



TOWN OF LAKE CLARKE SHORES, FLORIDA



FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED SEPTEMBER 30, 2019

TOWN OF LAKE CLARKE SHORES, FLORIDA
 SEPTEMBER 30, 2019
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INDEPENDENT AUDITOR’S REPORT

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

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Clarke Shores, Florida as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Lake Clarke Shores, Florida’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Clarke Shores, Florida as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the budgetary comparison data on pages 60 through 63, and the Schedule of Changes in Total Other Postemployment Benefits Liability on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lake Clarke Shores, Florida's basic financial statements. The Schedule of Departmental Expenditures – Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Departmental Expenditures – Budget and Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Expenditures – Budget and Actual is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020, on our consideration of the Town of Lake Clarke Shores, Florida’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Lake Clarkes Shores, Florida’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lake Clarke Shores, Florida’s internal control over financial reporting and compliance.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 26, 2020

Management’s Discussion and Analysis

The Town of Lake Clarke Shores (the “Town”) discussion and analysis is designed to:

- A. Assist the reader in focusing on significant financial issues
- B. Provide an overview of the Town’s financial activity
- C. Identify changes in the Town’s financial position
- D. Identify any material deviations from the financial plan (approved budget)
- E. Identify individual fund issues or concerns

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

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the Town of Lake Clarke Shores exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year by \$16,261,627 (net position). Of this amount, \$1,513,485 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- The governmental activities revenues were \$3,183,293 at the close of fiscal year 2019.
- The business-type activities revenues were \$3,166,302 at the close of fiscal year 2019.
- The total cost of all Town programs was \$6,088,372 during the fiscal year 2019.
- At the end of the 2019 fiscal year, the total fund balance for the General Fund was \$1,032,283. The General Fund’s fund balance was comprised of \$36,221 non-spendable – prepaids, \$35,595 restricted for debt service, \$189,917 restricted for transportation projects, and the unassigned fund balance of \$770,550 or 22% of total General Fund expenditures.
- The General Fund had an increase in fund balance of \$148,869 for the current year.

USING THIS REPORT

The following graphic is provided for your review.

MD&A	Management’s Discussion & Analysis (Required Supplementary Information) (pages 4-11)
BASIC FINANCIAL STATEMENTS	Government-Wide Financial Statements (pages 12-14) Fund Financial Statements (Pages 15-21) Notes to the Financial Statements (Pages 22-59)
REQUIRED SUPPLEMENTAL INFORMATION	Required Supplementary Information (Other than MD&A) (Pages 60-64)

Management's Discussion and Analysis

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Lake Clarke Shores' finances, in a manner similar to a private-sector business. The Statement of Net Position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how it has changed. Net position – the difference between the Town's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources – is one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net position may serve as a useful indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities – Most of the Town's basic services are reported here, including the police, public services and general administration. Property taxes, franchise fees and state shared revenue finance most of these activities.
- Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides.

Fund Financial Statements

Our analysis of the Town's major funds begins on page 15. The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for a particular purpose.

- Governmental Funds – Most of the Town's basic services are included in three governmental funds, which focuses on (1) how cash and other financial assets can be readily converted to cash flow and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds' statements provide a short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The major governmental funds include the General Fund, Community Redevelopment Agency Fund, and the Discretionary Infrastructure Surtax Fund.

Management’s Discussion and Analysis

- Proprietary Funds – Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long and short-term financial information.
 - The Town’s enterprise fund (one type of proprietary fund) is the same as its business type activities, but provides more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position

The Town’s combined net position for the fiscal year ending 2019 is reported at \$16,261,627. Net position of the Town’s governmental activities for the fiscal year ending 2019 is \$6,500,173. The net position of our business-type activities is reported at \$9,761,454 for the fiscal year ending 2019. Overall the financial position of the total primary government is \$261,223 more than the prior year, with an increase of \$264,969 in net position for the governmental activities and a decrease of \$3,746 in net position for the business-type activities.

Town of Lake Clarke Shores Net Position September 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 1,900,635	\$ 1,747,409	\$ 3,956,660	\$ 3,875,711	\$ 5,857,295	\$ 5,623,120
Capital Assets	5,501,002	5,109,158	8,485,293	7,778,484	13,986,295	12,887,642
Total Assets	7,401,637	6,856,567	12,441,953	11,654,195	19,843,590	18,510,762
Deferred Outflows of Resources	-	-	-	-	-	-
Current and Other Liabilities	462,305	386,352	613,499	431,481	1,075,804	817,833
Long Term Liabilities	431,796	221,526	2,067,000	1,457,514	2,498,796	1,679,040
Total Liabilities	894,101	607,878	2,680,499	1,888,995	3,574,600	2,496,873
Deferred Inflows of Resources	7,363	13,485	-	-	7,363	13,485
Net Investment in Capital Assets	5,026,275	4,881,692	7,771,323	7,064,215	12,797,598	11,945,907
Restricted	622,729	453,799	1,327,815	1,320,408	1,950,544	1,774,207
Unrestricted	851,169	899,713	662,316	1,380,577	1,513,485	2,280,290
Total Net Position	\$ 6,500,173	\$ 6,235,204	\$ 9,761,454	\$ 9,765,200	\$ 16,261,627	\$ 16,000,404

Management's Discussion and Analysis

Changes in Net Position

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

- The governmental activities net position increased by \$264,969 for fiscal year 2019.
- The business-type net position decreased by \$3,746 for fiscal year 2019.

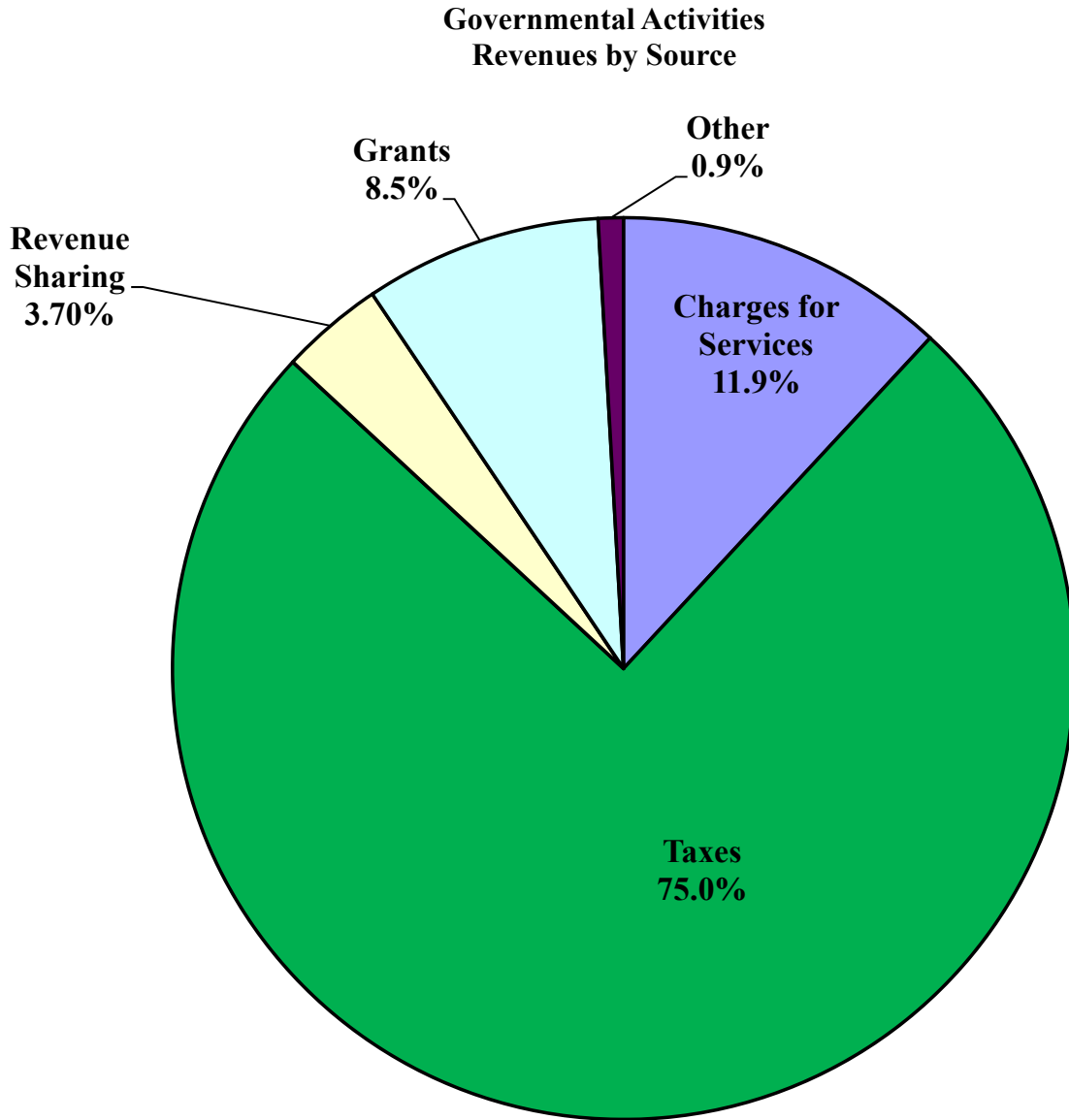
Town of Lake Clarke Shores Changes in Net Position For the Fiscal Years Ended September 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$ 425,635	\$ 388,394	\$ 3,093,942	\$ 3,361,745	\$ 3,519,577	\$ 3,750,139
Operating Grants and Contributions	43,571	251,466			43,571	251,466
Capital Grants and Contributions		25,000			-	25,000
General Revenues						
Taxes	2,549,795	2,443,120			2,549,795	2,443,120
State Revenue Sharing	122,658	119,882			122,658	119,882
Other	41,634	30,535	72,360	32,476	113,994	63,011
Total Revenues	3,183,293	3,258,397	3,166,302	3,394,221	6,349,595	6,652,618
Expenses						
Governmental Activities						
General Government	1,122,647	1,056,824			1,122,647	1,056,824
Public Safety	1,610,204	1,736,814			1,610,204	1,736,814
Highways and Streets	252,499	507,682			252,499	507,682
Culture and Recreation	164,689	321,956			164,689	321,956
Community Development	7,121	14,386			7,121	14,386
Interest on Long-Term Debt	11,164	4,421			11,164	4,421
Business-Type Activities						
Water and Sewer			2,920,048	3,019,809	2,920,048	3,019,809
Total Expenses	3,168,324	3,642,083	2,920,048	3,019,809	6,088,372	6,661,892
Excess (Deficiency) Before Transfers	14,969	(383,686)	246,254	374,412	261,223	(9,274)
Transfers	250,000	220,000	(250,000)	(220,000)	-	-
Change in Net Position	264,969	(163,686)	(3,746)	154,412	261,223	(9,274)
Net Position - Beginning	6,235,204	6,398,890	9,765,200	9,610,788	16,000,404	16,009,678
Net Position - Ending	\$ 6,500,173	\$ 6,235,204	\$ 9,761,454	\$ 9,765,200	\$ 16,261,627	\$ 16,000,404

