</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Business-type Activities

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%. The Note is payable from and secured by a pledge of the Net Revenues of the utility system. Net Revenues are equal to the Gross Revenues less the Cost of Operation and Maintenance. The 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>
2018	\$ 279,792	\$ 16,423	\$ 296,215
2019	<u>288,127</u>	<u>5,527</u>	<u>293,654</u>
Total	<u>\$ 567,919</u>	<u>\$ 21,950</u>	<u>\$ 589,869</u>

On November 18, 2016, the Town issued its Promissory Note, Series 2016 in the principal amount of \$1,250,000 to provide funds to make improvements to the Town's utility system. Principal payments on the Note are due in annual installments commencing on October 1, 2017 and on each October 1, thereafter until final maturity on October 1, 2026. Interest payments on the Note are due beginning April 1, 2017 and on each October 1 and April 1 thereafter until maturity. The Note bears interest at the rate of 2.65%. The Note is payable from and secured by a pledge of the Net Revenues of the utility system. Net Revenues are equal to the Gross Revenues less the Cost of Operation and Maintenance.

Pledged Revenues

At September 30, 2017, total principal and interest to maturity to be paid on the Series 2005 and Series 2016 Promissory Notes totaled \$1,996,844. Total principal and interest paid for the current fiscal year on the Notes totaled \$322,473, and pledged revenues total \$718,421 for the year.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Business-type Activities

The annual debt service requirements to maturity are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 114,566	\$ 31,287	\$ 145,853
2019	113,369	28,267	141,636
2020	116,373	25,255	141,628
2021	119,457	22,066	141,523
2022	122,623	18,890	141,513
2023-2027	<u>651,374</u>	<u>43,448</u>	<u>694,822</u>
Total	<u>\$ 1,237,762</u>	<u>\$ 169,213</u>	<u>\$ 1,406,975</u>

Changes in Long-Term Liabilities

During the year ended September 30, 2017, 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	\$ 271,535	\$	\$ (85,481)	\$ 186,054	\$ 89,080
Other postemployment benefits	44,420	10,914	(6,035)	49,299	
Compensated absences	<u>73,229</u>	<u>62,625</u>	<u>(62,808)</u>	<u>73,046</u>	<u>73,046</u>
Total governmental activities	<u>\$ 389,184</u>	<u>\$ 73,539</u>	<u>\$ (154,324)</u>	<u>\$ 308,399</u>	<u>\$ 162,126</u>
Business-type activities					
Promissory Note, Series 2005	\$ 838,845	\$	\$ (270,926)	\$ 567,919	\$ 279,792
Promissory Note, Series 2016		<u>1,250,000</u>	<u>(12,238)</u>	<u>1,237,762</u>	<u>114,566</u>
Total bonds payable	838,845	1,250,000	(283,164)	1,805,681	394,358
Other postemployment benefits	15,436	5,916	(3,272)	18,080	
Compensated absences	<u>18,732</u>	<u>26,720</u>	<u>(19,577)</u>	<u>25,875</u>	<u>25,875</u>
Total business-type activities	<u>\$ 873,013</u>	<u>\$ 1,282,636</u>	<u>\$ (306,013)</u>	<u>\$ 1,849,636</u>	<u>\$ 420,233</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 8 – LONG-TERM LIABILITIES (Continued)

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, 2017, were \$64,928 and \$50,411, respectively. No interest was capitalized in the Enterprise Fund during the year.

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.

From April 1, 2016 through September 30, 2017, there have been no draws or repayments on the line of credit.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 10 – RISK MANAGEMENT (Continued)

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 any future claims.

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, 2017, the Town was charged \$217,064 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, 2017, the Town was charged \$248,882 for purchased water pursuant to the agreement.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 11 – COMMITMENTS (Continued)

City of Lake Worth Interlocal Agreement to Provide Sewer Treatment Services

On September 17, 2013, the Town entered into a new interlocal agreement with the City of Lake Worth, Florida (the “City”) for wastewater service and wastewater facilities cost sharing reducing the costs of service by more than 50% and providing for a methodology to calculate annual increases to Service Costs. An independent Board has been created to oversee the operation of the City of Lake Worth’s wastewater system and to approve and endorse costs which would impact Service Costs. The agreement rescinded all previous contracts relating to the subject matter between the Town and the City. The initial term of the agreement expires on September 20, 2023. The Town may extend the agreement for up to three additional ten year periods. Charges for treatment of sewage disposal are billed to the Town monthly. For the year ended September 30, 2017, the Town was charged \$323,539 for sewage disposal services pursuant to the agreement.

