

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2018

Prepared By:

The Finance Department

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2018

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TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2018

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Town of
LAUDERDALE-BY-THE-SEA

4501 Ocean Drive, Lauderdale-by-the-Sea, Florida 33308-3610
Telephone: (954) 640-4200 / Fax (954) 640-4236

May 20, 2019

Honorable Mayor and Commissioners:

State law requires that all general purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Lauderdale-By-The-Sea for the fiscal year ended September 30, 2018.

This report consists of management's representations concerning the finances of the Town of Lauderdale-By-The-Sea. Consequently, we assume full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the Town has established an internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP (Generally Accepted Accounting Principles). Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Grau & Associates, a licensed certified public accounting firm, has audited the Town's financial statements. The goal of the independent audit was to provide reasonable assurance that the Town's financial statements for the fiscal year ended September 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Lauderdale-By-The-Sea's financial statements for the fiscal year ended September 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Lauderdale-By-The-Sea's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Lauderdale-By-The-Sea, incorporated in 1947, is located between the Atlantic Ocean and the Intracoastal Waterway in the east-central part of Broward County, Florida directly north of Fort Lauderdale and 33 miles south of Palm Beach County. The Town of Lauderdale-By-The-Sea is primarily a residential community but, because of the Town's prime seaside location, the hospitality industry has

historically been significant to the Town's economy and character. The major industries within the Town are hospitality, retail (including restaurants), finance, insurance and real estate. Most residents are retired or employed in South Florida. The Town is 1.5 square miles in land area and has a year-round population of approximately 6,500 residents. We estimate the peak seasonal population to be approximately 12,000.

The Town of Lauderdale-By-The-Sea provides a full range of municipal services for its citizens. These include executive administration, financial accounting and reporting, public works, parks and recreation facilities, and planning and zoning. Police, fire prevention and suppression, emergency medical service, building inspections, code enforcement, and parking enforcement are all delivered via contracts with third party providers: Broward's Sherriff's Office for police services, the Lauderdale-By-the-Sea Volunteer Fire Department for fire services, American Medical Response for emergency medical services, C.A.P. Government for building inspections, Calvin, Giordano & Associates for code enforcement, and Republic Parking for parking enforcement. Water service is provided to our residents and businesses by the cities of Fort Lauderdale and Pompano Beach. Sewer services are provided to residents and commercial businesses in the north end of Town by the city of Pompano Beach. The Town provides sewer collection and transmission services in the south portion of Town, but the wastewater is transmitted to the city of Pompano Beach, which then transports it to Broward County's Wastewater Treatment Plant on Copans Road for treatment and disposal.

The Town operates under a Commission-Manager form of government. Policy-making and legislative authority are vested in the Town Commission, which consists of a Mayor, a Vice-Mayor and three Commissioners. Commissioners (including the Vice Mayor) are elected for four-year terms and must live in a specified district, but are elected at large (by voters of the entire Town). The Mayor serves a two-year term and is also elected at large. The Town Commission is responsible for setting Town policy, setting most Town fees, passing ordinances, adopting and amending the annual budget, approving large purchases, adopting resolutions, and appointing the Town Manager and Town Attorney.

The Town Manager is the chief executive officer of the Town. The Town Manager is responsible for carrying out the policies of the Commission, enforcing the Town's code of ordinances, appointing, directing, and removing all Town employees, overseeing the Town's contracts, preparing and submitting the annual budget, and overseeing the day-to-day operations of the Town.

The Town Commission meets in regular session on the second and fourth Tuesday of each month at 6:30 p.m. in Jarvis Hall, 4501 Ocean Drive, Lauderdale-By-The-Sea, Florida. The Commission schedules additional workshops and meetings on an as-needed basis.

The Town's Budget

The annual budget serves as the Town of Lauderdale-By-The-Sea's financial planning and control mechanism. All departments of the Town submit requests for funding to the Town Manager and these requests are the starting point for developing a proposed budget. The Finance/Budget Director reviews revenue trends and projects revenue for the current and upcoming fiscal year. The Broward County Property Appraiser advises the Town in late June or early July of the valuation of properties in the Town and the ad valorem tax millage rate required to raise the same amount of tax revenue as in the preceding year.

The Town Manager seeks budget policy direction from the Town Commission, then crafts a budget consistent with that policy direction and presents it to the Commission for review in July of each year. The Commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the Town's fiscal year. The budget is legally enacted through the passage of a resolution which adopts the budget by fund and department. This administration's policy is that the classification detail at which expenditures may not legally exceed appropriations is at the department level. The Town Manager is authorized to transfer part or all of the unencumbered balance of an appropriation within a department; however, any revisions that alter the total appropriations of any department must be approved by the Town Commission.

Budget-to-actual comparisons are reported monthly to the Town Commission by the Finance Director. Revenue and expenditure projections for the current fiscal year are provided to the Commission during the budget preparation process.

Economic Condition

As shown in the following chart, the Town of Lauderdale-By-The-Sea's taxable assessed value for fiscal year 2018 increased by \$156,559,166 or approximately 7.1% from 2017 (including net new construction). New construction, which represents improvements to real property that were not on the tax roll in the prior year, accounted for \$39,675,195 of the increase in the tax roll. Fiscal year 2018 marks the culmination of the recovery since property values peaked in fiscal year 2008 and subsequently declined.

| Tax Roll Year | Fiscal Year | WCC Taxable Values | Year-to-Year Comparison | Year-to-FY2008 Comparison |
|---------------|-------------|--------------------|-------------------------|---------------------------|
| 2007 | 2008 | \$ 2,321,901,228 * | \$ - | |
| 2008 | 2009 | \$ 2,117,169,658 * | \$ (204,731,570) -8.8% | \$ (204,731,570) -8.8% |
| 2009 | 2010 | \$ 1,911,499,581 * | \$ (205,670,077) -9.7% | \$ (410,401,647) -17.7% |
| 2010 | 2011 | \$ 1,766,370,472 * | \$ (145,129,109) -7.6% | \$ (555,530,756) -23.9% |
| 2011 | 2012 | \$ 1,729,711,519 * | \$ (36,658,953) -2.1% | \$ (592,189,709) -25.5% |
| 2012 | 2013 | \$ 1,758,499,775 * | \$ 28,788,256 1.7% | \$ (563,401,453) -24.3% |
| 2013 | 2014 | \$ 1,811,104,269 * | \$ 52,604,494 3.0% | \$ (510,796,959) -22.0% |
| 2014 | 2015 | \$ 1,928,187,948 * | \$ 117,083,679 6.5% | \$ (393,713,280) -17.0% |
| 2015 | 2016 | \$ 2,073,594,801 * | \$ 145,406,853 7.5% | \$ (248,306,427) -10.7% |
| 2016 | 2017 | \$ 2,219,593,247 * | \$ 145,998,446 7.0% | \$ (102,307,981) -4.4% |
| 2017 | 2018 | \$ 2,376,152,413 | \$ 156,559,166 7.1% | \$ 54,251,185 2.3% |

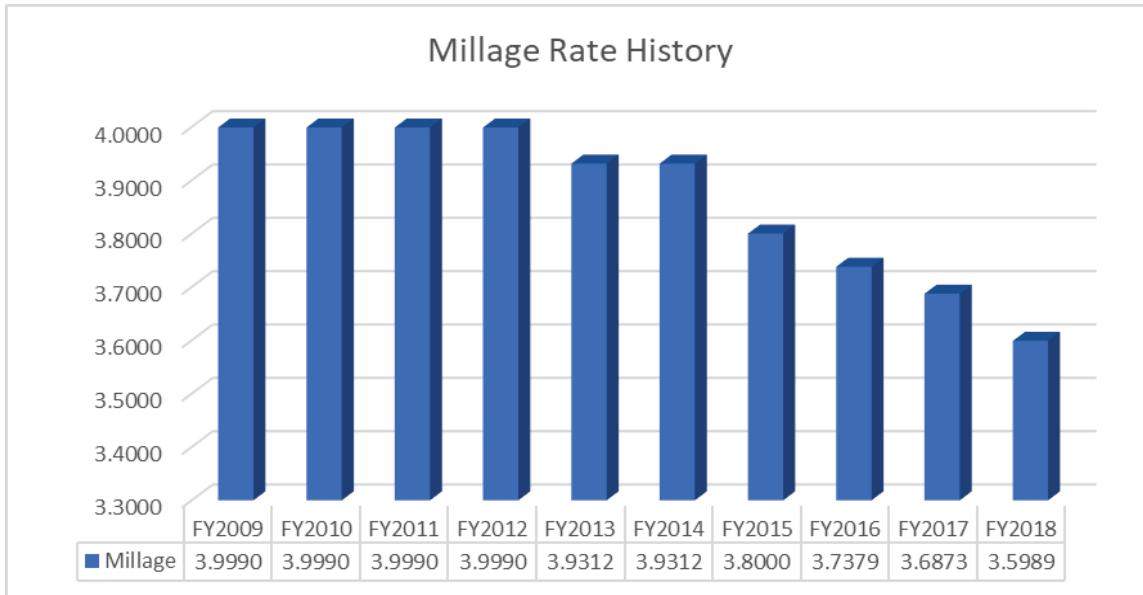
* Total Taxable Value with correction certificates (Source: Taxable Value Report, BCPA)

The following chart shows the size of the labor force, the number employed and unemployed, and the unemployment rate for the Fort Lauderdale-Pompano Beach-Deerfield Beach metropolitan area for each of the past eleven years. The table shows that the unemployment rate reached a high of 10.2 percent in 2010 and has steadily declined since then. During the same period, the size of the labor force has continued to increase. This is a good indicator that the local economy is doing well.

| Year | Labor Force | Employed | Unemployed | Unemployment Rate |
|------|-------------|-----------|------------|-------------------|
| 2008 | 1,011,156 | 947,625 | 63,531 | 6.30% |
| 2009 | 981,779 | 887,079 | 94,700 | 9.60% |
| 2010 | 953,592 | 855,943 | 97,649 | 10.20% |
| 2011 | 963,707 | 873,140 | 90,567 | 9.40% |
| 2012 | 978,286 | 902,489 | 75,797 | 7.70% |
| 2013 | 987,928 | 923,202 | 64,726 | 6.60% |
| 2014 | 995,699 | 937,586 | 58,113 | 5.80% |
| 2015 | 991,365 | 941,948 | 49,417 | 5.00% |
| 2016 | 1,013,909 | 967,406 | 46,503 | 4.60% |
| 2017 | 1,036,383 | 996,992 | 39,391 | 3.80% |
| 2018 | 1,043,978 | 1,011,659 | 32,319 | 3.10% |

Source: United States Department of Labor, Bureau of Labor Statistics

As indicated in the following chart, during fiscal year 2018 the Town dropped the millage rate to 3.5989 per 1,000 of assessed taxable value, the third lowest millage rate of any city in Broward County.



Fund Balances - Governmental Funds, As of September 30, 2018

The table below shows the balances of the governmental funds as of September 30, 2018. The unassigned balance of the general fund was \$4,301,685. The other significant component of the general fund balance is the \$2,500,000 assigned to the emergency reserve. The balance of \$91,466 is the prepaid items as of September 30, 2018 which consists contractual services; and a \$350,925 appropriation from the General Fund balance which is reflected in the fiscal year 2019 budget.

As of September 30, 2018, the balance of the capital projects fund was \$3,629,768. Of that amount, \$677,566 is contractually restricted to be used to make El Mar Drive more pedestrian friendly. This represents the balance of a \$1,000,000 settlement the Town received from Pier Pointe Developers in fiscal year 2009. The remaining \$2,952,202 is for future capital projects.

The Town's non-major funds are the fire fund and the law enforcement trust fund (LETF). Excluding the \$67,399 amount that was prepaid, as of September 30, 2018 these funds had \$1,140,910 and \$12,439 which are legally restricted to be used for fire protection and law enforcement purposes, respectively.

| | General Fund | Capital Projects Fund | Non-Major Funds | Total Governmental Funds |
|------------------------------------|-------------------------|--------------------------------------|----------------------------|---|
| Fund balances | | | | |
| Nonspendable: | | | | |
| Prepaid items | \$ 91,466 | \$ - | \$ 67,399 | \$ 158,865 |
| Restricted for: | | | | |
| Fire department | - | - | 1,140,910 | 1,140,910 |
| El Mar beautification per contract | - | 677,566 | - | 677,566 |
| Law enforcement | - | - | 12,439 | 12,439 |
| Assigned to: | | | | |
| Emergency reserve | 2,500,000 | - | - | 2,500,000 |
| Subsequent year's expenditures | 350,925 | - | - | 350,925 |
| Capital projects | - | 2,952,202 | - | 2,952,202 |
| Unassigned | 4,301,685 | - | - | 4,301,685 |
| Total fund balances | <u>\$ 7,244,076</u> | <u>\$ 3,629,768</u> | <u>\$ 1,220,748</u> | <u>\$ 12,094,592</u> |

Proprietary Funds

As of September 30, 2018, the unrestricted balance of the sewer fund was \$1,033,340, and the unrestricted balance of the parking fund was \$3,979,300. The table below shows the history of the proprietary fund unrestricted balances over the past ten years.

| Year | Sewer Fund | Parking Fund | Total Proprietary Funds |
|------|--------------|--------------|-------------------------|
| 2009 | \$ 1,613,946 | \$ 238,710 | \$ 1,852,656 |
| 2010 | \$ 1,529,090 | \$ 138,844 | \$ 1,667,934 |
| 2011 | \$ 1,750,052 | \$ 136,550 | \$ 1,886,602 |
| 2012 | \$ 1,500,755 | \$ 810,907 | \$ 2,311,662 |
| 2013 | \$ 1,512,624 | \$ 1,309,848 | \$ 2,822,472 |
| 2014 | \$ 1,281,780 | \$ 1,384,554 | \$ 2,666,334 |
| 2015 | \$ 1,546,085 | \$ 2,744,722 | \$ 4,290,807 |
| 2016 | \$ 1,424,365 | \$ 3,814,981 | \$ 5,239,346 |
| 2017 | \$ 1,103,464 | \$ 2,764,649 | \$ 3,868,113 |
| 2018 | \$ 1,033,340 | \$ 3,979,300 | \$ 5,012,640 |

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of Edner Saint-Jean of our Finance staff. We would also like to extend our thanks to the firm of Grau & Associates for their cooperation, assistance and professional conduct of the Town's annual audit. Finally, we wish to acknowledge the Town Commission for their commitment to sound accounting, transparency, financial management and the diligent manner in which they exercise their financial oversight responsibilities

Respectfully submitted,

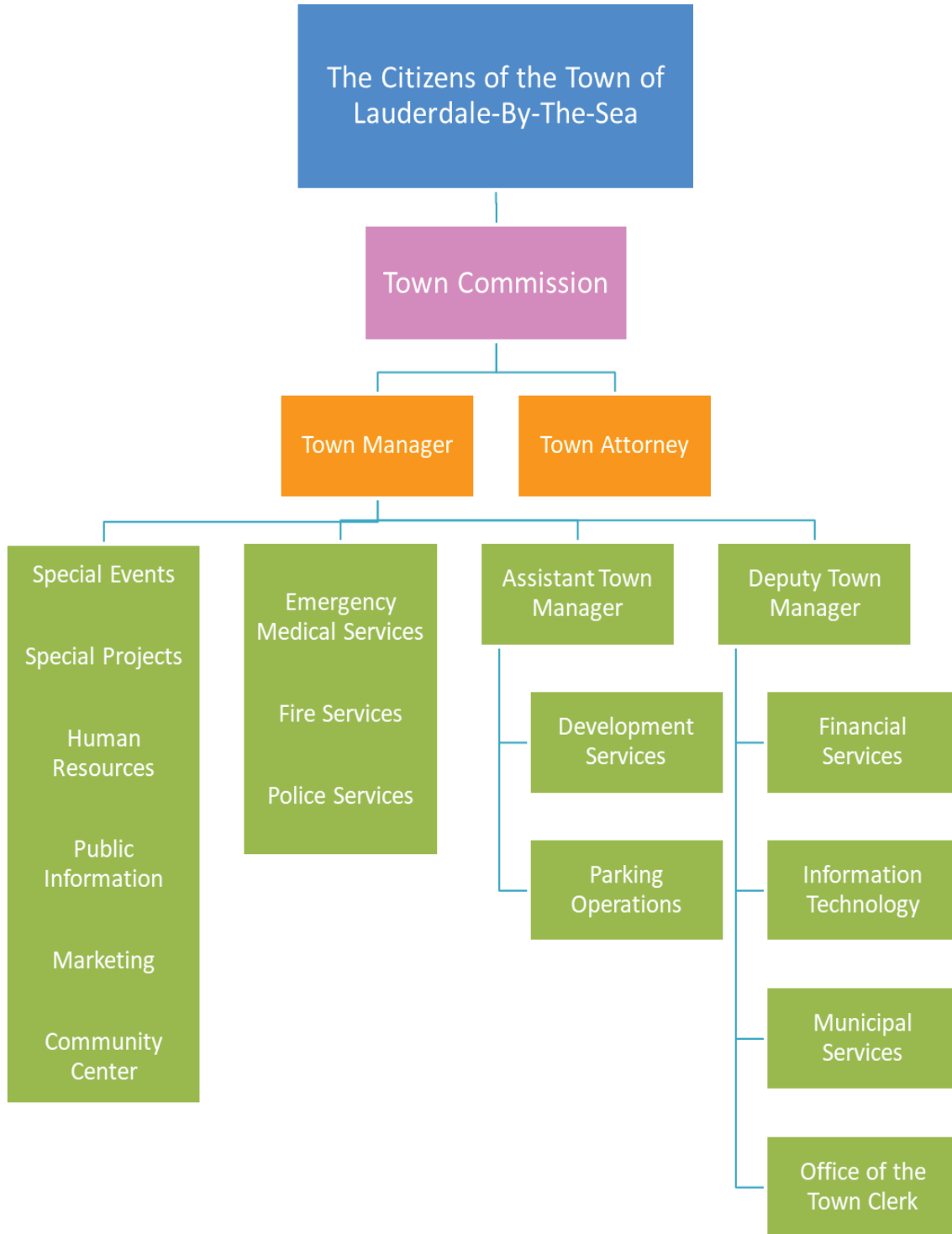


Bill Vance
Town Manager



Tony Bryan
Deputy Town Manager

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
ORGANIZATION CHART
SEPTEMBER 30, 2018**



**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TOWN OFFICIALS
SEPTEMBER 30, 2018**

TOWN COMMISSION

CHRIS VINCENT
Mayor

ELLIOT SOKOLOW
Vice-Mayor

EDMUND MALKOON
Commissioner

BUZ OLDAKER
Commissioner

RANDY STRAUSS
Commissioner

TOWN ATTORNEY
Susan L. Trevarthen

MANAGEMENT TEAM

TOWN MANAGER
Ralph Bentley

DEPUTY TOWN MANAGER
Tony Bryan

ASSISTANT TOWN MANAGER
Sharon Ragoonan

MUNICIPAL SERVICES DIRECTOR
Donald Prince

DEVELOPMENT SERVICES DIRECTOR
Linda Connors

TOWN CLERK
Tedra Smith

CHIEF OF EMERGENCY MEDICAL SERVICES
Brooke Liddle

FIRE CHIEF
Judson Hopping

POLICE CHIEF
Thomas Palmer

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INDEPENDENT AUDITOR'S REPORT



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

951 Yamato Road • Suite 280
Boca Raton, Florida 33431
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lauderdale-By-The-Sea, Florida ("Town"), as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement 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, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information 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's basic financial statements. The introductory section, combining fund statements, budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, the combining fund statements and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida
Page Three

Report on Other Legal and Regulatory Requirements

We have also issued our report dated May 20, 2019, on our consideration of the Town's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

B *han & Associates*

May 20, 2019

**MANAGEMENT'S DISCUSSION ANALYSIS
(MD&A)**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Lauderdale-By-The-Sea financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal in the introductory section and in conjunction with the Town's basic financial statements.

Financial Highlights

The assets of the Town of Lauderdale-By-The-Sea exceeded its liabilities at the close of the most recent fiscal year by \$50,955,685 (*net position*). Of this amount, \$13,622,412 (*unrestricted net position*) may be used to meet the ongoing obligations to citizens and creditors. The Town's net position increased by \$2,006,286 from the prior fiscal year primarily as a result of the Town's parking fund having generated operating income of \$1,555,829 during the fiscal year. During fiscal year 2018 the Town started to renovate the Poinciana / Bougainvillea Roadway and expand the A1A Parking lot to include the property at 4410 Bougainvillea Drive (i.e., the former Majestica Apartment Building). The project is being done in two phases. The first phase was completed in February 2019 and the second phase is expected to be completed in November 2019.

At the close of the fiscal year 2018, the Town of Lauderdale-By-The-Sea's governmental funds reported combined ending fund balances of \$12,094,592, an increase of \$1,520,558 from the prior fiscal year.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,301,685 or approximately 38% of total general fund expenditures. It is the Town's intent to continue to use the general fund balance to pay for capital projects.

Long-Term Debt

The Town has no debt in any of its governmental or proprietary funds.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For governmental activities, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of third parties.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Lauderdale-By-The-Sea's basic financial statements which have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Lauderdale-By-The-Sea's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Lauderdale-By-The-Sea's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town'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 future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements distinguish functions of the Town of Lauderdale-By-The-Sea that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Lauderdale-By-The-Sea include general government, public safety, physical environment, recreation, and transportation services. The business-type activities of the Town of Lauderdale-By-The-Sea include parking and sewer operations.