Management's Discussion and Analysis

Governmental Activities – Revenues by Source

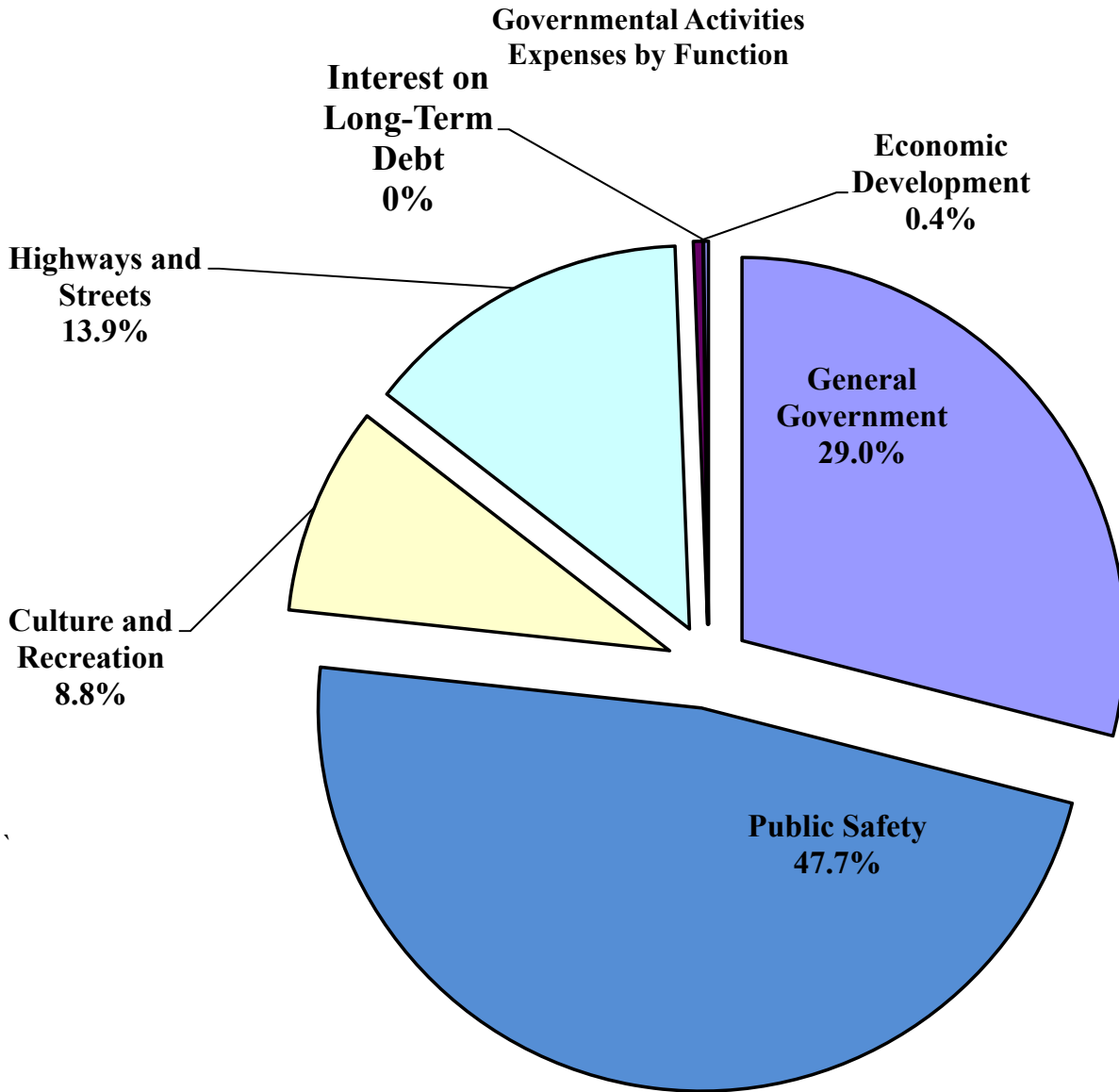
Approximately 75% of the Town's governmental activities revenue comes from taxes such as property, franchise and sales use. Property taxes alone account for nearly 60% of the various types of taxes and 45% of all revenues. (Please see chart below.)



Management's Discussion and Analysis

Governmental Activities – Expenses by Function

The Town's governmental expenses cover a range of services, with 47.7% relating to Public Safety and 29.0% relating to General Government. (Please see chart below.)



Management's Discussion and Analysis

Financial Analysis of the Governmental Funds on the Fund Basis

As the Town of Lake Clarke Shores completed the year, the General Fund reported an unassigned fund balance of \$770,550, an increase of \$101,910 from the previous fiscal year.

The Community Redevelopment Agency Fund reported a fund balance of \$43,408 an increase of \$32,672 from the previous fiscal year.

The Discretionary Infrastructure Surtax Fund reported a fund balance of \$339,645 an increase of \$71,682 from the previous year.

Financial Analysis of the Proprietary Fund

Unrestricted net position of the Enterprise Fund at the end of the fiscal year 2019 was \$662,316. This represents a decrease of \$718,261 from the previous fiscal year. The total net position of the Enterprise Fund was \$9,761,454 at the end of fiscal year 2019, a decrease of \$3,746 from the prior year.

General Fund Budgetary Highlights

The actual expenditures were \$220,017 more than the budget amounts. Revenues were \$15,783 more than the budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019 the Town had invested \$13,986,295 including intangible assets, in a broad range of capital assets including police equipment, buildings, infrastructure and water improvements. Additional information can be found in Note 6 to the financial statements.

**Town of Lake Clarke Shores
Capital Assets
(Net of Accumulated Depreciation)
September 30, 2019 and 2018**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Land	517,753	517,753	88,760	88,760	606,513	606,513
Construction in Progress	52,604		690,344	628,957	742,948	628,957
Buildings	2,402,369	2,465,701	168,387	176,985	2,570,756	2,642,686
Improvements Other Than Building	1,296,748	998,795	5,350,126	4,697,759	6,646,874	5,696,554
Equipment	291,821	185,331	196,286	190,545	488,107	375,876
Infrastructure	939,707	941,578			939,707	941,578
Intangible Assets			1,991,390	1,995,478	1,991,390	1,995,478
Total	<u>5,501,002</u>	<u>5,109,158</u>	<u>8,485,293</u>	<u>7,778,484</u>	<u>13,986,295</u>	<u>12,887,642</u>

Management’s Discussion and Analysis

Long-Term Liabilities

As of September 30, 2019, the Town had long-term liabilities of \$2,309,828 in Promissory Notes, \$111,593 in compensated absences, and \$77,375 in other postemployment benefits as shown in the following table: Additional information can be found in Note 8 to the financial statements.

Town of Lake Clarke Shores Long-Term Liabilities September 30, 2019 and 2018

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Promissory Note Series 2005				288,127		288,127
Promissory Note Series 2007		96,974				96,974
Promissory Note Series 2016			1,009,828	1,123,197	1,009,828	1,123,197
Promissory Note Series 2018	300,000		1,000,000		1,300,000	
Other Postemployment Benefits	55,732	49,800	21,643	18,248	77,375	68,048
Compensated Absences	76,064	74,752	35,529	27,942	111,593	102,694
Total	<u>431,796</u>	<u>221,526</u>	<u>2,067,000</u>	<u>1,457,514</u>	<u>2,498,796</u>	<u>1,679,040</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

For the 2020 fiscal year, General Fund revenue projections have been moderately increased due to an increase in taxable value.

- Fiscal year 2020 begins with the refinancing of all debt for the Town
- Additional debt will be acquired for the Discretionary Infrastructure Surtax Fund to pay for the replacement of the Pine Tree Road Bridge
- Additional debt will be acquired for the Utility Department to design the septic to sewer construction project
- The Pine Tree Road Bridge design will proceed with construction expected in fiscal year 2021
- The Police Department will upgrade its records management system from ALEIR to Global TAC10
- Two budgeted projects in the Utility Department will be moving forward:
 - 12-inch water main down Lawrence Road
 - New Utility Department Administrative Building
- The Utility Department is planning to complete a sufficiency study for its current rates
- The Utility Department is working with the City of Boynton Beach for some service area adjustments along Hypoluxo Road

CONTACTING THE TOWN’S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents and creditors with a general overview of the Town’s finances and to demonstrate the Town’s accountability for the money it receives and disburses. If you have any questions about this report or need additional information, please contact the Town of Lake Clarke Shores, 1701 Barbados Road, Lake Clarke Shores, FL 33406.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Net Position
September 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 752,687	\$ 466,517	\$ 1,219,204
Investments	520,557	949,299	1,469,856
Accounts receivable (net)	71,580	292,419	363,999
Grants receivable	160,133		160,133
Due from other governments	61,902		61,902
Prepaid items	36,221		36,221
Assessments receivable		878,260	878,260
Security deposits		41,390	41,390
Inventories		24,568	24,568
Internal balances	297,555	(297,555)	
Restricted assets			
Cash and cash equivalents		1,601,762	1,601,762
Due from other governments			
Capital assets			
Non-depreciable			
Land	517,753	88,760	606,513
Intangible assets		1,953,924	1,953,924
Construction in progress	52,604	690,344	742,948
Depreciable			
Buildings	3,166,627	214,962	3,381,589
Improvements other than buildings	1,901,039	8,060,947	9,961,986
Equipment	852,917	635,171	1,488,088
Infrastructure	6,788,095		6,788,095
Less: accumulated depreciation	(7,778,033)	(3,196,281)	(10,974,314)
Intangible assets		163,500	163,500
Less: accumulated amortization		(126,034)	(126,034)
Total assets	7,401,637	12,441,953	19,843,590
Liabilities			
Accounts payable	175,088	145,478	320,566
Contracts payable	174,727	137,819	312,546
Unearned revenue	5,576	32,880	38,456
Accrued liabilities	101,319	23,375	124,694
Accrued interest payable	5,595		5,595
Payable from restricted assets			
Accrued interest payable		32,067	32,067
Customer deposits		241,880	241,880
Non-current liabilities			
Due within one year	106,064	251,902	357,966
Due in more than one year	325,732	1,815,098	2,140,830
Total liabilities	894,101	2,680,499	3,574,600
Deferred Inflows of Resources			
Deferred revenue	7,363		7,363
Net position			
Net investment in capital assets	5,026,275	7,771,323	12,797,598
Restricted for			
Loan reserve		75,000	75,000
Renewal and replacement		500,000	500,000
Construction		752,815	752,815
Debt service	35,595		35,595
Transportation	189,917		189,917
Infrastructure	339,645		339,645
Law enforcement	14,164		14,164
Community development	43,408		43,408
Unrestricted	851,169	662,316	1,513,485
Total net position	\$ 6,500,173	\$ 9,761,454	\$ 16,261,627

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Activities
For the Year Ended September 30, 2019

Function/ Program Activities	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 1,122,647	\$ 218,700	\$ 521
Public safety	1,610,204	201,774	2,026
Highways and streets	252,499		2,440
Culture and recreation	164,689	5,161	37,831
Community development	7,121		753
Interest on long-term debt	11,164		
Total governmental activities	<u>3,168,324</u>	<u>425,635</u>	<u>43,571</u>
Business-type activities:			
Enterprise-water and sewer utility	<u>2,920,048</u>	<u>3,093,942</u>	
Total business-type activities	<u>2,920,048</u>	<u>3,093,942</u>	
Total government	<u>\$ 6,088,372</u>	<u>\$ 3,519,577</u>	<u>\$ 43,571</u>

