



TOWN OF LAKE CLARKE SHORES, FLORIDA



FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED September 30, 2020

Town of Lake Clarke Shores, Florida
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September 30, 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Lake Clarke Shores, Florida (the "Town") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 2020, 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 5-13, the budgetary comparison information on pages 61-62 and the other postemployment benefits information on pages 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining nonmajor fund financial statements and the schedule of departmental expenditures-budget to actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of departmental expenditures-budget to actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedule of departmental expenditures–budget to actual are 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 February 26, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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'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's internal control over financial reporting and compliance.

Carri Riggs & Ingram, L.L.C.

Melbourne, Florida
February 26, 2021



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Town of Lake Clarke Shores, Florida Management’s Discussion and Analysis

The Town of Lake Clarke Shores’ (the “Town” or “LCS”) 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 \$16,799,287 (net position). Of this amount, \$1,923,921 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- The governmental activities revenues were \$3,487,229 during the fiscal year 2020.
- The business-type activities revenues were \$3,549,029 during the fiscal year 2020.
- The total cost of all Town programs was \$6,498,598 during the fiscal year 2020.
- At the end of the 2020 fiscal year, the total fund balance for the General Fund was \$2,202,438. The General Fund’s fund balance was comprised of \$152,688 non-spendable, \$172,210 restricted for debt service (annual loan and interest payment), \$221,916 restricted for transportation projects (gas tax), \$857,030 restricted for construction projects (bridge loan), and the unassigned fund balance of \$798,594 or 23% of total General Fund expenditures.
- The General Fund had an increase in fund balance of \$1,170,155 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 5-13)
BASIC FINANCIAL STATEMENTS	Government-Wide Financial Statements (pages 16-19) Fund Financial Statements (Pages 20-28) Notes to the Financial Statements (Pages 29-58)
REQUIRED SUPPLEMENTAL INFORMATION	Required Supplementary Information (Other than MD&A) (Pages 61-63)

Town of Lake Clarke Shores, Florida 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. This includes the combined financial data for the General Fund, CRA, Infrastructure Surtax, and Police Forfeiture.
- 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. This is the financial data for the LCS Utility.

Fund Financial Statements

Our analysis of the Town's major funds begins on page 20. 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 four governmental funds (General, CRA, Infrastructure, and Police Forfeiture), 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 General Fund is the only major governmental fund.
- 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.

Town of Lake Clarke Shores, Florida Management's Discussion and Analysis

- 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 2020 is reported at \$16,799,287. Net position of the Town's governmental activities for the fiscal year ending 2020 is \$6,729,498. The net position of our business-type activities is reported at \$10,069,789 for the fiscal year ending 2020. Overall the financial position of the total primary government is \$537,660 more than the prior year, with an increase of \$229,325 in net position for the governmental activities and an increase of \$308,335 in net position for the business-type activities.

Town of Lake Clarke Shores Net Position September 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 2,974,165	\$ 1,900,635	\$ 5,045,038	\$ 3,956,660	\$ 8,019,203	\$ 5,857,295
Capital Assets	5,509,938	5,501,002	8,604,634	8,485,293	14,114,572	13,986,295
Total Assets	8,484,103	7,401,637	13,649,672	12,441,953	22,133,775	19,843,590
Deferred Outflows of Resources	-	-	13,181	-	13,181	-
Current and Other Liabilities	177,766	462,305	239,657	613,499	417,423	1,075,804
Long Term Liabilities	1,572,848	431,796	3,353,407	2,067,000	4,926,255	2,498,796
Total Liabilities	1,750,614	894,101	3,593,064	2,680,499	5,343,678	3,574,600
Deferred Inflows of Resources	3,991	7,363	-	-	3,991	7,363
Net Investment in Capital Assets	4,937,246	5,026,275	6,652,067	7,771,323	11,589,313	12,797,598
Restricted	1,853,336	622,729	1,432,717	1,327,815	3,286,053	1,950,544
Unrestricted	(61,084)	851,169	1,985,005	662,316	1,923,921	1,513,485
Total Net Position	\$ 6,729,498	\$ 6,500,173	\$ 10,069,789	\$ 9,761,454	\$ 16,799,287	\$ 16,261,627

Town of Lake Clarke Shores, Florida 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 \$229,325 for fiscal year 2020.
- The business-type net position increased by \$308,335 for fiscal year 2020.