Fund financial statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Lauderdale-By-The-Sea, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Town of Lauderdale-By-The-Sea's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Lauderdale-By-The-Sea maintains four individual governmental funds (general, capital projects, and two special revenue funds). Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and the total of the two special revenue funds. The general fund and capital projects funds are both considered to be major funds. The two special revenue funds are both considered to be non-major funds.

Overview of the Financial Statements (Continued)

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds The Town of Lauderdale-By-The-Sea maintains one type of proprietary fund, enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its parking and sewer operations.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the sewer and parking operations, both of which are considered to be major funds of the Town of Lauderdale-By- The-Sea.

Fiduciary funds The Town is the sponsor for the Volunteer Firefighters' Pension Plan. The *Pension Trust Fund* uses the accrual basis of accounting and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations.

Notes to the basic financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of the Town of Lauderdale-By-The-Sea's financial position. The Town's total net position was \$50,955,655 at the close of the most recent fiscal year.

By far the largest portion of the Town of Lauderdale-By-The-Sea's net position reflects its investment in capital assets (e.g., roadways, improvements, equipment, buildings, and land). The Town uses these capital assets to provide services to citizens; consequently, they are not available for future spending. A portion of the Town of Lauderdale-By-The-Sea's net position is subject to external restrictions regarding how they may be used such as the remaining balance (\$677,566) of the \$1 million settlement received from Pier Pointe which is contractually restricted to El Mar Drive improvements. The remaining balance of unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the Town as a whole, as well as for its separate governmental and business-type activities.

Governmental activities Governmental activities increased the Town's net position by \$324,591 in fiscal year 2018. The increase represents the extent to which the cost of operations and depreciation expense exceeded ongoing program and general revenues.

Business-type activities Business-type activities increased the Town of Lauderdale-By-The-Sea's net position by \$1,807,632, \$1,484,149 of which, is attributable to the parking fund.

Government-Wide Financial Analysis (Continued)

Key components of the Town's net position are reflected in the following table:

| | Net Position September 30, | | | | | |
|---|-------------------------------|--------------------|--------------------------|--------------------|---------------|--------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2018 | 2017 (Restated) | 2018 | 2017 (Restated) | 2018 | 2017 (Restated) |
| Current and other assets | \$ 13,135,163 | \$ 11,851,141 | \$ 6,052,240 | \$ 4,356,573 | \$ 19,187,403 | \$ 16,207,714 |
| Capital assets, net | 22,702,253 | 23,632,462 | 12,800,105 | 12,147,853 | 35,502,358 | 35,780,315 |
| Total assets | 35,837,416 | 35,483,603 | 18,852,345 | 16,504,426 | 54,689,761 | 51,988,029 |
| Deferred outflows of resources | 1,618,034 | 1,631,965 | 136,794 | 138,763 | 1,754,828 | 1,770,728 |
| Long-term liabilities | 3,155,488 | 2,912,673 | 300,238 | 287,020 | 3,455,726 | 3,199,693 |
| Other liabilities | 848,874 | 1,226,999 | 850,514 | 338,278 | 1,699,388 | 1,565,277 |
| Total liabilities | 4,004,362 | 4,139,672 | 1,150,752 | 625,298 | 5,155,114 | 4,764,970 |
| Deferred inflows of resources | 308,148 | 157,547 | 25,642 | 12,778 | 333,790 | 170,325 |
| Net position: | | | | | | |
| Investment in capital assets | 22,702,253 | 23,632,462 | 12,800,105 | 12,147,853 | 35,502,358 | 35,780,315 |
| Restricted for: | | | | | | |
| El Mar beautification per contractual agreement | 677,566 | 677,566 | - | - | 677,566 | 677,566 |
| Fire department | 1,140,910 | 945,954 | - | - | 1,140,910 | 945,954 |
| Law enforcement | 12,439 | 5,613 | - | - | 12,439 | 5,613 |
| Unrestricted | 8,609,772 | 7,556,754 | 5,012,640 | 3,857,260 | 13,622,412 | 11,414,014 |
| Total net position | \$ 33,142,940 | \$ 32,818,349 | \$ 17,812,745 | \$ 16,005,113 | \$ 50,955,685 | \$ 48,823,462 |

Government-Wide Financial Analysis (Continued)

Key elements of the change in net position are reflected in the following table:

| | Changes in Net Position | | | | | |
|--|---|--------------------|--------------------------|--------------------|---------------|--------------------|
| | For the Fiscal Year Ended September 30, | | | | | |
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2018 | 2017 (Restated) | 2018 | 2017 (Restated) | 2018 | 2017 (Restated) |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services, including fire assessments | \$ 2,730,633 | \$ 2,452,508 | \$ 3,414,989 | \$ 3,458,628 | \$ 6,145,622 | \$ 5,911,136 |
| Operating grants and contributions | 84,696 | 84,237 | - | - | 84,696 | 84,237 |
| General Revenues: | | | | | | |
| Property taxes | 8,271,252 | 7,920,011 | - | - | 8,271,252 | 7,920,011 |
| Franchise taxes and utility taxes | 1,794,609 | 1,799,511 | - | - | 1,794,609 | 1,799,511 |
| Grants and contributions not restricted to specific programs | 1,029,976 | 1,019,977 | - | - | 1,029,976 | 1,019,977 |
| Unrestricted investment earnings | 25,317 | 17,081 | 6,561 | 134 | 31,878 | 17,215 |
| Miscellaneous revenues | 207,760 | 202,005 | 7,500 | - | 215,260 | 202,005 |
| Total revenues | 14,144,243 | 13,495,330 | 3,429,050 | 3,458,762 | 17,573,293 | 16,954,092 |
| Expenses: | | | | | | |
| General government | 2,535,113 | 2,513,736 | - | - | 2,535,113 | 2,513,736 |
| Public safety | 7,427,617 | 7,338,209 | - | - | 7,427,617 | 7,338,209 |
| Transportation | 1,977,665 | 1,855,963 | - | - | 1,977,665 | 1,855,963 |
| Recreation | 444,051 | 470,066 | - | - | 444,051 | 470,066 |
| Physical environment | 1,435,206 | 1,590,521 | - | - | 1,435,206 | 1,590,521 |
| Sewer | - | - | 855,750 | 955,498 | 855,750 | 955,498 |
| Parking | - | - | 765,668 | 753,075 | 765,668 | 753,075 |
| Total expenses | 13,819,652 | 13,768,495 | 1,621,418 | 1,708,573 | 15,441,070 | 15,477,068 |
| Increase in net position | 324,591 | (273,165) | 1,807,632 | 1,750,189 | 2,132,223 | 1,477,024 |
| Net position - beginning, as restated (Note 1) | 32,818,349 | 33,091,514 | 16,005,113 | 14,254,924 | 48,823,462 | 47,346,438 |
| Net position - ending | \$ 33,142,940 | \$ 32,818,349 | \$ 17,812,745 | \$ 16,005,113 | \$ 50,955,685 | \$ 48,823,462 |

Property tax revenue increased by \$351,241 primarily as the result of the Town increasing taxes by approximately \$300,000 in order to raise funds for future capital projects.

In the governmental funds, revenue from charges for services increased by \$278,125. This increase is largely attributable to the difference between a \$324,003 increase in code enforcement fines and \$62,287 decline in building permit fees collected during the fiscal year. Grants and contributions not restricted to specific programs increased by \$9,999. The increase is largely attributable to the difference between an \$18,374 increase in sales tax revenue and an \$11,801 (or 76%) decline in recycling revenue. Franchise tax and utility tax revenues remained relatively flat.

In the proprietary funds, revenue from charges for services declined by \$43,639 due to a \$27,900 increase in sewer revenue and a parking revenue and a \$71,539 decline in parking revenue.

Government-Wide Financial Analysis (Continued)

General Government and Public Safety expense remained relatively flat. Transportation expense increased by \$121,702. The increase is the result of increased costs within Municipal Services including staff, contracts, equipment maintenance, storm drain maintenance, building maintenance, street maintenance and other operating expenses. The cost increase is partially offset by the \$88,803 decline in hurricane related expenditures in fiscal year 2018, relative to fiscal year 2017. Specifically, at the end of fiscal year 2017 expenditures related to Hurricane Irma were estimated at \$183,521 however the Town made another \$94,718 of Hurricane Irma related expenditures in fiscal year 2018.

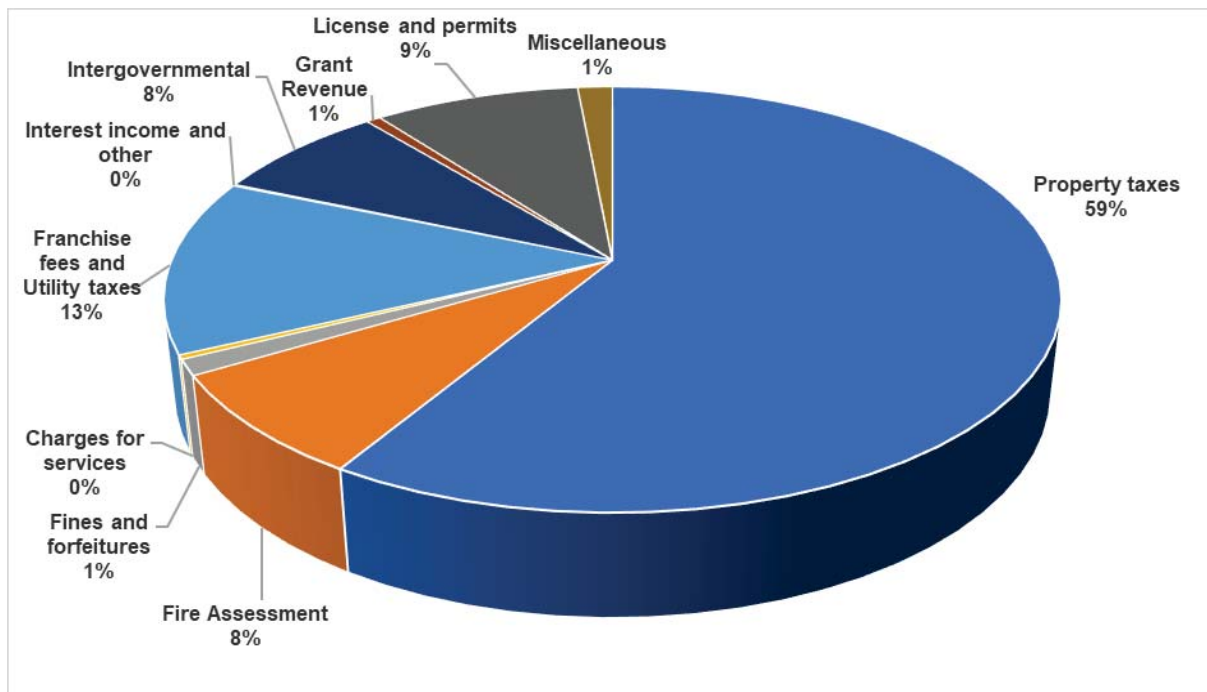
Recreation expense declined by \$26,015 as a result of cost saving initiatives that were undertaken in 2018, including utilizing Town staff to install decorative holiday lights rather than a contractor.

Physical Environment expense declined by \$155,315 primarily because of a large one-time expenditure in fiscal 2017. Specifically, the Town purchased new upgraded radios for the Volunteer Fire Department, as a requirement of participation in the pending Regional E-911 Public Safety Intranet.

Sewer expense declined by \$99,748 primarily as a result of declines in professional services, payments to Pompano for wastewater treatment, and pump station maintenance. Parking expense remained relatively flat.

Revenues – Governmental Activities

The pie chart shows the major categories of revenue in the governmental funds and the percentage of governmental fund revenue represented by each category.



Financial Analysis of the Town's Funds

As noted earlier, the Town of Lauderdale-By-The-Sea uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's *governmental funds* is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Lauderdale-By-The-Sea's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year

As of the end of the current fiscal year, the Town of Lauderdale-By-The-Sea's *governmental funds* reported combined ending fund balances of \$12,094,592 an increase of \$1,520,558 from the prior fiscal year.

The general fund is the primary operating fund of the Town. At the end of the fiscal year 2018, the fund balance of the general fund was \$7,244,076, an increase of \$1,232,616. The increase is the result of revenues being \$1,043,778 more than budgeted and spending \$388,838 less than budgeted. The more significant revenue surplus items were as follows: Property taxes (\$132,280), Franchise and utility taxes (\$102,609), Fines and forfeitures (\$399,086), and Licenses and permits (\$332,773). There was less spending than expected on Business Development & marketing (\$164,122) and Recreation (\$103,063).

The fund balance of the capital projects fund increased by \$86,160 to \$3,629,768 as budgeted transfers from the General Fund (\$489,022) and interest income exceeded expenditures. The most significant expenditure in the Capital Fund was \$298,128 for street resurfacing.

Proprietary funds. The Town of Lauderdale-By-The-Sea's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Revenues declined from the prior fiscal year in the proprietary funds. Parking revenues declined by \$71,539 or approximately 3% from the prior fiscal year. Sewer revenues increased by \$27,900 or approximately 2% as the result of a 2 ½ percent rate increase. Operating expenses in the sewer fund declined by \$99,748 or approximately 10%. The decline is a result of several factors including a reduction in the payments to the City of Pompano Beach for wastewater treatment (\$26,728), a decline in expenditures related to pump station and sewer line maintenance (\$30,587) relative to prior year, and decline in professional expenditures related to the installation of cured-in-place sewer lining (\$24,365). Operating expenses in the parking fund increased by \$12,593 or approximately 2% primarily as the result of lease payments associated with a new street sweeper (\$20,078). The unrestricted net position of the Sewer and Parking Funds combined at the end of the fiscal year amounted to \$5,012,640, an increase of \$1,144,527 or approximately 30% from the prior fiscal year. The increase is primarily the result of the parking fund generating operating income of \$1,471,697.

General Fund Budgetary Highlights

The differences in the actual revenues and expenditures as compared to the budget are summarized as follows:

Ad valorem taxes are budgeted at 95% of anticipated revenue to provide an allowance for uncollected taxes and adjustment in property values as a result of appeals that occur after the millage rate is set. The Broward County Value Adjustment Board did lower the property valuations of many properties in Town after the millage rate was adopted. Property tax collections amounted to 96.5% of possible revenues.

Utility taxes came in at 108.3% of budgeted levels. Franchise fee collections came in at 103.1% of budgeted levels. Utility taxes increased 0.9% from the prior fiscal year and franchise fees declined 1.9% from the prior fiscal year.

General Fund Budgetary Highlights (Continued)

Intergovernmental revenues collected were 100.1% of budget.

Licenses, permits and fees revenue came in at 140.8% of budgeted levels. This represents a 4% decline relative to the prior fiscal year.

Actual expenditures of the general fund were approximately 3.3% less than budgeted.

Please refer to the Budgetary Comparison Schedule for more detailed information.

Capital Assets

The Town of Lauderdale-By-The-Sea's investment in capital assets for its governmental and business type activities as of September 30, 2018, amounted to \$35,502,358 (net of accumulated depreciation). These are investments in capital assets which include land, buildings, infrastructure, and improvements other than buildings, machinery and equipment.

Additional information on the Town of Lauderdale-By-The-Sea's capital assets can be found in Note 7 of this report.

Economic Factors and Next Year's Budget

According to the University of Central Florida's Institute for Economic Competitiveness' March 2019 report, the Miami-Fort Lauderdale-West Palm Beach area is expected to show mixed levels of growth in key economic indicators. Specifically, personal income is expected to grow at an average of 4.9% per year while average annual wage growth is expected to average 3.7% per year. Employment is expected to grow at an average rate of 3.5% each year, while unemployment is expected to be moderate at an average rate of 3.4%.

In preparing the fiscal year 2019 budget, the Town provided funding for the following projects:

- ❖ Expand the A1A Parking Lot
- ❖ Install drainage in the East Terra Mar neighborhood
- ❖ Construct sidewalks along Hibiscus Avenue (from Seagrape to state road A1A).
- ❖ Design the Palm Club Sewer
- ❖ Improve the Friedt Municipal Park.

Requests for Information

This financial report is designed to provide a general overview of the Town of Lauderdale-By-The-Sea's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Budget and Finance, Town of Lauderdale-By-The-Sea, 4501 Ocean Drive, Lauderdale-By-The-Sea, Florida 33308, or at financedepartment@lbts-fl.gov.

BASIC FINANCIAL STATEMENTS

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TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

| | Governmental | Business-type | Total |
|---|----------------------|----------------------|----------------------|
| | Activities | Activities | |
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 12,148,027 | \$ 5,864,256 | \$ 18,012,283 |
| Investments | 248,664 | - | 248,664 |
| Accounts receivable, net | 285,009 | 160,733 | 445,742 |
| Due from business/governmental type activities | 102,901 | 12,251 | 115,152 |
| Prepaid items | 158,865 | 15,000 | 173,865 |
| Net pension asset - Volunteer Firefighters Pension Plan | 191,697 | - | 191,697 |
| Capital assets: | | | |
| Nondepreciable capital assets | 1,939,254 | 8,901,392 | 10,840,646 |
| Depreciable capital assets, net | 20,762,999 | 3,898,713 | 24,661,712 |
| Total assets | <u>35,837,416</u> | <u>18,852,345</u> | <u>54,689,761</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Volunteer Firefighters Pension Plan | 235,333 | - | 235,333 |
| Other Post Employment Benefits | 14,127 | 1,439 | 15,566 |
| Florida Retirement System Pension Plan | 1,368,574 | 135,355 | 1,503,929 |
| Total deferred outflows of resources | <u>1,618,034</u> | <u>136,794</u> | <u>1,754,828</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND</u> | | | |
| <u>NET POSITION</u> | | | |
| Liabilities: | | | |
| Accounts payable and other liabilities | 557,763 | 741,853 | 1,299,616 |
| Contracts and retainage payable | 8,843 | - | 8,843 |
| Accrued liabilities | 153,315 | 1,578 | 154,893 |
| Due to business/governmental type activities | 12,251 | 102,901 | 115,152 |
| Unearned revenues | 100,308 | 4,182 | 104,490 |
| Deposits | 16,394 | - | 16,394 |
| Noncurrent liabilities due within one year | 12,355 | - | 12,355 |
| Noncurrent liabilities: | | | |
| Net Other Post Employment Benefit obligation | 125,491 | 12,784 | 138,275 |
| Net pension liability - Florida Retirement System | 2,906,447 | 287,454 | 3,193,901 |
| Due in more than one year | 111,195 | - | 111,195 |
| Total liabilities | <u>4,004,362</u> | <u>1,150,752</u> | <u>5,155,114</u> |
| Deferred inflows of resources: | | | |
| Volunteer Firefighters Pension Plan | 48,900 | - | 48,900 |
| Florida Retirement System Pension Plan | 259,248 | 25,642 | 284,890 |
| Total deferred outflows of resources | <u>308,148</u> | <u>25,642</u> | <u>333,790</u> |
| Net position: | | | |
| Investment in capital assets | 22,702,253 | 12,800,105 | 35,502,358 |
| Restricted for: | | | |
| El Mar beautification per contractual agreement | 677,566 | - | 677,566 |
| Law enforcement | 12,439 | - | 12,439 |
| Fire department | 1,140,910 | - | 1,140,910 |
| Unrestricted | 8,609,772 | 5,012,640 | 13,622,412 |
| Total net position | <u>\$ 33,142,940</u> | <u>\$ 17,812,745</u> | <u>\$ 50,955,685</u> |

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2018

| Functions/Programs | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Position | | |
|--|------------------|----------------------|------------------------------------|--|--------------------------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 2,535,113 | \$ 1,631,859 | \$ - | \$ (903,254) | \$ - | \$ (903,254) |
| Public safety | 7,427,617 | 1,098,774 | - | (6,328,843) | - | (6,328,843) |
| Transportation | 1,977,665 | - | - | (1,977,665) | - | (1,977,665) |
| Recreation | 444,051 | - | 84,696 | (359,355) | - | (359,355) |
| Physical environment | 1,435,206 | - | - | (1,435,206) | - | (1,435,206) |
| Total governmental activities | 13,819,652 | 2,730,633 | 84,696 | (11,004,323) | - | (11,004,323) |
| Business-type activities: | | | | | | |
| Sewer | 855,750 | 1,177,624 | - | - | 321,874 | 321,874 |
| Parking | 765,668 | 2,237,365 | - | - | 1,471,697 | 1,471,697 |
| Total business-type activities | 1,621,418 | 3,414,989 | - | - | 1,793,571 | 1,793,571 |
| Total primary government | \$ 15,441,070 | \$ 6,145,622 | \$ 84,696 | \$ (11,004,323) | \$ 1,793,571 | \$ (9,210,752) |
| General revenues: | | | | | | |
| Property taxes | | | | 8,271,252 | - | 8,271,252 |
| Franchise taxes and utility taxes | | | | 1,794,609 | - | 1,794,609 |
| Grants and contributions not restricted to specific programs | | | | 1,029,976 | - | 1,029,976 |
| Unrestricted investment earnings | | | | 25,317 | 6,561 | 31,878 |
| Miscellaneous revenues | | | | 207,760 | 7,500 | 215,260 |
| Total general revenues and transfers | | | | 11,328,914 | 14,061 | 11,342,975 |
| Change in net position | | | | 324,591 | 1,807,632 | 2,132,223 |
| Net position - beginning, as restated (Note 1) | | | | 32,818,349 | 16,005,113 | 48,823,462 |
| Net position - ending | | | | \$ 33,142,940 | \$ 17,812,745 | \$ 50,955,685 |