General revenues:
Property taxes
Infrastructure surtax
Tax increment financing
Telecommunication service taxes
Sales and use taxes
Franchise taxes
Intergovernmental not restricted to specific programs
Investment earnings
Gain (loss) on disposal of capital assets
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$	\$ (903,426)	\$	\$ (903,426)
	(1,406,404)		(1,406,404)
	(250,059)		(250,059)
	(121,697)		(121,697)
	(6,368)		(6,368)
	(11,164)		(11,164)
	(2,699,118)		(2,699,118)
		173,894	173,894
		173,894	173,894
\$	(2,699,118)	173,894	(2,525,224)
	1,560,352		1,560,352
	250,269		250,269
	39,040		39,040
	109,346		109,346
	395,646		395,646
	195,142		195,142
	122,658		122,658
	7,074	78,361	85,435
	1,501	(14,733)	(13,232)
	33,059	8,732	41,791
	250,000	(250,000)	
	2,964,087	(177,640)	2,786,447
	264,969	(3,746)	261,223
	6,235,204	9,765,200	16,000,404
\$	6,500,173	\$ 9,761,454	\$ 16,261,627

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2019

	General	Community Redevelopment Agency Fund	Discretionary Infrastructure Surtax Fund	Nonmajor Governmental Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 527,386	\$ 51,165	\$ 159,972	\$ 14,164	\$ 752,687
Investments	520,557				520,557
Accounts receivable (net)	71,580				71,580
Due from other governments	39,228		22,674		61,902
Grants receivable	160,133				160,133
Due from other funds			331,726		331,726
Prepaid items	36,221				36,221
Total assets	<u>\$ 1,355,105</u>	<u>\$ 51,165</u>	<u>\$ 514,372</u>	<u>\$ 14,164</u>	<u>\$ 1,934,806</u>
Liabilities, deferred inflows of resources, and fund balances					
Liabilities					
Accounts payable	\$ 173,794	\$ 1,294	\$	\$	\$ 175,088
Contracts payable			174,727		174,727
Accrued liabilities	101,319				101,319
Unearned revenue	5,576				5,576
Due to other funds	27,708	6,463			34,171
Total liabilities	<u>308,397</u>	<u>7,757</u>	<u>174,727</u>		<u>490,881</u>
Deferred inflows of resources					
Deferred revenue	7,363				7,363
Unavailable revenue	7,062				7,062
Total deferred inflows of resources	<u>14,425</u>				<u>14,425</u>
Fund balances					
Non-spendable:					
Prepays	36,221				36,221
Restricted for:					
Debt service	35,595				35,595
Law enforcement				14,164	14,164
Infrastructure			339,645		339,645
Transportation	189,917				189,917
Community development		43,408			43,408
Unassigned	770,550				770,550
Total fund balances	<u>1,032,283</u>	<u>43,408</u>	<u>339,645</u>	<u>14,164</u>	<u>1,429,500</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,355,105</u>	<u>\$ 51,165</u>	<u>\$ 514,372</u>	<u>\$ 14,164</u>	<u>\$ 1,934,806</u>

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
Governmental Funds
September 30, 2019

Fund balances - total governmental funds		\$ 1,429,500
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 13,279,035	
Less accumulated depreciation	<u>(7,778,033)</u>	5,501,002
Governmental funds do not include revenues collected after 60 days of year end and are therefore deferred. Government-wide reporting recognizes revenues when they are earned, regardless of when they are collected.		
FEMA Hurricane Disaster Grant		7,062
Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities at year end consist of:		
Note payable		(300,000)
Accrued interest payable		(5,595)
Other postemployment benefits		(55,732)
Compensated absences		<u>(76,064)</u>
Net position of governmental activities		<u><u>\$ 6,500,173</u></u>

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019

	General	Community Redevelopment Agency Fund	Discretionary Infrastructure Surtax Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:					
Taxes	\$ 1,692,935	\$ 39,040	\$ 250,269	\$	\$ 1,982,244
Licenses and permits	365,412				365,412
Intergovernmental	695,538				695,538
Fines and forfeitures	53,559			6,890	60,449
Interest income	8,574	753	940		10,267
Intragovernmental	35,000				35,000
Charges for services	142,763				142,763
Miscellaneous	96,140				96,140
Total revenues	<u>3,089,921</u>	<u>39,793</u>	<u>251,209</u>	<u>6,890</u>	<u>3,387,813</u>
Expenditures:					
Current					
General government	1,072,418				1,072,418
Public safety	1,539,700			4,976	1,544,676
Highways and streets	54,441				54,441
Culture and recreation	123,364				123,364
Community development		7,121			7,121
Capital outlay	584,393		179,347		763,740
Debt service					
Principal	96,974				96,974
Interest	8,762				8,762
Debt issue costs	11,000				11,000
Total expenditures	<u>3,491,052</u>	<u>7,121</u>	<u>179,347</u>	<u>4,976</u>	<u>3,682,496</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(401,131)</u>	<u>32,672</u>	<u>71,862</u>	<u>1,914</u>	<u>(294,683)</u>
Other financing sources (uses):					
Debt proceeds	300,000				300,000
Transfers in	250,000				250,000
Total other financing sources (uses)	<u>550,000</u>				<u>550,000</u>
Net change in fund balance	148,869	32,672	71,862	1,914	255,317
Fund balances, beginning of year	883,414	10,736	267,783	12,250	1,174,183
Fund balances, end of year	<u>\$ 1,032,283</u>	<u>\$ 43,408</u>	<u>\$ 339,645</u>	<u>\$ 14,164</u>	<u>\$ 1,429,500</u>

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of the Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

Net change in fund balances - total governmental funds \$ 255,317

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 749,626	
Less: current year depreciation	<u>(357,782)</u>	
		391,844

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of long-term debt consumes current financial resources of the governmental funds. However, neither transaction has any effect on the net position of the governmental activities and are not recorded in the Statement of Activities

Proceeds of loans issued	(300,000)	
Principal payments on debt	96,974	
Decrease in accrued interest payable on long-term debt	(2,402)	

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

FEMA Hurricane Disaster Grant	7,062	
FEMA Hurricane Disaster Grant	(172,102)	
Police Special Detail Services	(4,480)	

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in other postemployment benefits	(5,932)	
Change in compensated absences	<u>(1,312)</u>	

Change in net position of governmental activities		<u>\$ 264,969</u>
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See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Net Position
Proprietary Fund
September 30, 2019

	Enterprise
Assets	
Current assets	
Cash and cash equivalents	\$ 466,517
Investments	949,299
Accounts receivable (net)	292,419
Assessments receivable	878,260
Security deposits	41,390
Supplies inventory	24,568
Restricted assets	
Cash and cash equivalents	1,601,762
Total current assets	4,254,215
Non-current assets	
Capital assets	
Non depreciable	
Land	88,760
Intangible assets	1,953,924
Construction in progress	690,344
Depreciable	
Buildings	214,962
Improvements other than buildings	8,060,947
Equipment	635,171
Less accumulated depreciation	(3,196,281)
Intangible assets	163,500
Less accumulated amortization	(126,034)
Total non-current assets	8,485,293
Total assets	12,739,508
Liabilities	
Current liabilities	
Accounts payable	145,478
Contracts payable	137,819
Accrued liabilities	23,375
Unearned revenue	32,880
Due to other funds	297,555
Compensated absences payable	35,529
Notes payable - current portion	216,373
Payable from restricted assets	
Accrued interest payable	32,067
Customer deposits	241,880
Total current liabilities	1,162,956
Non-current liabilities	
Notes payable	1,793,455
Other postemployment benefits	21,643
Total non-current liabilities	1,815,098
Total liabilities	2,978,054
Net position	
Net investment in capital assets	7,771,323
Restricted for	
Loan reserve	75,000
Construction	752,815
Renewal and replacement	500,000
Unrestricted	662,316
Total net position	\$ 9,761,454

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2019

	Enterprise
Operating revenue	
Charges for services	\$ 3,093,942
Total operating revenues	3,093,942
Operating expenses	
Purchased utilities	1,255,446
Personal services	637,002
Contractual services	220,112
Supplies	44,075
Utilities and communications	20,700
Repairs and maintenance	49,162
Intragovernmental expense	35,000
Other charges	118,082
Depreciation	445,753
Amortization	4,088
Total operating expenses	2,829,420
Operating income	264,522
Nonoperating revenues (expenses)	
Investment earnings	78,361
Other income	8,732
Loss on disposal of capital assets	(14,733)
Interest expense and fiscal charges	(90,628)
Total nonoperating revenues (expenses)	(18,268)
Net income before transfers	246,254
Transfers out	(250,000)
Change in net position	(3,746)
Net position - beginning of year	9,765,200
Net position - end of year	\$ 9,761,454

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2019

	Enterprise
Cash flows from operating activities:	
Receipts from customers	\$ 3,068,344
Payments to suppliers for goods or services	(1,690,497)
Payments to employees for services	(624,688)
Payments for interfund services used	(35,000)
Net cash provided by operating activities	718,159
Cash flows from non-capital financing activities:	
Loans from other funds	297,555
Other revenue	8,732
Transfers to other funds	(250,000)
Net cash used by non-capital financing activities	56,287
Cash flows from capital and related financing activities:	
Special assessments	27,220
Interest paid on debt	(58,012)
Principal paid on debt	(401,496)
Fiscal charges	(21,000)
Debt proceeds	1,000,000
Acquisition of capital assets	(1,027,564)
Net cash used by capital and related financing activities	(480,852)
Cash flows from investing activities:	
Purchase of investments	(9,262)
Interest and dividends	78,361
Net cash provided by investing activities	69,099
Net decrease in cash and cash equivalents	362,693
Cash and cash equivalents at beginning of year	1,705,586
Cash and cash equivalents at end of year	\$ 2,068,279
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 264,522
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	445,753
Amortization	4,088
Change in assets and liabilities	
Increase in accounts receivable	(40,553)
Decrease in inventories	784
Increase in accounts payable	18,376
Increase in accrued liabilities	1,332
Increase in customer deposits	14,955
Increase in other post employment benefits	3,395
Increase in compensated absences payable	7,587
Decrease in other liabilities	(2,080)
Total adjustments	453,637
Net cash provided by operating activities	\$ 718,159
Cash and cash equivalents:	
Unrestricted	\$ 466,517
Restricted	1,601,762
Total cash and cash equivalents	\$ 2,068,279
Noncash capital and related financing activities	
Net book value of capital asset disposals	\$ 14,733

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Lake Clarke Shores, Florida (the “Town”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

Reporting Entity

The Town of Lake Clarke Shores, Florida, was incorporated in 1957 pursuant to Chapter 57-1478, Laws of Florida. The Town is governed by an elected Mayor, Vice Mayor, President Pro-Tem, and the Town Council, which appoints a Town Administrator. The Town’s major operations include public safety (police and building inspection), water and sewer systems, sanitation, streets and roads, culture and recreation, and general administrative services.