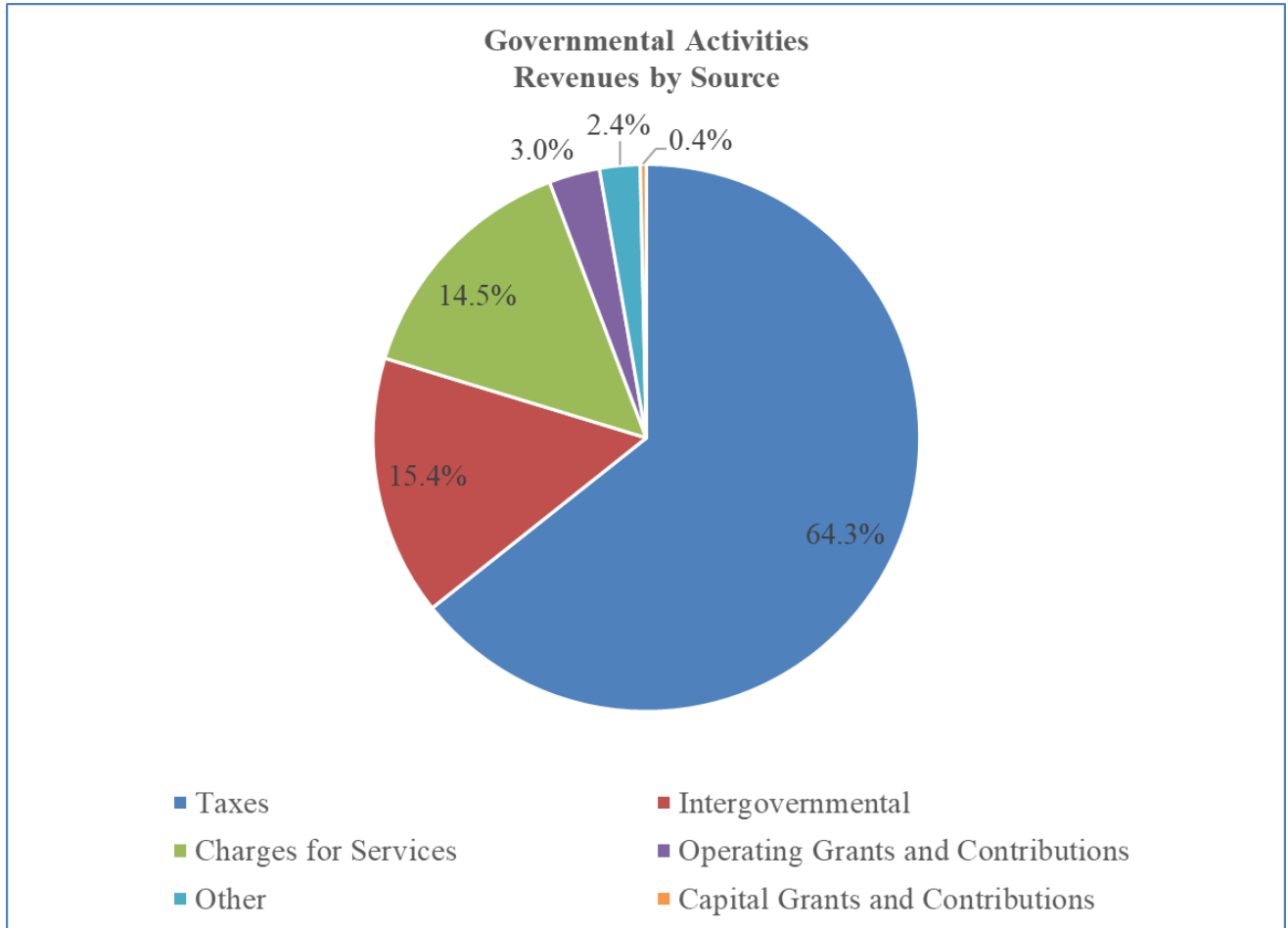
Town of Lake Clarke Shores Changes in Net Position For the Fiscal Years Ended September 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$ 506,746	\$ 425,635	\$ 3,253,325	\$ 3,093,942	\$ 3,760,071	\$ 3,519,577
Operating Grants and Contributions	104,871	43,571	-	-	104,871	43,571
Capital Grants and Contributions	12,282	-	247,632	-	259,914	-
General Revenues						
Taxes	2,243,124	2,154,149	-	-	2,243,124	2,154,149
Intergovernmental	536,481	518,304	-	-	536,481	518,304
Other	83,725	41,634	48,072	72,360	131,797	113,994
Total Revenues	3,487,229	3,183,293	3,549,029	3,166,302	7,036,258	6,349,595
Expenses						
Governmental Activities						
General Government	1,314,948	1,122,647	-	-	1,314,948	1,122,647
Public Safety	1,660,300	1,610,204	-	-	1,660,300	1,610,204
Highways and Streets	242,043	252,499	-	-	242,043	252,499
Culture and Recreation	168,605	164,689	-	-	168,605	164,689
Community Development	26,479	7,121	-	-	26,479	7,121
Interest on Long-Term Debt	65,529	11,164	-	-	65,529	11,164
Business-Type Activities						
Water and Sewer	-		3,020,694	2,920,048	3,020,694	2,920,048
Total Expenses	3,477,904	3,168,324	3,020,694	2,920,048	6,498,598	6,088,372
Excess (Deficiency) Before Transfers	9,325	14,969	528,335	246,254	537,660	261,223
Transfers	220,000	250,000	(220,000)	(250,000)	-	-
Change in Net Position	229,325	264,969	308,335	(3,746)	537,660	261,223
Net Position - Beginning	6,500,173	6,235,204	9,761,454	9,765,200	16,261,627	16,000,404
Net Position - Ending	\$ 6,729,498	\$ 6,500,173	\$ 10,069,789	\$ 9,761,454	\$ 16,799,287	\$ 16,261,627