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

| | <u>Major Funds</u> | | | Total Governmental Funds |
|--|-------------------------|--------------------------------------|----------------------------|---|
| | General Fund | Capital Projects Fund | Non-Major Funds | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 7,443,341 | \$ 3,524,241 | \$ 1,180,445 | \$ 12,148,027 |
| Investments | 248,664 | - | - | 248,664 |
| Accounts receivable, net | 285,009 | - | - | 285,009 |
| Due from other funds | 114,109 | 126,078 | - | 240,187 |
| Prepaid items | 91,466 | - | 67,399 | 158,865 |
| Total assets | <u>\$ 8,182,589</u> | <u>\$ 3,650,319</u> | <u>\$ 1,247,844</u> | <u>\$ 13,080,752</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Accounts payable and other liabilities | \$ 553,936 | \$ - | \$ 3,827 | \$ 557,763 |
| Contracts and retainage payable | - | 8,843 | - | 8,843 |
| Accrued liabilities | 153,315 | - | - | 153,315 |
| Due to other funds | 138,329 | 11,208 | - | 149,537 |
| Unearned revenue | 76,539 | 500 | 23,269 | 100,308 |
| Deposits | 16,394 | - | - | 16,394 |
| Total liabilities | <u>938,513</u> | <u>20,551</u> | <u>27,096</u> | <u>986,160</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Prepaid items | 91,466 | - | 67,399 | 158,865 |
| Restricted for: | | | | |
| Fire department | - | - | 1,140,910 | 1,140,910 |
| El Mar beautification per contract | - | 677,566 | - | 677,566 |
| Law enforcement | - | - | 12,439 | 12,439 |
| Assigned to: | | | | |
| Emergency reserve | 2,500,000 | - | - | 2,500,000 |
| Subsequent year's expenditures | 350,925 | - | - | 350,925 |
| Capital projects | - | 2,952,202 | - | 2,952,202 |
| Unassigned | 4,301,685 | - | - | 4,301,685 |
| Total fund balances | <u>7,244,076</u> | <u>3,629,768</u> | <u>1,220,748</u> | <u>12,094,592</u> |
| Total liabilities and fund balances | <u>\$ 8,182,589</u> | <u>\$ 3,650,319</u> | <u>\$ 1,247,844</u> | <u>\$ 13,080,752</u> |

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

| | | |
|---|---------------------|----------------------|
| Fund balance - governmental funds | | \$ 12,094,592 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial assets and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the assets of the government as a whole. | | |
| Cost of capital assets | 40,533,709 | |
| Accumulated depreciation | <u>(17,831,456)</u> | 22,702,253 |
| The net pension asset is not reported as a fund asset in the governmental fund financial statements, but is reported as an asset in the government-wide financial statements. | | |
| | | 191,697 |
| Deferred outflows of resources related to the pension and other post employment benefits are recorded in the statement of net position. | | |
| | | 1,618,034 |
| Deferred inflows of resources related to the pension are recorded in the statement of net position. | | |
| | | (308,148) |
| Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide financial statements. | | |
| Compensated absences | | (123,550) |
| Net pension liability - Florida Retirement System | | (2,906,447) |
| Other Post Employment Benefit obligation | | (125,491) |
| Net position of governmental activities | | <u>\$ 33,142,940</u> |

See notes to the financial statements

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | <u>Major Funds</u> | | | Total Governmental Funds |
|--|-------------------------|--------------------------------------|----------------------------|---|
| | General Fund | Capital Projects Fund | Non-Major Funds | |
| Revenues: | | | | |
| Property taxes and fire assessments | \$ 8,271,252 | \$ - | \$ 1,051,761 | \$ 9,323,013 |
| Franchise fees and utility taxes | 1,794,609 | - | - | 1,794,609 |
| Intergovernmental | 1,029,976 | - | - | 1,029,976 |
| Fines and forfeitures | 484,086 | - | - | 484,086 |
| Charges for services | 13,281 | - | 33,732 | 47,013 |
| Licenses and permits | 1,147,773 | - | - | 1,147,773 |
| Interest income and other | 21,055 | 4,262 | - | 25,317 |
| Grant revenue | 84,696 | - | - | 84,696 |
| Miscellaneous revenues | 200,934 | - | 6,826 | 207,760 |
| Total revenues | <u>13,047,662</u> | <u>4,262</u> | <u>1,092,319</u> | <u>14,144,243</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,313,067 | 72,988 | - | 2,386,055 |
| Public safety | 6,493,691 | - | 832,217 | 7,325,908 |
| Transportation | 1,750,558 | - | - | 1,750,558 |
| Recreation | 431,725 | - | - | 431,725 |
| Physical environment | 233,592 | - | - | 233,592 |
| Capital outlay | 98,591 | 334,136 | 63,120 | 495,847 |
| Total expenditures | <u>11,321,224</u> | <u>407,124</u> | <u>895,337</u> | <u>12,623,685</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,726,438</u> | <u>(402,862)</u> | <u>196,982</u> | <u>1,520,558</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 22,000 | 489,022 | 26,800 | 537,822 |
| Transfers out | (515,822) | - | (22,000) | (537,822) |
| Total other financing sources (uses) | <u>(493,822)</u> | <u>489,022</u> | <u>4,800</u> | <u>-</u> |
| Net change in fund balances | 1,232,616 | 86,160 | 201,782 | 1,520,558 |
| Fund balances, beginning | <u>6,011,460</u> | <u>3,543,608</u> | <u>1,018,966</u> | <u>10,574,034</u> |
| Fund balances, ending | <u>\$ 7,244,076</u> | <u>\$ 3,629,768</u> | <u>\$ 1,220,748</u> | <u>\$ 12,094,592</u> |

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds \$ 1,520,558

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of certain of those assets is eliminated and capitalized as capital assets. 455,700

Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense on the statement of activities. (1,385,909)

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. The details of the differences are as follows:

| | |
|--|------------|
| Change in compensated absences | 6,008 |
| Change in Other Post Employment Benefit obligation | 17,306 |
| Changes related to the FRS net pension liability (NPL) | (301,449) |
| Changes related to the Volunteer Firefighters Pension Plan NPL | 12,377 |
| Change in net position of governmental activities | \$ 324,591 |

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

| | <u>Enterprise Funds</u> | | |
|--|-------------------------|----------------------|----------------------|
| | <u>Sewer Utility</u> | | <u>Total</u> |
| | <u>System</u> | <u>Parking</u> | |
| <u>ASSETS</u> | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 1,517,070 | \$ 4,347,186 | \$ 5,864,256 |
| Accounts receivable, net | 152,588 | 8,145 | 160,733 |
| Due from other funds | 1,460 | 10,791 | 12,251 |
| Prepaid items | - | 15,000 | 15,000 |
| Total current assets | <u>1,671,118</u> | <u>4,381,122</u> | <u>6,052,240</u> |
| Noncurrent Assets: | | | |
| Capital Assets: | | | |
| Land | - | 8,717,073 | 8,717,073 |
| Equipment | 39,504 | 146,724 | 186,228 |
| Buildings and utility plant | 4,199,413 | 1,438,088 | 5,637,501 |
| Construction in progress | 1 | 184,318 | 184,319 |
| Total capital assets | <u>4,238,918</u> | <u>10,486,203</u> | <u>14,725,121</u> |
| Less accumulated depreciation | <u>(1,609,354)</u> | <u>(315,662)</u> | <u>(1,925,016)</u> |
| Net capital assets | <u>2,629,564</u> | <u>10,170,541</u> | <u>12,800,105</u> |
| Total noncurrent assets | <u>2,629,564</u> | <u>10,170,541</u> | <u>12,800,105</u> |
| Total assets | <u>4,300,682</u> | <u>14,551,663</u> | <u>18,852,345</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Florida Retirement System Pension Plan | 67,680 | 67,675 | 135,355 |
| Other Post Employment Benefits | 681 | 758 | 1,439 |
| Total deferred outflows of resources | <u>68,361</u> | <u>68,433</u> | <u>136,794</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u> | | | |
| Current Liabilities: | | | |
| Accounts payable | 472,847 | 269,006 | 741,853 |
| Accrued liabilities | 612 | 966 | 1,578 |
| Due to other funds | 70,080 | 32,821 | 102,901 |
| Unearned revenue | - | 4,182 | 4,182 |
| Total current liabilities | <u>543,539</u> | <u>306,975</u> | <u>850,514</u> |
| Long-Term Liabilities: | | | |
| Other Post Employment Benefit Obligation | 6,053 | 6,731 | 12,784 |
| Net pension liability - Florida Retirement System | 143,726 | 143,728 | 287,454 |
| Total long-term liabilities | <u>149,779</u> | <u>150,459</u> | <u>300,238</u> |
| Total Liabilities | <u>693,318</u> | <u>457,434</u> | <u>1,150,752</u> |
| Deferred inflows of resources: | | | |
| Florida Retirement system Pension Plan | 12,821 | 12,821 | 25,642 |
| Total deferred outflows of resources | <u>12,821</u> | <u>12,821</u> | <u>25,642</u> |
| Net position: | | | |
| Investment in capital assets | 2,629,564 | 10,170,541 | 12,800,105 |
| Unrestricted | 1,033,340 | 3,979,300 | 5,012,640 |
| Total net position | <u>\$ 3,662,904</u> | <u>\$ 14,149,841</u> | <u>\$ 17,812,745</u> |

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | Enterprise Funds | | |
|--|---------------------------------|----------------------|----------------------|
| | Sewer Utility System | Parking | Total |
| Operating revenues: | | | |
| Charges for services | \$ 1,177,624 | \$ 2,237,365 | \$ 3,414,989 |
| Total operating revenues | <u>1,177,624</u> | <u>2,237,365</u> | <u>3,414,989</u> |
| Operating expenses: | | | |
| Operating, administrative and maintenance | 787,358 | 723,857 | 1,511,215 |
| Depreciation and amortization | 68,392 | 41,811 | 110,203 |
| Total operating expenses | <u>855,750</u> | <u>765,668</u> | <u>1,621,418</u> |
| Operating income | <u>321,874</u> | <u>1,471,697</u> | <u>1,793,571</u> |
| Nonoperating revenues (expenses): | | | |
| Interest income | 1,609 | 4,952 | 6,561 |
| Other nonoperating income | - | 7,500 | 7,500 |
| Total nonoperating revenues (expenses) | <u>1,609</u> | <u>12,452</u> | <u>14,061</u> |
| Change in net position | 323,483 | 1,484,149 | 1,807,632 |
| Net position - beginning, as restated (Note 1) | <u>3,339,421</u> | <u>12,665,692</u> | <u>16,005,113</u> |
| Net position - ending | <u>\$ 3,662,904</u> | <u>\$ 14,149,841</u> | <u>\$ 17,812,745</u> |

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | Enterprise Funds | | |
|---|------------------|--------------|--------------|
| | Sewer Utility | | |
| | System | Parking | Total |
| Cash Flows From Operating Activities | | | |
| Receipts from customers and users | \$ 1,282,607 | \$ 2,231,750 | \$ 3,514,357 |
| Payments to suppliers | (385,638) | (365,965) | (751,603) |
| Payments to employees | (145,552) | (119,866) | (265,418) |
| Net cash provided (used) by operating activities | 751,417 | 1,745,919 | 2,497,336 |
| Cash Flows Provided (Used) By Noncapital Financing Activities | | | |
| Miscellaneous | - | 7,500 | 7,500 |
| Net cash provided (used) by noncapital financing | - | 7,500 | 7,500 |
| Cash Flows Provided (Used) By Capital and Related Financing Activities | | | |
| Purchase of capital assets | (456,177) | (306,278) | (762,455) |
| Net cash provided (used) by capital and related financing activities | (456,177) | (306,278) | (762,455) |
| Cash Flows Provided (Used) By Investing Activities | | | |
| Interest received | 1,609 | 4,952 | 6,561 |
| Net cash provided (used) by investing activities | 1,609 | 4,952 | 6,561 |
| Net increase (decrease) in cash | 296,849 | 1,452,093 | 1,748,942 |
| Cash and cash equivalents, beginning | 1,220,221 | 2,895,093 | 4,115,314 |
| Cash and cash equivalents, ending | \$ 1,517,070 | \$ 4,347,186 | \$ 5,864,256 |
| Reconciliation of Operating Income (Loss) to Net Cash | | | |
| Provided (Used) by Operating Activities operating income (loss): | \$ 321,874 | \$ 1,471,697 | \$ 1,793,571 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation and amortization | 68,392 | 41,811 | 110,203 |
| Changes in assets and liabilities: | | | |
| (Increase)/Decrease in accounts receivable | 60,513 | 1,870 | 62,383 |
| (Increase)/Decrease in interfund receivable | (1,460) | (7,648) | (9,108) |
| (Increase)/Decrease in deferred outflows of resources | 1,023 | 946 | 1,969 |
| Increase/(Decrease) in accounts payable | 242,516 | 223,922 | 466,438 |
| Increase/(Decrease) in accrued liabilities | (420) | 125 | (295) |
| Increase/(Decrease) in interfund payable | 45,930 | 6,212 | 52,142 |
| Increase/(Decrease) in unearned revenue | - | (6,049) | (6,049) |
| Increase/(Decrease) in Other Post Employment Benefit | (154) | (170) | (324) |
| Increase/(Decrease) in net pension liability | 6,771 | 6,771 | 13,542 |
| Increase/(Decrease) in deferred inflows of resources | 6,432 | 6,432 | 12,864 |
| Total adjustments | 429,543 | 274,222 | 703,765 |
| Net cash provided (used) by operating activities | \$ 751,417 | \$ 1,745,919 | \$ 2,497,336 |

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2018

| | <u>Pension Trust Fund</u> |
|--------------------------------------|---------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 91,540 |
| Investments, at fair value: | |
| US government obligations | 221,970 |
| Corporate bonds | 500,179 |
| Foreign bonds | 49,578 |
| Common stock | 1,433,518 |
| Accrued income | 4,234 |
| Receivables: | |
| Due from State | 2,203 |
| Total assets | <u>2,303,222</u> |
| Liabilities | |
| Accounts payable | 2,298 |
| Total liabilities | <u>\$ 2,298</u> |
| <u>NET POSITION</u> | |
| Net position restricted for pensions | <u>\$ 2,300,924</u> |

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | Pension Trust Fund |
|---|-------------------------------|
| ADDITIONS | |
| Contributions: | |
| Plan member | \$ 14,625 |
| Employer | 14,625 |
| State | 113,804 |
| Member return of refunds plus interest | 3,206 |
| Total contributions | 146,260 |
| Investment income (loss): | |
| Net appreciation in fair value of investments | 199,295 |
| Interest and dividends | 38,806 |
| Less: investment expenses | 8,217 |
| Net investment income (loss) | 229,884 |
| Total additions | 376,144 |
| DEDUCTIONS | |
| Pension benefits | 87,100 |
| Refunds of contributions | 2,984 |
| Administrative expenses | 36,441 |
| Total deductions | 126,525 |
| Net increase (decrease) | 249,619 |
| Net position restricted for pensions: | |
| Beginning, previously stated | 2,088,421 |
| Prior period adjustment (Note 1) | (37,116) |
| Beginning, as restated | 2,051,305 |
| Ending | \$ 2,300,924 |

See notes to the financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Lauderdale-By-The-Sea, Florida (“Town”) was incorporated in 1947. The Town operates under a Commission-Manager form of government and provides a full range of municipal services, including public safety (police and fire), parks and recreation, public works, building, zoning and code enforcement, and general administrative services. The Town also operates two enterprise activities: sewer and parking.

The basic financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

1. Financial Reporting Entity

The financial statements were prepared in accordance with governmental accounting standards, which establish standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Town, organizations for which the Town is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town. The Town is financially accountable for a component unit if an organization is fiscally dependent on it and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. A blended component unit, although a legally separate entity, is, in substance, part of the Town's operations and so data from this unit is combined with data of the Town. Based upon the application of these criteria, there were no organizations that met the criteria described above.

2. 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 of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Interfund services provided and used are not eliminated in the process of consolidation.

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

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Basis of 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund 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 thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

The Town's fiduciary fund is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Town, these funds are not incorporated into the government-wide financial statements.

Property taxes, charges for services, franchise fees and other taxes, intergovernmental revenues, and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred. Other receipts and fees, including fines, become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all or most of the Town's general activities except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for the acquisition and construction of major capital facilities.

The Town reports the following non-major governmental funds:

The *Police Training and Forfeiture Fund* is used to account for the portion of traffic citation revenue dedicated to police training, the confiscation of property and the related authorized law enforcement expenditures.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The *Fire Fund* is used to account for the fire assessment revenues dedicated to fire protection and fire prevention services and the related authorized volunteer fire department expenditures.

The Town reports the following major proprietary funds:

The *Sewer Utility Fund* accounts for the activities associated with providing sewer services within the Town.

The *Parking Fund* accounts for parking meter revenue in the Town's business district.

Additionally, the Town reports the following fund type:

The *Pension Trust Fund* accounts for the activities of the Volunteer Fire Department's Pension Plan and the accumulation of resources for pension benefits.

Prior period adjustment - The beginning net position of the pension trust fund is being adjusted for a state contribution to the pension being improperly accrued as of September 30, 2017:

| | |
|---|---------------------|
| Net position - beginning, prior to restatement | \$ 2,088,421 |
| Prior period adjustment - overstatement of receivable | <u>(37,116)</u> |
| Net position - beginning, as restated | <u>\$ 2,051,305</u> |

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's various utility functions 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.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. 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. The principal operating revenues of the Town's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 needed.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. New Accounting Standards Adopted

During fiscal year 2018, the Town adopted the following new accounting standards as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The implementation of GASB 75 had the following effect on beginning net position in fiscal year 2018:

| | <u>Governmental</u> | | | <u>Business-Type</u> | |
|---|----------------------|---------------------|----------------------|----------------------|--|
| | <u>Activities</u> | <u>Sewer Fund</u> | <u>Parking Fund</u> | <u>Activities</u> | |
| Net position - beginning, previously stated | \$ 32,933,433 | \$ 3,345,243 | \$ 12,670,723 | \$ 16,015,966 | |
| Prior period adjustment | (115,084) | (5,822) | (5,031) | (10,853) | |
| Net position - beginning, as restated | <u>\$ 32,818,349</u> | <u>\$ 3,339,421</u> | <u>\$ 12,665,692</u> | <u>\$ 16,005,113</u> | |

GASB Statement No. 81 - Irrevocable Split-Interest Agreements

The objective of this Statement is to 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.

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 86 - Certain Debt Extinguishment Issues

The primary objective of this Statement is to 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 the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Capital Assets

Capital assets which include property, plant and equipment, and all infrastructure assets (e.g., roads, bridges, sidewalks, bike paths, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The Town has elected to retroactively apply the capitalization requirements of GASB Statement No. 34 to major general infrastructure assets acquired since 1980.

The costs of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the fiscal year ended 2018, there was no interest to be capitalized.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--|--------------|
| Buildings | 30 - 50 |
| Utility plant | 25 - 75 |
| Infrastructure | 50 |
| Improvements other than buildings | 25 |
| Furniture, fixtures, machinery and equipment | 5 - 10 |
| Motor vehicles | 5 - 7 |

6. Deposits and Investments

Town administration is authorized to invest in those instruments authorized by the Florida statutes.

Investments are measured at amortized cost or fair value as required by generally accepted accounting principles. Additional information regarding the fair value measurement of investments and amortized cost is disclosed in Note 2.

Cash and cash equivalents, for purposes of the statement of cash flows, include cash and investments which are defined as short-term, highly liquid investments with original maturities of twelve months or less.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

8. Receivables

Receivables include amounts due from other governments and others for services provided by the Town. Receivables are recorded and revenues are recognized as earned or as specific program expenditures/expenses are incurred. Allowances for uncollectible receivables, if any, are based upon historical trends and the periodic aging of receivables.

9. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

10. Compensated Absences

Town employees are granted vacation in varying amounts based on length of service and sick leave at the rate of one day per month. For employees hired after September 30, 2011, up to 15 days of annual leave may be carried forward from one calendar year into the next calendar year. Accumulated leave in excess of 15 days must be used by December 31st of each calendar year or it will be lost. In the event of termination, an employee is reimbursed for accumulated vacation days. Up to 60 days of sick leave may be accrued and carried forward into the next year. Employees hired prior to October 1, 2011 are reimbursed for 25% of accumulated sick leave upon leaving Town employment in good standing. Employees hired after September 30, 2011 will be reimbursed for 0% - 15% of accumulated sick leave, depending on their number of years of continuous service.

The cost of accumulated vacation and sick 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 retirements or resignations. The general fund has been used to liquidate these amounts.

11. Long-Term Obligations

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the bonds using the straight-line method. Bonds are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Unearned Revenue

Unearned revenue arises when resources are received by the Town before it has a legal claim to them.

13. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at fiscal year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

14. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

15. Net Position

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position of the government-wide and proprietary funds is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets is that portion of net position that relates to the Town's capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct or improve those assets, excluding unexpended proceeds.

