

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



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

**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

TOWN OF LAKE CLARKE SHORES, FLORIDA  
 SEPTEMBER 30, 2018  
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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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 18 to the financial statements, the Town implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, during the fiscal year ended September 30, 2018. The net position of the Governmental Activities, Business-type Activities, and the Enterprise Fund as of October 1, 2017 have been restated. Our opinions are not modified with respect to this matter

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the budgetary comparison data on pages 57 through 59, and the Schedule of Changes in Total Other Postemployment Benefits Liability on page 60 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, 2019, 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 solely 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 the effectiveness of the Town of Lake Clarkes Shores, Florida’s 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, 2019

## 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 \$16,000,404 (net position). Of this amount, \$2,280,290 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- The governmental activities revenues were \$3,258,397 at the close of fiscal year 2018.
- The business-type activities revenues were \$3,394,221 at the close of fiscal year 2018.
- The total cost of all Town programs was \$6,661,892 during the fiscal year 2018.
- At the end of the 2018 fiscal year, the total fund balance for the General Fund was \$883,414. The General Fund’s fund balance was comprised of \$51,744 non-spendable – prepaids, \$163,030 restricted for transportation projects, and the unassigned fund balance of \$668,640 or 22% of total General Fund expenditures.
- The General Fund had a decrease in fund balance of \$110,877 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 22-56)
REQUIRED SUPPLEMENTAL INFORMATION	Required Supplementary Information (Other than MD&A) (Expanded) (Pages 57-60)

## 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 three governmental funds, 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 funds' 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. The major governmental funds include the General Fund, Community Development Agency Fund, and the Discretionary Infrastructure Surtax Fund.

## 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 2018 is reported at \$16,000,404. Net position of the Town's governmental activities for the fiscal year ending 2018 is \$6,235,204. The net position of our business-type activities is reported at \$9,765,200 for the fiscal year ending 2018. Overall the financial position of the total primary government is \$9,274 less than the prior year, with a decrease of \$163,686 in net position for the governmental activities and an increase of \$154,412 in net position for the business-type activities.

#### Town of Lake Clarke Shores Net Position September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017(Restated)	2018	2017(Restated)	2018	2017(Restated)
Current and Other Assets	\$ 1,747,409	\$ 1,261,547	\$ 3,875,711	\$ 3,964,397	\$ 5,623,120	\$ 5,225,944
Capital Assets	5,109,158	5,683,004	7,778,484	7,981,923	12,887,642	13,664,927
<b>Total Assets</b>	<b>6,856,567</b>	<b>6,944,551</b>	<b>11,654,195</b>	<b>11,946,320</b>	<b>18,510,762</b>	<b>18,890,871</b>
<b>Deferred Outflows of Resources</b>	-	-	-	<b>3,031</b>	-	<b>3,031</b>
Current and Other Liabilities	386,352	219,284	431,481	488,679	817,833	707,963
Long Term Liabilities	221,526	309,074	1,457,514	1,849,884	1,679,040	2,158,958
<b>Total Liabilities</b>	<b>607,878</b>	<b>528,358</b>	<b>1,888,995</b>	<b>2,338,563</b>	<b>2,496,873</b>	<b>2,866,921</b>
<b>Deferred Inflows of Resources</b>	<b>13,485</b>	<b>17,303</b>	-	-	<b>13,485</b>	<b>17,303</b>
Net Investment in Capital Assets	4,881,692	5,496,950	7,064,215	7,052,001	11,945,907	12,548,951
Restricted	453,799	290,527	1,320,408	624,127	1,774,207	914,654
Unrestricted	899,713	611,413	1,380,577	1,934,660	2,280,290	2,546,073
<b>Total Net Position</b>	<b>\$ 6,235,204</b>	<b>\$ 6,398,890</b>	<b>\$ 9,765,200</b>	<b>\$ 9,610,788</b>	<b>\$ 16,000,404</b>	<b>\$ 16,009,678</b>

The 2017 balances were restated due to the adoption of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, during the current fiscal year. See Note 18 for further information.



## 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 \$163,686 for fiscal year 2018.
- The business-type net position increased by \$154,412 for fiscal year 2018.

### Town of Lake Clarke Shores Changes in Net Position For the Fiscal Years Ended September 30, 2018 and 2017

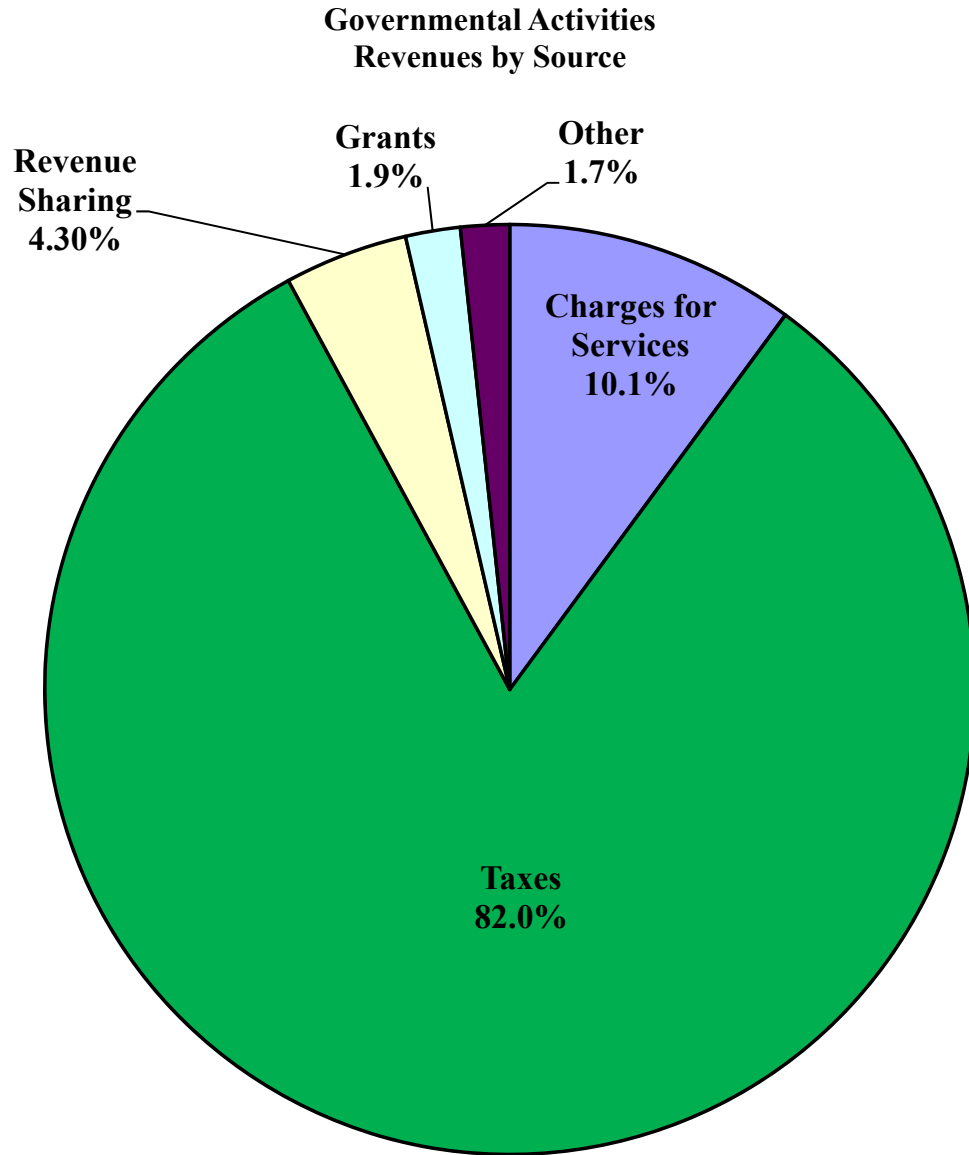
	Governmental Activities		Business-type Activities		Total	
	2018	2017(Restated)	2018	2017(Restated)	2018	2017(Restated)
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 388,394	\$ 274,440	\$ 3,361,745	\$ 2,926,347	\$ 3,750,139	\$ 3,200,787
Operating Grants and Contributions	251,466	28,342			251,466	28,342
Capital Grants and Contributions	25,000	25,000			25,000	25,000
General Revenues						
Taxes	2,443,120	2,232,355			2,443,120	2,232,355
State Revenue Sharing	119,882	117,341			119,882	117,341
Other	30,535	44,778	32,476	41,692	63,011	86,470
<b>Total Revenues</b>	<b>3,258,397</b>	<b>2,722,256</b>	<b>3,394,221</b>	<b>2,968,039</b>	<b>6,652,618</b>	<b>5,690,295</b>
<b>Expenses</b>						
Governmental Activities						
General Government	1,056,824	1,028,534			1,056,824	1,028,534
Public Safety	1,736,814	1,516,557			1,736,814	1,516,557
Culture and Recreation	321,956	131,145			321,956	131,145
Highways and Streets	507,682	260,329			507,682	260,329
Economic Development	14,386				14,386	-
Interest on Long-Term Debt	4,421	8,371			4,421	8,371
Business-Type Activities						
Water and Sewer			3,019,809	2,640,511	3,019,809	2,640,511
<b>Total Expenses</b>	<b>3,642,083</b>	<b>2,944,936</b>	<b>3,019,809</b>	<b>2,640,511</b>	<b>6,661,892</b>	<b>5,585,447</b>
Excess (Deficiency) Before Transfers	(383,686)	(222,680)	374,412	327,528	(9,274)	104,848
Transfers	220,000	220,000	(220,000)	(220,000)	-	-
<b>Change in Net Position</b>	<b>(163,686)</b>	<b>(2,680)</b>	<b>154,412</b>	<b>107,528</b>	<b>(9,274)</b>	<b>104,848</b>
Net Position - Beginning	6,398,890	6,401,570	9,610,788	9,503,260	16,009,678	15,904,830
<b>Net Position - Ending</b>	<b>\$ 6,235,204</b>	<b>\$ 6,398,890</b>	<b>\$ 9,765,200</b>	<b>\$ 9,610,788</b>	<b>\$ 16,000,404</b>	<b>\$ 16,009,678</b>