Town of Lake Clarke Shores, Florida Management's Discussion and Analysis

Governmental Activities – Revenues by Source

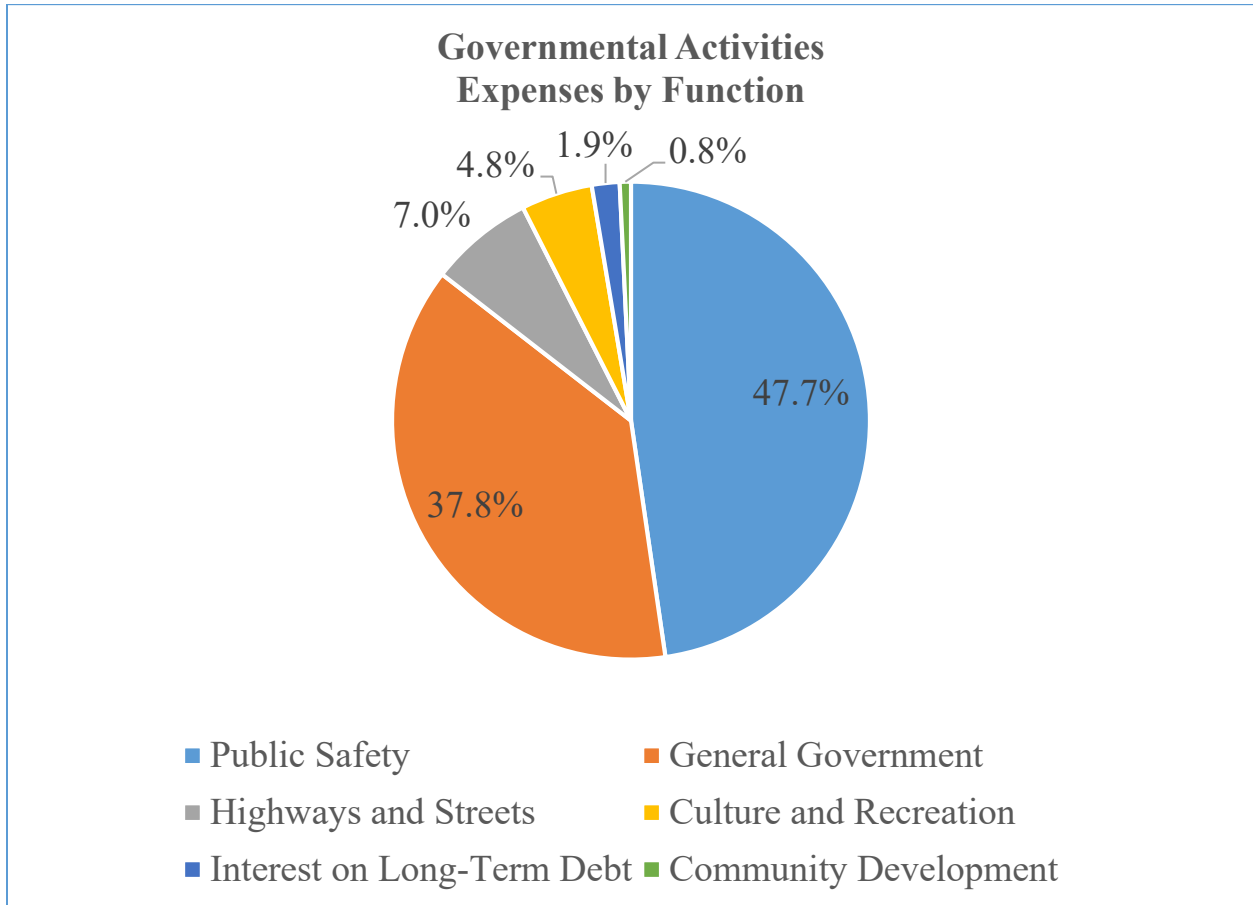
Approximately 64% of the Town's governmental activities revenue comes from taxes such as property, franchise, and sales and use. Property taxes alone account for nearly 74% of the various types of taxes and 47% of all revenues. (Please see chart below.)