Restricted net position is that portion of net position that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of either of the other two components.

16. Fund Equity

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Fund Equity (Continued)

The Town can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution or ordinance) of the Town Commission, the Town's highest level of decision-making authority. Commitments may be changed or lifted only by the Town Commission taking the same formal action (resolution or ordinance) that imposed the constraint originally.

Assigned fund balance – Includes spendable fund balance amounts established by the Town Commission that are intended to be used for specific purposes that are neither considered restricted nor committed.

The Town first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

17. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. 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 expenditures/expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, pension and postretirement obligations, and useful lives and impairment of tangible and intangible assets, among others. Actual results could differ from these estimates.

18. Pensions

Volunteer Firefighters Pension Fund

Plan member contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits paid directly to participants and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. The Town funds the contributions to its Volunteer Firefighters Pension Plan based on the actuarial required contribution. The net pension asset is reported in the government-wide financial statements and represents the difference between the plan's fiduciary net position and the total pension liability.

Florida Retirement System

In the government-wide statement of net position, liabilities are recognized for the Town's proportionate share of the net pension liability for the Florida Retirement System pension plan and Retiree Health Insurance Subsidy Program. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Florida Retirement System defined benefit pension plan (FRS Pension Plan) and the Retiree Health Insurance Subsidy Program defined benefit pension plan (HIS Program), and additions to/deductions from the FRS Pension Plan's and the HIS Program's fiduciary net position have been determined on the same basis as they are reported by the FRS Pension Plan and the HIS Program plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

All of the Town's deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*. Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required collateral pledging levels. The pledging level may range from 25% to 125% of the average monthly balance of public deposits depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any potential losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

Investments - Town

The Town has adopted an investment policy in accordance with Florida Statutes to establish guidelines for the efficient management of its cash reserves. The Town is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, the State Board of Administration investment pool, any intergovernmental investment pools authorized pursuant to Chapter 163 of the Florida Statutes, SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and securities of any interest in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio is limited to obligations of the U.S. government, its agencies and instrumentalities and to repurchase agreements fully collateralized by such U.S. government obligations and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

The State Board of Administration's ("SBA") Local Government Surplus Funds Trust Fund ("Florida PRIME") is a "2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. The Town has reported its investment in Florida PRIME at amortized cost for financial reporting purposes.

As of September 30, 2018, the Town had the following investments:

| | Amortized Cost | Credit Risk | Weighted Average Maturity |
|--|-----------------------|--------------------|--|
| Investment in Local Government Surplus Funds Trust Fund (Florida PRIME) | \$ 248,664 | S&P AAAM | 33 |
| | <u>\$ 248,664</u> | | |

Credit Risk - Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Town's investment policy limits investments to the highest ratings issued by two of the nationally recognized statistical rating organizations (NRSRO) (Standard and Poor's and Moody's investment services).

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments – Town (Continued)

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. The Town has an investment policy of structuring the investment portfolio in such a manner as to provide sufficient liquidity to pay obligations as they come due. The Town's investment policy limits the maturities on individual investments to no more than two years.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Town's investment policy states that assets shall be diversified to control the risk of loss resulting from concentration of assets to a specific maturity, instrument, issue, dealer, or bank through which these securities are bought and sold.

Fair Value Measurement – When applicable, the Town measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the Town has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the Town's investments have been reported at amortized cost above.

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

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments – Town (Continued)

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% of their account value.

Investments - Volunteer Firefighter's Pension Plan

As of September 30, 2018, the Pension Plan had the following investments:

| | Fair Value |
|---------------------------|-------------------|
| Fixed income | |
| US government obligations | \$ 221,970 |
| Corporate bonds | 500,179 |
| Foreign bonds | 49,578 |
| Equities | |
| Common stocks | 1,433,518 |
| | \$ 2,205,245 |

Credit Risk - For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Fixed income securities shall be one of the four highest classifications of Standard & Poor’s or Moody’s. The composite credit ratings of applicable investments by type are currently unavailable.

Concentration Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The investment policy of the Plan contains limits on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of the total assets of the portfolio.

Foreign currency risk – Foreign current risk is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than U.S. Dollars as well as the carrying value of foreign investments. The Plan’s exposure to foreign currency risk derives mainly from its investments in international debt securities and international equity mutual funds. The Plan participates in international equity mutual funds but does not own any foreign individual equity securities. The Plan’s exposure to foreign currency risk is \$49,578.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the investments over time for the Plan to market interest rate fluctuations is provided in the following table.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments - Volunteer Firefighter's Pension Plan (Continued)

As of September 30, 2018, the Plan's debt security investments had the following maturities:

| | <u>Maturity</u> | <u>Fair Value</u> |
|--------------------------------------|--------------------|-------------------|
| Federal Farm Credit Bank | March 13, 2026 | \$ 23,895 |
| Federal Farm Credit Bank | March 7, 2028 | 24,516 |
| Federal Home Loan Bank | November 7, 2025 | 24,231 |
| United States Treasury Notes | September 30, 2018 | 25,000 |
| United States Treasury Notes | December 15, 2018 | 49,904 |
| United States Treasury Notes | February 28, 2019 | 49,820 |
| United States Treasury Notes | July 15, 2027 | 24,604 |
| MetLife | December 19, 2018 | 24,965 |
| American Express Credit | August 15, 2019 | 24,882 |
| Goldman Sachs Group | December 13, 2019 | 24,781 |
| Costco | December 15, 2019 | 24,663 |
| National Rural Utilities Cooperative | June 15, 2020 | 24,681 |
| Praxair | September 24, 2020 | 24,580 |
| Kroger | November 1, 2021 | 24,603 |
| Colgate-Palmolive | November 15, 2021 | 24,535 |
| John Deere Capital | March 15, 2022 | 24,537 |
| US Bancorp | July 15, 2022 | 24,480 |
| Wells Fargo | January 24, 2023 | 24,401 |
| Burlington North Santa Fe | March 15, 2023 | 24,581 |
| Public Service Electric & Gas | May 15, 2023 | 23,710 |
| JP Morgan Chase | September 10, 2024 | 24,761 |
| Lowe's | September 15, 2024 | 34,231 |
| Commonwealth Edison | November 1, 2024 | 24,062 |
| Bank of America | August 1, 2025 | 24,850 |
| IBM | February 19, 2026 | 24,707 |
| Apple | February 9, 2027 | 24,455 |
| Johnson & Johnson | January 15, 2028 | 23,714 |
| Royal Bank of Canada | October 30, 2020 | 24,593 |
| Schlumberger Investment | September 14, 2021 | 24,985 |
| | | <u>\$ 771,727</u> |

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Plan has no formal policy for custodial risk. The underlying securities that comprise the Plan's investments are registered and held by the custodial bank, not in the Plan's name.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments - Volunteer Firefighter's Pension Plan (Continued)

Fair Value Measurement – When applicable, the Plan measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the Plan has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table summarizes the Plan's investments within the fair value hierarchy at September 30, 2018:

| | Fair Value | Level 1 | Level 2 |
|---------------------------|--------------|--------------|------------|
| US government obligations | \$ 221,970 | \$ 221,970 | \$ - |
| Corporate bonds | 500,179 | - | 500,179 |
| Foreign bonds | 49,578 | - | 49,578 |
| Common stock | 1,433,518 | 1,433,518 | - |
| | \$ 2,205,245 | \$ 1,655,488 | \$ 549,757 |

The investments were valued using the following approaches:

- U.S. government obligations were valued using prices quoted in active markets by a third party pricing service based on actual trades in the securities.
- Corporate bonds, certain common stock and foreign bonds were valued by a third party pricing service based on a combination of matrix pricing, actual observable trades in similar securities, and yield curve analysis.
- Common stock and foreign stock were valued at the regular trading session closing price on the exchange or market in which such securities are principally traded.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 3 – PROPERTY TAXES

Property taxes are assessed as of January 1 each year and are first billed (levied) and due the following November 1.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school board and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws for the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The millage rate assessed by the Town for the fiscal year ended September 30, 2018 was 3.6873 mills.

The tax levy of the Town is established by the Commission prior to October 1 of each year, and the County Property Appraiser incorporates the millage into the local tax levy, which includes Broward County, Broward County School Board and special taxing districts.

All property is reassessed according to its fair market value as of January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes.

All real and tangible personal property taxes are due and payable on November 1 each year. Broward County mails to each property owner on the assessment roll a notice of the taxes due and Broward County also collects the taxes for the Town. Taxes may be paid upon receipt of such notice from Broward County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April of the year following the year in which taxes were assessed. Procedures for the collection of delinquent taxes by Broward County are provided for in the Laws of Florida. There were no material delinquent property taxes at September 30, 2018.

NOTE 4 – RECEIVABLES

Receivables for the Town's funds including the applicable allowances for uncollectible accounts as of September 30, 2018 were as follows:

| Receivables: | General Fund | Sewer Utility System | Parking | Total |
|-----------------------------------|-----------------|-------------------------|----------|------------|
| Billed | \$ - | \$ 187,263 | \$ 8,145 | \$ 195,408 |
| Taxes | 33,291 | - | - | 33,291 |
| Intergovernmental | 69,938 | - | - | 69,938 |
| Other | 184,966 | - | - | 184,966 |
| Gross receivables | 288,195 | 187,263 | 8,145 | 483,603 |
| Less allowance for uncollectibles | (3,186) | (34,675) | - | (37,861) |
| Net total receivables | \$ 285,009 | \$ 152,588 | \$ 8,145 | \$ 445,742 |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 5 – UNEARNED REVENUES

Unearned revenue reported in the governmental funds and the basic financial statements as of September 30, 2018 was as follows:

| | Governmental Activities | Business-type Activities |
|-----------------------|------------------------------------|-------------------------------------|
| Occupational licenses | \$ 45,945 | \$ - |
| Planning advances | 6,201 | - |
| Fire inspection fees | 23,269 | - |
| Other | 24,893 | 4,182 |
| | <u>\$ 100,308</u> | <u>\$ 4,182</u> |

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2018 were as follows:

| | Receivable | Payable |
|---------------------------|-------------------|-------------------|
| General Fund | \$ 114,109 | \$ 138,329 |
| Capital Projects Fund | 126,078 | 11,208 |
| Sewer Utility System Fund | 1,460 | 70,080 |
| Parking Fund | 10,791 | 32,821 |
| | <u>\$ 252,438</u> | <u>\$ 252,438</u> |

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Interfund transfers for the fiscal year ended September 30, 2018 were as follows:

| | Transfers In In | Transfers Out Out |
|-----------------------|----------------------------|------------------------------|
| General Fund | \$ 22,000 | \$ 515,822 |
| Capital Projects Fund | 489,022 | - |
| Fire Fund | 26,800 | 22,000 |
| | <u>\$ 537,822</u> | <u>\$ 537,822</u> |

Transfers between the general fund and capital projects fund were to fund capital improvement projects. Transfers from the fire fund to and from the general fund were to move revenues from the fund where collection occurred to the fund where funds have been reallocated for use, in accordance with the fiscal year 2018 budget.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 7 – CAPITAL ASSETS

Capital assets for the governmental activities for the fiscal year ended September 30, 2018 was as follows:

| | Beginning Balance | Additions | Deductions | Ending Balance |
|--|----------------------|--------------|------------|-------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,939,254 | \$ - | \$ - | \$ 1,939,254 |
| Total capital assets, not being depreciated | 1,939,254 | - | - | 1,939,254 |
| Capital assets, being depreciated: | | | | |
| Building and building improvements | 4,304,874 | 25,314 | - | 4,330,188 |
| Improvements other than buildings | 25,812,797 | 312,845 | - | 26,125,642 |
| Furniture, fixtures, machinery and equipment | 1,350,986 | 75,197 | - | 1,426,183 |
| Motor vehicles | 767,977 | 42,344 | - | 810,321 |
| Infrastructure | 5,902,121 | - | - | 5,902,121 |
| Total capital assets, being depreciated | 38,138,755 | 455,700 | - | 38,594,455 |
| Less accumulated depreciation: | | | | |
| Building and building improvements | 1,427,937 | 82,482 | - | 1,510,419 |
| Improvements other than buildings | 8,285,641 | 919,854 | - | 9,205,495 |
| Furniture, fixtures, machinery and equipment | 1,301,927 | 159,792 | - | 1,461,719 |
| Motor vehicles | 626,046 | 111,174 | - | 737,220 |
| Infrastructure | 4,803,996 | 112,607 | - | 4,916,603 |
| Total accumulated depreciation | 16,445,547 | 1,385,909 | - | 17,831,456 |
| Total capital assets, being depreciated, net | 21,693,208 | (930,209) | - | 20,762,999 |
| Governmental activities capital assets, net | \$ 23,632,462 | \$ (930,209) | \$ - | \$ 22,702,253 |

Capital assets for the business-type activities for the fiscal year ended September 30, 2018 was as follows:

| | Beginning Balance | Additions | Deductions | Ending Balance |
|--|----------------------|------------|--------------|-------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 8,717,073 | \$ - | \$ - | \$ 8,717,073 |
| Construction in progress | 194,822 | 184,318 | (194,822) | 184,318 |
| Total capital assets, not being depreciated | 8,911,895 | 184,318 | (194,822) | 8,901,391 |
| Capital assets, being depreciated: | | | | |
| Buildings and utility plant | 4,864,543 | 727,630 | - | 5,592,173 |
| Equipment | 186,228 | 45,329 | - | 231,557 |
| Total capital assets, being depreciated | 5,050,771 | 772,959 | - | 5,823,730 |
| Less accumulated depreciation: | | | | |
| Buildings and utility plant | 1,740,855 | 83,866 | - | 1,824,721 |
| Equipment | 73,958 | 26,337 | - | 100,295 |
| Total accumulated depreciation | 1,814,813 | 110,203 | - | 1,925,016 |
| Total capital assets, being depreciated, net | 3,235,958 | 662,756 | - | 3,898,714 |
| Business-type activities capital assets, net | \$ 12,147,853 | \$ 847,074 | \$ (194,822) | \$ 12,800,105 |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the Town as follows:

| | |
|--|---------------------|
| Governmental activities: | |
| General government | \$ 39,676 |
| Public safety | 75,987 |
| Transportation | 104,413 |
| Recreation | 12,326 |
| Physical environment | <u>1,153,507</u> |
| Total depreciation expense, governmental activities | <u>\$ 1,385,909</u> |
| | |
| Business-type activities: | |
| Sewer utility | \$ 68,392 |
| Parking | <u>41,811</u> |
| Total depreciation expense, business-type activities | <u>\$ 110,203</u> |

NOTE 8 – LONG-TERM LIABILITIES

Changes in long-term liabilities for governmental activities for the fiscal year ended September 30, 2018 were as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| <u>Governmental activities:</u> | | | | | |
| Compensated absences | \$ 129,558 | \$ 178,254 | \$ (184,262) | \$ 123,550 | \$ 12,355 |
| | <u>\$ 129,558</u> | <u>\$ 178,254</u> | <u>\$ (184,262)</u> | <u>\$ 123,550</u> | <u>\$ 12,355</u> |

For governmental activities, compensated absences are generally liquidated by the general fund.

NOTE 9 – OPERATING LEASES (LESSOR)

On February 28, 2013, the Town entered into an agreement to lease certain real property for use as a restaurant. The initial term of the lease is for a period of five years commencing on March 1, 2013 and ending February 28, 2018, with an option for additional five year renewal options. The lease was renewed through February 28, 2023. Minimum future rental payments on this lease as of September 30, 2018 are as follows:

| <u>Fiscal Year Ending September 30,</u> | <u>Annual Minimum Payments</u> |
|---|--|
| 2019 | \$ 72,757 |
| 2020 | 74,940 |
| 2021 | 77,188 |
| 2022 | 79,503 |
| 2023 | <u>33,533</u> |
| Total | <u>\$ 337,921</u> |

Included in the buildings and building improvements classification in Note 7 is the building which is currently being leased. The cost of the building is \$1,406,644 and at September 30, 2018, the accumulated depreciation is \$353,224. For the fiscal year ended September 30, 2018, rental income received from the lease was approximately \$68,000.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 10 – OPERATING LEASES (LESSEE)

On September 8, 2015, the Town entered into an agreement to lease a certain parcel of land from Flamingo East, LLC (“Lessor”) for use as a public parking lot. The term of the lease is for a period of twenty years commencing on September 8, 2015 and ending September 7, 2035, with an option for two additional ten year renewal options. Beginning October 1, 2015, the Town shall pay Lessor, on a monthly basis, rent in an amount equal to 50% of the prior month’s net parking revenues (as defined in the lease agreement). Beginning May 1, 2016, or upon completion of the construction of the new parking lot, whichever occurs first, the Town shall pay the Lessor, on a monthly basis, rent in an amount equal to 85% of the prior month’s net parking revenues.

On November 10, 2015, the Town entered into an agreement to license to use a certain parcel of land from Florida Development Group, Inc. (“Licensor”) for use as a public parking lot. The agreement may be terminated by either party provided the other party provides not less than 180 days’ prior written notice, provided no termination of the agreement shall be effective prior to October 30, 2016. In accordance with the agreement, the Town shall pay Licensor, on a monthly basis, a license fee in an amount equal to 50% of the prior month’s net parking revenues (as defined in the lease agreement).

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Interlocal Agreements

The Town entered into an interlocal agreement with Broward Sheriff’s Office on September 26, 2016 with an effective date of October 1, 2016 for police services in the Town. The agreement is for a five (5) year period and can be renewed for an additional periods of five (5) years each, for a total of ten (10) years, without further action of the parties, unless terminated by either party as provided in the agreement. During the fiscal year ended September 30, 2018, the Town paid \$4,281,759 under this agreement.

Plan Examinations and Building Inspection Services

The Town contracts with C.A.P. Government, Inc. to conduct plan examinations and building inspection services. In accordance with the terms of its agreement with the Town, C.A.P. Government, Inc. collected \$980,605 in the current fiscal year, of which the Town received 25% of actual revenue received for permit applications.

Grants

Grant monies received and disbursed by the Town are for specific purposes and may be subject to audit by the grantor agencies. Such audits may result in requests for reimbursements due to disallowed expenditures or other actions by grantor agencies. Based upon prior experience, the Town does not believe that such disallowances or other actions taken by the grantor agencies, if any, would have a material effect on the financial position of the Town.

Construction Contracts and Encumbrance Commitments

As of September 30, 2018, the Town had open contracts for various construction projects. The contracts totaled approximately \$1,200,000, of which approximately \$1,050,000 was uncompleted at September 30, 2018.

Litigation, Claims and Assessments

The Town is also a defendant in various lawsuits incidental to its operations. The outcome of these lawsuits is not presently determinable and, consequently, no related liabilities have been reported.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM

General Information – The Town participates in the statewide Florida Retirement System (“FRS”). The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

All of the Town’s full-time employees are eligible to enroll as members of the FRS. All rates, benefits and amendments are established by the State of Florida through its legislative body. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services (DMS), Division of Retirement, Research and Education Section, P.O. Box 9000, Tallahassee, Florida, 32315-9000; phone 850-488-5706; website (www.dms.myflorida.com).

The Town’s FRS pension expense totaled \$640,054 for the fiscal year ended September 30, 2018.

FRS Pension Plan

Plan Description – The FRS Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The classes of membership within the Town are as follows:

- Regular Class – Member of the FRS who do not qualify for membership in another class.
- Senior Management Service Class – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

Basis of Accounting – The FRS fiduciary financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Member contributions are recognized in the period of time for which the contributions are assessed. Employer contributions are recognized when due in the period in which employee services are performed and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018 fiscal year were as follows:

| <u>Class</u> | <u>Percent of Gross Salary</u> <u>October 1, 2017 to June 30, 2018</u> | | <u>Percent of Gross Salary</u> <u>July 1, 2018 to September 30, 2018</u> | |
|------------------------|---|---------------------|---|---------------------|
| | <u>Employee</u> | <u>Employer (1)</u> | <u>Employee</u> | <u>Employer (1)</u> |
| | FRS, Regular | 3.00 | 7.92 | 3.00 |
| FRS, Senior Management | 3.00 | 22.71 | 3.00 | 24.06 |

(1) Employer rates include a postemployment HIS contribution rate of 1.66%. Also, employer rates include .06% for administrative costs of the Investment plan.

The Town’s contributions to the Plan totaled \$228,094 for the fiscal year ended September 30, 2018. This excludes the HIS defined benefit pension plan contributions.