The 2017 balances were restated due to the adoption of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, during the current fiscal year. See Note 18 for further information.

## Management's Discussion and Analysis

### Governmental Activities – Revenues by Source

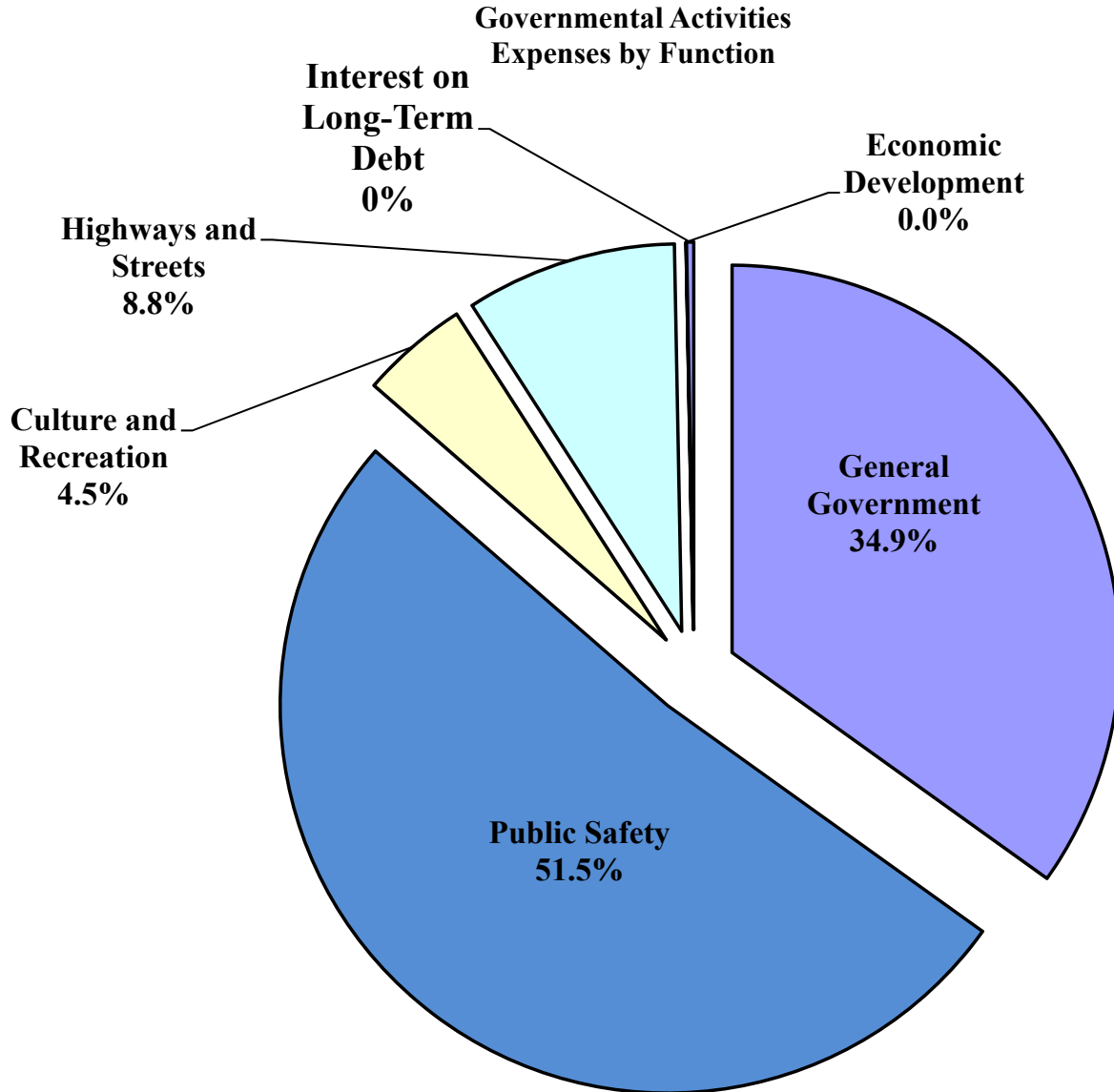
Approximately 82% of the Town's governmental activities revenue comes from taxes such as property, franchise and sales use. Property taxes alone account for nearly 66% of the various types of taxes and 54% of all revenues. (Please see chart below.)



# Management's Discussion and Analysis

## Governmental Activities – Expenses by Function

The Town's governmental expenses cover a range of services, with 51.5% relating to Public Safety and 34.9% 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 \$668,640, a decrease of \$110,877 from the previous fiscal year.