City of Lake Worth Interlocal Agreement to Purchase Bulk Water

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

On February 15, 2011, the Town entered into a new interlocal agreement with the City of Lake Worth for the purchase and sale of bulk potable water to serve residents living within the Hypoluxo Village Service Area for a period of ten years, renewable for successive periods of five years each, upon the same terms and conditions, by written agreement of both parties to the agreement prior to expiration of the initial term or any renewal thereof. Bulk potable water purchases and sales for the Seminole Manor Service Area were discontinued under the agreement. The City agreed to provide water service at a bulk service rate of \$0.303 cents per hundred gallons. Future rate changes will be allowed only at the time of the City’s water system rate increases. The new rate to be charged will be equal to the current rate plus the monetary 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, 2017, the Town was charged \$126,836 for water purchased from the City.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 11 – COMMITMENTS (Continued)

Palm Beach County Interlocal Agreement to Purchase Bulk Water

On February 2, 2010, the Town entered into an interlocal agreement with Palm Beach County, Florida (the County) for the purchase and sale of bulk potable water for a period of thirty years, renewable for successive periods of five years each, upon the same terms and conditions, by written agreement of both parties prior to expiration of the initial term or any renewal thereof. The Town pays the County a full cost recovery commodity fee based upon a reserve capacity of 400,000 gallons per day. The initial fee was \$2.43 per thousand gallons. Beginning October 1, 2010, and for each year thereafter, the fee shall be adjusted upward or downward by an amount equal to three-fourths (3/4) of the change in the prior year's (measured July to July) Consumer Price Index all Urban Consumers, Water and Sewerage Maintenance, published by the U.S. Department of Labor, Bureau of Labor Statistics (CPI) or some other mutually agreed-upon index if the CPI is discontinued. The Town is obligated to take or pay the County a minimum amount of three-fourths of the capacity reserved under the agreement, calculated on an annual basis, regardless of actual usage. For the year ended September 30, 2017, the Town incurred charges of \$480,971 under the agreement.

Village of Palm Springs Interlocal Agreement to Purchase Police Dispatch Services

Effective October 1, 2010 the Town entered into an agreement with the Village of Palm Springs to provide Police Dispatch Services to the Town. On July 9, 2013 the agreement was amended to be a 5 year agreement with a second automatic 5 year renewal effective October 1, 2013. The 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, 2017 is \$44,896.

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, 2017, the Town incurred charges of \$161 under the agreement.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 11 – COMMITMENTS (Continued)

Palm Beach County Interlocal Agreement for Public Safety Trunked Radio System

On February 7, 2017, the Town entered into an interlocal agreement with Palm Beach County under which the County will make access to its Public Safety Trunked Radio System available to the Town. The initial term of the agreement is for five years. The agreement may be renewed for two additional terms of four years each. Under the terms of the agreement the Town will pay a one-time access charge in the amount of \$3,234 per unit. The Town may elect to pay the one-time access charge in periodic installments of any amounts providing that the entire amount owed is paid prior to February 21, 2019. The Town is also required to pay an annual maintenance fee of \$226 per unit and an annual replacement fee of \$211.42 per unit. The maintenance fee and the replacement fee may be reviewed every three years starting January 3, 2018 and may be adjusted for the following fiscal year by notice to the Town by the County's Facilities & Operations Department issued by April 1st.

For the year ended September 30, 2017, the Town had 24 units and was charged a one-time access fee in the amount of \$77,616, a maintenance fee in the amount of \$5,424, and a replacement fee in the amount of \$5,074. The Town made payments totaling \$38,538 during the fiscal year ended September 30, 2017

Construction Project

As of September 30, 2017, the Town had entered into the following commitment for a construction project.

<u>Project</u>	<u>Authorized Amount</u>	<u>Amount Completed 09/30/17</u>	<u>Balance to Complete</u>
Mango Circle Utility Improvements	<u>\$ 158,495</u>	<u>\$ 135,775</u>	<u>\$ 22,720</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

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, 2017, the Town recognized pension expense of \$105,143 for the Plan, and as of the fiscal year end, the Town reported a payable in the amount of \$6,021 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, 2017, the Enterprise Fund remitted \$35,000 to the General Fund for use of office space. This amount is reflected as intragovernmental revenue in the General Fund and as intragovernmental expense in the Enterprise Fund.