As required by generally accepted accounting principles, these financial statements include the Town (the primary government) and its component units. Component units are legally separate entities for which the Town is financially accountable. The Town is financially accountable if:

- a) the Town appoints a voting majority of the organization’s governing board and (1) the Town is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town, or
- b) the organization is fiscally dependent on the Town and (1) there is a potential for the organization to provide specific financial benefits to the Town or (2) impose specific financial burdens on the Town.

Organizations for which the Town is not financially accountable are also included when doing so is necessary in order to prevent the Town’s financial statements from being misleading.

Based upon application of the above criteria, management of the Town has determined that the Town is financially accountable for the Lake Clarke Shores Community Redevelopment Agency and that it should be included in the Town’s reporting entity. Management has determined that no other component units exist which would require inclusion in this report. Further, the Town is not aware of any entity that would consider the Town to be a component unit.

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Town's tax roll, enhance the business and cultural environment, and provide employment. The CRA is dependent on the Town to fund deficits, meet debt service requirements, and pay other expenditures in the event that the revenues of the CRA are insufficient. The CRA is included in the Town's reporting entity as a blended component unit.

Government-wide Financial Statements

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

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

Fund Financial Statements

The underlying accounting system for the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds used by the Town are classified into two categories: governmental and proprietary. Separate financial statements are provided for governmental funds and proprietary funds.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental fund financial statements include a balance sheet and a statement of revenue, expenditures, and changes in fund balances for all major governmental funds and non-major governmental funds in the aggregate.

Proprietary fund financial statements include a statement of net position and a statement of revenue, expenses, and changes in fund net position, and a statement of cash flows for the Town's major proprietary fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The Town does not accrue property tax revenues since the collection of these taxes coincides with the fiscal year in which they are levied, and since the Town consistently has no material uncollected property taxes at year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's water and sewer function and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Funds

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. The Town considers revenues collected within 60 days of the year end to be available to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded only when payment is due.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Fines and permit revenues are not susceptible to accrual because, generally, they are not measurable until received in cash. Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenues, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports three major governmental fund. The General Fund is used to account for all financial resources applicable to the general operations of the Town government except those required to be accounted for in another fund. The Community Redevelopment Agency Special Revenue Fund is used to account for the activities of the Lake Clarke Shores Community Redevelopment Agency. The Discretionary Infrastructure Surtax Special Revenue Fund is used to account for the proceeds of the one-cent sales surtax approved by the voters of Palm Beach County in November 2016. The Town reports one nonmajor governmental fund. The Forfeitures Special Revenue Fund is used to account for the proceeds from forfeiture activities.

Proprietary Funds

Proprietary funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses report on the costs to maintain the proprietary systems, the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports one proprietary fund. The Enterprise Fund is used to account for operations that provide services on a user charge basis to the public and for activities where periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes. Proprietary fund activities and basis of accounting are similar to those often found in the private sector. The Town's proprietary activities consist of a water treatment and distribution system and a sewage collection system.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts and money market accounts. For the purposes of the statement of cash flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

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

Investments include amounts held in the Florida PRIME investment pool administered by the State Board of Administration. The Town reports its investment in Florida PRIME at amortized cost in accordance with GASB Statement No. 79, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Investments in Florida PRIME are exempt from reporting under the GASB 72 fair value hierarchy disclosures.

Investments also include amounts held in the Florida Surplus Asset Fund Trust (FL SAFE) investment pool. The Town reports its investment in FL SAFE at net asset value.

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

Inventories

Inventories are valued at cost determined on a first-in, first-out basis. Inventories in the Enterprise Fund consist of expendable parts and supplies held for consumption. The initial cost is recorded as an asset at the time the individual inventory items are purchased and is charged against operations in the period when used.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist primarily of amounts due from local businesses for franchise fees and amounts due from individuals for water and sewer services. Accounts receivable include billed and unbilled amounts and are reported net of an allowance for doubtful accounts.

Internal Balances

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

Capital Assets

Capital assets, which include plant, property, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks) are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements. The capitalization thresholds for capital assets are as follows:

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

Purchased capital assets are recorded at cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The Town is a Phase 3 government under GASB 34, but the Town has elected to report major general infrastructure assets retroactively. Depreciation has been provided over the useful lives using the straight line method. The costs of normal maintenance and repairs that do not add to the productive capacity of the asset or materially extend asset lives are not capitalized. The estimated useful lives are as follows:

Buildings	25 years
Improvements other than buildings	10-30 years
Infrastructure	25-40 years
Equipment	5-25 years

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unavailable Revenue

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

Unearned Revenue

The Town reports unearned revenue on its statement of net position and its governmental funds balance sheet. Unearned revenue arises when resources are obtained prior to revenue recognition. In subsequent periods, when revenue recognition criteria are met the unearned revenue is removed and revenue is recognized. Unearned revenue consists of local business tax receipts collected at the end of the fiscal year that relate to and will be earned in the subsequent fiscal year.

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bonds, Bonds Discounts, Bond Premiums, and Issuance Costs

In the governmental funds, the face amount of the bonds is reported as “Other Financing Sources” in the year of issue. Bond discounts are reported as “Other Financing Uses” and bond premiums are reported as “Other Financing Sources” in the year of the issue. In the entity-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, except any portion related to prepaid insurance costs, are recognized as an expenditure/expense in the period incurred.

Deferred Losses on Refunding

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

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

All vacation, sick leave, and sabbatical leave is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The Town’s employees are granted compensated absence pay for vacation and sick leave in varying amounts based on length of service.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure, of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and useful lives and impairment of tangible and intangible assets. Accordingly, actual results could differ from those estimates.

Interfund Transactions

During the course of normal operations, it is necessary for the Town to enter into transactions among its various funds. These transactions consist of one or more of the following types:

Transactions for services rendered or facilities provided are recorded as revenue in the receiving fund and expenditures or expenses in the disbursing fund.

Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them are recorded as operating transfers in and out.

All other outstanding balances between funds are reported as “due to/from other funds.”

Fund Balance

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported under the following categories:

1. Nonspendable fund balance – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the Town’s policy to reduce restricted amounts first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Town’s policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities plus deferred inflows of resources. Net position is displayed in the following three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by: 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions of enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Implementation of Governmental Accounting Standards Board Statements

The Town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended September 30, 2019.

In November 2016 the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for an asset retirement obligation. Implementation of this Statement did not impact the Town’s financial statements.

In March 2018 the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It will also clarify which liabilities governments should include when disclosing information related to debt.

Recently Issued Accounting Pronouncements

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In January 2017 the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for the fiscal year ending September 30, 2021.

In May 2017 the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2022.

In June 2018 the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for the fiscal year ending September 30, 2022.

In August 2018 the GASB issued Statement No. 90, *Major Equity Interests*. This Statement will improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for the fiscal year ending September 30, 2021.

In May 2019 the GASB issued Statement No. 91, *Conduit Debt Obligation*. This Statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This Statement is effective for the fiscal year ending September 30, 2023.

In January 2020 the GASB issued Statement No. 92, *Omnibus 2020*. This Statement will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics. The requirements of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements are effective for the fiscal year ending September 30, 2022.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In March 2020 the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement addresses the accounting and financial reporting effects that result from the replacement of interbank offered rates with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. This Statement is effective for the fiscal year ending September 30, 2022.

In March 2020 the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement will improve financial reporting by addressing issues related to public-private and public-public arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. This Statement is effective for the fiscal year ending September 30, 2023.

In May 2020 the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement is effective immediately and postpones the effective dates of various standards and implementation guides, including Statements No. 84, 87, 89, 90, 91, 92, and 93 discussed above. The effective dates presented above are the extended effective dates in accordance with Statement No. 95.

In May 2020 the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. This Statement is effective for the fiscal year ending September 30, 2023.

In June 2020 the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This Statement will result in more consistent financial reporting for defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain provisions of this Statement are effective immediately and other provisions re effective for the fiscal year ending September 30, 2022.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

State of Florida statutes require that all municipal governments establish budgetary systems and approve balanced annual operating budgets. The Town Council annually adopts an operating budget and appropriates funds for the General Fund, the Community Redevelopment Agency Fund, and the Enterprise Fund. The procedures for establishing budgetary data are as follows:

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

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

Budgetary Data (Continued)

- Prior to August 1, the Town Administrator submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Upon completion of the public hearings, and prior to October 1, a final operating budget is legally enacted through passage of a resolution. Estimated beginning fund balances are considered in the budgetary process.
- For the General Fund, all budgetary revisions equal to or in excess of \$2,500 or between departments must be approved by the Town Council. The Town Administrator is authorized to make budget transfers within a department in amounts less than \$2,500.
- Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
- Appropriations along with encumbrances lapse on September 30.

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

For the year ended September 30, 2019, expenditures of the General Fund exceeded appropriations by \$220,017. The administration and clerk, legal, other general government, law enforcement, and special events departments had expenditures in excess of appropriations.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment roll meets all of the appropriate requirements of State law. The assessed value of property within the corporate limits of the Town at January 1, 2018, upon which the 2018-2019 levy was based, was approximately \$257 million. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

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

Property Taxes (Continued)

The tax levy of the Town is established by the Town Council prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, County School Board and Special District tax requirements. The millage rate assessed by the Town for the year ended September 30, 2019 was 6.2798 (\$6.2798 for each \$1,000 of assessed valuation). In 1988 the Town opted into Palm Beach County's Fire Rescue Municipal Service Taxing Unit (MSTU) for the provision of fire rescue services within the Town. The tax for the MSTU is included in the maximum 10 mills the Town is legally allowed to assess. As of September 30, 2018, the MSTU portion of the Town's millage rate was 3.4581 mills. Including the MSTU portion, the Town's total millage rate for the year ended September 30, 2019 was 9.7379 mills.

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

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit eligible collateral with the Treasurer or another banking institution. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Town's deposits at year end are considered insured for custodial credit risk purposes. As of September 30, 2019, the carrying amount of the Town's deposits was \$2,448,140, and the bank balances totaled \$2,609,257. The Town also had cash on hand of \$300.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

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

The State Board of Administration (SBA) administers the Florida PRIME investment pool, which is governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME. The investment in Florida PRIME is reported at amortized cost in accordance with GASB Statement No. 79, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 79). The investment in the Florida PRIME is not insured by FDIC or any other governmental agency. GASB 79 requires that if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool’s authority to impose liquidity fees or redemption gates) in notes to the financial statements.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

As of September 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value in the Florida PRIME.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2019, was 37 days. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

The Florida Surplus Asset Fund Trust (FLSAFE), was established in 2007 to be an investment pool to meet the investment needs of local governments in Florida and began operations in 2008. FLSAFE is a common law trust under the laws of the State of Florida. Section 218.415, Florida Statutes, authorizes units of local government to invest and reinvest public funds in excess of the amounts needed to meet current expenses in certain enumerated investments, in any other investments authorized by law or by a municipal or county ordinance or by a school district or special district by law or by resolution, and in addition authorizes units of local government to invest and reinvest such surplus public funds in any intergovernmental investment pool

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01 of the Florida Statutes.