The Community Redevelopment Agency Fund reported a fund balance of \$10,736. The Community Redevelopment Agency Fund was a new fund for the current year.

The Discretionary Infrastructure Surtax Fund reported a fund balance of \$267,783. The Discretionary Infrastructure Surtax Fund was a new fund for the current year.

### Financial Analysis of the Proprietary Fund

Unrestricted net position of the Enterprise Fund at the end of the fiscal year 2018 was \$1,380,577. This represents a decrease of \$554,331. The total net position of the Enterprise Fund was \$9,765,200 at the end of fiscal year 2018, an increase of \$154,412 from the prior year.

### General Fund Budgetary Highlights

The actual expenditures were \$64,834 less than the budget amounts. Revenues were \$85,718 less than the budget amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2018 the Town had invested \$12,887,642 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, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	517,753	517,753	88,760	88,760	606,513	606,513
Construction in Progress			628,957	649,274	628,957	649,274
Buildings	2,465,701	2,557,247	176,985	185,583	2,642,686	2,742,830
Improvements Other Than Buildings	998,795	1,454,386	4,697,759	4,922,152	5,696,554	6,376,538
Equipment	185,331	180,316	190,545	136,588	375,876	316,904
Infrastructure	941,578	973,302			941,578	973,302
Intangible Assets			1,995,478	1,999,566	1,995,478	1,999,566
Total	5,109,158	5,683,004	7,778,484	7,981,923	12,887,642	13,664,927

## Management’s Discussion and Analysis

### Long-Term Liabilities

As of September 30, 2018, the Town had long-term liabilities of \$1,508,298 in Promissory Notes, \$102,694 in compensated absences, and \$68,048 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, 2018 and 2017**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017(Restated)</b>	<b>2018</b>	<b>2017(Restated)</b>	<b>2018</b>	<b>2017(Restated)</b>
Promissory Note Series 2005			288,127	567,919	288,127	567,919
Promissory Note Series 2007	96,974	186,054			96,974	186,054
Promissory Note Series 2016			1,123,197	1,237,762	1,123,197	1,237,762
Other Postemployment Benefits	49,800	49,974	18,248	18,328	68,048	68,302
Compensated Absences	74,752	73,046	27,942	25,875	102,694	98,921
Total	<u>221,526</u>	<u>309,074</u>	<u>1,457,514</u>	<u>1,849,884</u>	<u>1,679,040</u>	<u>2,158,958</u>

The 2017 balances were restated due to the adoption of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, during the current fiscal year. See Note 18 for further information.

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

For the 2019 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 2019. We have budgeted for
  - server upgrades and upgrades to our financial software,
  - completing the recodification of the Town’s Codes and Ordinances,
  - updating the Comprehensive Plan,
  - new police tag reading cameras and a new vehicle,
  - new HVAC for all of the Town Hall Complex,
  - new LED lighting in the Town Hall Complex and Town Hall Park.
- The Utility Fund will see completion of the LDDW-16 Pipeline Project.
- The Utility will complete the installation of new radio-read meters for the entire service area.
- The Town will continue the roadway improvement projects using the Infrastructure Surtax Fund monies as approved by the Infrastructure Oversight Committee.
- The CRA has budgeted for continued infrastructure improvements and 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, 2018**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 289,589	\$ 158,253	\$ 447,842
Investments	515,429	940,037	1,455,466
Accounts receivable (net)	79,672	251,866	331,538
Grants receivable	172,102		172,102
Due from other governments	40,196		40,196
Prepaid items	51,744		51,744
Assessments receivable		905,480	905,480
Security deposits		47,390	47,390
Inventories		25,352	25,352
<b>Restricted assets</b>			
Cash and cash equivalents	576,578	1,547,333	2,123,911
Due from other governments	22,099		22,099
<b>Capital assets</b>			
<b>Non-depreciable</b>			
Land	517,753	88,760	606,513
Intangible assets		1,953,924	1,953,924
Construction in progress		628,957	628,957
<b>Depreciable</b>			
Buildings	3,166,627	214,962	3,381,589
Improvements other than buildings	1,544,028	7,035,256	8,579,284
Equipment	730,972	565,599	1,296,571
Infrastructure	6,619,149		6,619,149
Less: accumulated depreciation	(7,469,371)	(2,750,528)	(10,219,899)
Intangible assets		163,500	163,500
Less: accumulated amortization		(121,946)	(121,946)
<b>Total assets</b>	<b>6,856,567</b>	<b>11,654,195</b>	<b>18,510,762</b>
<b>Liabilities</b>			
Accounts payable	151,494	127,102	278,596
Contracts payable	130,492		130,492
Unearned revenue	6,200	32,880	39,080
Accrued liabilities	94,973	22,043	117,016
Accrued interest payable	3,193		3,193
Other liabilities		2,080	2,080
<b>Payable from restricted assets</b>			
Accrued interest payable		20,451	20,451
Customer deposits		226,925	226,925
<b>Non-current liabilities</b>			
Due within one year	171,726	429,438	601,164
Due in more than one year	49,800	1,028,076	1,077,876
<b>Total liabilities</b>	<b>607,878</b>	<b>1,888,995</b>	<b>2,496,873</b>
<b>Deferred Inflows of Resources</b>			
Deferred revenue	13,485		13,485
<b>Net position</b>			
Net investment in capital assets	4,881,692	7,064,215	11,945,907
<b>Restricted for</b>			
Renewal and replacement		623,353	623,353
Construction		697,055	697,055
Transportation	163,030		163,030
Infrastructure	267,783		267,783
Law enforcement	12,250		12,250
Community development	10,736		10,736
Unrestricted	899,713	1,380,577	2,280,290
<b>Total net position</b>	<b>\$ 6,235,204</b>	<b>\$ 9,765,200</b>	<b>\$ 16,000,404</b>

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	\$ 1,056,824	\$ 199,304	\$ 250
Public safety	1,736,814	184,442	18,174
Highways and streets	507,682		172,102
Culture and recreation	321,956	4,648	60,940
Community development	14,386		
Interest on long-term debt	4,421		
Total governmental activities	<u>3,642,083</u>	<u>388,394</u>	<u>251,466</u>
Business-type activities:			
Enterprise-water and sewer utility	3,019,809	3,361,745	
Total business-type activities	<u>3,019,809</u>	<u>3,361,745</u>	
Total government	<u>\$ 6,661,892</u>	<u>\$ 3,750,139</u>	<u>\$ 251,466</u>

General revenues:  
Property taxes  
Infrastructure surtax  
Tax increment financing  
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, as restated

Net position, end of year

Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$	\$ (857,270)	\$	\$ (857,270)
	(1,534,198)		(1,534,198)
	(335,580)		(335,580)
25,000	(231,368)		(231,368)
	(14,386)		(14,386)
	(4,421)		(4,421)
<u>25,000</u>	<u>(2,977,223)</u>		<u>(2,977,223)</u>
		341,936	341,936
		<u>341,936</u>	<u>341,936</u>
<u>\$ 25,000</u>	<u>(2,977,223)</u>	<u>341,936</u>	<u>(2,635,287)</u>
	1,464,524		1,464,524
	244,027		244,027
	25,009		25,009
	119,305		119,305
	393,029		393,029
	197,226		197,226
	119,882		119,882
	8,533	32,476	41,009
	22,002		22,002
	<u>220,000</u>	<u>(220,000)</u>	
	<u>2,813,537</u>	<u>(187,524)</u>	<u>2,626,013</u>
	(163,686)	154,412	(9,274)
	<u>6,398,890</u>	<u>9,610,788</u>	<u>16,009,678</u>
<u>\$ 6,235,204</u>	<u>\$ 9,765,200</u>	<u>\$ 16,000,404</u>	