Benefits Provided – Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation (AFC). For members initially enrolled before July 1, 2011, the AFC is the average of the five highest fiscal years’ earnings; for members initially enrolled on or after July 1, 2011, the AFC is the average of the eight highest fiscal years’ earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors’ benefits.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

Benefits Provided (Continued) – Per Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

The following chart shows the percentage value for each year of service credit earned:

| <u>Class, Initial Enrollment, and Retirement Age/Years of Service</u> | <u>% Value</u> |
|--|----------------|
| Regular Class members initially enrolled before July 1, 2011 | |
| Retirement up to age 62 or up to 30 years of service | 1.60 |
| Retirement at age 63 or with 31 years of service | 1.63 |
| Retirement at age 64 or with 32 years of service | 1.65 |
| Retirement at age 65 or with 33 years of service | 1.68 |
| Regular Class members initially enrolled on or after July 1, 2011 | |
| Retirement up to age 65 or up to 33 years of service | 1.60 |
| Retirement at age 66 or with 34 years of service | 1.63 |
| Retirement at age 67 or with 35 years of service | 1.65 |
| Retirement at age 68 or with 36 years of service | 1.68 |
| Senior Management Service Class | 2.00 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2018, the Town reported a liability of \$2,523,345 for its proportionate share of the Plan’s net pension liability, \$2,296,244 in governmental activities and \$227,101 in business-type activities. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Town’s proportionate share of the net pension liability was based on the Town’s contributions for the year ended June 30, 2018 relative to the contributions made during the year ended June 30, 2017 of all participating members. At June 30, 2018, the Town’s proportionate share was .00838%, which was an increase of .00027% from its proportionate share measured as of June 30, 2017.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) – For the fiscal year ended September 30, 2018, the Town recognized pension expense of \$554,002 related to the Pension Plan. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 213,765 | \$ (7,759) |
| Change of assumptions | 824,507 | - |
| Net difference between projected and actual earnings on FRS pension plan investments | - | (194,959) |
| Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions | 265,594 | - |
| Town FRS contributions subsequent to the measurement date | 66,062 | - |
| Total | <u>\$ 1,369,928</u> | <u>\$ (202,718)</u> |

The deferred outflows of resources related to pensions, totaling \$66,062, resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending September 30:</u> | <u>Amount</u> |
|--------------------------------------|---------------------|
| 2019 | \$ 444,976 |
| 2020 | 287,229 |
| 2021 | 64,555 |
| 2022 | 173,945 |
| 2023 | 112,812 |
| Thereafter | 17,631 |
| Total | <u>\$ 1,101,148</u> |

Actuarial Assumptions – The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.60% |
| Salary increases | 3.25%, average, including inflation |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

Actuarial Assumptions (Continued) – The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric annual rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation (1) | Arithmetic Return | (Geometric) Return | Standard Deviation |
|--------------------------|--------------------------|----------------------|-----------------------|-----------------------|
| Cash | 1.0% | 2.9% | 2.9% | 1.8% |
| Fixed income | 18.0% | 4.4% | 4.3% | 4.0% |
| Global equity | 54.0% | 7.6% | 6.3% | 17.0% |
| Real estate (property) | 11.0% | 6.6% | 6.0% | 11.3% |
| Private equity | 10.0% | 10.7% | 7.8% | 26.5% |
| Strategic investments | 6.0% | 6.0% | 5.7% | 8.6% |
| Total | 100.0% | | | |
| Assumed inflation - mean | | | 2.6% | 1.9% |

(1) As outlined in the Plan's investment policy

Discount Rate – The discount rate used to measure the total pension liability was 7.00 percent. The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Town’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---------------------------|-------------------------------------|---------------------------|
| Town's proportionate share of net pension liability | \$ 4,605,211 | \$ 2,523,345 | \$ 794,233 |

Pension Plan Fiduciary Net Position – Detailed information about the Plan’s fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

HIS Pension Plan

Plan Description – The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided – In general, eligible retirees and beneficiaries receive a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2018, the contribution rate was 1.66% of payroll from October 1, 2017 through September 30, 2018 pursuant to section 112.363, Florida Statutes. The Town contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Town's contributions to the HIS Plan totaled \$30,262 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2018, the Town reported a net pension liability of \$670,555 for its proportionate share of the HIS Program's net pension liability, \$610,205 in governmental activities and \$60,350 in business-type activities. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Town's proportionate share of the net pension liability was based on the year ended June 30, 2018 contributions relative to the year ended June 30, 2017 contributions of all participating members. At June 30, 2018, the Town's proportionate share was .00634%, which was an increase of .00030% from its proportionate share measured as of June 30, 2017.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) – For the fiscal year ended September 30, 2018, the Town recognized a pension expense of \$55,947 related to the HIS Program. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 10,266 | \$ (1,139) |
| Change of assumptions | 74,574 | (70,897) |
| Net difference between projected and actual earnings on HIS pension plan investments | 405 | - |
| Changes in proportion and differences between Town HIS contributions and proportionate share of HIS contributions | 39,363 | (10,136) |
| Town HIS contributions subsequent to the measurement date | 9,393 | - |
| Total | <u>\$ 134,001</u> | <u>\$ (82,172)</u> |

The deferred outflows of resources related to pensions, totaling \$9,393, resulting from Town contributions to the HIS Program subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending September 30:</u> | <u>Amount</u> |
|--------------------------------------|------------------|
| 2019 | \$ 15,277 |
| 2020 | 15,243 |
| 2021 | 11,430 |
| 2022 | 6,182 |
| 2023 | (6,227) |
| Thereafter | 531 |
| Total | <u>\$ 42,436</u> |

Actuarial Assumptions – The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-------------------------------------|
| Inflation | 2.60% |
| Salary increases | 3.25%, average, including inflation |
| Investment rate of return | 3.87% |

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 3.87%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

| | 1% Decrease (2.87%) | Current Discount Rate (3.87%) | 1% Increase (4.87%) |
|---|---------------------------|-------------------------------------|---------------------------|
| Town's proportionate share of net pension liability | \$ 763,723 | \$ 670,555 | \$ 592,894 |

Pension Plan Fiduciary Net Position – Detailed information about the HIS Plan's fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

FRS – Defined Contribution Pension Plan

The Town contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

Eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Local Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member's accounts during the 2018 fiscal year were as follows:

| Class | Percent of Gross Compensation |
|------------------------|----------------------------------|
| FRS, Regular | 6.30% |
| FRS, Senior management | 7.67% |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS – Defined Contribution Pension Plan (Continued)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance.

Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of payroll and by forfeited benefits of Investment Plan members. The fee for the FRS Investment Plan was .06 percent.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Town's Investment Plan pension expense totaled \$30,105 for the fiscal year ended September 30, 2018.

NOTE 13 – VOLUNTEER FIREFIGHTERS PENSION FUND

The Town sponsors the Volunteer Firefighters Pension Plan, a single-employer Public Employee Retirement System defined benefit pension plan. The Plan was established by Ordinance enacted by the Town Council to provide for the creation and operation of the Volunteer Firefighters Pension Plan. The Plan is governed by a five member Board of Trustees. The Board of Trustees' duties include, amongst other responsibilities, making recommendations regarding changes in the provisions of the Plan and its investment policies; however, any changes to the Plan must be approved by the Town Commission. The Plan is reported as a pension trust fund and is included as part of the Town's reporting entity.

Plan Description – All volunteer firefighters of the Town will become members of the Plan upon completion of their application for membership, which must be completed within 30 days of becoming eligible for the Plan. Volunteer firefighters do not receive salaries but receive incentive pay based on calls to which they respond, training sessions and meetings that they attend. Participants should refer to the Plan documents for more complete information. A publicly available financial statement for the Plan can be obtained from the Board of Trustees, 4442 Sea Grape Drive, Lauderdale-By-The-Sea, Florida, 33308.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Membership – As of October 1, 2016, the date of the latest actuarial valuation, firefighters' membership data related to the Plan as stated in the actuarial valuation was as follows:

| | |
|---|----|
| Retirees and beneficiaries currently receiving benefits and former volunteers entitled to receive benefits but not yet receiving them | 10 |
| Active participants | 71 |
| Total | 81 |

Basis of Accounting – The Volunteer Firefighters Pension Plan (“Plan”) financial statements are prepared on the accrual basis of accounting. All contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative expenses are recorded when incurred.

Method Used to Value Cash and Investments – All short-term investments with an original term of less than three months are considered cash equivalents. Investments are reported at fair value. Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Purchases and sales of securities are recorded on the trade-date basis. Interest and dividends are recognized when earned. Dividends are recorded on the ex-dividend date.

Pension Benefits – Eligibility for pension benefits is determined by a point system whereby a firefighter must accumulate 30 points during a Plan year to be credited for one year of service. Points are accumulated by attendance at meetings, drills, fires and false alarms. Normal retirement is at age 55 and 10 years of credited service, or the date on which the member has attained the age of 52 having completed 25 years of credited service. Effective prospectively from December 1, 2015, the benefit for normal retirement was increased from \$10 multiplied by the number of years of credited service to \$42.50 multiplied by the number of years of credited service; however, effective for retirements after March 1, 2003, the benefit shall be at least 2% of average final compensation for each year of credited service. Benefits are payable in a life annuity with other options available. The Plan also provides early and delayed retirement as well as death and disability benefits with benefits dependent on earnings, length of service or years of contributions, and age upon retirement, death or disability.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The Town's net pension asset for the Volunteer Firefighters Pension Plan is measured as the total pension liability less the pension plans' fiduciary net position. At September 30, 2018, the Town reported a net pension asset of \$191,697 related to the Volunteer Firefighters Pension Plan. The net pension asset was measured as of September 30, 2017, using an annual actuarial valuation as of October 1, 2016. For the fiscal year ended September 30, 2018, the Town recognized pension expense of \$101,427. The changes in the Net Pension Asset follow:

| | Increases (Decreases) | | |
|--|-------------------------|------------------------|-------------------|
| | Plan | | |
| | Total Pension Liability | Fiduciary Net Position | Net Pension Asset |
| Balance at September 30, 2016 | \$ 1,768,743 | \$ 1,933,935 | \$ (165,192) |
| Changes in the year: | | | |
| Service cost | 55,966 | - | 55,966 |
| Interest on the total pension liability | 115,897 | - | 115,897 |
| Changes of Benefit Terms | - | - | - |
| Differences between actual and expected experience in the measurement of the TPL | 17,679 | - | 17,679 |
| Changes of assumptions | 21,808 | - | 21,808 |
| Contributions - Employer (from Town) | - | 12,990 | (12,990) |
| Contributions - Employer (from State) | - | 58,209 | (58,209) |
| Contributions - Members | - | 12,990 | (12,990) |
| Net investment income | - | 180,802 | (180,802) |
| Benefit payments | (76,043) | (76,043) | - |
| Refunds | (7,326) | (7,326) | - |
| Pension plan administrative expense | - | (27,136) | 27,136 |
| Net changes | 127,981 | 154,486 | (26,505) |
| Balance at September 30, 2017 | \$ 1,896,724 | \$ 2,088,421 | \$ (191,697) |

At September 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to the Volunteer Firefighters Pension Fund from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Deferred Outflows and Inflows of Resources |
|--|--------------------------------|-------------------------------|--|
| Differences between expected and actual experience | \$ 31,095 | \$ - | \$ 31,095 |
| Change in assumptions | 14,539 | - | 14,539 |
| Net Difference between projected and actual earnings on pension plan investments | 75,895 | (48,900) | 26,995 |
| Employer's contributions subsequent to the measurement date | 113,804 | - | 113,804 |
| | \$ 235,333 | \$ (48,900) | \$ 186,433 |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) – The deferred outflows of resources related to pensions, totaling \$113,804, resulting from employer contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending September 30 | Net Deferred Outflows of Resources |
|-----------------------------|--|
| 2019 | \$ 63,113 |
| 2020 | 33,276 |
| 2021 | (12,569) |
| 2022 | (11,191) |
| Total | <u>\$ 72,629</u> |

Contributions and Funding Policy – Funding is based on actuarial determined required contributions using the Aggregate Actuarial Cost Method. The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the actuarial accrued liability. Firefighters are required to contribute 5% of earnings to the Plan. Contributions from the State of Florida pursuant to Chapter 175, Florida Statutes, are based on the amount of fire insurance written by private insurers on property within Town limits. The annual required contribution for the year ended September 30, 2018 was determined using the October 1, 2016 actuarial valuation. The Town is required to contribute if there is any shortfall between the State's contributions and funding requirements of the Plan. Actual contributions in fiscal year 2018 were as follows: State of Florida \$113,804, Town \$14,625, members \$14,625, and member return of refunds plus interest \$3,206.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Actuarial Methods and Significant Assumptions – Significant actuarial assumptions and other inputs used to measure the total pension liability are as follows:

| | |
|---------------------------|--|
| Valuation date | October 1, 2016 |
| Measurement date | September 30, 2017 |
| Actuarial cost method | Entry Age Normal |
| Actuarial Assumptions: | |
| Discount rate | 6.5% |
| Inflation | 2.5% |
| Salary increases | 5.5% |
| Investment Rate of Return | 6.5% |
| Retirement age | The later of normal retirement eligibility or one year after the valuation. |
| Mortality | RP-2000 Combined Mortality Table with Blue Collar Adjustment for males and females with mortality improvement projected to all future years after 2000 using Scale BB. |

Ordinance No. 2015-18 (adopted and passed November 11, 2015) increased the minimum monthly benefit from \$10 per month per year of Credited Service to \$42.50 per month per year of Credited Service, for both active members and retirees. This benefit change was reflected as of the September 30, 2016 measurement date.

Effective as of October 1, 2016, the mortality assumption was changed from the mortality table detailed above to the mortality assumption used by the Florida Retirement System (FRS) for Special Risk Class members in the actuarial valuation as of July 1, 2016. This assumption change occurred after the September 30, 2016 measurement date, and is therefore not required to be recognized as of this date. If the impact of this assumption change had been recognized as of the September 30, 2016 measurement date, the Total Pension Liability would have increased by \$21,511.

Development of Single Discount Rate

| | |
|---|-------|
| Single Discount Rate | 6.50% |
| Long-Term Expected Rate of Return | 6.50% |
| Last year ending September 30 in the 2017 to 2116 projection period for which projected benefit payments are fully funded | 2116 |

A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.5%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (6.5%) was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Actuarial Methods and Significant Assumptions (Continued) – The long-term expected rate of return on pension plans investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2018 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------|--------------------------|--|
| Domestic Equity | 60% | 7.50% |
| International Equity | 0% | 8.50% |
| Domestic Bonds | 40% | 2.50% |
| International Bonds | 0% | 3.50% |
| Real Estate | 0% | 4.50% |
| Alternative Assets | 0% | 5.50% |

Sensitivity of the Town’s Net Position Liability to Changes in the Discount Rate – Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan’s net pension liability calculated using a single discount rate of 6.5%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher.

| | Current Single Discount Rate | | |
|-------------------------------|-------------------------------------|-------------------|--------------------|
| | 1% Decrease | Assumption | 1% Increase |
| | 5.50% | 6.50% | 7.50% |
| Net Pension Liability (Asset) | \$ 46,233 | \$ (191,697) | \$ (383,962) |

NOTE 14 – DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The plan was established, and the provisions of the plan, including contribution rates, may be amended by the Town Commission. As outlined in the Town’s personnel policies manual, if an employee eligible to participate in the Town’s health insurance program does not elect to participate, the Town will contribute 80% of the Town’s normal health insurance contribution for an employee with no spouse or dependent coverage to the deferred compensation plan on their behalf in lieu of providing health insurance. Additionally, contributions are also paid to the deferred compensation plan on behalf of the Town Manager. Except for the plan provisions related to loans, the deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency. The plan is administered by Nationwide Retirement Solutions. Except for the plan provisions related to loans, the Town has no fiduciary responsibility for the plan and therefore, the Town does not report the balances and activities in its financial statements. During the current fiscal year, the Town contributed approximately \$23,000 on behalf of employees to the deferred compensation plan and employees contributed approximately \$57,000.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS

Plan Description – Pursuant to Section 112.081, Florida Statutes, the Town is required to permit eligible retirees and their eligible dependents to participate in the Town’s health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. These retirees pay 100% of the blended rate for active and retired employees. Because the blended rate is greater than that of a plan including active employees only and less than that of a plan including retirees only, the amount the Town expends for active employees includes an implicit subsidy for participating retirees and dependents.

Membership – Participants of the plan consisted of the following at September 30, 2018:

| | |
|------------------------------|----|
| Retirees and beneficiaries | |
| currently receiving benefits | 3 |
| Active employees | 37 |
| Total | 40 |

Changes in Net OPEB Liability – Sources of changes in the net OPEB liability were as follows:

| | Total OPEB Liability | Fiduciary Net Position | Net OPEB Liability |
|----------------------------------|-------------------------|---------------------------|-----------------------|
| Balance as of September 30, 2017 | \$ 141,778 | \$ - | \$ 141,778 |
| Changes due to: | | | |
| Service cost | 10,466 | - | 10,466 |
| Interest | 4,485 | - | 4,485 |
| Changes of assumptions | (7,050) | - | (7,050) |
| Benefit payments | (11,404) | - | (11,404) |
| Balance as of September 30, 2018 | \$ 138,275 | \$ - | \$ 138,275 |

Actuarial Methods and Assumptions – Significant assumptions used to calculate the total OPEB liability were as follows:

| | |
|--------------------------------|---|
| Measurement date | September 30, 2017 |
| Actuarial valuation date | September 30, 2017 |
| Actuarial cost method | Entry Age Cost Method (Level % of Pay) |
| Actuarial assumptions: | |
| Discount Rate | 3.64% |
| Inflation Rate | 2.5% per year |
| Salary Increase Rate | 2.5% per year |
| Health Care Participation Rate | 20% participation assumed, with 50% electing spouse coverage |
| Mortality Rate | RP-2000 Combined Health Mortality Table projected to the valuation date using Scale AA. |
| Retirement Rates | 100% at Age 60 |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current discount rate:

| 1% Decrease (2.64%) | Current Discount Rate (3.64%) | 1% Increase (4.64%) |
|---------------------------|-------------------------------------|---------------------------|
| \$ 150,827 | \$ 138,275 | \$ 127,424 |

Sensitivity of the Net OPEB Liability Using Alternative Healthcare Cost Trend Rates – The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| 1% Decrease 3.00% - 7.50% | Healthcare Cost Trend Rate 4.00% - 8.50% | 1% Increase 5.00% - 9.50% |
|------------------------------|--|------------------------------|
| \$ 127,078 | \$ 138,275 | \$ 151,361 |

OPEB Expense – For the fiscal year ended September 30, 2018, the District recognized OPEB expense of \$19,069.

NOTE 16 – 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. There were no significant reductions in insurance coverage from the prior fiscal year. The Town provides employee medical benefits through commercial insurance coverage. Settlements during the previous three years did not exceed insurance coverage.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 17 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

GASB Statement No. 83 - Certain Asset Retirement Obligations

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84 - Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases 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 based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. For reporting periods beginning after December 15, 2019.

GASB Statement No. 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. If application for prior periods presented is not practicable, the reason for not applying this Statement to prior periods presented should be disclosed.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 17 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (Continued)

GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied prospectively. For construction-in-progress, interest cost incurred after the beginning of the first reporting period to which this Statement is applied should not be capitalized.

GASB Statement No. 90 - Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Except as discussed in paragraph 11, in the period this Statement is first applied, changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. Also, the reason for not restating prior periods presented should be disclosed. In the first period that this Statement is applied, the notes to financial statements should disclose the nature of the restatement and its effect.