Town of Lake Clarke Shores, Florida Management's Discussion and Analysis

Governmental Activities – Expenses by Function

The Town's governmental expenses cover a range of services, with 47.6% relating to Public Safety and 37.7% relating to General Government. (Please see chart below.)



Governmental Activities: Fiscal year 2020 began with the refinancing of all existing debt and the addition of debt to pay for the Pine Tree Lane Bridge. The Pine Tree Lane Bridge design is progressing with construction expected to start in May or June of fiscal year 2021.

The Police Department has upgraded its records management system from ALEIR to Global TAC10. It also acquired eight new vehicles through a lease vehicle program, replacing some police cars that were over ten years old.

COVID19 had a limited effect on business, we were working remotely for about 5 weeks, then most staff returned to normal duties. Two long-term changes to our business model included cashiering, we no longer take cash; and business operations, the lobby is open by appointment only. We transitioned to virtual meetings and then to livestream technology for all public meetings and adjusted equipment and facilities to enhance public participation and virtual involvement. We incurred about \$85,000 in unanticipated COVID19 costs and are awaiting reimbursements totaling approximately \$50,000 by several agencies.

Town of Lake Clarke Shores, Florida Management's Discussion and Analysis

FINANCIAL ANALYSIS ON THE FUND BASIS

Financial Analysis of the Governmental Funds

As the Town of Lake Clarke Shores completed the year, the General Fund reported an unassigned fund balance of \$798,594, an increase of \$28,044 from the previous fiscal year.

The Community Redevelopment Agency Fund reported a fund balance of \$62,205 an increase of \$18,797 from the previous fiscal year.

The Discretionary Infrastructure Surtax Fund reported a fund balance of \$526,739 an increase of \$187,094 from the previous year.

Financial Analysis of the Proprietary Fund

Unrestricted net position of the Enterprise Fund at the end of the fiscal year 2020 was \$1,985,005. This represents an increase of \$1,322,689 from the previous fiscal year. The total net position of the Enterprise Fund was \$10,069,789 at the end of fiscal year 2020, an increase of \$308,335 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Two budget amendments were made in FY20. The first was authorized by Resolution 2020-7 recognizing two grants the Town received, and the second authorized by Resolution 2020-22 incorporating the new loan and all associated budget changes like the payoff of the Series 2018 loan. It also recognized the new fleet leases. Resolution 2020-7 increased revenues by \$317,107 and expenditures by \$317,198. Resolution 2020-22 increased revenues by \$1,176,764 and expenditures by \$262,942.

The Final Amended FY20 Budget reflects revenues of \$4,642,467 and expenditures of \$3,728,736.