NOTE 14 – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2017, were as follows:

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

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.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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	\$ 14,436
Interest on net OPEB obligation	2,394
Adjustment to annual required contribution	<u>(3,557)</u>
Annual OPEB cost (expense)	13,273
Estimated net contributions made	<u>(5,750)</u>
Increase in net OPEB obligation	7,523
Net OPEB obligation October 1, 2016	<u>59,856</u>
Net OPEB obligation September 30, 2017	<u>\$ 67,379</u>

Trend Information

<u>Three-Year Trend Information</u>			
<u>Fiscal</u> <u>Year</u> <u>End</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
09/30/15	\$ 13,974	25.3%	\$ 52,660
09/30/16	\$ 13,124	45.2%	\$ 59,856
09/30/17	\$ 13,273	43.3%	\$ 67,379

Funded Status

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

Actuarial valuation date	October 1, 2015
Actuarial accrued liability	\$ 84,903
Actuarial value of plan assets	\$
Unfunded actuarial accrued liability (UAAL)	\$ 84,903
Funded ratio	0.0%
Covered payroll	\$1,249,754
UAAL as a percentage of covered payroll	6.8%

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Amortization period	30 year closed period
Asset valuation method	Unfunded
Actuarial assumptions:	
Discount rate	4.0%
Healthcare cost trend	8.0% for 2016, 8.75% in 2017, decreasing to 4.0% in 2073
Mortality Rate	RP-2000 Combined Healthy Mortality Table

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

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 16 – SPECIAL ASSESSMENTS

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. At September 30, 2017, the special assessments receivable was \$497,901

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, 2017

	General Fund			Variance With
	Original Adopted Budget	Final Revised Budget	Actual	Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,538,156	\$ 1,630,856	\$ 1,671,096	\$ 40,240
Licenses and permits	313,000	337,900	343,211	5,311
Intergovernmental	532,467	532,467	517,440	(15,027)
Fines and forfeitures	24,300	36,400	46,957	10,557
Interest income	15,000	15,000	12,881	(2,119)
Intragovernmental	35,000	35,000	35,000	
Charges for services	53,000	26,000	29,370	3,370
Miscellaneous	74,300	60,800	75,103	14,303
Total revenues	<u>2,585,223</u>	<u>2,674,423</u>	<u>2,731,058</u>	<u>56,635</u>
Expenditures:				
General government	1,058,536	1,145,286	1,119,739	25,547
Public safety	1,553,509	1,496,631	1,475,988	20,643
Highways and streets	84,979	76,275	74,954	1,321
Culture and recreation	108,199	176,231	173,720	2,511
Total expenditures	<u>2,805,223</u>	<u>2,894,423</u>	<u>2,844,401</u>	<u>50,022</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(220,000)</u>	<u>(220,000)</u>	<u>(113,343)</u>	<u>106,657</u>
Other financing sources:				
Operating transfer in	220,000	220,000	220,000	
Total other financing sources	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$</u>	<u>\$</u>	106,657	<u>\$ 106,657</u>
Fund balance, beginning of year			887,634	
Fund balance, end of year			<u>\$ 994,291</u>	

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2017

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, 2017, 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, 2017

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%
October 1, 2015	\$	\$ 84,903	\$ 84,903	0.0%	\$ 1,249,754	6.8%

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 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, 2017