See notes to the financial statements



**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2018**

	General	Community Redevelopment Agency Fund	Discretionary Infrastructure Surtax Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 452,619	\$ 25,122	\$ 376,176	\$ 12,250	\$ 866,167
Investments	515,429				515,429
Accounts receivable (net)	79,672				79,672
Due from other governments	40,196		22,099		62,295
Grants receivable	172,102				172,102
Due from other funds	13,750				13,750
Prepaid items	51,744				51,744
Total assets	<u>\$ 1,325,512</u>	<u>\$ 25,122</u>	<u>\$ 398,275</u>	<u>\$ 12,250</u>	<u>\$ 1,761,159</u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 150,858	\$ 636	\$	\$	\$ 151,494
Contracts payable			130,492		130,492
Accrued liabilities	94,973				94,973
Unearned revenue	6,200				6,200
Due to other funds		13,750			13,750
Total liabilities	<u>252,031</u>	<u>14,386</u>	<u>130,492</u>		<u>396,909</u>
<b>Deferred inflows of resources</b>					
Deferred revenue	13,485				13,485
Unavailable revenue	176,582				176,582
Total deferred inflows of resources	<u>190,067</u>				<u>190,067</u>
<b>Fund balances</b>					
<b>Non-spendable:</b>					
Prepays	51,744				51,744
<b>Restricted for:</b>					
Law enforcement				12,250	12,250
Infrastructure			267,783		267,783
Transportation	163,030				163,030
Community development		10,736			10,736
Unassigned	668,640				668,640
Total fund balances	<u>883,414</u>	<u>10,736</u>	<u>267,783</u>	<u>12,250</u>	<u>1,174,183</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,325,512</u>	<u>\$ 25,122</u>	<u>\$ 398,275</u>	<u>\$ 12,250</u>	<u>\$ 1,761,159</u>

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Statement of Net Position**  
**Governmental Funds**  
**September 30, 2018**

Fund balances - total governmental funds		\$ 1,174,183
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	\$ 12,578,529	
Less accumulated depreciation	<u>(7,469,371)</u>	
		5,109,158
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.		
FEMA Hurricane Disaster Grant		172,102
Police Special Detail Services		4,480
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		(96,974)
Accrued interest payable		(3,193)
Other postemployment benefits		(49,800)
Compensated absences		<u>(74,752)</u>
Net position of governmental activities		<u><u>\$ 6,235,204</u></u>

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2018**

	General	Community Redevelopment Agency Fund	Discretionary Infrastructure Surtax Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 1,606,150	\$ 25,009	\$ 244,027	\$	\$ 1,875,186
Licenses and permits	349,993				349,993
Intergovernmental	625,359				625,359
Fines and forfeitures	118,510			500	119,010
Interest income	8,533	113	1,254		9,900
Intragovernmental	35,000				35,000
Charges for services	59,596				59,596
Miscellaneous	67,771				67,771
<b>Total revenues</b>	<u>2,870,912</u>	<u>25,122</u>	<u>245,281</u>	<u>500</u>	<u>3,141,815</u>
<b>Expenditures:</b>					
<b>Current</b>					
General government	969,448				969,448
Public safety	1,482,990			161	1,483,151
Highways and streets	156,036				156,036
Culture and recreation	125,092				125,092
Community development		14,386			14,386
Capital outlay	218,679		130,492		349,171
<b>Debt service</b>					
Principal	89,080				89,080
Interest	7,470				7,470
<b>Total expenditures</b>	<u>3,048,795</u>	<u>14,386</u>	<u>130,492</u>	<u>161</u>	<u>3,193,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(177,883)</u>	<u>10,736</u>	<u>114,789</u>	<u>339</u>	<u>(52,019)</u>
<b>Other financing sources (uses):</b>					
Transfers in	220,000		152,994		372,994
Transfers out	(152,994)				(152,994)
<b>Total other financing sources (uses)</b>	<u>67,006</u>		<u>152,994</u>		<u>220,000</u>
<b>Net change in fund balance</b>	<u>(110,877)</u>	<u>10,736</u>	<u>267,783</u>	<u>339</u>	<u>167,981</u>
Fund balances, beginning of year	<u>994,291</u>			<u>11,911</u>	<u>1,006,202</u>
Fund balances, end of year	<u>\$ 883,414</u>	<u>\$ 10,736</u>	<u>\$ 267,783</u>	<u>\$ 12,250</u>	<u>\$ 1,174,183</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, 2018**

Net change in fund balances - total governmental funds \$ 167,981

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	\$ 201,781	
Less: current year depreciation	<u>(341,210)</u>	
		(139,429)

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		(434,417)
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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		89,080
Decrease in accrued interest payable on long-term debt		3,049

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)
FEMA Hurricane Disaster Grant		172,102
Police Special Detail Services		4,480

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		174
Change in compensated absences		<u>(1,706)</u>

Change in net position of governmental activities		<u>\$ (163,686)</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, 2018**

	<u>Enterprise</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 158,253
Investments	940,037
Accounts receivable (net)	251,866
Assessments receivable	905,480
Security deposits	47,390
Supplies inventory	25,352
Restricted assets	
Cash and cash equivalents	1,547,333
Total current assets	3,875,711
Non-current assets	
Capital assets	
Non depreciable	
Land	88,760
Intangible assets	1,953,924
Construction in progress	628,957
Depreciable	
Buildings	214,962
Improvements other than buildings	7,035,256
Equipment	565,599
Less accumulated depreciation	(2,750,528)
Intangible assets	163,500
Less accumulated amortization	(121,946)
Total non-current assets	7,778,484
Total assets	11,654,195
Liabilities	
Current liabilities	
Accounts payable	127,102
Accrued liabilities	22,043
Other liabilities	2,080
Unearned revenue	32,880
Compensated absences payable	27,942
Notes payable - current portion	401,496
Payable from restricted assets	
Accrued interest payable	20,451
Customer deposits	226,925
Total current liabilities	860,919
Non-current liabilities	
Notes payable	1,009,828
Other postemployment benefits	18,248
Total non-current liabilities	1,028,076
Total liabilities	1,888,995
Net position	
Net investment in capital assets	7,064,215
Restricted for	
Construction	697,055
Renewal and replacement	623,353
Unrestricted	1,380,577
Total net position	\$ 9,765,200

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, 2018**

	Enterprise
Operating revenue	
Charges for services	\$ 2,932,237
Total operating revenues	2,932,237
Operating expenses	
Purchased utilities	1,278,630
Personal services	572,234
Contractual services	205,612
Supplies	49,437
Utilities and communications	26,312
Repairs and maintenance	49,549
Intragovernmental expense	35,000
Other charges	126,395
Depreciation	400,194
Amortization	4,088
Total operating expenses	2,747,451
Operating income	184,786
Nonoperating revenues (expenses)	
Investment earnings	32,476
Special assessments	429,508
Loss on disposal of capital assets	(226,638)
Interest expense and fiscal charges	(45,720)
Total nonoperating revenues (expenses)	189,626
Net income before transfers	374,412
Transfers out	(220,000)
Change in net position	154,412
Net position - beginning, as restated	9,610,788
Net position - ending	\$ 9,765,200