The FLSAFE Stable NAV Fund was created to offer local governments in Florida an investment pool with an objective of stability of principal. The Stable NAV Fund seeks to maintain a net asset value (NAV) at \$1.00 per share.

The investment in the FLSAFE Stable NAV Fund is reported at amortized cost in accordance with GASB Statement No. 79, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 79). The investment in the FLSAFE is not insured by FDIC or any other governmental agency.

FLSAFE allows for daily redemptions from their funds. FLSAFE may temporarily suspend or postpone the right of redemption under extraordinary circumstances such as (a) war, emergency, or act of God; (b) suspension of trading on major stock exchanges or a general banking moratorium; or (c) when an emergency exists such that the investment pool may not dispose of their investments because of substantial losses or it is not reasonably practical for the pool to value their net assets. As of September 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Town's daily access to 100 percent of the account value.

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

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of September 30, 2019, the Town reported the following investments. The investments in Florida PRIME and FLSAFE are reported as cash and cash equivalents in the balance sheet. The certificates of deposit are reported as investments. Certificates of deposit are exempt from reporting under the fair value hierarchy, and they are measured at cost.

<u>Investments Measures at Amortized Cost</u>	<u>Maturity</u>	<u>Amortized Cost</u>
FLSAFE Stable NAV Fund	50 days	\$ 1,842,356
Florida PRIME	72 days	26
		<u>\$ 1,842,382</u>

<u>Investments Measured at Cost</u>	<u>Maturity</u>	<u>Cost</u>
Certificate of Deposit	82 days	\$ 672,188
Certificate of Deposit	115 days	520,557
Certificate of Deposit	115 days	277,111
		<u>\$1,469,856</u>

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Town’s investment policies limit its investments to high quality investments to control credit risk. As of September 30, 2019, Florida PRIME and FLSAFE were rated AAAM by Standard and Poor’s Rating Service.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2019, are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>
Accounts receivable - billed	\$ 71,580	\$ 123,721
Accounts receivable - unbilled		208,068
Total receivables	<u>71,580</u>	<u>331,789</u>
Less allowance for uncollectible accounts		<u>(39,370)</u>
Net receivables	<u>\$ 71,580</u>	<u>\$ 292,419</u>

NOTE 5 – RESTRICTED ASSETS

Certain resources set aside for utility system improvements are classified as restricted assets because their use is limited by loan covenants. Other restricted assets include amounts collected as customer deposits and special assessment proceeds. Restricted assets for the business-type activities at September 30, 2019, consisted of:

Promissory Note, Series 2016 Unspent Loan Proceeds – set aside for utility system improvements.	\$ 423,849
Reserve Fund, Series 2016 Loan	75,000
Promissory Note, Series 2018 Unspent Loan Proceeds – set aside for Utility System improvements	328,897
Hypoluxo Village Renewal and Replacement Account – used to identify resources set aside for paying the cost of Utility System improvements in Hypoluxo Village	69
Renewal and Replacement Account – used to identify resources set aside for paying the cost of Utility System improvements	500,000
Debt Service – used for paying accrued interest	32,067
Customer Deposits – used to segregate security deposits received from utility system customers	<u>241,880</u>
	<u>\$1,601,762</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 517,753	\$	\$	\$ 517,753
Construction in progress		52,604		52,604
Total not being depreciated	<u>517,753</u>	<u>52,604</u>		<u>570,357</u>
Capital assets being depreciated				
Buildings	3,166,627			3,166,627
Improvements other than buildings	1,544,028	357,011		1,901,039
Equipment	730,972	171,065	(49,120)	852,917
Infrastructure	6,619,149	168,946		6,788,095
Total being depreciated	<u>12,060,776</u>	<u>697,022</u>	<u>(49,120)</u>	<u>12,708,678</u>
Total at historical cost	<u>12,578,529</u>	<u>749,626</u>	<u>(49,120)</u>	<u>13,279,035</u>
Less accumulated depreciation				
Buildings	700,926	63,332		764,258
Improvements other than buildings	545,233	59,058		604,291
Equipment	545,641	64,575	(49,120)	561,096
Infrastructure	5,677,571	170,817		5,848,388
Total accumulated depreciation	<u>7,469,371</u>	<u>357,782</u>	<u>(49,120)</u>	<u>7,778,033</u>
Total governmental activities, net	<u>\$5,109,158</u>	<u>\$391,844</u>	<u>\$</u>	<u>\$5,501,002</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 6 – CAPITAL ASSETS (Continued)

<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 88,760	\$	\$	\$ 88,760
Intangible assets – water rights	1,953,924			1,953,924
Construction in progress	<u>628,957</u>	<u>1,101,811</u>	<u>(1,040,424)</u>	<u>690,344</u>
Total not being depreciated	<u>2,671,641</u>	<u>1,101,811</u>	<u>(1,040,424)</u>	<u>2,733,028</u>
Capital assets being depreciated				
Buildings	214,962			214,962
Improvements other than buildings	7,035,256	1,040,424	(14,733)	8,060,947
Equipment	565,599	69,572		635,171
Intangible asset - goodwill	<u>163,500</u>			<u>163,500</u>
Total being depreciated	<u>7,979,317</u>	<u>1,109,996</u>	<u>(14,733)</u>	<u>9,074,580</u>
Total at historical cost	<u>10,650,958</u>	<u>2,211,807</u>	<u>(1,055,157)</u>	<u>11,807,608</u>
Less accumulated depreciation				
Buildings	37,977	8,598		46,575
Improvements other than buildings	2,337,497	373,324		2,710,821
Equipment	375,054	63,831		438,885
Intangible asset - goodwill	<u>121,946</u>	<u>4,088</u>		<u>126,034</u>
Total accumulated depreciation	<u>2,872,474</u>	<u>449,841</u>		<u>3,322,315</u>
Total business-type activities, net	<u>\$7,778,484</u>	<u>\$1,761,966</u>	<u>\$(1,055,157)</u>	<u>\$8,485,293</u>

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

Governmental activities	
General government	\$ 69,213
Public safety	63,300
Highways and streets	183,944
Culture and recreation	<u>41,325</u>
Total depreciation expense for governmental activities	<u>\$ 357,782</u>
Business-type activities	
Municipal water and sewer	<u>\$ 449,841</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 7 – INTANGIBLE ASSETS

Intangible assets consist of goodwill arising from the purchase of assets from Florida Water Service, Inc. and water distribution rights resulting from agreements with the City of Lake Worth and the Village of Palm Springs.

Goodwill represents the excess of the purchase price over the estimated fair value of the net position of the acquired utility system and is being amortized on a straight line basis over the period of the expected benefit of 40 years.

Water distribution rights represent the cost to construct the various improvements required as part of the agreements with the City of Lake Worth and the Village of Palm Springs. The rights have indefinite useful lives and are not being amortized.

Goodwill	\$ 163,500
Water and sewer distribution rights:	
City of Lake Worth	1,726,971
Village of Palm Springs	<u>226,953</u>
Total intangible assets	2,117,424
Accumulated amortization - goodwill	<u>(126,034)</u>
Total intangible assets, net	<u>\$ 1,991,390</u>

NOTE 8 – LONG-TERM LIABILITIES

Governmental Activities

\$300,000 Promissory Note, Series 2018

On October 25, 2018, the Town issued a Promissory Note, Series 2018 in the principal amount of \$300,000 for the purpose of financing energy efficient and cost-saving improvements to both Town Hall and the Town’s Police Department facilities to include HVAC, lighting and flooring. Principal payments on the Note are due in annual installments commencing on October 1, 2019 and on each October 1 thereafter until maturity on October 1, 2028. Interest payments on the Note are due commencing on April 1, 2019 and on each April 1 and October 1 thereafter until maturity. The Note bears interest at the rate of 3.73%.

The Town covenants to budget and appropriate in its annual budget, by amendment if necessary, from legally available non-ad valorem revenues, sufficient moneys to pay principal and interest on the Note until the Note is paid in full. Such covenant to budget and appropriate does not create any lien upon or pledge of such legally available non-ad valorem revenues until deposited into the debt service fund.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

\$300,000 Promissory Note, Series 2018 (Continued)

The loan agreement includes a provision that upon the occurrence of an event of default the Note shall bear interest at the lesser of 6.73% or the maximum rate permitted by law. Also, upon the occurrence of an event of default the holder may declare the entire outstanding balance immediately due and payable, and in any such acceleration the Town shall also be obligated to pay all costs of collection and enforcement. Upon an event of taxability, the interest rate on the Note shall be subject to a full gross up modification to 4.72%. In addition, upon an event of taxability, the Town shall pay the lender an amount equal to any interest, penalties, and additions to tax owed by the lender as a result of the event of taxability.

The annual debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2020	\$ 30,000	\$ 10,631	\$ 40,631
2021	30,000	9,512	\$ 39,512
2022	30,000	8,393	\$ 38,393
2023	30,000	7,274	\$ 37,274
2024	30,000	6,155	\$ 36,155
2025-2029	150,000	13,988	\$ 163,988
	<u>\$ 300,000</u>	<u>\$ 55,953</u>	<u>\$ 355,953</u>

Business-type Activities

\$1,250,000 Promissory Note, Series 2016

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (Continued)

\$1,250,000 Promissory Note, Series 2016 (Continued)

The loan agreement includes a provision that upon the occurrence of an event of default the lender may declare the Note to be immediately due and payable without further action of any kind.

The annual debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2020	\$ 116,373	\$ 25,255	\$ 141,628
2021	119,457	22,066	\$ 141,523
2022	122,623	18,891	\$ 141,514
2023	125,872	15,598	\$ 141,470
2024	129,208	12,233	\$ 141,441
2025-2027	396,295	15,617	\$ 411,912
	<u>\$ 1,009,828</u>	<u>\$ 109,660</u>	<u>\$ 1,119,488</u>

\$1,000,000 Promissory Note, Series 2018

On October 25, 2018, the Town issued a Promissory Note, Series 2018 in the principal amount of \$1,000,000 for the purpose of financing improvements to the Town’s Utility System consisting of pump station electrical control panel upgrades, and energy, and structural and wind retrofitting. Principal payments on the Note are due in annual installments commencing on October 1, 2019 and on each October 1 thereafter until maturity on October 1, 2028. Interest payments on the Note are due commencing on April 1, 2019 and on each April 1 and October 1 thereafter until maturity. The Note bears interest at the rate of 3.73%. The Note is payable from and secured by a pledge of the Net Revenues and Impact Fees of the utility system. Net Revenues are equal to the Gross Revenues less the Cost of Operation and Maintenance. Impact Fees are all capital expansion fees, improvement fees, or other similar fees and charges separately imposed by the Town as a nonuser capacity charge allocable to the cost of expanding, oversizing, separating or constructing new additions to the Utility System.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (Continued)

\$1,000,000 Promissory Note, Series 2018 (Continued)

The loan agreement includes a provision that upon the occurrence of an event of default the Note shall bear interest at the lesser of 6.73% or the maximum rate permitted by law. Also, upon the occurrence of an event of default the holder may declare the entire outstanding balance immediately due and payable, and in any such acceleration the Town shall also be obligated to pay all costs of collection and enforcement. Upon an event of taxability, the interest rate on the Note shall be subject to a full gross up modification to 4.72%. In addition, upon an event of taxability, the Town shall pay the lender an amount equal to any interest, penalties, and additions to tax owed by the lender as a result of the event of taxability.

The annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 100,000	\$ 35,435	\$ 135,435
2021	100,000	31,705	\$ 131,705
2022	100,000	27,975	\$ 127,975
2023	100,000	24,245	\$ 124,245
2024	100,000	20,515	\$ 120,515
2025-2029	500,000	46,625	\$ 546,625
	<u>\$ 1,000,000</u>	<u>\$ 186,500</u>	<u>\$ 1,186,500</u>

Pledged Revenues

At September 30, 2019, total principal and interest to maturity to be paid on the \$1,250,000 Series 2016 Promissory Note and \$1,000,000 Series 2018 Promissory Note totaled \$2,305,988. Total principal and interest paid for the current fiscal year on these Notes totaled \$157,782, and pledged revenues total \$801,456 for the year.

Interest Expense

The total interest costs incurred and paid on all Town debt for the year ended September 30, 2019, were \$80,792 and \$60,487, respectively. No interest was capitalized in the Enterprise Fund during the year.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Rate Covenant

The loan agreement for the Promissory Note, Series 2016 requires the Town to establish and maintain utility rates that will always provide Net Revenues equal to at least 110% of the Annual Debt Service Requirement each fiscal year, and the loan agreement for the Promissory Note, Series 2018 requires Net Revenue to equal at least 120% of the Annual Debt Service Requirement. Net Revenues are equal to Gross Revenues less the Cost of Operation and Maintenance. Gross Revenues means all income or earnings derived by the Town from the ownership, operation, leasing, or use of the System, any income from the investment of moneys in the funds and accounts created under the loan agreements, and proceeds from the sale of all or a part of the System. The Cost of Operation and Maintenance means the current expenses, paid or accrued, of operation, maintenance and repair of the System and its facilities, as calculated in accordance with generally accepted accounting principles, but does not include depreciation or amortization expenses.

For the fiscal year ended September 30, 2019 the rate covenant calculations are presented below.

Charges for services	\$3,093,942
Investment earnings	78,361
Other income	<u>8,732</u>
Gross Revenues	<u>3,181,035</u>
Operating expenses	2,829,420
Depreciation	(445,753)
Amortization	<u>(4,088)</u>
Cost of Operation and Maintenance	<u>2,379,579</u>
Net Revenues	<u>\$ 801,456</u>
Annual Debt Service Requirement	<u>\$ 459,321</u>
Ratio	<u>174%</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Changes in the Town’s long-term liabilities for the year ended September 30, 2019 are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities:</i>					
Direct Borrowings and Placements:					
Promissory Note Series 2007	\$ 96,974	\$	\$ (96,974)	\$	\$
Promissory Note Series 2018		300,000		300,000	30,000
Total Direct Borrowings and Placements	<u>96,974</u>	<u>300,000</u>	<u>(96,974)</u>	<u>300,000</u>	<u>30,000</u>
Other postemployment benefits	49,800	7,959	(2,027)	55,732	
Compensated absences	74,752	78,522	(77,210)	76,064	76,064
	<u>124,552</u>	<u>86,481</u>	<u>(79,237)</u>	<u>131,796</u>	<u>76,064</u>
Total Long-Term Liabilities	<u>\$ 221,526</u>	<u>\$ 386,481</u>	<u>\$ (176,211)</u>	<u>\$ 431,796</u>	<u>\$ 106,064</u>
<i>Business-type Activities:</i>					
Direct Borrowings and Placements:					
Promissory Note Series 2005	\$ 288,127	\$	\$ (288,127)	\$	\$
Promissory Note Series 2016	1,123,197	-	(113,369)	1,009,828	116,373
Promissory Note Series 2018		1,000,000		1,000,000	100,000
Total Direct Borrowings and Placements	<u>1,411,324</u>	<u>1,000,000</u>	<u>(401,496)</u>	<u>2,009,828</u>	<u>216,373</u>
Other postemployment benefits	18,248	4,556	(1,161)	21,643	
Compensated absences	27,942	34,346	(26,759)	35,529	35,529
	<u>46,190</u>	<u>38,902</u>	<u>(27,920)</u>	<u>57,172</u>	<u>35,529</u>
Total Long-Term Liabilities	<u>\$ 1,457,514</u>	<u>\$ 1,038,902</u>	<u>\$ (429,416)</u>	<u>\$ 2,067,000</u>	<u>\$ 251,902</u>

The compensated absences and other postemployment benefits liabilities of the governmental activities are liquidated by the General Fund.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 9 – SHORT-TERM DEBT

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

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

From April 1, 2016 through May 31, 2019, there were no draws or repayments on the line of credit. The line of credit was terminated on April 1, 2019.

NOTE 10 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town has not significantly reduced insurance coverage from the prior year, and there were no settled claims which exceeded insurance coverage during the past three fiscal years.

Florida Statutes limit the Town's maximum loss for most liability claims to \$200,000 per person and \$300,000 per occurrence under the Doctrine of Sovereign Immunity. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in Federal courts.

Effective September 30, 2008, the Town withdrew from the Southeast Risk Management Association (SERMA), a quasi-governmental agency created by an interlocal agreement, as authorized by Florida Statute 163. SERMA administered the property and casualty coverage for the Town. In accordance with the interlocal agreement, if a member withdraws, the member continues to be fully responsible and obligated for their portion of covered claims and expenses for covered claims that were incurred during the term of their membership.

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 11 – COMMITMENTS

Waste Collection Services

On September 10, 2013, the Town amended the agreement with Waste Management of Florida, Inc. for waste collection services. The contract as amended expires September 30, 2020 and may be extended for an additional five-year term upon mutual agreement of the parties. The Town negotiated significant changes to the contract resulting in rates that are more than 20% lower than the original agreement with an escalation factor not to exceed 2% per year. For the year ended September 30, 2019, the Town was charged \$225,474 for waste collection services pursuant to the agreement.

Village of Palm Springs Interlocal Agreement to Purchase Bulk Water

On November 10, 1988, the Town entered into an open-ended interlocal agreement with the Village of Palm Springs, Florida (the Village) for the purchase and sale of bulk potable water. Rates for water service are based on the Village's large user rates. The Town is billed monthly on an average 400,000 gallons per day contracted minimum. For the year ended September 30, 2019, the Town was charged \$275,657 for purchased water pursuant to the agreement.

City of Lake Worth Interlocal Agreement to Provide Sewer Treatment Services

On September 17, 2013, the Town entered into a new interlocal agreement with the City of Lake Worth, Florida (the "City") for wastewater service and wastewater facilities cost sharing reducing the costs of service by more than 50% and providing for a methodology to calculate annual increases to Service Costs. An independent Board has been created to oversee the operation of the City of Lake Worth's wastewater system and to approve and endorse costs which would impact Service Costs. The agreement rescinded all previous contracts relating to the subject matter between the Town and the City. The initial term of the agreement expires on September 20, 2023. The Town may extend the agreement for up to three additional ten-year periods. Charges for treatment of sewage disposal are billed to the Town monthly. For the year ended September 30, 2019, the Town was charged \$374,861 for sewage disposal services pursuant to the agreement.

City of Lake Worth Interlocal Agreement to Purchase Bulk Water

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 11 – COMMITMENTS (Continued)

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

On February 15, 2011, the Town entered into a new interlocal agreement with the City of Lake Worth for the purchase and sale of bulk potable water to serve residents living within the Hypoluxo Village Service Area for a period of ten years, renewable for successive periods of five years each, upon the same terms and conditions, by written agreement of both parties to the agreement prior to expiration of the initial term or any renewal thereof. Bulk potable water purchases and sales for the Seminole Manor Service Area were discontinued under the agreement. The City agreed to provide water service at a bulk service rate of \$0.303 cents per hundred gallons. Future rate changes will be allowed only at the time of the City's water system rate increases. The new rate to be charged will be equal to the current rate plus the monetary rate increases. The new rate to be charged will be equal to the current rate plus the monetary change in the rate of the lowest tier residential water rate placed into effect at the time of the new rate change. The Town is billed on a monthly basis for actual metered water service delivered by the City, based upon a reserve capacity of 200,000 gallons per day. A 25% surcharge shall be added for all usage exceeding the reserve capacity in any month. For the year ended September 30, 2019, the Town was charged \$120,487 for water purchased from the City.

Palm Beach County Interlocal Agreement to Purchase Bulk Water

On February 2, 2010, the Town entered into an interlocal agreement with Palm Beach County, Florida (the County) for the purchase and sale of bulk potable water for a period of thirty years, renewable for successive periods of five years each, upon the same terms and conditions, by written agreement of both parties prior to expiration of the initial term or any renewal thereof. The Town pays the County a full cost recovery commodity fee based upon a reserve capacity of 400,000 gallons per day. The initial fee was \$2.43 per thousand gallons. Beginning October 1, 2010, and for each year thereafter, the fee shall be adjusted upward or downward by an amount equal to three-fourths (3/4) of the change in the prior year's (measured July to July) Consumer Price Index all Urban Consumers, Water and Sewerage Maintenance, published by the U.S. Department of Labor, Bureau of Labor Statistics (CPI) or some other mutually agreed-upon index if the CPI is discontinued. The Town is obligated to take or pay the County a minimum amount of three-fourths of the capacity reserved under the agreement, calculated on an annual basis, regardless of actual usage. For the year ended September 30, 2019, the Town incurred charges of \$456,933 under the agreement.

Construction Commitments

The Town had the following construction commitments at September 30, 2019:

Seminole Bridge Utility Relocation	\$ 130,000
Police Department Records Management System	<u>30,000</u>
	<u>\$ 160,000</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 11 – COMMITMENTS (Continued)

Village of Palm Springs Interlocal Agreement to Purchase Police Dispatch Services

Effective October 1, 2010 the Town entered into an agreement with the Village of Palm Springs to provide Police Dispatch Services to the Town. On July 9, 2013 the agreement was amended to be a 5-year agreement with a second automatic 5-year renewal effective October 1, 2013. The agreement has an automatic cost escalation clause tied to the CPI but limited to a maximum of 3% per year. The cost for the fiscal year ending September 30, 2019 is \$47,243.

Palm Beach County Interlocal Agreement to Purchase Bulk Wastewater Service

On November 11, 2014, the Town entered into an interlocal agreement with Palm Beach County, Florida (the County) for the purchase and sale of bulk wastewater service for a period of thirty years. The Town may deliver, and the County shall accept varying wastewater flow rates required by the Town, not to exceed an average daily flow rate of 300,000 gallons per day. The initial wastewater commodity fee shall be \$2.37 per thousand gallons. Beginning October 1, 2015, and for each year thereafter, the wastewater commodity fee shall be adjusted by one-half of the Gross Domestic Product Implicit Price Deflator as published by the United States Department of Labor, Bureau of Labor Statistics Data, Water and Sewage Maintenance, or three percent, whichever is less as measured on an annual basis using the most recently published data as of the date of application. For the fiscal year ended September 30, 2019, the Town incurred charges of \$501 under the agreement.