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures:			
General government:			
Mayor and council:			
Personal services:			
Executive salaries	\$ 6,000	\$ 5,800	\$ 200
FICA	372	353	19
Medicare	87	84	3
Operating:			
Travel and per diem	10,000	7,817	2,183
Other current charges	5,400	5,219	181
Operating supplies	1,500	1,132	368
Books, dues, and education	2,900	1,171	1,729
Total mayor and council	<u>26,259</u>	<u>21,576</u>	<u>4,683</u>
Finance:			
Personal services:			
Regular salaries	9,400	5,290	4,110
FICA	583	328	255
Medicare	136	77	59
Operating:			
Consulting	2,000	1,925	75
Accounting and auditing	13,250	13,656	(406)
Total finance	<u>25,369</u>	<u>21,276</u>	<u>4,093</u>
Administration and clerk:			
Personal services:			
Regular salaries	166,639	157,986	8,653
Elections	4,500	1,055	3,445
Overtime	5,500	4,854	646
Car allowance		36	(36)
FICA	10,673	9,554	1,119
Medicare	2,496	2,234	262
Pension contributions	14,743	14,320	423
Employee insurance	49,154	30,774	18,380
Operating:			
Travel and per diem	4,700	9,813	(5,113)
Communications	700	7,573	(6,873)
Postage and freight	600	235	365
Repairs and maintenance	6,040	10,458	(4,418)
Printing and binding	400	20	380
Other current charges	500	7,054	(6,554)
Advertising	2,700	5,071	(2,371)
Office supplies	1,000	775	225
Operating supplies	2,000	2,197	(197)
Books, dues, and education	5,400	9,200	(3,800)
Capital outlay:			
Machinery and equipment	45,000	47,824	(2,824)
Debt service			
Principal	85,981	85,481	500
Interest	10,569	11,069	(500)
Total administration	<u>419,295</u>	<u>417,583</u>	<u>1,712</u>

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget and Actual
General Fund
For the Year Ended September 30, 2017

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u> Favorable (Unfavorable)
Legal:			
Operating:			
Professional fees	\$ 145,000	\$ 129,960	\$ 15,040
Other general government:			
Operating:			
Professional fees	20,000	15,996	4,004
Other contractual services	1,000		1,000
Garbage collection service	217,500	217,064	436
Weed control	19,128	19,128	
Lawn services	67,000	69,527	(2,527)
Communications	9,000	10,177	(1,177)
Postage and freight	3,000	507	2,493
Electric	23,500	21,994	1,506
Water and sewer	5,000	3,604	1,396
Rentals and leases	3,000	1,153	1,847
General insurance	80,000	76,044	3,956
Repairs and maintenance	34,885	38,397	(3,512)
Printing and binding	1,000	457	543
Other current charges	6,850	16,516	(9,666)
Office supplies	800	813	(13)
Operating supplies	4,500	4,707	(207)
Gas and oil	1,200	2,194	(994)
Books, dues, and education	3,000	2,487	513
Capital outlay:			
Improvements other than building	29,000	28,579	421
Total other general government	<u>529,363</u>	<u>529,344</u>	<u>19</u>
Total general government	<u>1,145,286</u>	<u>1,119,739</u>	<u>25,547</u>
Public safety:			
Law enforcement:			
Personal services:			
Regular salaries	634,073	636,579	(2,506)
PD special details	22,000	21,110	890
Overtime	35,500	36,171	(671)
State incentive pay	5,940	5,966	(26)
FICA	42,688	42,149	539
Medicare	9,983	9,857	126
Pension contributions	58,090	59,612	(1,522)
Employee insurance	123,600	123,558	42

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget and Actual (continued)
General Fund
For the Year Ended September 30, 2017

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Operating:			
Other contractual services	\$ 12,590	\$ 5,298	\$ 7,292
Dispatch services	43,500	44,896	(1,396)
Travel and per diem	1,200	2,339	(1,139)
Communications	26,000	43,754	(17,754)
Postage and freight	1,000	1,020	(20)
Rentals and leases	500	114	386
Police vehicle leases	4,800	5,100	(300)
Repairs and maintenance	40,000	53,688	(13,688)
Repairs and maintenance - vehicles	22,000	22,171	(171)
Printing and binding	199	421	(222)
Other current charges	300		300
Crime prevention	500	3,078	(2,578)
Office supplies	1,500	1,522	(22)
Operating supplies	40,100	40,181	(81)
Gas and oil	19,900	19,285	615
Uniforms	8,000	9,141	(1,141)
Books, dues, and education	3,900	3,416	484
Capital outlay:			
Fence	18,900	17,399	1,501
Boat motor	15,750	11,076	4,674
Radios	69,400	39,001	30,399
Machinery and equipment	21,500	11,027	10,473
Total law enforcement	<u>1,283,413</u>	<u>1,268,929</u>	<u>14,484</u>
Protective inspections and code enforcement:			
Personal services:			
Regular salaries	94,694	86,373	8,321
Overtime	5,000	476	4,524
FICA	6,181	4,864	1,317
Medicare	1,446	1,138	308
Pension contributions	8,522	6,876	1,646
Employee insurance	27,000	28,305	(1,305)
Operating:			
Other contractual services	55,000	57,197	(2,197)
Travel and per diem	500	611	(111)
Communications	500	586	(86)
Postage and freight	1,200	1,159	41
Rentals and leases	500		500
Repairs and maintenance	6,500	11,521	(5,021)
Office supplies	675	486	189
Operating supplies	3,000	3,605	(605)
Books, dues, and education	2,500	3,862	(1,362)
Total protective inspections and code enforcement	<u>213,218</u>	<u>207,059</u>	<u>6,159</u>
Total public safety	<u>1,496,631</u>	<u>1,475,988</u>	<u>20,643</u>