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended September 30, 2018**

	Enterprise
Cash flows from operating activities:	
Receipts from customers	\$ 2,941,394
Payments to suppliers for goods or services	(1,720,932)
Payments to employees for services	(570,927)
Payments for interfund services used	(35,000)
Net cash provided by operating activities	614,535
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	21,929
Interest paid on debt	(49,580)
Principal paid on debt	(394,357)
Acquisition of capital assets	(479,864)
Net cash used by capital and related financing activities	(901,872)
Cash flows from investing activities:	
Purchase of investments	(9,171)
Interest and dividends	28,389
Net cash provided by investing activities	19,218
Net decrease in cash and cash equivalents	(488,119)
Cash and cash equivalents at beginning of year	2,193,705
Cash and cash equivalents at end of year	\$ 1,705,586
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 184,786
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	400,194
Amortization	4,088
Change in assets and liabilities	
Increase in accounts receivable	(5,135)
Decrease in inventories	22,452
Decrease in accounts payable	(7,449)
Decrease in accrued liabilities	(760)
Increase in customer deposits	8,410
Increase in unearned revenue	3,802
Increase in compensated absences payable	2,067
Increase in other liabilities	2,080
Total adjustments	429,749
Net cash provided by operating activities	\$ 614,535
Cash and cash equivalents:	
Unrestricted	\$ 158,253
Restricted	1,547,333
Total cash and cash equivalents	\$ 1,705,586

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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, 2018**

**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. The CRA is included in the Town's reporting entity as a blended component unit.

*Government-wide Financial Statements*

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

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, 2018**

**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, 2018**

**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 three 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 Community Redevelopment Agency Special Revenue Fund is used to account for the activities of the Lake Clarke Shores Community Redevelopment Agency. The Discretionary Infrastructure Surtax Special Revenue Fund is used to account for the proceeds of the one-cent sales surtax approved by the voters of Palm Beach County in November 2016. 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, 2018**

**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, 2018**

**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, 2017, the Town increased the capitalization thresholds for capital assets to the following amounts:

Building	\$50,000
Improvements other than buildings	50,000
Infrastructure	100,000
Equipment	5,000

The change was made retroactively, and all capital assets below the capitalization thresholds were removed from capital assets on October 1, 2017. 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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018.

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.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

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

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

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.

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. Implementation of the Statement did not impact the Town’s financial statements.

In June 2018 the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. Implementation of the 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 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.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

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

*Recently Issued Accounting Pronouncements* (Continued)

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.

In March 2018 the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve the including direct borrowings and direct placements. It will also clarify which liabilities governments should include when disclosing information related to debt. This Statement is effective for the fiscal year ending September 30, 2019.

In August 2018 the GASB issued Statement No. 90, *Major Equity Interests*. This Statement will improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for the fiscal year ending September 30, 2020.

**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, the Community Redevelopment Agency 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.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

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

*Budgetary Data* (Continued)

- For the General Fund, 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 all budgeted funds.
- Appropriations along with encumbrances lapse on September 30.

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

*Property Taxes*

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment roll meets all of the appropriate requirements of State law. The assessed value of property within the corporate limits of the Town at January 1, 2017, upon which the 2017-2018 levy was based, was approximately \$239 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, 2018 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, 2018, 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, 2018 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.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

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

*Property Taxes* (Continued)

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

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

*Deposits*

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

*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.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

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

*Investments* (Continued)

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.

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 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

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

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

*Investments* (Continued)

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.

As of September 30, 2018, 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, 2018, was 72 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, 2018**

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

*Investments* (Continued)

As of September 30, 2018, 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>Maturity</u>	<u>Fair Value</u>
<u>Investments Measured at Amortized Cost</u>		
Florida PRIME	72 days	\$ <u>26</u>
<u>Investments Measured at Cost</u>		
Certificate of Deposit	87 days	\$ 665,656
Certificate of Deposit	115 days	515,429
Certificate of Deposit	115 days	<u>274,381</u>
		<u>\$1,455,466</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, 2018, 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, 2018**

**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, 2018, consisted of:

Promissory Note, Series 2016 Unspent Loan Proceeds – set aside for utility system improvements.	\$ 697,055
Hypoluxo Village Renewal and Replacement Account – used to identify resources set aside for paying the cost of utility system improvements in Hypoluxo Village	123,353
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>226,925</u>
	<u><u>\$1,547,333</u></u>

**NOTE 5 – ACCOUNTS RECEIVABLE**

Accounts receivable as of September 30, 2018, are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>
Accounts receivable - billed	\$ 79,672	\$ 83,169
Accounts receivable - unbilled		208,067
Total receivables	<u>79,672</u>	<u>291,236</u>
Less allowance for uncollectible accounts		(39,370)
Net receivables	<u><u>\$ 79,672</u></u>	<u><u>\$ 251,866</u></u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018 was as follows:

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 517,753	\$	\$	\$ 517,753
Total not being depreciated	<u>517,753</u>	<u></u>	<u></u>	<u>517,753</u>
Capital assets being depreciated				
Buildings	3,205,037		(38,410)	3,166,627
Improvements other than buildings	2,126,603		(582,575)	1,544,028
Equipment	823,244	71,289	(163,561)	730,972
Infrastructure	6,488,657	130,492		6,619,149
Total being depreciated	<u>12,643,541</u>	<u>201,781</u>	<u>(784,546)</u>	<u>12,060,776</u>
Total at historical cost	<u>13,085,105</u>	<u>201,781</u>	<u>(784,546)</u>	<u>12,578,529</u>
Less accumulated depreciation				
Buildings	647,790	63,333	(10,197)	700,926
Improvements other than buildings	672,217	51,974	(178,958)	545,233
Equipment	642,928	63,687	(160,974)	545,641
Infrastructure	5,515,355	162,216		5,677,571
Total accumulated depreciation	<u>7,478,290</u>	<u>341,210</u>	<u>(350,129)</u>	<u>7,469,371</u>
Total governmental activities, net	<u>\$ 5,683,004</u>	<u>\$(139,429)</u>	<u>\$ (434,417)</u>	<u>\$5,109,158</u>

Effective October 1, 2017, the Town increased the capitalization thresholds. The change was applied retroactively, and governmental activities capital assets with an original cost of \$750,720, accumulated depreciation of \$316,303, and a net book value of \$434,417 were removed from the Town's financial statements during the current fiscal year. Business-type activities capital assets with an original cost of \$1,262,101, accumulated depreciation of \$1,035,463, and a net book value of \$226,638 were removed from the Town's financial statements during the current fiscal year.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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	649,274	312,925	(333,242)	628,957
Total not being depreciated	<u>2,691,958</u>	<u>312,925</u>	<u>(333,242)</u>	<u>2,671,641</u>
Capital assets being depreciated				
Buildings	214,962			214,962
Improvements other than buildings	7,907,270	333,242	(1,205,256)	7,035,256
Equipment	511,976	110,468	(56,845)	565,599
Intangible asset - goodwill	163,500			163,500
Total being depreciated	<u>8,797,708</u>	<u>443,710</u>	<u>(1,262,101)</u>	<u>7,979,317</u>
Total at historical cost	<u>11,489,666</u>	<u>756,635</u>	<u>(1,595,343)</u>	<u>10,650,958</u>
Less accumulated depreciation				
Buildings	29,379	8,598		37,977
Improvements other than buildings	2,985,118	330,997	(978,618)	2,337,497
Equipment	375,388	56,511	(56,845)	375,054
Intangible asset - goodwill	117,858	4,088		121,946
Total accumulated depreciation	<u>3,507,743</u>	<u>400,194</u>	<u>(1,035,463)</u>	<u>2,872,474</u>
Total governmental activities, net	<u>\$7,981,923</u>	<u>\$356,441</u>	<u>\$ (559,880)</u>	<u>\$7,778,484</u>