The actual expenditures were \$22,344 less than the budget amounts. Revenues were \$353,701 more than the budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020 the Town had invested \$14,114,572 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 2 to the financial statements.

Town of Lake Clarke Shores, Florida Management's Discussion and Analysis

Town of Lake Clarke Shores Capital Assets (Net of Accumulated Depreciation) September 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 517,753	\$ 517,753	\$ 88,760	\$ 88,760	\$ 606,513	\$ 606,513
Construction in Progress	155,822	52,604	601,976	690,344	757,798	742,948
Buildings	2,303,540	2,402,370	159,788	168,387	2,463,328	2,570,757
Improvements Other Than Buildings	1,209,073	1,296,748	5,571,445	5,350,126	6,780,518	6,646,874
Equipment	258,400	291,821	123,583	196,286	381,983	488,107
Infrastructure	781,638	939,707	-	-	781,638	939,707
Intangible Assets	283,712	-	2,059,082	1,991,390	2,342,794	1,991,390
Total	<u>\$ 5,509,938</u>	<u>\$ 5,501,003</u>	<u>\$ 8,604,634</u>	<u>\$ 8,485,293</u>	<u>\$ 14,114,572</u>	<u>\$ 13,986,296</u>

Long-Term Liabilities

As of September 30, 2020, the Town had long-term liabilities of \$4,151,000 in promissory notes, \$329,172 in capital leases payable, \$133,061 in compensated absences, and \$62,112 in other postemployment benefits as shown in the following table. Additional information can be found in Note 2 to the financial statements.

Town of Lake Clarke Shores Long-Term Liabilities September 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Promissory Note Series 2016	\$ -	\$ -	\$ -	\$ 1,009,828	\$ -	\$ 1,009,828
Promissory Note Series 2018	-	300,000	-	1,000,000	-	1,300,000
Promissory Note Series 2019	1,174,000	-	2,977,000	-	4,151,000	-
Capital Leases Payable	255,722	-	73,450	-	329,172	-
Other Postemployment Benefits	45,907	55,732	16,205	21,643	62,112	77,375
Compensated Absences	97,219	76,064	35,842	35,529	133,061	111,593
Total	<u>\$ 1,572,848</u>	<u>\$ 431,796</u>	<u>\$ 3,102,497</u>	<u>\$ 2,067,000</u>	<u>\$ 4,675,345</u>	<u>\$ 2,498,796</u>

Town of Lake Clarke Shores, Florida Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2021 fiscal year, General Fund revenue projections have been moderately increased due to an increase in taxable value.

- Budgeting for Fiscal Year 2021 started approximately \$400,000 below last year due to COVID driven expected losses of traditional revenues.
- Fiscal year 2021 sees the continuation of the fleet lease program. The Utility Department is replacing three of their older vehicles with new leased vehicles.
- Pine Tree Lane bridge design work continues with construction scheduled for May/June 2021.
- Most Town organized events have been cancelled.
- Two budgeted projects in the Utility Department will be moving forward:
 - 12-inch water main down Lawrence Road – Construction is expected to start in June 2021
 - New Utility Department Administrative Building – Design will begin in March 2021
- The Utility Department is planning to complete a sufficiency study for its water and sewer rates – expected March 2021.

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.



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Town of Lake Clarke Shores
Basic Financial Statements

Town of Lake Clarke Shores, Florida
Statement of Net Position

<i>September 30, 2020</i>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,015,021	\$ 42,957	\$ 1,057,978
Cash and cash equivalents, restricted	-	461,508	461,508
Investments	1,382,787	2,101,984	3,484,771
Investments, restricted	-	1,222,119	1,222,119
Receivables, net	61,323	306,001	367,324
Prepaid items	26,688	40,675	67,363
Due from other governments	88,091	239,985	328,076
Internal balances	274,255	(274,255)	-
Inventories	-	22,621	22,621
Special assessment receivables	-	840,053	840,053
Land held for resale	126,000	-	126,000
Deposits	-	41,390	41,390
Capital assets			
Non-depreciable	673,575	2,644,660	3,318,235
Depreciable, net	4,552,651	5,854,816	10,407,467
Amortized, net	283,712	105,158	388,870
Total assets	8,484,103	13,649,672	22,133,775
Deferred Outflows of Resources			
Loss on refunding	-	13,181	13,181

-Continued-

The accompanying notes are an integral part of this financial statement.