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget and Actual (continued)
General Fund
For the Year Ended September 30, 2017

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Highways and streets			
Operating:			
Professional fees	\$ 9,575	\$ 9,623	\$ (48)
NPDES agreement	4,000	3,648	352
Electric	28,200	28,208	(8)
Repairs and maintenance	13,000	12,528	472
Other current charges	12,500	12,293	207
Operating supplies	8,000	7,854	146
Road materials and supplies	1,000	800	200
Total roads and streets	<u>76,275</u>	<u>74,954</u>	<u>1,321</u>
Culture and recreation:			
Parks and recreation			
Operating:			
Professional fees	6,500	7,855	(1,355)
Electric	2,500	3,577	(1,077)
Water and sewer	600	1,048	(448)
Repairs and maintenance	10,000	12,109	(2,109)
Operating supplies	3,000	2,030	970
Beautification landscape	20,000	15,359	4,641
Capital outlay:			
Improvements other than building	71,500	71,310	190
Park well	10,900	10,275	625
Total parks and recreation	<u>125,000</u>	<u>123,563</u>	<u>1,437</u>
Special events			
Operating:			
Postage and freight	1,500	2,450	(950)
Printing and binding	2,000	4,084	(2,084)
Promotional activities	2,882	2,367	515
Other current charges	300		300
Operating supplies	44,549	41,256	3,293
Total special events	<u>51,231</u>	<u>50,157</u>	<u>1,074</u>
Total culture and recreation	<u>176,231</u>	<u>173,720</u>	<u>2,511</u>
Total expenditures	<u>\$ 2,894,423</u>	<u>\$ 2,844,401</u>	<u>\$ 50,022</u>



NOWLEN, HOLT & MINER, P.A.

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

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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, 2017, 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, 2018.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town 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*.

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, 2018



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, 2017, and have issued our report thereon dated June 30, 2018.

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 Reporting Requirements

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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.5550, Rules of the Auditor General. Disclosures in those reports, which are dated June 30, 2018, 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 financial audit report.

Corrective actions have been taken to address the following findings and recommendation made in the preceding financial audit report, and they no longer apply.

Finding 2016-1 Reports Filed Late

Finding 2016-2 Documentation of Internal Control Procedures

The following finding made in the preceding financial audit report has not been corrected and still applies.

Finding 2016-3 Credit Cards

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 and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 to identify 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 for the Town of Lake Clarkes Shores, Florida. 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 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.

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 noted the following item.

Finding 2016-3

Condition: During our testing of credit card activity we noted some payments were not made timely resulting in the payment of late fees and finance charges.

Criteria: Payments should be made promptly to avoid unnecessary charges.

Effect: Late payments subject the Town to avoidable costs.

Recommendation: We recommend that the Town review its policies and procedures for credit card purchases and implement steps to provide adequate control over credit card use.

Management Response: A new policy will be created to address credit card charges and payments.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide 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. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Single Audits

The Town expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance for the year ended September 30, 2017, and was not required to have a federal single audit or a state single audit.

Response to Management Letter

The Town of Lake Clarke Shores, Florida's response to the findings in our audit is described above. Their 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 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 Representatives, 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.

Nowlin, Holt & Mimes, P.A.

West Palm Beach, Florida
June 30, 2018



NOWLEN, HOLT & MINER, P.A.

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

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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, 2017. Management of the Town of Lake Clarke Shores, Florida is responsible for the Town of Lake Clarke Shores, Florida’s compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Lake Clarke Shores, Florida’s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town of Lake Clarke Shores, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town of Lake Clarke Shores, Florida complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 the specified requirements.

In our opinion, the Town of Lake Clarke Shores, Florida complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2017.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, applicable management, and the Town Commission, 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, 2018