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

Governmental activities	
General government	\$ 74,082
Public safety	52,937
Highways and streets	175,345
Culture and recreation	38,846
Total depreciation expense for governmental activities	<u>\$ 341,210</u>
Business-type activities	
Municipal water and sewer	<u>\$ 400,194</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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>(121,946)</u>
Total intangible assets, net	<u>\$ 1,995,478</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>
2019	<u>\$96,974</u>	<u>\$3,821</u>	<u>\$100,795</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
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**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 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>
2019	<u>\$288,127</u>	<u>\$5,527</u>	<u>\$293,654</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 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, 2018, total principal and interest to maturity to be paid on the Series 2005 and Series 2016 Promissory Notes totaled \$1,554,778. Total principal and interest paid for the current fiscal year on the Notes totaled \$442,068, and pledged revenues total \$621,544 for the year.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

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

*Business-type Activities*

The annual debt service requirements to maturity for the Promissory Note, Series 2016 are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 113,369	\$ 28,267	\$ 141,636
2020	116,373	25,255	141,628
2021	119,457	22,066	141,523
2022	122,623	18,891	141,514
2023	125,872	15,598	141,470
2024-2027	<u>525,503</u>	<u>27,850</u>	<u>553,353</u>
Total	<u>\$ 1,123,197</u>	<u>\$ 137,927</u>	<u>\$ 1,261,124</u>

*Changes in Long-Term Liabilities*

During the year ended September 30, 2018, 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	\$ 186,054	\$	\$ (89,080)	\$ 96,974	\$ 96,974
OPEB Liability (1)	49,974	4,929	(5,103)	49,800	
Compensated absences	<u>73,046</u>	<u>74,317</u>	<u>(72,611)</u>	<u>74,752</u>	<u>74,752</u>
Total governmental activities	<u>\$ 309,074</u>	<u>\$ 79,246</u>	<u>\$ (166,794)</u>	<u>\$ 221,526</u>	<u>\$ 171,726</u>
Business-type activities					
Promissory Note, Series 2005	\$ 567,919	\$	\$ (279,792)	\$ 288,127	\$ 288,127
Promissory Note, Series 2016	<u>1,237,762</u>		<u>(114,565)</u>	<u>1,123,197</u>	<u>113,369</u>
Total bonds payable	1,805,681		(394,357)	1,411,324	401,496
OPEB Liability (1)	18,328	2,261	(2,341)	18,248	
Compensated absences	<u>25,875</u>	<u>33,197</u>	<u>(31,130)</u>	<u>27,942</u>	<u>27,942</u>
Total business-type activities	<u>\$ 1,849,884</u>	<u>\$ 35,458</u>	<u>\$ (427,828)</u>	<u>\$ 1,457,514</u>	<u>\$ 429,438</u>

(1) Restated for the implementation of GASB Statement No. 75

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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, 2018, were \$50,141 and \$57,049, 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, 2018, 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, 2018**

**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, 2018, the Town was charged \$221,218 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, 2018, the Town was charged \$266,750 for purchased water pursuant to the agreement.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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, 2018, the Town was charged \$430,954 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, 2018, the Town was charged \$122,812 for water purchased from the City.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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, 2018, the Town incurred charges of \$457,512 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, 2018 is \$46,243.

*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, 2018, the Town incurred charges of \$602 under the agreement.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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 1<sup>st</sup>. During the fiscal year ended September 30, 2018, the Town made payments totaling \$49,576 pursuant to the agreement.

**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, 2018, 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, 2018, the Town recognized pension expense of \$115,292 for the Plan, and as of the fiscal year end, the Town reported a payable in the amount of \$5,569 for outstanding contributions to the Plan. There were forfeitures in the amount of \$6,074 during the fiscal year.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 13 – INTRAGOVERNMENTAL ADMINISTRATIVE FEE**

During the year ended September 30, 2018, 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 RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivables, payables, and transfers as of September 30, 2018 and for the year then ended were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 13,750	\$
CRA Fund		13,750
Totals	\$ 13,750	\$ 13,750

The outstanding balances between funds result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds.

	Transfers In	Transfers Out
General Fund	\$ 220,000	\$152,994
Infrastructure Surtax Fund	152,994	
Enterprise Fund		220,000
Totals	\$ 372,994	\$ 372,994

The transfer from the General Fund to the Infrastructure Surtax Fund moved infrastructure surtax proceeds reported in the General Fund in the prior year to the special revenue fund created in the current fiscal year. The transfers from the Enterprise Fund to the General Fund were used to pay the administrative fee charged to the Enterprise Fund by the General Fund.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS**

*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 benefits upon retirement. 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.

*Contributions*

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 insurance 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.

*Plan Membership*

The following table provides a summary of the participants in the plan as of October 1, 2017, the latest valuation date:

Active plan members	30
Inactive plan members or beneficiaries currently receiving benefits	
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	<u>          </u>
	<u>          </u> <u>          </u>

*Discount Rate*

The City does not have a dedicated trust to pay retiree healthcare benefits. For plans that do not have assets held in a dedicated trust, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. As of the measurement date of September 30, 2018, the rate was 4.18% based on the high-quality municipal bond rate based on the week closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corporation's AA rating. The discount rate as of the beginning of the measurement year was 3.64%.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

*OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At September 30, 2018, the Town reported a total OPEB liability of \$68,048. For the fiscal year ended September 30, 2018, the Town recognized OPEB expense of \$5,384. As of September 30, 2018, the Town did not report any deferred outflows of resources or deferred in flows of resources related to OPEB.

*Actuarial Methods and Assumptions*

The total OPEB liability was calculated using the Alternative Measurement Method in accordance with the GASB No. 75 methodology.

Significant methods and assumptions were as follows:

Valuation date	October 1, 2017
Measurement date	September 30, 2018
Actuarial cost method	Entry Age Cost Method
Inflation	2.50%
Discount rate	4.18%
Retirement rates	100% at age 62
Mortality tables	RP-2000 Combined Healthy Mortality Tables projected to the valuation date using Projection Scale AA
Healthcare cost trend rates	Initially 8.50% trending to 4.00% in 55 years
Marital status	100% married with male spouses 3 years older than female spouses
Healthcare participation	20% participation with 50% electing spouse coverage

*Changes in Assumptions*

The discount rate was changed from 3.64% as of the beginning of the measurement period to 4.18% as of September 30, 2018. This change is reflected in the schedule of changes in total OPEB liability. There were no benefit changes during the year.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

*Total OPEB Liability*

The components of the total OPEB liability as of September 30, 2018 were as follows:

Total OPEB Liability - beginning, as restated	\$ 68,302
Changes for the year	
Service cost	4,590
Interest	2,600
Changes of assumptions	(4,506)
Benefit payments	<u>(2,938)</u>
Net change in total OPEB liability	<u>(254)</u>
Total OPEB Liability - ending	<u>\$ 68,048</u>

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following table presents the total OPEB liability of the Town calculated using the single discount rate of 3.64% as well as what the Town's total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current rate.