The Town's management has not yet determined the effect these Statements will have on the Town's financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)**

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|-------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Property taxes | \$ 8,138,972 | \$ 8,138,972 | \$ 8,271,252 | \$ 132,280 |
| Franchise fees and utility taxes | 1,692,000 | 1,692,000 | 1,794,609 | 102,609 |
| Intergovernmental | 1,029,159 | 1,029,159 | 1,029,976 | 817 |
| Fines and forfeitures | 85,000 | 85,000 | 484,086 | 399,086 |
| Charges for services | 10,200 | 10,200 | 13,281 | 3,081 |
| Licenses and permits | 815,000 | 815,000 | 1,147,773 | 332,773 |
| Interest income and other | 6,600 | 6,600 | 21,055 | 14,455 |
| Grant revenue | 84,983 | 84,983 | 84,696 | (287) |
| Miscellaneous revenues | 141,970 | 141,970 | 200,934 | 58,964 |
| Total revenues | <u>12,003,884</u> | <u>12,003,884</u> | <u>13,047,662</u> | <u>1,043,778</u> |
| Expenditures: | | | | |
| General government departments: | | | | |
| Commission | 152,059 | 152,059 | 150,328 | 1,731 |
| Donations | 29,825 | 29,825 | 29,825 | - |
| Chamber | 58,598 | 59,727 | 51,001 | 8,726 |
| Administration | 893,182 | 961,657 | 958,681 | 2,976 |
| Attorney | 363,000 | 383,000 | 382,762 | 238 |
| General | 984,200 | 698,463 | 672,418 | 26,045 |
| Business development | 255,550 | 255,550 | 91,428 | 164,122 |
| Total general government | <u>2,736,414</u> | <u>2,540,281</u> | <u>2,336,443</u> | <u>203,838</u> |
| Other departments: | | | | |
| Police department | 4,382,649 | 4,382,649 | 4,295,691 | 86,958 |
| Emergency medical services | 800,558 | 800,558 | 799,997 | 561 |
| Development services | 1,261,933 | 1,398,066 | 1,400,691 | (2,625) |
| Municipal services | 1,984,594 | 2,044,594 | 2,047,551 | (2,957) |
| Recreation services | 543,914 | 543,914 | 440,851 | 103,063 |
| Total other departments | <u>8,973,648</u> | <u>9,169,781</u> | <u>8,984,781</u> | <u>185,000</u> |
| Total expenditures | <u>11,710,062</u> | <u>11,710,062</u> | <u>11,321,224</u> | <u>388,838</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>293,822</u> | <u>293,822</u> | <u>1,726,438</u> | <u>1,432,616</u> |
| Other financing sources (uses): | | | | |
| Use of fund balance | 200,000 | 200,000 | - | (200,000) |
| Transfers in | 22,000 | 22,000 | 22,000 | - |
| Transfers out | (515,822) | (515,822) | (515,822) | - |
| Total other financing sources (uses) | <u>(293,822)</u> | <u>(293,822)</u> | <u>(493,822)</u> | <u>(200,000)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>1,232,616</u> | <u>\$ 1,232,616</u> |
| Fund balance, beginning | | | <u>6,011,460</u> | |
| Fund balance, ending | | | <u>\$ 7,244,076</u> | |

See notes to Required Supplementary Information.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2018

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

Annual appropriated budgets are adopted for all governmental funds on a basis consistent with accounting principles generally accepted in the United States.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) In July, the Town Manager submits to the Commission a proposed operating and capital budget for the ensuing fiscal year. The budget includes proposed expenditures and the means of financing them.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The Town Commission, by motion, may make supplemental appropriations for the fiscal year.
- (e) Formal budgetary integration is employed as a management control device during the fiscal year for the general fund.
- (f) The Town Manager is authorized to transfer part or all of an unencumbered appropriation balance within a department; however, any revisions that alter the total appropriations of any fund must be approved by the Town Commission. The classification detail at which expenditures may not legally exceed appropriations is at the department level.
- (g) Unencumbered appropriations lapse at fiscal year-end. Encumbered amounts are reappropriated in the following fiscal year's budget.
- (h) Budgeted amounts are as originally adopted or as amended.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS –
VOLUNTEER FIREFIGHTERS PENSION PLAN
FISCAL YEAR ENDED SEPTEMBER 30, 2018

| Measurement Year Ended September 30, | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability (TPL) | | | | | |
| Service cost | \$ 39,229 | \$ 55,966 | \$ 22,358 | \$ 39,823 | \$ 48,234 |
| Interest on the total pension liability | 122,909 | 115,897 | 96,588 | 97,199 | 38,136 |
| Benefit changes | - | - | 152,366 | - | - |
| Differences between actual and expected experience | (119,225) | 17,679 | 57,929 | (50,638) | - |
| Changes of assumption | - | 21,808 | - | (22,967) | - |
| Benefit payments | (87,100) | (76,043) | (46,123) | (15,194) | (15,194) |
| Refunds | (2,984) | (7,326) | (2,083) | (7,981) | (15,195) |
| Other changes | - | - | - | 87,139 | 129,583 |
| Net change in total pension liability | (47,171) | 127,981 | 281,035 | 127,381 | 185,564 |
| Total pension liability - beginning | 1,896,724 | 1,768,743 | 1,487,708 | 1,360,327 | 1,174,763 |
| Total pension liability - ending (a) | \$ 1,849,553 | \$ 1,896,724 | \$ 1,768,743 | \$ 1,487,708 | \$ 1,360,327 |
| Plan fiduciary net position | | | | | |
| Contributions - Employer (from Town) | \$ 14,625 | \$ 12,990 | \$ 14,122 | \$ 14,458 | \$ 13,976 |
| Contributions - Employer (from State) | 113,804 | 58,209 | 85,906 | 110,610 | 153,054 |
| Contributions - Members | 17,831 | 12,990 | 14,122 | 14,458 | 13,976 |
| Net investment income | 229,884 | 180,802 | 123,067 | (40,115) | 58,637 |
| Benefit payments | (87,100) | (76,043) | (46,123) | (15,194) | (15,194) |
| Refunds | (2,984) | (7,326) | (2,083) | (7,981) | (15,195) |
| Pension plan administrative expense | (36,441) | (27,136) | (18,613) | (32,027) | (8,350) |
| Other changes* | (37,116) | - | - | - | - |
| Net change in fiduciary net position | 212,503 | 154,486 | 170,398 | 44,209 | 200,904 |
| Plan fiduciary net position - beginning | 2,088,421 | 1,933,935 | 1,763,537 | 1,719,328 | 1,518,424 |
| Plan fiduciary net position - ending (b) | \$ 2,300,924 | \$ 2,088,421 | \$ 1,933,935 | \$ 1,763,537 | \$ 1,719,328 |
| Net pension liability (asset) - ending (a) - (b) | \$ (451,371) | \$ (191,697) | \$ (165,192) | \$ (275,829) | \$ (359,001) |
| Plan fiduciary net position as a percentage of the total pension liability | 124.40% | 110.11% | 109.34% | 118.54% | 126.39% |
| Covered employee payroll | \$ 292,500 | \$ 259,800 | \$ 282,440 | \$ 289,160 | \$ 279,520 |
| Net Pension liability as a percentage of covered employee payroll | -154.31% | -73.79% | -58.49% | -95.39% | -128.43% |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS –
VOLUNTEER FIREFIGHTERS PENSION PLAN
FISCAL YEAR ENDED SEPTEMBER 30, 2018

| Fiscal Year End | (1) Actuarially Determined Contribution (ADC) | (2) Contributions Recognized by the Plan* | (3) Difference Between (1) and (2) | Covered Member Payroll** | Column (2) as a Percentage of Covered Payroll |
|--------------------|--|---|--|-----------------------------|---|
| September 30, 2009 | \$ 30,674 | \$ 41,177 | \$ (10,503) | \$ 111,182 | 37.04% |
| September 30, 2010 | 27,036 | 40,224 | (13,188) | 286,224 | 14.05% |
| September 30, 2011 | 27,036 | 40,460 | (13,424) | 286,224 *** | 14.14% |
| September 30, 2012 | 20,932 | 38,866 | (17,934) | 347,941 | 11.17% |
| September 30, 2013 | 20,932 | 40,274 | (19,342) | 347,941 *** | 11.57% |
| September 30, 2014 | 153 | 37,447 | (37,294) | 279,520 | 13.40% |
| September 30, 2015 | - | 37,929 | (37,929) | 289,160 | 13.12% |
| September 30, 2016 | 29,701 | 100,028 | (70,327) | 282,440 | 35.42% |
| September 30, 2017 | 34,083 | 34,083 | - | 259,800 | 13.12% |
| September 30, 2018 | - | 113,804 | (113,804) | 292,500 | 38.91% |

* Contributions recognized by the Plan relate to employer and nonemployer entities.

** Covered payroll was calculated based on actual member contributions for the fiscal year divided by the employee contribution rate of

*** Expected total covered payroll assumed to be same as expected covered payroll for previous year.

| | |
|-------------------------------|------------------------|
| Valuation date | October 1, 2017 |
| Actuarial cost method | Aggregate |
| Amortization method | N/A |
| Remaining amortization period | N/A |
| Asset valuation method | Market Value of Assets |

Actuarial assumptions:

| | |
|---------------------------|--|
| Investment rate of return | 6.5% |
| Salary increases | 5.5% |
| Inflation | 2.5% |
| Retirement age | The later of normal retirement eligibility or one year after the valuation. |
| Mortality | RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for postretirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates currently in use for Special Risk Class members of the Florida Retirement System (FRS), as mandated by Florida House Bill 1309. |

A publicly available financial statement for the Plan can be obtained from the Board of Trustees, 4442 Sea Grape Drive, Lauderdale-By-The-Sea, Florida, 33308 which includes the additional financial reporting requirements of GASB 67, *Financial Reporting for Pension Plans*, including the annual money-weighted rate of return on pension plan investments.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY –
FLORIDA RETIREMENT SYSTEM
FISCAL YEAR ENDED SEPTEMBER 30, 2018

Schedule of the Town's Proportionate Share of the Net Pension Liability -
Florida Retirement System Pension Plan
Last 10 Years (1) (2)

| | 2018 | 2017 | 2016 | 2015 |
|---|-------------|-------------|-------------|-------------|
| Town's proportion of the FRS net pension liability | 0.00838% | 0.00811% | 0.00739% | 0.00716% |
| Town's proportionate share of the FRS net pension liability | \$2,523,345 | \$2,397,897 | \$1,867,084 | \$ 925,142 |
| Town's covered employee payroll | \$1,812,223 | \$1,652,978 | \$1,907,616 | \$1,837,884 |
| Town's proportionate share of the FRS net pension liability as a percentage of its covered employee payroll | 139.24% | 145.07% | 97.88% | 50.34% |
| FRS plan fiduciary net position as a percentage of the total pension liability | 84.26% | 83.89% | 84.88% | 92.00% |

Schedule of the Town's Proportionate Share of the Net Pension Liability -
Health Insurance Subsidy Pension Plan
Last 10 Years (1) (2)

| | 2018 | 2017 | 2016 | 2015 |
|---|-------------|-------------|-------------|-------------|
| Town's proportion of the HIS net pension liability | 0.00634% | 0.00604% | 0.00618% | 0.00599% |
| Town's proportionate share of the HIS net pension liability | \$ 670,555 | \$ 645,544 | \$ 720,176 | \$ 610,760 |
| Town's covered employee payroll | \$1,812,223 | \$1,652,978 | \$1,907,616 | \$1,837,884 |
| Town's proportionate share of the HIS net pension liability as a percentage of its covered employee payroll | 37.00% | 39.05% | 37.75% | 33.23% |
| HIS plan fiduciary net position as a percentage of the total pension liability | 2.15% | 1.64% | 0.97% | 0.50% |

(1) The amounts presented for each year were determined as of the measurement date, June 30.

(2) Information is only available for the years presented.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS –
FLORIDA RETIREMENT SYSTEM
FISCAL YEAR ENDED SEPTEMBER 30, 2018

Schedule of the Town Contributions -
Florida Retirement System Pension Plan
Last 10 Fiscal Years (1) (2)

| | 2018 | 2017 | 2016 | 2015 |
|--|-------------|-------------|-------------|-------------|
| Contractually required FRS contribution | \$ 228,094 | \$ 201,918 | \$ 213,343 | \$ 203,842 |
| FRS contributions in relation to the contractually required contribution | (228,094) | (201,918) | (213,343) | (203,842) |
| FRS contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| | | | | |
| Town's covered employee payroll | \$1,822,995 | \$1,710,062 | \$1,987,533 | \$1,854,933 |
| FRS contributions as a percentage of covered employee payroll | 12.51% | 11.81% | 10.73% | 10.99% |

Schedule of the Town Contributions -
Health Insurance Subsidy Pension Plan
Last 10 Fiscal Years (1) (2)

| | 2018 | 2017 | 2016 | 2015 |
|--|-------------|-------------|-------------|-------------|
| Contractually required HIS contribution | \$ 30,262 | \$ 28,387 | \$ 32,944 | \$ 25,157 |
| HIS contributions in relation to the contractually required contribution | (30,262) | (28,387) | (32,944) | (25,157) |
| HIS contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| | | | | |
| Town's covered employee payroll | \$1,822,995 | \$1,710,062 | \$1,987,533 | \$1,854,933 |
| HIS contributions as a percentage of covered employee payroll | 1.66% | 1.66% | 1.66% | 1.36% |

(1) The amounts presented for each fiscal year were determined as of September 30.

(2) Information is only available for the years presented.

A publicly available financial statement for the Plan can be obtained from the Florida Department of Management Services (DMS), Division of Retirement, Research and Education Section, PO Box 9000, Tallahassee, Florida, 32315-9000; phone 850-488-5706; website (www.dms.myflorida.com) which includes additional financial reporting requirements, including the annual money-weighted rate of return on pension plan investments.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY
FISCAL YEAR ENDED SEPTEMBER 30, 2018

Total OPEB Liability

| | |
|------------------------|-------------------|
| Beginning balance | \$ 141,778 |
| Service cost | 10,466 |
| Interest | 4,485 |
| Changes in assumptions | (7,050) |
| Benefit payments | (11,404) |
| Ending balance | <u>\$ 138,275</u> |

Plan Fiduciary Net Position

| | |
|--------------------------|-------------|
| Beginning balance | \$ - |
| Service cost | - |
| Expected interest growth | - |
| Changes in assumptions | - |
| Benefit payments | - |
| Ending balance | <u>\$ -</u> |

Net OPEB Liability

| | |
|------------------------|-------------------|
| Beginning balance | \$ 141,778 |
| Service cost | 10,466 |
| Interest | 4,485 |
| Changes in assumptions | (7,050) |
| Benefit payments | (11,404) |
| Ending balance | <u>\$ 138,275</u> |

Plan fiduciary net position as a percentage of total OPEB liability 0.00%

Covered employee payroll \$ 2,073,315

Net OPEB liability as a percentage of covered employee payroll 6.67%

COMBINING FUND STATEMENTS

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TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

| | Special Revenue Funds | | |
|--|------------------------------|--------------|------------------|
| | Police | Fire | Total |
| | Training and | Fund | Non-Major |
| | Forfeiture | Fund | Funds |
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 12,439 | \$ 1,168,006 | \$ 1,180,445 |
| Prepaid items | - | 67,399 | 67,399 |
| Total assets | \$ 12,439 | \$ 1,235,405 | \$ 1,247,844 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Accounts payable and other liabilities | \$ - | \$ 3,827 | \$ 3,827 |
| Unearned revenue | - | 23,269 | 23,269 |
| Total liabilities | - | 27,096 | 27,096 |
| Fund balances: | | | |
| Nonspendable: | | | |
| Prepaid items | - | 67,399 | 67,399 |
| Restricted for: | | | |
| Fire department | - | 1,140,910 | 1,140,910 |
| Committed for: | | | |
| License plate reader system contract | 12,439 | - | 12,439 |
| Total fund balances | 12,439 | 1,208,309 | 1,220,748 |
| Total liabilities and fund balances | \$ 12,439 | \$ 1,235,405 | \$ 1,247,844 |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | <u>Special Revenue Funds</u> | | Total Non-Major Funds |
|--|---|----------------------|--------------------------------------|
| | Police Training and Forfeiture | Fire Fund | |
| Revenues: | | | |
| Fire assessments | \$ - | \$ 1,051,761 | \$ 1,051,761 |
| Charges for services | - | 33,732 | 33,732 |
| Miscellaneous revenues | 6,826 | - | 6,826 |
| Total revenues | <u>6,826</u> | <u>1,085,493</u> | <u>1,092,319</u> |
| Expenditures: | | | |
| Current: | | | |
| Public safety | - | 832,217 | 832,217 |
| Capital outlay | - | 63,120 | 63,120 |
| Total expenditures | <u>-</u> | <u>895,337</u> | <u>895,337</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>6,826</u> | <u>190,156</u> | <u>196,982</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 26,800 | 26,800 |
| Transfers out | - | (22,000) | (22,000) |
| Total other financing sources (uses) | <u>-</u> | <u>4,800</u> | <u>4,800</u> |
| Net change in fund balances | 6,826 | 194,956 | 201,782 |
| Fund balances, beginning | <u>5,613</u> | <u>1,013,353</u> | <u>1,018,966</u> |
| Fund balances, ending | <u>\$ 12,439</u> | <u>\$ 1,208,309</u> | <u>\$ 1,220,748</u> |

BUDGETARY COMPARISON SCHEDULES

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TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
CAPITAL PROJECTS FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | Budgeted Amounts | | Actual | Variance with |
|--|-------------------------|--------------|----------------|----------------------|
| | Original | Final | Amounts | Final Budget- |
| | | | | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Interest income | \$ - | \$ - | \$ 4,262 | \$ 4,262 |
| Total revenues | - | - | 4,262 | 4,262 |
| Expenditures: | | | | |
| General Government: | | | | |
| Administrative | 184,743 | 184,743 | 72,988 | 111,755 |
| Capital outlay | 871,749 | 871,749 | 334,136 | 537,613 |
| Total expenditures | 1,056,492 | 1,056,492 | 407,124 | 649,368 |
| Excess (deficiency) of revenues over (under) expenditures | (1,056,492) | (1,056,492) | (402,862) | 653,630 |
| Other financing sources (uses): | | | | |
| Transfers in | 489,022 | 489,022 | 489,022 | - |
| Use of fund balance | 567,470 | 567,470 | - | (567,470) |
| Total other financing sources (uses) | 1,056,492 | 1,056,492 | 489,022 | (567,470) |
| Net change in fund balance | \$ - | \$ - | 86,160 | \$ 86,160 |
| Fund balance, beginning | | | 3,543,608 | |
| Fund balance, ending | | | \$ 3,629,768 | |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
SPECIAL REVENUE FUND
POLICE TRAINING AND FORFEITURE FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | Budgeted Amounts | | Actual | Variance With |
|--|-------------------------|--------------|----------------|----------------------------|
| | Original | Final | Amounts | Final Budget- |
| | | | | Positive (Negative) |
| Revenues: | | | | |
| Miscellaneous | \$ - | \$ - | \$ 6,826 | \$ 6,826 |
| Total revenues | - | - | 6,826 | 6,826 |
| | | | | |
| Expenditures: | | | | |
| Capital outlay | - | - | - | - |
| Total expenditures | - | - | - | - |
| | | | | |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | 6,826 | \$ 6,826 |
| | | | | |
| Fund balance, beginning | | | 5,613 | |
| Fund balance, ending | | | \$ 12,439 | |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
SPECIAL REVENUE FUND
FIRE FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget - Positive (Negative) |
|--|------------------|--------------|-------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Fire assessments | \$ 1,033,502 | \$ 1,033,502 | \$ 1,051,761 | \$ 18,259 |
| Charges for services | 35,000 | 35,000 | 33,732 | (1,268) |
| Total revenues | 1,068,502 | 1,068,502 | 1,085,493 | 16,991 |
| Expenditures: | | | | |
| Current: | | | | |
| Public Safety | 841,790 | 841,790 | 832,217 | 9,573 |
| Capital outlay | 117,500 | 117,500 | 63,120 | 54,380 |
| Total expenditures | 959,290 | 959,290 | 895,337 | 63,953 |
| Excess (deficiency) of revenues over (under) expenditures | 109,212 | 109,212 | 190,156 | 80,944 |
| Other financing sources (uses): | | | | |
| Transfers in | 26,800 | 26,800 | 26,800 | - |
| Transfers out | (136,012) | (136,012) | (22,000) | 114,012 |
| Total other financing sources (uses) | (109,212) | (109,212) | 4,800 | 114,012 |
| Net change in fund balances | \$ - | \$ - | 194,956 | \$ 194,956 |
| Fund balance, beginning | | | 1,013,353 | |
| Fund balance, ending | | | \$ 1,208,309 | |

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STATISTICAL SECTION

This part of the Town of Lauderdale-By-The-Sea's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| <u>Contents</u> | <u>Page</u> |
|--|--------------|
| Financial Trends These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. | 71-78 |
| Revenue Capacity These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax. | 79-81 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future. | 82-84 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place. | 85-87 |
| Operating and Other Information These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs. | 88-89 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant fiscal year.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 1
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(ACCOUNTS EXPRESSED IN THOUSANDS)

| | Fiscal Year Ended September 30, | | | | | | | | | |
|---|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 15,518 | \$ 15,222 | \$ 15,296 | \$ 16,455 | \$ 20,759 | \$ 23,624 | \$ 23,853 | \$ 24,579 | \$ 23,632 | \$ 22,702 |
| Restricted for: | | | | | | | | | | |
| Town beautification per contractual agreement | 1,000 | 1,000 | 928 | 928 | 678 | 678 | 678 | 678 | 678 | 678 |
| Law enforcement | 291 | 212 | 198 | 186 | 139 | 156 | 2 | 3 | 5 | 12 |
| Fire enforcement | 63 | 216 | 486 | 416 | 604 | 793 | 982 | 904 | 946 | 1,140 |
| Unrestricted | 8,358 | 11,054 | 12,887 | 13,698 | 10,368 | 8,323 | 7,969 | 7,043 | 7,672 | 8,610 |
| Total governmental activities net position | 25,230 | 27,704 | 29,795 | 31,683 | 32,548 | 33,574 | 33,484 | 33,207 | 32,933 | 33,142 |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | 5,578 | 5,629 | 6,255 | 6,541 | 7,464 | 8,454 | 8,366 | 9,026 | 12,148 | 12,800 |
| Unrestricted | 1,853 | 1,668 | 1,887 | 2,312 | 2,822 | 2,666 | 4,291 | 5,239 | 3,868 | 5,013 |
| Total business-type activities net position | 7,431 | 7,297 | 8,142 | 8,853 | 10,286 | 11,120 | 12,657 | 14,265 | 16,016 | 17,813 |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | 21,096 | 20,851 | 21,551 | 22,996 | 28,223 | 32,078 | 32,219 | 33,605 | 35,780 | 35,502 |
| Restricted for: | | | | | | | | | | |
| El Mar beautification per contractual agreement | 1,000 | 1,000 | 928 | 928 | 678 | 678 | 678 | 678 | 678 | 678 |
| Law enforcement | 291 | 212 | 198 | 186 | 139 | 156 | 2 | 3 | 5 | 12 |
| Fire department | 63 | 216 | 486 | 416 | 604 | 793 | 982 | 904 | 946 | 1,140 |
| Unrestricted | 10,211 | 12,722 | 14,774 | 16,010 | 13,190 | 10,989 | 12,260 | 12,282 | 11,540 | 13,623 |
| Total primary government net position | \$ 32,661 | \$ 35,001 | \$ 37,937 | \$ 40,536 | \$ 42,834 | \$ 44,694 | \$ 46,141 | \$ 47,472 | \$ 48,949 | \$ 50,955 |

¹ The Town's beginning net position was restated for the effect of adoption of GASB No.68 and 71 in fiscal year 2015, the restatement decreased beginning net position by (\$758,914).