Town of Lake Clarke Shores, Florida
Statement of Net Position (Continued)

<i>September 30, 2020</i>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	96,152	124,991	221,143
Contracts payable	-	17,109	17,109
Accrued liabilities	69,404	34,355	103,759
Accrued interest	12,210	32,598	44,808
Unearned revenue	-	30,604	30,604
Non-current liabilities			
Due within one year			
Compensated absences	77,219	35,842	113,061
Notes payable	160,000	178,000	338,000
Customer deposits	-	250,910	250,910
Lease liability	66,807	23,181	89,988
Due in more than one year			
Compensated absences	20,000	-	20,000
Lease liability	188,915	50,269	239,184
Notes payable	1,014,000	2,799,000	3,813,000
Other postemployment benefits	45,907	16,205	62,112
Total liabilities	1,750,614	3,593,064	5,343,678
Deferred Inflows of Resources			
Deferred revenue of business tax receipts	3,991	-	3,991
Net Position			
Net investment in capital assets	4,937,246	6,652,067	11,589,313
Restricted for			
Debt service	172,210	-	172,210
Transportation	221,916	-	221,916
Construction	857,030	932,717	1,789,747
Community Redevelopment	62,205	-	62,205
Infrastructure	526,739	-	526,739
Law Enforcement	13,236	-	13,236
Renewal and Replacement	-	500,000	500,000
Unrestricted	(61,084)	1,985,005	1,923,921
Total net position	\$ 6,729,498	\$ 10,069,789	\$ 16,799,287

The accompanying notes are an integral part of this financial statement.

Town of Lake Clarke Shores, Florida
Statement of Activities

For the year ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,314,948	\$ 39,550	\$ 83,856	\$ -
Public safety	1,660,300	466,665	-	-
Highway and streets	242,043	-	-	12,282
Culture and recreation	168,605	531	21,015	-
Community development	26,479	-	-	-
Interest on long-term debt	65,529	-	-	-
Total governmental activities	3,477,904	506,746	104,871	12,282
Business-type activities				
Wastewater systems	3,020,694	3,253,325	-	247,632
Total business-type activities	3,020,694	3,253,325	-	247,632
Total primary government	\$ 6,498,598	\$ 3,760,071	\$ 104,871	\$ 259,914
General revenues				
Taxes				
Property taxes				
Tax increment financing				
Franchise fees				
Utility taxes				
Sales surtax				
Intergovernmental				
Unrestricted investment earnings				
Gain on disposal of capital assets				
Miscellaneous				
Transfers, net				
<hr/>				
Total general revenues				
<hr/>				
Change in net position				
<hr/>				
Net position, beginning of year				
<hr/>				
Net position, end of year				
<hr/>				

The accompanying notes are an integral part of this financial statement.

	Governmental Activities	Business-type Activities	Total
\$	(1,191,542)	\$ -	\$ (1,191,542)
	(1,193,635)	-	(1,193,635)
	(229,761)	-	(229,761)
	(147,059)	-	(147,059)
	(26,479)	-	(26,479)
	(65,529)	-	(65,529)
	(2,854,005)	-	(2,854,005)
	-	480,263	480,263
	-	480,263	480,263
	(2,854,005)	480,263	(2,373,742)
	1,652,311	-	1,652,311
	44,647	-	44,647
	191,400	-	191,400
	106,200	-	106,200
	248,566	-	248,566
	536,481	-	536,481
	9,901	25,721	35,622
	-	22,351	22,351
	73,824	-	73,824
	220,000	(220,000)	-
	3,083,330	(171,928)	2,911,402
	229,325	308,335	537,660
	6,500,173	9,761,454	16,261,627
\$	6,729,498	\$ 10,069,789	\$ 16,799,287

The accompanying notes are an integral part of this financial statement.