<u>Discount Rate Sensitivity</u>	<u>1% Decrease</u> 3.18%	<u>Discount</u> Rate 4.18%	<u>1% Increase</u> 5.18%
Total OPEB Liability	\$ 76,802	\$ 68,048	\$ 60,859



**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates*

The following table presents the total OPEB liability of the Town calculated using the assumed trend rates (8.50% decreasing to 4.00%) as well as what the Town’s total OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the assumed trend rates.

<u>Healthcare Trend Rate Sensitivity</u>	<u>1% Decrease</u> 3.00% - 7.50%	<u>Healthcare Cost Trend Rate</u> 4.00% - 8.50%	<u>1% Increase</u> 5.00% - 9.50%
Total OPEB Liability	\$ 59,558	\$ 68,048	\$ 78,594

**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. During the fiscal year ended September 30, 2015, assessments were levied on the properties in Phase 1A in Service Area 1. During the fiscal year ended September 30, 2018, assessments were levied on the properties in Phase 1B in Service Area 1. The assessments bear interest at the rate of 3.5% per annum. At September 30, 2018, the special assessments receivable was \$905,480

**NOTE 17 – SUBSEQUENT EVENT**

On October 25, 2018, the Town issued a Promissory Note in the principal amount of \$300,000 for the purpose of financing energy efficient and cost-saving improvements to both Town Hall and the Town’s Police Department facilities to include HVAC, lighting and flooring. On the same date, the Town also issued a Promissory Note in the principal amount of \$1,000,000 for the purpose of financing improvements to the Town’s Utility System consisting of pump station electrical control panel upgrades, and energy structural retrofitting.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE**

As discussed in Note 1, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, during the current fiscal year. This Statement requires employers participating in a single employer defined other postemployment benefit plan (OPEB) to report the total OPEB liability and related OPEB amounts of the plan. The cumulative effect of applying this Statement has been reported as a restatement of the beginning net position of the Governmental Activities and the Business-type activities on the entity-wide financial statements and the Enterprise Fund on the fund financial statements. A reconciliation of the prior period ending net position to the current period beginning net position is as follows:

	Governmental Activities	Enterprise Fund and Business-type Activities
Balance at September 30, 2017, as reported	\$ 6,399,565	\$ 9,611,036
Adjustment for adoption of GASB 75	(675)	(248)
Balance at September 30, 2017, as restated	\$ 6,398,890	\$ 9,610,788

**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, 2018**

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 1,827,099	\$ 1,631,499	\$ 1,606,150	\$ (25,349)
Licenses and permits	330,000	357,000	349,993	(7,007)
Intergovernmental	542,981	639,681	625,359	(14,322)
Fines and forfeitures	24,300	125,300	118,510	(6,790)
Interest income	15,000	15,000	8,533	(6,467)
Intragovernmental	35,000	35,000	35,000	
Charges for services	53,000	55,000	59,596	4,596
Miscellaneous	61,750	98,150	67,771	(30,379)
Total revenues	<u>2,889,130</u>	<u>2,956,630</u>	<u>2,870,912</u>	<u>(85,718)</u>
<b>Expenditures:</b>				
General government	1,136,239	1,149,239	1,096,013	53,226
Public safety	1,587,591	1,567,591	1,559,665	7,926
Highways and streets	195,000	194,000	193,074	926
Culture and recreation	127,299	202,799	200,043	2,756
Total expenditures	<u>3,046,129</u>	<u>3,113,629</u>	<u>3,048,795</u>	<u>64,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(156,999)</u>	<u>(156,999)</u>	<u>(177,883)</u>	<u>(20,884)</u>
<b>Other financing sources:</b>				
Operating transfer in	220,000	220,000	220,000	
Operating transfer out			(152,994)	(152,994)
Total other financing sources	<u>220,000</u>	<u>220,000</u>	<u>67,006</u>	<u>(152,994)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ 63,001</u>	<u>\$ 63,001</u>	<u>(110,877)</u>	<u>\$ (173,878)</u>
Fund balance, beginning of year			<u>994,291</u>	
Fund balance, end of year			<u>\$ 883,414</u>	

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Community Redevelopment Agency Fund**  
**For the Year Ended September 30, 2018**

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Tax increment financing	\$ 25,009	\$ 25,009	\$ 25,009	\$
Interest income			113	113
Total revenues	<u>25,009</u>	<u>25,009</u>	<u>25,122</u>	<u>113</u>
Expenditures:				
Community Development	14,400	14,400	14,386	14
Total expenditures	<u>14,400</u>	<u>14,400</u>	<u>14,386</u>	<u>14</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,609</u>	<u>10,609</u>	<u>10,736</u>	<u>127</u>
Fund balance, beginning of year			<u>          </u>	
Fund balance, end of year			<u><u>\$ 10,736</u></u>	

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Required Supplementary Information**  
**Notes to the Budgetary Comparison Schedules**  
**For the Year Ended September 30, 2018**

**NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING**

Budgets are legally adopted for the General Fund and Community Redevelopment Agency Fund. Other special revenue funds are not budgeted because they are not legally required to do so. All governmental fund budgets are prepared on the modified accrual basis of accounting. The procedures for establishing budgetary data reflected in the budgetary comparison schedules are described in Note 2 to the financial statements beginning on page 34. Formal budgetary integration is employed within the accounting system as a management control device. Appropriations are legally controlled at the departmental level for the General Fund and at the fund level for the Community Redevelopment Agency Fund. Expenditures may not legally exceed budgeted appropriations at those levels. For the year ended September 30, 2018, there were no departments in the General Fund that had an excess of expenditures over appropriations and expenditures of the Community Redevelopment Agency Fund did not exceed appropriations.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Required Supplemental Information**  
**Schedule of Changes in Total Other Postemployment Benefits Liability**  
**For the Year Ended September 30, 2018**

	2018
Total OPEB Liability - beginning, as restated	\$ 68,302
Changes for the year	
Service cost	4,590
Interest	2,600
Changes of assumptions	(4,506)
Benefit payments	(2,938)
Net change in total OPEB liability	(254)
Total OPEB Liability - ending	\$ 68,048

Change in Assumptions

The discount rate was changed from 3.64% as of September 30, 2017 to 4.18% as of September 30, 2018.