Palm Beach County Interlocal Agreement for Public Safety Trunked Radio System

On February 7, 2017, the Town entered into an interlocal agreement with Palm Beach County under which the County will make access to its Public Safety Trunked Radio System available to the Town. The initial term of the agreement is for five years. The agreement may be renewed for two additional terms of four years each. Under the terms of the agreement the Town will pay a one-time access charge in the amount of \$3,234 per unit. The Town may elect to pay the one-time access charge in periodic installments of any amounts providing that the entire amount owed is paid prior to February 21, 2019. The Town is also required to pay an annual maintenance fee of \$226 per unit and an annual replacement fee of \$211.42 per unit. The maintenance fee and the replacement fee may be reviewed every three years starting January 3, 2018 and may be adjusted for the following fiscal year by notice to the Town by the County's Facilities & Operations Department issued by April 1st. During the fiscal year ended September 30, 2019, the Town incurred expenditures of \$15,523 pursuant to the agreement.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 12 – DEFINED CONTRIBUTION PENSION PLAN

The Town of Lake Clarke Shores, Florida’s Money Purchase Plan is a defined contribution pension plan established by the Town and administered by Nationwide Life Insurance Company to provide benefits at retirement to the employees of the Town. All full-time employees are eligible to participate on attainment of age 21 and completion of six months of service, with hours of service being determined on the basis of actual hours for which an employee is paid or entitled to payment. For the year ended September 30, 2019, the Town contributed an amount equal to 8% of covered payroll. Participants are required to contribute a minimum of 2% under the plan. A participant is fully vested after six years of service. Town contributions for, and interest forfeited by, employees who leave before six years of service are used to reduce the Town’s current period contribution requirement. For the fiscal year ended September 30, 2019, the Town recognized pension expense of \$125,982 for the Plan, and as of the fiscal year end, the Town reported a payable in the amount of \$7,574 for outstanding contributions to the Plan. There were forfeitures in the amount of \$8,151 during the fiscal year.

NOTE 13 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables, payables, and transfers as of September 30, 2019 and for the year then ended were as follows:

	Interfund Receivable	Interfund Payable
Infrastructure Surtax Fund	\$ 331,726	\$
General Fund		27,708
CRA Fund		6,463
Enterprise Fund		297,555
	\$ 331,726	\$ 331,726
Totals		

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

	Transfers In	Transfers Out
General Fund	\$ 250,000	\$
Enterprise Fund		250,000
	\$ 250,000	\$ 250,000
Totals		

The transfers from the Enterprise Fund to the General Fund were used to pay the administrative fee charged to the Enterprise Fund by the General Fund.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Town provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries to continue to obtain health benefits upon retirement. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

Contributions

The Town does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Town for active employees by its healthcare insurance provider. However, the Town's actuaries in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Town or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

Plan Membership

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

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

Discount Rate

The Town does not have a dedicated trust to pay retiree healthcare benefits. For plans that do not have assets held in a dedicated trust, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. As of the measurement date of September 30, 2019, the rate was 3.58% based on the high-quality municipal bond rate based on the week closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corporation's AA rating. The discount rate as of the beginning of the measurement year was 4.18%.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

At September 30, 2019, the Town reported a total OPEB liability of \$77,375. For the fiscal year ended September 30, 2019, the Town recognized OPEB expense of \$14,015. As of September 30, 2019, the Town did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

Actuarial Methods and Assumptions

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

Significant methods and assumptions were as follows:

Valuation date	October 1, 2017
Measurement date	September 30, 2019
Actuarial cost method	Entry Age Cost Method
Inflation	2.50%
Discount rate	3.58%
Retirement rates	100% at age 62
Mortality tables	RP-2000 Combined Healthy Mortality Tables projected to the valuation date using Projection Scale AA
Healthcare cost trend rates	Initially 8.50% trending to 4.00% in 55 years
Marital status	100% married with male spouses 3 years older than female spouses
Healthcare participation	20% participation with 50% electing spouse coverage

Changes in Assumptions

The discount rate was changed from 4.18% as of the beginning of the measurement period to 3.58% as of September 30, 2019. This change is reflected in the schedule of changes in total OPEB liability. There were no benefit changes during the year.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The components of the total OPEB liability as of September 30, 2019 were as follows:

Total OPEB Liability - beginning	\$ 68,048
Changes for the year	
Service cost	4,329
Interest	2,959
Changes of assumptions	5,227
Benefit payments	<u>(3,188)</u>
Net change in total OPEB liability	<u>9,327</u>
Total OPEB Liability - ending	<u><u>\$ 77,375</u></u>
Covered-employee payroll	\$1,455,338
Total OPEB Liability as a percentage of covered-employee payroll	5.32%

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

The following table presents the total OPEB liability of the Town calculated using the single discount rate of 3.58% as well as what the Town's total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current rate.

<u>Discount Rate Sensitivity</u>	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	2.58%	3.58%	4.58%
Total OPEB Liability	\$ 87,582	\$ 77,375	\$ 68,981

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

<u>Healthcare Trend Rate Sensitivity</u>	<u>1% Decrease</u> 3.00% - 7.50%	<u>Healthcare Cost Trend Rate</u> 4.00% - 8.50%	<u>1% Increase</u> 5.00% - 9.50%
Total OPEB Liability	\$ 66,776	\$ 77,375	\$ 90,615

NOTE 15 – INTRAGOVERNMENTAL ADMINISTRATIVE FEE

During the year ended September 30, 2019, the Enterprise Fund remitted \$35,000 to the General Fund for use of office space. This amount is reflected as intragovernmental revenue in the General Fund and as intragovernmental expense in the Enterprise Fund.

NOTE 16 – SPECIAL ASSESSMENTS

Forest Hill Boulevard Sanitary Sewer Project

In 2015, non-ad valorem special assessments were levied on properties specially benefited by a capital improvement project for the Forest Hill Boulevard sanitary sewer project. Property owners were given the option to prepay the entire amount of the assessment. Assessments that were not prepaid are payable in twenty equal annual installments of principal and interest. During the fiscal year ended September 30, 2015, assessments were levied on the properties in Phase 1A in Service Area 1. During the fiscal year ended September 30, 2018, assessments were levied on the properties in Phase 1B in Service Area 1. The assessments bear interest at the rate of 3.5% per annum. At September 30, 2019, the special assessments receivable was \$878,260.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 17 – SUBSEQUENT EVENTS

On November 21, 2019, the Town issued its \$1,174,000 Capital Improvement Revenue and Revenue Refunding Note, Series 2019 to make certain bridge repairs and to refund the Town's \$300,000 Promissory Note, Series 2018. The Note was awarded to Branch Banking and Trust Company by a negotiated sale.

On November 21, 2019, the Town issued its \$2,977,000 Utility System Revenue and Revenue Refunding Note, Series 2019 to design certain improvements to the Town's utility system and to refund the Town's \$1,250,000 Promissory Note, Series 2016 and the Town's \$1,000,000 Promissory Note, Series 2018.

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Town could be significantly adversely affected. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended September 30, 2019

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,539,533	\$ 1,707,676	\$ 1,692,935	\$ (14,741)
Licenses and permits	330,000	330,000	365,412	35,412
Intergovernmental	767,412	817,412	695,538	(121,874)
Fines and forfeitures	28,300	28,300	53,559	25,259
Interest income	15,000	15,000	8,574	(6,426)
Intragovernmental	35,000	35,000	35,000	
Charges for services	73,000	73,000	142,763	69,763
Miscellaneous	67,750	67,750	96,140	28,390
Total revenues	<u>2,855,995</u>	<u>3,074,138</u>	<u>3,089,921</u>	<u>15,783</u>
Expenditures:				
General government	1,249,320	1,274,954	1,420,202	(145,248)
Public safety	1,524,425	1,623,831	1,834,724	(210,893)
Highways and streets	59,500	59,500	69,560	(10,060)
Culture and recreation	242,750	312,750	166,566	146,184
Total expenditures	<u>3,075,995</u>	<u>3,271,035</u>	<u>3,491,052</u>	<u>(220,017)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(220,000)</u>	<u>(196,897)</u>	<u>(401,131)</u>	<u>(204,234)</u>
Other financing sources:				
Debt proceeds			300,000	300,000
Operating transfer in	220,000	250,000	250,000	
Total other financing sources	<u>220,000</u>	<u>250,000</u>	<u>550,000</u>	<u>300,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$</u>	<u>\$ 53,103</u>	148,869	<u>\$ 95,766</u>
Fund balance, beginning of year			<u>883,414</u>	
Fund balance, end of year			<u>\$ 1,032,283</u>	

TOWN OF LAKE CLARKE SHORES, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Community Redevelopment Agency Fund
For the Year Ended September 30, 2019

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Tax increment financing	\$ 39,029	\$ 39,029	\$ 39,040	\$ 11
Interest income			753	753
Total revenues	<u>39,029</u>	<u>39,029</u>	<u>39,793</u>	<u>764</u>
Expenditures:				
Community Development	<u>14,500</u>	<u>36,138</u>	<u>7,121</u>	<u>29,017</u>
Total expenditures	<u>14,500</u>	<u>36,138</u>	<u>7,121</u>	<u>29,017</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,529</u>	<u>2,891</u>	<u>32,672</u>	<u>29,781</u>
Fund balance, beginning of year			<u>10,736</u>	
Fund balance, end of year			<u><u>\$ 43,408</u></u>	

TOWN OF LAKE CLARKE SHORES, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Discretionary Infrastructure Surtax Fund
For the Year Ended September 30, 2019

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 240,000	\$ 240,000	\$ 250,269	\$ 10,269
Interest income	1,000	1,000	940	(60)
Total revenues	241,000	241,000	251,209	10,209
Expenditures:				
Capital outlay	207,000	230,000	179,347	50,653
Total expenditures	207,000	230,000	179,347	50,653
Excess (deficiency) of revenues over (under) expenditures	34,000	11,000	71,862	60,862
Fund balance, beginning of year			267,783	
Fund balance, end of year			\$ 339,645	

TOWN OF LAKE CLARKE SHORES, FLORIDA
Required Supplementary Information
Notes to the Budgetary Comparison Schedules
For the Year Ended September 30, 2019

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

Budgets are legally adopted for the General Fund, Community Redevelopment Agency Fund, and the Discretionary Infrastructure Surtax Fund. Other special revenue funds are not budgeted because they are not legally required to do so. All governmental fund budgets are prepared on the modified accrual basis of accounting. The procedures for establishing budgetary data reflected in the budgetary comparison schedules are described in Note 2 to the financial statements beginning on page 34. Formal budgetary integration is employed within the accounting system as a management control device. Appropriations are legally controlled at the departmental level for the General Fund and at the fund level for the Community Redevelopment Agency Fund and the Discretionary Infrastructure Surtax Fund. Expenditures may not legally exceed budgeted appropriations at those levels.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2019, expenditures of the Community Redevelopment Agency Fund and the Discretionary Infrastructure Surtax Fund did not exceed appropriations. Total expenditures of the General Fund exceeded appropriations by \$220,017 and the following departments had expenditures in excess of appropriations.