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

**TABLE 2
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)**

| Expenses: | Fiscal Year Ended September 30, | | | | | | | | | |
|--|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 2,153 | \$ 2,442 | \$ 2,275 | \$ 2,392 | \$ 2,567 | \$ 2,409 | \$ 2,471 | \$ 2,327 | \$ 2,514 | \$ 2,535 |
| Public safety | 4,795 | 4,869 | 4,953 | 5,566 | 6,049 | 6,254 | 7,093 | 7,407 | 7,338 | 7,428 |
| Transportation | 1,602 | 1,592 | 1,660 | 1,269 | 1,317 | 1,382 | 1,516 | 1,675 | 1,856 | 1,978 |
| Recreation | 400 | 418 | 397 | 333 | 362 | 382 | 452 | 442 | 470 | 444 |
| Physical environment | 320 | 294 | 125 | 563 | 810 | 1,007 | 1,246 | 1,534 | 1,591 | 1,435 |
| Interest on long-term debt | 551 | - | - | - | - | - | - | - | - | - |
| Total governmental activities | 9,821 | 9,615 | 9,410 | 10,123 | 11,105 | 11,434 | 12,778 | 13,385 | 13,769 | 13,820 |
| Business-type activities: | | | | | | | | | | |
| Sewer | 1,062 | 1,105 | 974 | 1,511 | 861 | 1,260 | 882 | 950 | 955 | 856 |
| Stormwater | - | - | - | - | - | - | - | - | - | - |
| Parking | 201 | 220 | 424 | 440 | 425 | 490 | 660 | 680 | 753 | 765 |
| Interest on long-term debt | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities | 1,263 | 1,325 | 1,398 | 1,951 | 1,286 | 1,750 | 1,542 | 1,630 | 1,708 | 1,621 |
| Total primary government | \$ 11,084 | \$ 10,940 | \$ 10,808 | \$ 12,074 | \$ 12,391 | \$ 13,184 | \$ 14,320 | \$ 15,015 | \$ 15,477 | \$ 15,441 |
| Program revenues: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 244 | \$ 148 | \$ 154 | \$ 636 | \$ 887 | \$ 1,195 | \$ 1,619 | \$ 1,502 | \$ 1,357 | \$ 1,632 |
| Public safety | - | 202 | 38 | 59 | 1,085 | 1,029 | 1,017 | 1,018 | 1,095 | 1,099 |
| Transportation | 299 | - | - | - | - | - | - | - | - | - |
| Recreation | 6 | 226 | 303 | - | - | - | - | - | - | - |
| Physical environment | 19 | - | - | - | - | - | - | - | - | - |
| Operating grants and contributions | 71 | 107 | 145 | 84 | 69 | 81 | 82 | 82 | 84 | 85 |
| Capital grants and contributions | 1,201 | - | - | 442 | - | 32 | 129 | - | - | - |
| Total governmental activities program revenues | 1,840 | 683 | 640 | 1,221 | 2,041 | 2,337 | 2,847 | 2,602 | 2,536 | 2,816 |
| Business type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Sewer | 1,002 | 964 | 1,153 | 1,207 | 1,125 | 966 | 1,128 | 1,051 | 1,150 | 1,178 |
| Stormwater | - | - | - | - | - | - | - | - | - | - |
| Parking | 481 | 389 | 948 | 1,620 | 1,553 | 1,616 | 2,034 | 2,182 | 2,309 | 2,237 |
| Capital grants and contributions | 34 | - | 295 | - | 39 | - | - | - | - | - |
| Total business-type activities program revenues | 1,517 | 1,353 | 2,396 | 2,827 | 2,717 | 2,582 | 3,162 | 3,233 | 3,459 | 3,415 |
| Total primary government program revenues | \$ 3,357 | \$ 2,036 | \$ 3,036 | \$ 4,048 | \$ 4,758 | \$ 4,919 | \$ 6,009 | \$ 5,835 | \$ 5,995 | \$ 6,231 |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 2 (CONTINUED)
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)

| | Fiscal Year Ended September 30, | | | | | | | | | |
|---|---------------------------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Net (expense) revenue: | | | | | | | | | | |
| Governmental activities | \$ (7,981) | \$ (8,932) | \$ (8,770) | \$ (8,902) | \$ (9,064) | \$ (9,097) | \$ (9,931) | \$ (10,783) | \$ (11,233) | \$ (11,004) |
| Business-type activities | 254 | 28 | 998 | 876 | 1,431 | 832 | 1,620 | 1,603 | 1,751 | 1,794 |
| Total primary government net expense | \$ (7,727) | \$ (8,904) | \$ (7,772) | \$ (8,026) | \$ (7,633) | \$ (8,265) | \$ (8,311) | \$ (9,180) | \$ (9,482) | \$ (9,210) |
| General revenues and other changes in net position: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes | \$ 9,196 | \$ 8,404 | \$ 7,938 | \$ 7,798 | \$ 6,723 | \$ 6,915 | \$ 7,076 | \$ 7,484 | \$ 7,920 | \$ 8,271 |
| Utility taxes based on gross receipts | 943 | 1,033 | 1,006 | 995 | 932 | 970 | 1,009 | 999 | 1,050 | 1,059 |
| Franchise fees based on gross receipts | 822 | 734 | 701 | 703 | 699 | 707 | 706 | 735 | 749 | 735 |
| Communications services tax | 434 | 366 | 330 | 376 | 385 | 351 | 357 | 414 | 317 | 314 |
| Intergovernmental | 556 | 539 | 557 | 594 | 848 | 676 | 916 | 682 | 703 | 716 |
| Unrestricted Interest earnings | 34 | 86 | 52 | 49 | 75 | 25 | 32 | 6 | 17 | 25 |
| Miscellaneous | 73 | 78 | 109 | 107 | 267 | 478 | 417 | 186 | 202 | 208 |
| Transfers | 624 | 166 | 167 | 167 | - | - | - | - | - | - |
| Special items | (9,194) | - | - | - | - | - | - | - | - | - |
| Total governmental activities | 3,488 | 11,406 | 10,860 | 10,789 | 9,929 | 10,122 | 10,513 | 10,506 | 10,958 | 11,328 |
| Business-type activities: | | | | | | | | | | |
| Unrestricted Interest earnings | 7 | 4 | 3 | 2 | 2 | 2 | 2 | - | - | 6 |
| Miscellaneous | - | - | 11 | - | - | - | 3 | 5 | 1 | 8 |
| Gain on sale of assets | - | - | - | - | - | - | - | - | - | - |
| Transfers | (624) | (166) | (167) | (167) | - | - | - | - | - | - |
| Total business-type activities | (617) | (162) | (153) | (165) | 2 | 2 | 5 | 5 | 1 | 14 |
| Total primary government | \$ 2,871 | \$ 11,244 | \$ 10,707 | \$ 10,624 | \$ 9,931 | \$ 10,124 | \$ 10,518 | \$ 10,511 | \$ 10,959 | \$ 11,342 |
| Changes in net position: | | | | | | | | | | |
| Government activities | \$ (4,493) | \$ 2,474 | \$ 2,090 | \$ 1,887 | \$ 865 | \$ 1,025 | \$ 582 | \$ (277) | \$ (275) | \$ 324 |
| Business-type activities | (363) | (134) | 845 | 711 | 1,433 | 834 | 1,625 | 1,608 | 1,752 | 1,808 |
| Total primary government | \$ (4,856) | \$ 2,340 | \$ 2,935 | \$ 2,598 | \$ 2,298 | \$ 1,859 | \$ 2,207 | \$ 1,331 | \$ 1,477 | \$ 2,132 |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 3
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)

| Fiscal Year Ended September 30, | Ad Valorem and Fire Taxes | Franchise Fees on Services | Utility Tax | Communication Service Tax | Transportation Tax | Total |
|---------------------------------------|------------------------------------|----------------------------------|----------------|---------------------------------|-----------------------|-----------|
| 2009 | \$ 9,196 | \$ 822 | \$ 943 | \$ 434 | \$ 109 | \$ 11,504 |
| 2010 | 8,404 | 734 | 1,033 | 366 | 102 | 10,639 |
| 2011 | 7,938 | 701 | 1,006 | 330 | 104 | 10,079 |
| 2012 | 7,798 | 703 | 995 | 376 | 104 | 9,976 |
| 2013 | 7,766 | 699 | 932 | 385 | 104 | 9,886 |
| 2014 | 7,894 | 707 | 970 | 351 | 107 | 10,029 |
| 2015 | 8,053 | 706 | 1,009 | 357 | 110 | 10,235 |
| 2016 | 8,459 | 735 | 999 | 414 | 110 | 10,717 |
| 2017 | 8,973 | 749 | 1,050 | 317 | 116 | 11,205 |
| 2018 | 9,323 | 735 | 1,059 | 314 | 112 | 11,543 |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 4
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)

| | | Pre-GASB 54 September 30, | |
|------------------------------------|--|------------------------------|----------------|
| | | 2009 | 2010 |
| General fund: | | | |
| Reserved | | \$ 250 | \$ 220 |
| Unreserved, designated | | 4,163 | 4,556 |
| Unreserved, undesignated | | 2,189 | 3,052 |
| Total general fund | | <u>\$6,602</u> | <u>\$7,828</u> |
| All other governmental funds: | | | |
| Reserved | | | |
| Capital project funds | | \$ 1,000 | \$ 1,000 |
| Unreserved, undesignated | | - | - |
| Special revenue funds | | 140 | 176 |
| Capital project funds | | 1,805 | 3,236 |
| Special revenue funds | | 151 | 36 |
| Capital project funds | | 162 | 215 |
| Total all other governmental funds | | <u>\$3,258</u> | <u>\$4,663</u> |

| | | Post-GASB 54 September 30, | | | | | | | | |
|------------------------------------|--|-------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|
| | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| General fund: | | | | | | | | | | |
| Nonspendable | | \$ 4 | \$ 76 | \$ 57 | \$ 170 | \$ 160 | \$ 167 | \$ 202 | \$ 158 | \$ 91 |
| Restricted | | 216 | - | - | - | - | - | - | - | - |
| Assigned | | 4,556 | 2,680 | 2,882 | 4,399 | 3,982 | 3,542 | 3,740 | 2,533 | 2,500 |
| Unassigned | | 3,052 | 5,914 | 6,675 | 3,629 | 3,324 | 3,401 | 2,443 | 3,320 | 4,653 |
| Total general fund | | <u>\$7,828</u> | <u>\$8,670</u> | <u>\$9,614</u> | <u>\$8,198</u> | <u>\$7,466</u> | <u>\$7,110</u> | <u>\$ 6,385</u> | <u>\$6,011</u> | <u>\$7,244</u> |
| All other governmental funds: | | | | | | | | | | |
| Nonspendable | | \$ - | \$ - | \$ - | \$ 64 | \$ 65 | \$ 66 | \$ 67 | \$ 67 | \$ 67 |
| Restricted | | 1,000 | 1,682 | 1,529 | 1,421 | 1,470 | 1,659 | 1,584 | 1,630 | 1,831 |
| Committed | | - | - | - | - | 156 | 3 | - | - | - |
| Assigned | | 3,663 | 4,274 | 3,973 | 2,091 | 714 | 1,243 | 1,424 | 2,866 | 2,952 |
| Total all other governmental funds | | <u>\$4,663</u> | <u>\$5,956</u> | <u>\$5,502</u> | <u>\$3,576</u> | <u>\$2,405</u> | <u>\$2,971</u> | <u>\$ 3,075</u> | <u>\$4,563</u> | <u>\$4,850</u> |

Note:

Nine years of data are available for GASB 54 compliance which was adopted in fiscal year 2011.

Fiscal year 2010 data was restated for GASB 54 comparable presentation.

Source: Town of Lauderdale-By-The-Sea Finance Department

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 5
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

| | Fiscal Year Ended September 30, | | | | | | | | | |
|--|---------------------------------|----------------------|---------------------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Revenues: | | | | | | | | | | |
| Property taxes and fire assessments | \$ 9,323,013 | \$ 8,973,038 | \$ 8,458,845 | \$ 8,052,767 | \$ 7,894,483 | \$ 7,766,298 | \$ 7,798,158 | \$ 7,938,090 | \$ 8,404,054 | \$ 9,195,526 |
| Franchise fees and utility taxes | 1,794,609 | 1,799,511 | 1,734,171 | 1,714,761 | 1,677,798 | 1,631,074 | 1,698,650 | 1,707,308 | 1,766,623 | 1,765,462 |
| Intergovernmental | 1,029,976 | 1,019,977 | 1,095,512 | 1,273,084 | 1,027,448 | 1,233,228 | 969,266 | 887,117 | 905,076 | 989,834 |
| Fines and forfeitures | 484,086 | 161,139 | 94,009 | 165,437 | 444,386 | 123,534 | 125,760 | 303,767 | 226,089 | 254,080 |
| Charges for services | 47,013 | 42,300 | 43,015 | 39,935 | 49,348 | 41,966 | 59,284 | 37,593 | 202,053 | 159,131 |
| Interest and other | 25,317 | 17,081 | 6,024 | 32,016 | 25,361 | 74,648 | 48,940 | 51,906 | 86,830 | 33,821 |
| Licenses and permits | 1,147,773 | 1,196,042 | 1,408,293 | 1,453,520 | 750,198 | 763,664 | 509,892 | 153,933 | 147,549 | 154,835 |
| Grants | 84,696 | 84,237 | 81,650 | 81,530 | 81,387 | 190,621 | 404,166 | 144,653 | 106,159 | 272,262 |
| Miscellaneous revenues | 207,760 | 202,005 | 346,943 | 416,718 | 477,969 | 266,653 | 107,426 | 109,409 | 77,965 | 1,073,158 |
| Total revenues | 14,144,243 | 13,495,330 | 13,268,462 | 13,229,768 | 12,428,378 | 12,091,686 | 11,721,542 | 11,333,776 | 11,922,398 | 13,898,109 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 2,386,055 | 2,209,305 | 2,209,228 | 2,431,450 | 2,367,732 | 2,536,061 | 2,129,772 | 2,106,893 | 2,410,124 | 1,803,315 |
| Public safety | 7,325,908 | 7,215,408 | 7,274,122 | 7,033,832 | 6,214,577 | 5,991,798 | 5,572,541 | 4,923,024 | 4,868,578 | 4,774,384 |
| Transportation | 1,750,558 | 1,636,939 | 1,485,940 | 1,419,610 | 1,298,636 | 1,225,552 | 1,131,531 | 1,434,324 | 1,366,145 | 1,272,675 |
| Recreation | 431,725 | 458,066 | 430,185 | 439,763 | 370,420 | 338,444 | 330,408 | 304,613 | 325,912 | 307,685 |
| Physical environment | 233,592 | 223,675 | 230,293 | 225,740 | 229,228 | 184,217 | 193,526 | 198,313 | 198,313 | 311,328 |
| Capital outlay | 495,847 | 637,985 | 2,260,012 | 1,468,907 | 3,851,212 | 5,157,495 | 2,040,544 | 597,312 | 287,413 | 1,138,153 |
| Debt service: | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | 6,814,833 |
| Interest | - | - | - | - | - | - | - | - | - | 550,849 |
| Total expenditures | 12,623,685 | 12,381,378 | 13,889,780 | 13,019,302 | 14,331,805 | 15,433,567 | 11,398,322 | 9,366,166 | 9,456,485 | 16,973,222 |
| Excess (deficiency) of revenues over expenditures | 1,520,558 | 1,113,952 | (621,318) | 210,466 | (1,903,427) | (3,341,881) | 323,220 | 1,967,610 | 2,465,913 | (3,075,113) |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | 537,822 | 1,808,063 | 2,244,835 | 1,683,227 | 1,931,730 | 2,882,800 | 1,067,000 | 1,562,690 | 1,781,401 | 2,365,244 |
| Transfers out | (537,822) | (1,808,063) | (2,244,835) | (1,683,227) | (1,931,730) | (2,882,800) | (900,000) | (1,395,690) | (1,615,756) | (2,199,599) |
| Total other financing sources (uses) | - | - | - | - | - | - | 167,000 | 167,000 | 165,645 | 165,645 |
| Net change in fund balances | 1,520,558 | 1,113,952 | (621,318) | 210,466 | (1,903,427) | (3,341,881) | 490,220 | 2,134,610 | 2,631,558 | (2,909,468) |
| Fund balances - beginning | 10,574,034 | 9,460,082 | 10,081,400 | 9,870,934 | 11,774,361 | 15,116,242 | 14,626,022 | 12,491,412 | 9,859,854 | 12,769,322 |
| Fund balances - ending | \$ 12,094,592 | \$ 10,574,034 | \$ 9,460,082 | \$ 10,081,400 | \$ 9,870,934 | \$ 11,774,361 | \$ 15,116,242 | \$ 14,626,022 | \$ 12,491,412 | \$ 9,859,854 |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 6
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

| Fiscal Year | Property Taxes and Fire Assessment Fees | Franchise Fees and Utility Taxes | Parking Meters | Licenses and Permits | Inter-Gov't | Charges Services | Fines and Forfeitures | Grants | Interest and Other | Total |
|-------------|---|----------------------------------|----------------|----------------------|-------------|------------------|-----------------------|---------|--------------------|------------|
| | | | | | | | | | | |
| 2009 | 9,195,526 | 1,765,462 | 118,431 | 154,835 | 989,834 | 40,700 | 254,080 | 272,262 | 1,106,979 | 13,898,109 |
| 2010 | 8,404,054 | 1,766,623 | 156,585 | 147,549 | 905,076 | 45,468 | 226,089 | 106,159 | 164,795 | 11,922,398 |
| 2011 | 7,938,090 | 1,707,308 | - | 153,933 | 887,117 | 37,593 | 303,767 | 144,653 | 161,315 | 11,333,776 |
| 2012 | 7,798,158 | 1,698,650 | - | 509,892 | 969,266 | 59,284 | 125,760 | 404,166 | 156,366 | 11,721,542 |
| 2013 | 7,766,298 | 1,631,074 | - | 763,664 | 1,233,228 | 41,966 | 123,534 | 190,621 | 341,301 | 12,091,686 |
| 2014 | 7,894,483 | 1,677,798 | - | 750,198 | 1,027,448 | 49,348 | 444,386 | 81,387 | 503,330 | 12,428,378 |
| 2015 | 8,052,767 | 1,714,761 | - | 1,453,520 | 1,273,084 | 39,935 | 165,437 | 81,530 | 448,734 | 13,229,768 |
| 2016 | 8,458,845 | 1,734,171 | - | 1,408,293 | 1,095,512 | 43,015 | 94,009 | 81,650 | 352,967 | 13,268,462 |
| 2017 | 8,973,038 | 1,799,511 | - | 1,196,042 | 1,019,977 | 42,300 | 161,139 | 84,237 | 219,086 | 13,495,330 |
| 2018 | 9,323,013 | 1,794,609 | - | 1,147,773 | 1,029,976 | 47,013 | 484,086 | 84,696 | 233,077 | 14,144,243 |

Note: From fiscal year 2002 and forward, parking meter revenue is reflected in charges for services as included in the government-wide financial statements. However, for the purpose of this table, parking meter revenue has been separated. Since fiscal year 2006, business parking meter revenue is reported in the Parking Improvement Fund. Since fiscal year 2011, all parking meter revenue is reported in the Parking Improvement Fund.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 7
PRELIMINARY RECAPITULATION OF THE AD VALOREM ASSESSMENT ROLLS
LAST TEN FISCAL YEARS

| Fiscal Year | Tax Roll Year | Real Property Assessed Value | Personal Property Assessed Value | Exemptions | | Taxable Assessed Property Value | Final Actual Taxable Value | Total Direct Tax Rate |
|-------------|---------------|------------------------------|----------------------------------|-------------|-----------|---------------------------------|----------------------------|-----------------------|
| | | | | Real | Personal | | | |
| 2009 | 2008 | 2,612,998,410 | 16,120,707 | 504,722,019 | 4,264 | 2,124,392,834 | 2,116,655,262 | 3.9990 |
| 2010 | 2009 | 2,289,945,450 | 15,724,578 | 375,437,058 | 4,260,512 | 1,925,972,458 | 1,910,328,861 | 3.9990 |
| 2011 | 2010 | 1,901,968,310 | 15,105,857 | 143,291,270 | 4,214,572 | 1,769,568,325 | 1,765,210,362 | 3.9990 |
| 2012 | 2011 | 1,860,076,290 | 16,804,874 | 141,590,530 | 4,362,075 | 1,730,928,559 | 1,729,694,589 | 3.9990 |
| 2013 | 2012 | 1,883,607,260 | 16,475,042 | 136,628,990 | 4,273,669 | 1,759,179,643 | 1,758,359,285 | 3.9312 |
| 2014 | 2013 | 1,934,576,100 | 18,819,056 | 136,763,170 | 3,876,058 | 1,812,755,928 | 1,810,952,599 | 3.9312 |
| 2015 | 2014 | 2,055,742,730 | 18,924,622 | 139,076,520 | 4,699,454 | 1,930,891,378 | 1,928,187,948 | 3.8000 |
| 2016 | 2015 | 2,199,032,820 | 20,856,875 | 139,266,890 | 5,071,794 | 2,075,551,011 | 2,073,594,801 | 3.7379 |
| 2017 | 2016 | 2,343,814,020 | 21,518,709 | 140,782,850 | 4,969,718 | 2,219,580,161 | 2,219,593,247 | 3.6873 |
| 2018 | 2017 | 2,633,255,130 | 25,617,432 | 146,659,620 | 4,748,348 | 2,507,464,594 | 2,376,152,413 | 3.5989 |