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Schedule of Departmental Expenditures Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2018**

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Expenditures:			
General government:			
Mayor and council:			
Personal services:			
Executive salaries	\$ 6,000	\$ 6,000	\$
FICA	372	372	
Medicare	87	87	
Operating:			
Travel and per diem	7,500	5,893	1,607
Other current charges	1,400	358	1,042
Operating supplies	1,500	207	1,293
Books, dues, and education	5,200	6,721	(1,521)
Total mayor and council	22,059	19,638	2,421
Finance:			
Operating:			
Consulting Finance Director	28,119	16,728	11,391
Accounting and auditing	16,250	14,440	1,810
Total finance	44,369	31,168	13,201
Administration and clerk:			
Personal services:			
Regular salaries	171,356	177,128	(5,772)
Elections	4,500		4,500
Overtime	5,500	598	4,902
Car allowance		2	(2)
FICA	10,965	10,277	688
Medicare	2,564	2,404	160
Pension contributions	21,325	15,753	5,572
Employee insurance	65,850	41,565	24,285
Operating:			
Assessment for LCS Sewer	6,500		6,500
Travel and per diem	6,500	5,028	1,472
Communications	700	1,374	(674)
Postage and freight	600	400	200
Repairs and maintenance	6,040	11,992	(5,952)
Printing and binding	400	94	306
Other current charges	500		500
Advertising	2,700	2,683	17
Office supplies	1,000	969	31
Operating supplies	2,000	1,805	195
TIF payment to CRA	14,198	14,198	
Books, dues, and education	5,400	6,999	(1,599)
Debt service			
Principal	85,981	89,080	(3,099)
Interest	10,569	7,470	3,099
Total administration	425,148	389,819	35,329

(continued)

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Schedule of Departmental Expenditures Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2018**

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Legal:			
Operating:			
Professional fees	\$ 110,000	\$ 107,737	\$ 2,263
Other general government:			
Operating:			
Professional fees	30,000	22,034	7,966
Other contractual services	1,000	3,920	(2,920)
Garbage collection service	225,000	221,218	3,782
Weed control	19,128	19,128	
Lawn services	67,000	76,180	(9,180)
Communications	9,000	18,572	(9,572)
Postage and freight	3,000	690	2,310
Electric	23,500	22,414	1,086
Water and sewer	10,000	2,410	7,590
Rentals and leases	3,000	3,863	(863)
General insurance	71,000	68,497	2,503
Repairs and maintenance	34,885	43,348	(8,463)
Printing and binding	3,000	250	2,750
Other current charges	2,650	2,076	574
Office supplies	800	836	(36)
Operating supplies	4,500	5,115	(615)
Gas and oil	1,200	899	301
Books, dues, and education	4,000	6,186	(2,186)
Capital outlay:			
Improvements other than building	35,000	30,015	4,985
Total other general government	547,663	547,651	12
Total general government	1,149,239	1,096,013	53,226
Public safety:			
Law enforcement:			
Personal services:			
Regular salaries	689,007	667,618	21,389
PD special details	50,000	44,722	5,278
Overtime	15,000	45,057	(30,057)
State incentive pay	5,940	5,636	304
FICA	44,017	44,778	(761)
Medicare	10,294	10,472	(178)
Pension contributions	60,000	57,562	2,438
Employee insurance	129,600	126,360	3,240
Workers' compensation		4,901	(4,901)

(continued)



**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Schedule of Departmental Expenditures Budget and Actual (continued)**  
**General Fund**  
**For the Year Ended September 30, 2018**

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Operating:			
Other contractual services	\$ 14,090	\$ 430	\$ 13,660
Dispatch services	43,500	46,243	(2,743)
Travel and per diem	2,000	3,493	(1,493)
Communications	26,000	47,167	(21,167)
Postage and freight	1,000	431	569
Rentals and leases	500	114	386
Police vehicle leases	5,400	4,250	1,150
Repairs and maintenance	40,000	83,491	(43,491)
Repairs and maintenance - vehicles	27,000	25,431	1,569
Printing and binding	199	252	(53)
Other current charges	300		300
Crime prevention	500	270	230
Office supplies	1,500	1,601	(101)
Operating supplies	25,000	15,585	9,415
Gas and oil	35,000	26,115	8,885
Uniforms	8,000	7,996	4
Books, dues, and education	3,900	7,099	(3,199)
Capital outlay:			
Radios	50,000	5,386	44,614
Machinery and equipment	70,000	71,289	(1,289)
Total law enforcement	<u>1,357,747</u>	<u>1,353,749</u>	<u>3,998</u>
Protective inspections and code enforcement:			
Personal services:			
Regular salaries	88,703	88,767	(64)
Overtime	2,500	2,228	272
FICA	5,965	5,030	935
Medicare	1,395	1,176	219
Pension contributions	8,208	7,042	1,166
Employee insurance	27,000	25,173	1,827
Operating:			
Other contractual services	59,000	55,318	3,682
Travel and per diem	1,598		1,598
Communications	500	331	169
Postage and freight	1,800	407	1,393
Rentals and leases	500		500
Repairs and maintenance	6,500	14,906	(8,406)
Other current charges	-	230	(230)
Office supplies	675	642	33
Operating supplies	3,000	4,081	(1,081)
Books, dues, and education	2,500	585	1,915
Total protective inspections and code enforcement	<u>209,844</u>	<u>205,916</u>	<u>3,928</u>
Total public safety	<u>1,567,591</u>	<u>1,559,665</u>	<u>7,926</u>

(continued)

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Schedule of Departmental Expenditures Budget and Actual (continued)**  
**General Fund**  
**For the Year Ended September 30, 2018**

	<u>Final</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Highways and streets			
Operating:			
Professional fees	\$ 4,500	\$ 18,644	\$ (14,144)
NPDES agreement	5,500	4,131	1,369
Electric	26,000	24,916	1,084
Repairs and maintenance	10,000	4,039	5,961
Hurricane Irma costs	106,000	93,699	12,301
Operating supplies	3,000	8,393	(5,393)
Road materials and supplies	1,000	2,214	(1,214)
Capital outlay:			
Improvements other than building	5,000	4,900	100
Storm drainage	33,000	32,138	862
Total roads and streets	<u>194,000</u>	<u>193,074</u>	<u>926</u>
Culture and recreation:			
Parks and recreation			
Operating:			
Professional fees	6,500	7,499	(999)
Electric	2,500	3,357	(857)
Water and sewer	600	805	(205)
Repairs and maintenance	10,000	14,543	(4,543)
Operating supplies	3,000	2,478	522
Beautification landscape	16,000	12,252	3,748
Capital outlay:			
Improvements other than building	21,000	17,101	3,899
Pine Tree Park SWA Grant improvements	57,850	57,850	
Total parks and recreation	<u>117,450</u>	<u>115,885</u>	<u>1,565</u>
Special events			
Operating:			
Postage and freight	1,500	225	1,275
Printing and binding	2,000	3,877	(1,877)
Promotional activities	5,000	3,944	1,056
Other current charges	300	1,460	(1,160)
Operating supplies	76,549	74,652	1,897
Total special events	<u>85,349</u>	<u>84,158</u>	<u>1,191</u>
Total culture and recreation	<u>202,799</u>	<u>200,043</u>	<u>2,756</u>
Total expenditures	<u>\$ 3,113,629</u>	<u>\$ 3,048,795</u>	<u>\$ 64,834</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, 2018, 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, 2019.

### **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 & Miner, P.A.*

West Palm Beach, Florida  
June 30, 2019



# 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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To the Honorable Mayor and Member 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, 2018, and have issued our report thereon dated June 30, 2019.

### 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 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 30, 2019, 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 finding made in the preceding financial audit report.

### **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 was disclosed in Note 1 to the financial statements. There were no component units included in the Town of Lake Clarke Shores, Florida's financial statements.

### **Financial Condition and Management**

Sections 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.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town of Lake Clarke 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 communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### **Special District Component Units**

Section 10.554(1)(i)5.c, 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 of Lake Clarke Shores, Florida expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance for the fiscal year ended September 30, 2018, and was not required to have a federal single audit or a state single audit.

### **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 other granting agencies, the Town Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

West Palm Beach, Florida  
June 30, 2019



**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, 2018. 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, 2018.

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, 2019