Administration and clerk	\$ 37,318
Legal	\$ 19,239
Other general government	\$ 98,038
Law enforcement	\$ 243,365
Roads and streets	\$ 10,060
Special events	\$ 35,760

TOWN OF LAKE CLARKE SHORES, FLORIDA
Required Supplemental Information
Schedule of Changes in Total Other Postemployment Benefits Liability
For the Year Ended September 30, 2019

	2018	2019
Total OPEB Liability - beginning	\$ 68,302	\$ 68,048
Changes for the year		
Service cost	4,590	4,329
Interest	2,600	2,959
Changes of assumptions	(4,506)	5,227
Benefit payments	(2,938)	(3,188)
Net change in total OPEB liability	(254)	9,327
Total OPEB Liability - ending	\$ 68,048	\$ 77,375
Covered-Employee Payroll	\$ 1,419,842	\$ 1,455,338
Total OPEB Liability as a percentage of covered employee payroll	4.79%	5.32%

Change in Assumptions

The following are the discount rates used in each period:

Fiscal Year Ended September 30, 2017	3.64%
Fiscal Year Ended September 30, 2018	4.18%
Fiscal Year Ended September 30, 2019	3.58%

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget and Actual
General Fund
For the Year Ended September 30, 2019

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Expenditures:			
General government:			
Mayor and council:			
Personal services:			
Executive salaries	\$ 6,000	\$ 5,500	\$ 500
FICA	372	341	31
Medicare	87	80	7
Operating:			
Travel and per diem	9,000	5,875	3,125
Other current charges	5,400	1,759	3,641
Operating supplies	1,500	2,632	(1,132)
Books, dues, and education	5,500	6,033	(533)
Total mayor and council	27,859	22,220	5,639
Finance:			
Operating:			
Consulting Finance Director	16,000	15,292	708
Accounting and auditing	15,000	12,000	3,000
Total finance	31,000	27,292	3,708
Administration and clerk:			
Personal services:			
Regular salaries	178,854	213,158	(34,304)
Elections	4,500		4,500
Overtime	5,500	5,697	(197)
FICA	11,430	12,966	(1,536)
Medicare	2,673	3,033	(360)
Pension contributions	22,189	17,301	4,888
Employee insurance	33,850	25,053	8,797
Operating:			
Assessment for LCS Sewer	6,500		6,500
Travel and per diem	6,500	6,179	321
Communications	700	5,275	(4,575)
Postage and freight	600	1,019	(419)
Repairs and maintenance	6,040	7,426	(1,386)
Printing and binding	400		400
Other current charges	500	2,422	(1,922)
Advertising	2,700	3,363	(663)
Office supplies	1,000	1,000	
Operating supplies	2,000	1,848	152
TIF payment to CRA	22,164	22,164	
Books, dues, and education	9,000	10,573	(1,573)
Debt service			
Loan issue costs		11,000	(11,000)
Principal	96,974	96,974	
Interest	3,821	8,762	(4,941)
Total administration and clerk	417,895	455,213	(37,318)

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget and Actual
General Fund
For the Year Ended September 30, 2019

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Legal:			
Operating:			
Professional fees	\$ 75,000	\$ 94,239	\$ (19,239)
Other general government:			
Operating:			
Professional fees	32,000	36,144	(4,144)
Other contractual services	1,000	12,555	(11,555)
Garbage collection service	231,750	225,474	6,276
Weed control	19,128	20,130	(1,002)
Lawn maintenance services	92,634	97,643	(5,009)
Travel & per diem		945	(945)
Communications	28,538	35,781	(7,243)
Postage and freight	3,000	3,570	(570)
Electric	23,500	25,458	(1,958)
Water and sewer	5,000	3,382	1,618
Rentals and leases	2,000	458	1,542
General insurance	95,000	61,237	33,763
Repairs and maintenance	35,000	43,296	(8,296)
Printing and binding	3,000	73	2,927
Other current charges	17,650	6,064	11,586
Office supplies	800	800	
Operating supplies	4,500	5,429	(929)
Gas and oil	1,200	865	335
Books, dues, and education	9,500	10,886	(1,386)
Capital outlay:			
Improvements other than building	48,000	48,000	
Town Hall HVAC Replacement	35,000	183,048	(148,048)
Chambers HVAC Replacement	35,000		35,000
Total other general government	<u>723,200</u>	<u>821,238</u>	<u>(98,038)</u>
Total general government	<u>1,274,954</u>	<u>1,420,202</u>	<u>(145,248)</u>
Public safety:			
Law enforcement:			
Personal services:			
Regular salaries	692,323	668,413	23,910
PD special details	70,000	102,971	(32,971)
Overtime	15,000	58,390	(43,390)
State incentive pay	5,940	6,125	(185)
FICA	44,222	48,455	(4,233)
Medicare	10,342	11,332	(990)
Pension contributions	60,446	63,156	(2,710)
Employee insurance	129,600	123,644	5,956
Other contractual services	7,500	10,128	(2,628)

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget and Actual (continued)
General Fund
For the Year Ended September 30, 2019

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Operating:			
Dispatch services	\$ 44,805	\$ 47,243	\$ (2,438)
Travel and per diem	2,000	2,821	(821)
Communications	26,000	35,564	(9,564)
Postage and freight	1,000	1,399	(399)
Rentals and leases	500	572	(72)
Police vehicle leases	5,400	5,100	300
Repairs and maintenance	40,000	66,358	(26,358)
Repairs and maintenance - vehicles	27,000	27,662	(662)
Printing and binding	199	504	(305)
Other current charges	300	1,981	(1,681)
Crime prevention	500	834	(334)
Office supplies	1,500	1,734	(234)
Operating supplies	25,000	24,811	189
Gas and oil	35,000	24,557	10,443
Uniforms	8,000	7,980	20
Books, dues, and education	3,900	2,490	1,410
Capital outlay:			
Flooring	20,000		20,000
Radios		439	(439)
HVAC AHU Handler	27,500	121,616	(94,116)
Arabian Road Cameras	46,906	76,691	(29,785)
Improvements other than buildings		12,797	(12,797)
Machinery and equipment	45,000	83,481	(38,481)
Total law enforcement	<u>1,395,883</u>	<u>1,639,248</u>	<u>(243,365)</u>
Protective inspections and code enforcement:			
Personal services:			
Regular salaries	97,294	89,777	7,517
Overtime	5,000	4,927	73
FICA	6,342	5,639	703
Medicare	1,483	1,319	164
Pension contributions	8,756	7,637	1,119
Employee insurance	27,000	11,891	15,109
Operating:			
Other contractual services	65,000	56,440	8,560
Travel and per diem	1,598	1,743	(145)
Communications	500	597	(97)
Postage and freight	1,800	1,726	74
Rentals and leases	500		500
Repairs and maintenance	6,500	6,234	266
Other current charges		1,981	(1,981)
Office supplies	675	675	
Operating supplies	3,000	3,455	(455)
Books, dues, and education	2,500	1,435	1,065
Total protective inspections and code enforcement	<u>227,948</u>	<u>195,476</u>	<u>32,472</u>
Total public safety	<u>1,623,831</u>	<u>1,834,724</u>	<u>(210,893)</u>

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget and Actual (continued)
General Fund
For the Year Ended September 30, 2019

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Highways and streets			
Operating:			
Professional fees	\$ 12,500	\$ 8,139	\$ 4,361
NPDES agreement	7,000	5,841	1,159
Electric	26,000	24,916	1,084
Repairs and maintenance	10,000	11,244	(1,244)
Operating supplies	3,000	715	2,285
Road materials and supplies	1,000	3,586	(2,586)
Capital outlay:			
Storm drainage		4,223	(4,223)
Bridge improvements		10,896	(10,896)
Total roads and streets	<u>59,500</u>	<u>69,560</u>	<u>(10,060)</u>
Culture and recreation:			
Parks and recreation			
Operating:			
Professional fees	6,500	6,954	(454)
Other contractual services	25,000	5,000	20,000
Electric	2,500	3,001	(501)
Water and sewer	600	810	(210)
Repairs and maintenance	10,000	9,622	378
Operating supplies	3,000	6,001	(3,001)
Beautification landscape	20,000	2,171	17,829
Capital outlay:			
Park playground improvements	16,350	1,161	15,189
Forest Hill Boulevard Lighting	80,000		80,000
Basketball Court Lighting	35,000	12,286	22,714
Tennis Court Lighting	30,000		30,000
Total parks and recreation	<u>228,950</u>	<u>47,006</u>	<u>181,944</u>
Special events			
Operating:			
Postage and freight	1,500	2,794	(1,294)
Printing and binding	2,000	4,190	(2,190)
Promotional activities	5,000	2,714	2,286
Other current charges	300	300	
Operating supplies	45,000	79,807	(34,807)
Capital outlay:			
New Ole Hickory Smooker	30,000	29,755	245
Total special events	<u>83,800</u>	<u>119,560</u>	<u>(35,760)</u>
Total culture and recreation	<u>312,750</u>	<u>166,566</u>	<u>146,184</u>
Total expenditures	<u>\$ 3,271,035</u>	<u>\$ 3,491,052</u>	<u>\$ (220,017)</u>



NOWLEN, HOLT & MINER, P.A.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Clarke Shores, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Lake Clarke Shores, Florida's basic financial statements and have issued our report thereon dated June 26, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lake Clarke Shores, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
June 26, 2020



NOWLEN, HOLT & MINER, P.A.

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MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

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To the Honorable Mayor and Member of the Town Council
Town of Lake Clarke Shores, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Lake Clarke Shores, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 26, 2020.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 26, 2020, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information was disclosed in Note 1 to the financial statements. As disclosed in Note 1 to the financial statements, the Town of Lake Clarke Shores, Florida included the Lake Clarke Shores Community Redevelopment Agency as a component unit.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town of Lake Clarke Shores, Florida met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town of Lake Clarke Shores, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town of Lake Clarke Shores, Florida. It is management's responsibility to monitor the Town of Lake Clarke Shores, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we noted the following item.

Finding 2019-1

Condition: As indicated in Note 2 to the Budgetary Required Supplementary Information, certain departments in the General Fund had expenditures in excess of appropriations.

Criteria: Florida Statutes prohibit expenditures in excess of appropriations.

Recommendation: We recommend that the Town adopt budget amendments as necessary to eliminate expenditures in excess of appropriations.

Management Response: The Town agrees with the finding above. The Town is changing its financial consultant and will develop procedures to better manage expenditures allowing better monthly management of the Town's budget. The staff will advise and request budget amendments to the Town Council in a timely fashion and as necessary to ensure expenditures do not exceed appropriations.

Special District Component Units

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

Additional Matters

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

Single Audits

The Town of Lake Clarke Shores, Florida expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance for the fiscal year ended September 30, 2019 and was not required to have a federal single audit or a state single audit.

Purpose of this Letter

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

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida
June 26, 2020



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have examined the Town of Lake Clarke Shores, Florida’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2019. Management of the Town of Lake Clarke Shores, Florida is responsible for the Town of Lake Clarke Shores, Florida’s compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Lake Clarke Shores, Florida’s compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on the Town of Lake Clarke Shores, Florida’s compliance with the specified requirements.

In our opinion, the Town of Lake Clarke Shores, Florida complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2019.

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 26, 2020