Source: Broward County, Florida, Property Appraiser

Note: Property in Broward County is reassessed once every year, on average. The county assesses property at approximately 85-100 percent of actual value for commercial and industrial property and 85-100 percent for residential property, as required by Florida law. Estimated actual taxable value is calculated by dividing taxable value by those percentages. Tax rates are per \$1,000 of assessed value.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

**TABLE 8
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND TEN YEARS AGO
SEPTEMBER 30, 2018**

| Taxpayer | Type of Use | 2018 | | | 2009 | | |
|-----------------------------|-----------------------------|---------------------------------|------|--|----------------------|------|--|
| | | Assessed Valuation ¹ | Rank | Percentage of Total Assessed Valuation | Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
| Florida Development Group | Hotel | \$ 39,775,420 | 1 | 1.64% | - | - | - |
| Edmondson, James P | Restaurant | 10,430,860 | 2 | 0.43% | 7,123,630 | 6 | 0.31% |
| White Cap of Florida Inc | Condominiums | 9,144,050 | 3 | 0.38% | - | - | - |
| Gorana International Inc | Restaurant/Pier | 6,880,920 | 4 | 0.28% | - | - | - |
| Seagrape Commons LLC | Hotel | 6,105,010 | 5 | 0.25% | - | - | - |
| Z & K Property Corp Inc | Condominiums | 5,023,370 | 6 | 0.21% | - | - | - |
| Topflow Property Corp | Hotel | 4,889,710 | 7 | 0.20% | - | - | - |
| LBTS Properties LLC | Restaurant/ Prik.lot/ Hotel | 4,787,640 | 8 | 0.20% | - | - | - |
| K M & Buschbaum Inc | Condominiums | 4,649,530 | 9 | 0.19% | - | - | - |
| Wens Holding LLC | Hotel | 4,624,920 | 10 | 0.19% | - | - | - |
| Pier Point LLC | Condominiums | - | - | - | \$ 17,063,210 | 1 | 0.74% |
| Minto-Villas-by-the-Sea LLC | Hotel | - | - | - | 13,891,580 | 2 | 0.60% |
| Ocean 4660 LLC | Hotel | - | - | - | 13,053,500 | 3 | 0.56% |
| VCH Properties LLC | Condominiums | - | - | - | 12,116,890 | 4 | 0.52% |
| Chateau De Mer LLC | Condominiums | - | - | - | 8,061,360 | 5 | 0.35% |
| White Cap of FL, Inc. | Condominiums | - | - | - | 6,643,560 | 7 | 0.29% |
| Villas of Caprice LLC | Condominiums | - | - | - | 6,501,770 | 8 | 0.28% |
| Little Italy Oceanside | Condominiums | - | - | - | 6,020,390 | 9 | 0.26% |
| Costa Del Sol, Inc. | Condominiums | - | - | - | 520,510 | 10 | 0.02% |
| | | <u>\$ 96,311,430</u> | | <u>3.97%</u> | <u>\$ 90,996,400</u> | | <u>3.93%</u> |

¹ Source: Broward County Revenue Collector

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 9
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

| Fiscal Year Ended September 30, | Total Tax Levy | (1). Current Tax Collected | Percentage of Current Taxes Collected | Delinquent Tax Collections | Total Tax Collections | Ratio of Total Tax Collections to Total Tax Levy |
|---------------------------------------|-------------------|----------------------------------|---|----------------------------------|-----------------------------|---|
| 2009 | 8,454,913 | 8,441,725 | 99.84% | 160 | 8,441,885 | 99.85% |
| 2010 | 7,723,352 | 7,567,600 | 97.98% | 97,997 | 7,665,597 | 99.25% |
| 2011 | 7,088,217 | 6,990,745 | 98.62% | 41,289 | 7,032,034 | 99.21% |
| 2012 | 6,934,808 | 6,915,094 | 99.72% | 17,238 | 6,932,332 | 99.96% |
| 2013 | 6,926,376 | 6,916,855 | 99.86% | 8,709 | 6,925,564 | 99.99% |
| 2014 | 7,136,718 | 7,124,316 | 99.83% | - | 7,124,316 | 99.83% |
| 2015 | 7,345,409 | 7,332,884 | 99.83% | - | 7,332,884 | 99.83% |
| 2016 | 7,767,916 | 7,745,628 | 99.71% | - | 7,745,628 | 99.71% |
| 2017 | 8,197,882 | 8,187,809 | 99.88% | - | 8,187,809 | 99.88% |
| 2018 | 8,566,383 | 8,551,166 | 99.82% | - | 8,551,166 | 99.82% |

Source: Town of Lauderdale-By-The-Sea Finance Department

(1) Includes collection fees and early payment discounts taken

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 10
PROPERTY TAX RATES (PER \$1,000)
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

| Fiscal Year | Lauderdale By-The-Sea | Broward County | Broward County Schools | Other Taxing Agencies | | | Special Districts | | Total |
|-------------|-----------------------|----------------|------------------------|--------------------------------|---------------------------|-------------------------------------|------------------------|-----------------|---------|
| | | | | South Florida Water Management | Florida Inland Navigation | Broward Children's Services Council | North Broward Hospital | Hillsboro Inlet | |
| 2009 | 3.9990 | 5.3145 | 7.4170 | 0.6240 | 0.0345 | 0.3754 | 1.7059 | 0.0860 | 19.5563 |
| 2010 | 3.9990 | 5.3889 | 7.4310 | 0.6240 | 0.0345 | 0.4243 | 1.7059 | 0.0860 | 19.6936 |
| 2011 | 3.9990 | 5.5530 | 7.6310 | 0.6240 | 0.0345 | 0.4696 | 1.8750 | 0.0860 | 20.2721 |
| 2012 | 3.9990 | 5.5530 | 7.4180 | 0.4363 | 0.0345 | 0.4789 | 1.8750 | 0.0860 | 19.8807 |
| 2013 | 3.9312 | 5.5530 | 7.4560 | 0.4289 | 0.0345 | 0.4902 | 1.8564 | 0.0860 | 19.8362 |
| 2014 | 3.9312 | 5.7230 | 7.4560 | 0.4110 | 0.0345 | 0.4882 | 1.7554 | 0.0860 | 19.8853 |
| 2015 | 3.8000 | 5.7230 | 7.4380 | 0.3842 | 0.0345 | 0.4882 | 1.5939 | 0.0860 | 19.5478 |
| 2016 | 3.7379 | 5.7230 | 7.2740 | 0.3551 | 0.0320 | 0.4882 | 1.4425 | 0.0860 | 19.1387 |
| 2017 | 3.6873 | 5.6690 | 6.9063 | 0.3307 | 0.0320 | 0.4882 | 1.3462 | 0.0860 | 18.5457 |
| 2018 | 3.5989 | 5.6690 | 6.5394 | 0.3100 | 0.0320 | 0.4882 | 1.2483 | 0.0860 | 17.9718 |

Source: Broward County, Florida, Property Appraiser

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 11
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO
TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

| Fiscal Year | Principal | Interest | Total Debt Service | Total General Governmental Expenditures | Ratio of Debt |
|----------------|-----------|----------|--------------------------|--|------------------|
| 2009 | 6,814,833 | 550,849 | 7,365,682 | 17,138,867 | 42.98% |
| 2010 | - | - | - | 9,622,130 | 0.00% |
| 2011 | - | - | - | 9,533,166 | 0.00% |
| 2012 | - | - | - | 11,398,322 | 0.00% |
| 2013 | - | - | - | 15,433,567 | 0.00% |
| 2014 | - | - | - | 14,331,805 | 0.00% |
| 2015 | - | - | - | 13,019,302 | 0.00% |
| 2016 | - | - | - | 13,889,780 | 0.00% |
| 2017 | - | - | - | 12,381,378 | 0.00% |
| 2018 | - | - | - | 12,623,685 | 0.00% |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 12
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

| Fiscal Year | Governmental Activities | | | | Business-type Activities | | | | Per Capita | Personal Income | Percentage of Personal Income |
|-------------|-------------------------|----------------|----------------|------------------|--------------------------|------------|-----------------|-----|------------|-----------------|-------------------------------|
| | Promissory Notes | Line of Credit | Capital Leases | Promissory Notes | Primary Government | Population | Personal Income | | | | |
| 2009 | - | - | - | 1,573,714 | 1,573,714 | 9,800 | 39,267 | 161 | 39,267 | 0.41% | |
| 2010 | - | - | - | 1,457,042 | 1,457,042 | 11,000 | 41,352 | 132 | 41,352 | 0.32% | |
| 2011 | - | - | - | 1,130,723 | 1,130,723 | 11,000 | 48,773 | 103 | 48,773 | 0.21% | |
| 2012 | - | - | - | 839,598 | 839,598 | 11,000 | 48,773 | 76 | 48,773 | 0.16% | |
| 2013 | - | - | - | 587,208 | 587,208 | 11,000 | 59,411 | 53 | 59,411 | 0.09% | |
| 2014 | - | - | - | - | - | 11,000 | 57,561 | 0 | 57,561 | 0.00% | |
| 2015 | - | - | - | - | - | 11,000 | 60,928 | 0 | 60,928 | 0.00% | |
| 2016 | - | - | - | - | - | 11,000 | 64,180 | 0 | 64,180 | 0.00% | |
| 2017 | - | - | - | - | - | 11,000 | 60,548 | 0 | 60,548 | 0.00% | |
| 2018 | - | - | - | - | - | 11,000 | 65,691 | 0 | 65,691 | 0.00% | |

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 13

**DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITY DEBT
SEPTEMBER 30, 2018**

| Name of Governmental Unit | Net Bonded Outstanding September 30, 2018 | Percent of Debt Applied to | | Amount of Debt Debt Applied |
|---|---|-----------------------------------|----------------------------------|--------------------------------|
| | | Town Lauderdale By-The-Sea (1) | Town of Lauderdale By-The-Sea | |
| Broward County | \$ 181,970,000 ¹ | 0.07% | \$ | 132,058 |
| Broward County School District | 151,991 ² | 0.07% | | 110 |
| Subtotal, overlapping debt | | | | 132,168 |
| Town of Lauderdale-By-The-Sea Direct Debt | | | | - |
| Total direct and overlapping debt | | | \$ | <u>132,168</u> |

¹ Source: Broward County 2018 CAFR and Broward County Property Appraiser

² Source: Broward County School Board CAFR

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of Broward County's taxable assessed value that is within the Town of Lauderdale-By-The-Sea's boundaries and dividing it by Broward County's total taxable assessed value.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 14
STATISTICS

DEMOGRAPHICS AND ECONOMICS
SEPTEMBER 30, 2018

| | | |
|---------------------------|---|----------|
| Date of Incorporation: | November 30, 1947 | |
| Year of Charter Adoption: | 1947 | |
| Form of Town Government: | Commission-Manager | |
| Location: | Lauderdale-By-The-Sea is in the east-central part of Broward County and shares boundaries with three other municipalities. Its eastern boundary is the Atlantic Ocean. It is 30 miles north of Miami and 33 miles south of Palm Beach. The Town is just over 8.5 square miles in area and has a population of 6,100 with a peak seasonal population of 11,000. It is a seaside community with primary industries being retail trade, tourism/hospitality, finance, insurance and real estate. | |
| Number of Employees: | Full and Part-Time | 37 |
| Recreation facilities: | Miles of Public Beach | 2 |
| | Miles of Navigable Water | 2.3 |
| | Parks | 3 |
| | Tennis Courts | 2 |
| | Shuffleboard Courts | 2 |
| | Bocci Ball Court | 1 |
| | Basketball Court | 1 |
| Infrastructure: | Town Buildings | 7 |
| | Fire Stations | 1 |
| | Surface Parking Lots | 3 |
| Socio-Economic Data: | Consumer Price Index (1)C | 1.200% |
| | Per Capita Personal Income (2) | 65,691 |
| Population Statistics: | Civilian Labor Force (1)A | 1,039.20 |
| | Unemployment Rate (1)B | 3.3% |

Source:

- (1) United States Department of Labor - Bureau of Labor Statistics
Broward County, Florida
 - A. All urban consumers, base: 1982-84=100, not seasonally adjusted
 - B. Number of persons, in thousands, not seasonally adjusted
 - C. Not seasonally adjusted
- (2) Bureau of Economic Analysis - U.S. Department of Commerce - Florida - Released 2019

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 15

**PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO
SEPTEMBER 30, 2018**

| <u>Employer</u> | 2018 | | | 2009 | | |
|---|------------------|-------------|--|------------------|-------------|--|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total Town Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total Town Employment</u> |
| Aruba's Beach Café Restaurant | 172 | 1 | N/A | 160 | 1 | N/A |
| Sea Watch Restaurant | 103 | 2 | N/A | 125 | 2 | N/A |
| Blue Moon Fish Company - Restaurant | 100 | 3 | N/A | 87 | 4 | N/A |
| Village Grill-Restaurant | 80 | 4 | N/A | - | - | N/A |
| Benihana-Restaurant | 61 | 5 | N/A | 50 | 6 | N/A |
| Mulligans | 53 | 6 | N/A | - | - | N/A |
| Lauderdale Beachside Hotel- Hotel and Rest. | - | - | N/A | 116 | 3 | N/A |
| Holiday Inn-Hotel | - | - | N/A | 80 | 5 | N/A |
| Total | <u>569</u> | | | <u>618</u> | | |

Source: Lauderdale-By-The-Sea Development Services

N/A - Information not available

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 16

**FULL TIME EQUIVALENT GOVERNMENT POSITIONS BY FUNCTION
LAST TEN FISCAL YEARS**

| Function | Full time Equivalent Positions as of September 30, | | | | | | | | | |
|----------------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Administration | 7.3 | 7.5 | 7.5 | 8.6 | 8.6 | 8.5 | 7.6 | 8.3 | 8.3 | 8.5 |
| General Government | 1.5 | 1.4 | 1.4 | 1.4 | 1.2 | 1.3 | 1.6 | - | - | - |
| Public Works | 15.8 | 15.8 | 15.8 | 14.8 | 13.8 | 13.8 | 13.8 | 15.0 | 15.0 | 15.0 |
| Development services | 3.5 | 3.4 | 3.4 | 3.2 | 2.5 | 2.5 | 4.0 | 3.8 | 4.8 | 4.8 |
| Parking | 1.5 | 1.5 | 1.5 | 0.5 | 0.4 | 0.4 | 4.5 | 4.9 | 4.0 | 4.0 |
| Project Management | 1.1 | 1.1 | 1.1 | 1.3 | 1.1 | 1.1 | 1.1 | - | - | - |
| Sewer | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| Stormwater | - | - | - | - | - | - | - | - | - | - |
| Total | 32.00 | 32.00 | 32.00 | 31.00 | 28.75 | 28.75 | 33.75 | 33.15 | 33.35 | 33.50 |

Source: Lauderdale-By-The-Sea Finance Department.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 17
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

| Function | Fiscal Year | | | | | | | | | |
|--|-------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| General Government: | | | | | | | | | | |
| Informational calls received | 3,317 | 4,068 | 4,595 | 5,305 | 6,353 | 6,840 | 6,912 | 8,071 | 7,413 | 11,131 |
| Public records request | 49 | 47 | 42 | 46 | 46 | 22 | 90 | 99 | 277 | 294 |
| Resolutions | 36 | 46 | 42 | 48 | 52 | 46 | 61 | 44 | 39 | 29 |
| Ordinances | 26 | 11 | 15 | 16 | 14 | 41 | 22 | 20 | 16 | 28 |
| Commission meetings | 29 | 26 | 30 | 34 | 21 | 22 | 33 | 36 | 55 | 26 |
| Cash receipts - general operating | 6,221 | 5,786 | 5,970 | 5,370 | 6,556 | 4,332 | 3,263 | 2,608 | 2,539 | 2,346 |
| Cash disbursements - general operating | 3,673 | 3,650 | 3,425 | 4,064 | 5,128 | 3,140 | 3,423 | 2,932 | 2,110 | 2,314 |
| Payroll disbursements - general operating | 3,230 | 3,397 | 3,380 | 3,353 | 4,540 | 1,330 | 1,326 | 1,380 | 1,248 | 1,082 |
| Purchase orders issued | 23 | 18 | 29 | 57 | 57 | 148 | 140 | 190 | 197 | 208 |
| Claims processed - gen liability and workers | 3 | 1 | 4 | 10 | 13 | 9 | 10 | 17 | 8 | 13 |
| Hours of information technology services | 140 | 181 | 153 | 100 | 415 | 329 | 102 | 256 | 111 | 90 |
| Public safety: | | | | | | | | | | |
| Informational calls received | 8,208 | 9,416 | 9,116 | 8,253 | 7,190 | 5,179 | 5,063 | 4,941 | 5,185 | 7,660 |
| Public records request | - | - | - | - | - | - | - | - | - | 32 |
| Citizen on patrol membership | 32 | 29 | 29 | 29 | 30 | 37 | 29 | 26 | 23 | 21 |
| Neighborhood crime watch membership | - | - | - | - | - | - | - | - | - | 55 |
| Fire responses | 443 | 407 | 353 | 408 | 369 | 364 | 339 | 411 | 345 | 349 |
| Fire medical services (EMS) | 1,115 | 1,114 | 1,119 | 1,101 | 987 | 990 | 943 | 874 | 943 | 1,056 |
| Notices of violations code compliance | 314 | 270 | 638 | 180 | 288 | 956 | 158 | 375 | 573 | 844 |
| Citations issued code compliance | - | - | - | - | - | - | - | - | 5 | 13 |
| Complaints investigated | 1,231 | 1,062 | 1,154 | 1,458 | 1,252 | 1,266 | 505 | 151 | 334 | 246 |
| Parking citations | 5,275 | 8,447 | 8,953 | 6,720 | 4,358 | 4,674 | 7,565 | 8,289 | 6,846 | 9,555 |
| Municipal services: | | | | | | | | | | |
| Parking maintenance (hours) | - | - | - | - | - | 520 | 1,560 | 359 | 89 | 1,221 |
| Street maintenance and repairs (hours) | - | - | - | - | - | 1,547 | 1,253 | 952 | 668 | 206 |
| Ground maintenance and repairs (hours) | - | - | - | - | - | 5,657 | 5,587 | 7,508 | 7,277 | 1,572 |
| Building maintenance and repairs (hours) | - | - | - | - | - | 2,744 | 2,496 | 2,884 | 3,371 | 6,784 |
| Cultural - recreation: | | | | | | | | | | |
| Scheduled recreation activities | 1,396 | 1,213 | 1,157 | 1,036 | 995 | 969 | 934 | 1,002 | 1,131 | 804 |
| Recreation Volunteer hours | 2,124 | 1,756 | 1,914 | 1,677 | 1,538 | 1,662 | 1,772 | 1,769 | 1,511 | 356 |
| Recreation activity participants | 3,425 | 2,621 | 2,885 | 2,487 | 2,816 | 2,741 | 6,065 | 5,740 | 4,116 | 5,263 |
| Recreation areas maintenance (hours) | - | - | - | - | - | 1,965 | 2,456 | 3,136 | 2,771 | 1,604 |

Source: Town of Lauderdale-By-The-Sea Activity Report

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 18
CAPITAL ASSETS BY FUNCTION
LAST TEN FISCAL YEARS

| Function | Fiscal Year | | | | | | | | | |
|--------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| General Government Facilities: | | | | | | | | | | |
| Town Buildings | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Recreation Facilities: | | | | | | | | | | |
| Miles of Public Beach | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| Parks | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Tennis Courts | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Shuffleboard Court | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Bocci Ball Court | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Basketball Court | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Beach Portals | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Public Safety Facilities: | | | | | | | | | | |
| Police Station | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Police Vehicles | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| Fire Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire Rescue Station | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire Vehicles | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fire Rescue Vehicle | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 |
| Infrastructure: | | | | | | | | | | |
| Miles of paved roads | 16.68 | 16.68 | 16.68 | 16.68 | 16.68 | 16.68 | 16.68 | 16.68 | 16.68 | 16.68 |
| Cable television | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Surface Parking Lot | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 |

Source: Town of Lauderdale-By-The-Sea Municipal Services Department

COMPLIANCE SECTION

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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

Honorable Mayor, Town Commission and Town Manager
Town Of Lauderdale-By-The-Sea, 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 Lauderdale-By-The-Sea, Florida ("Town") as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our opinion thereon dated May 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Gray & Associates

May 20, 2019



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor, Town Commission and Town Manager
Town Of Lauderdale-By-The-Sea, Florida

We have examined the Town Of Lauderdale-By-The-Sea, Florida's ("Town") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2018. Management is responsible for Town's compliance with those requirements. Our responsibility is to express an opinion on Town's compliance 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 complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks 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's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2018.

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

Grau & Associates

May 20, 2019



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Lauderdale-By-The-Sea, Florida ("Town") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 20, 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 Florida 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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor'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 May 20, 2019, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General of the State of Florida. Accordingly, in connection with our audit of the financial statements of the Town, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

Our management letter is intended solely for the information and use of the Mayor, Town Commission, Town Manager, Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, as applicable, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Town of Lauderdale-By-The-Sea, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

Grau & Associates

May 20, 2019

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2017.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2018.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance, except as noted above.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2018.

4. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.
5. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
6. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.