Town of Lake Clarke Shores, Florida
Balance Sheet – Governmental Funds

<i>September 30, 2020</i>	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 720,271	\$ 294,750	\$ 1,015,021
Investments	1,382,787	-	1,382,787
Accounts receivable	61,323	-	61,323
Prepaid items	26,688	-	26,688
Due from other funds	-	274,255	274,255
Due from other governments	53,782	34,309	88,091
Land held for sale	126,000	-	126,000
Total assets	\$ 2,370,851	\$ 603,314	\$ 2,974,165
Liabilities and deferred inflows of resources			
Liabilities			
Accounts payable	\$ 95,018	\$ 1,134	\$ 96,152
Accrued liabilities	69,404	-	69,404
Total liabilities	164,422	1,134	165,556
Deferred inflows of resources			
Deferred revenue	3,991	-	3,991
Total deferred inflows of resources	3,991	-	3,991
Fund balances			
Nonspendable	152,688	-	152,688
Restricted for:			
Infrastructure	-	526,739	526,739
Community redevelopment	-	62,205	62,205
Law Enforcement	-	13,236	13,236
Debt service	172,210	-	172,210
Transportation	221,916	-	221,916
Construction	857,030	-	857,030
Unassigned	798,594	-	798,594
Total fund balances	2,202,438	602,180	2,804,618
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,370,851	\$ 603,314	\$ 2,974,165

The accompanying notes are an integral part of this financial statement.

Town of Lake Clarke Shores, Florida
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position

September 30, 2020

Total fund balances - governmental funds		\$ 2,804,618
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 funds.		
Governmental capital assets	13,470,414	
Less accumulated depreciation and amortization	(7,960,476)	5,509,938
Long-term liabilities, including total OPEB liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Notes payable	(1,174,000)	
Leases payable	(255,722)	
Compensated absences	(97,219)	
Other postemployment benefits	(45,907)	
Accrued interest	(12,210)	(1,585,058)
Net position of governmental activities		\$ 6,729,498

The accompanying notes are an integral part of this financial statement.

Town of Lake Clarke Shores, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds

<i>For the year ended September 30, 2020</i>	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues			
Taxes:			
Property Taxes	\$ 1,652,311	\$ 44,647	\$ 1,696,958
Utility taxes	106,200	-	106,200
Franchise fees	191,400	-	191,400
Sales surtax	-	248,566	248,566
Licenses and permits	199,175	-	199,175
Intergovernmental	586,631	-	586,631
Charges for services	106,024	-	106,024
Fines and forfeitures	234,110	1,782	235,892
Investment earnings	15,268	1,663	16,931
Miscellaneous revenue	106,513	-	106,513
Total revenues	3,197,632	296,658	3,494,290
Expenditures			
Current			
General government	1,156,067	-	1,156,067
Public safety	1,537,831	2,710	1,540,541
Transportation	57,928	-	57,928
Culture and recreation	123,808	-	123,808
Community redevelopment	-	26,479	26,479
Debt service principal	54,224	-	54,224
Debt service interest and fiscal agent fees	50,985	6,487	57,472
Capital outlay	455,128	56,019	511,147
Total expenditures	3,435,971	91,695	3,527,666
Excess (deficiency) of revenues over (under) expenditures	(238,339)	204,963	(33,376)
Other Financing Sources (Uses)			
Transfers in	220,000	-	220,000
Proceeds from issuance of debt	1,453,946	-	1,453,946
Payment to refunded note escrow agent	(271,442)	-	(271,442)
Proceeds from sale of capital assets	5,990	-	5,990
Net other financing sources (uses)	1,408,494	-	1,408,494
Net change in fund balances	1,170,155	204,963	1,375,118
Fund balances, beginning of year	1,032,283	397,217	1,429,500
Fund balances, end of year	\$ 2,202,438	\$ 602,180	\$ 2,804,618

The accompanying notes are an integral part of this financial statement.

Town of Lake Clarke Shores, Florida
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

<i>For the year ended September 30,</i>	2020
Net change in fund balances - total governmental funds	\$ 1,375,118
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 those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceed depreciation in the current period.	
Capital Outlay	471,384
Depreciation and amortization expense	<u>(424,733)</u>
	46,651
In the statement of activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, disposals are not reported. Thus, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets.	
	(37,716)
Some revenues will not be collected within 60 days after the close of the Town's fiscal year-end are not considered as "available" revenue in the governmental funds. In the statement of net position, presented on the accrual basis, these revenues are recognized.	
	(7,061)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Interest is not accrued in governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Debt issuance	(1,453,946)
Debt repayments	324,224
Accrued interest	<u>(6,615)</u>
	(1,136,337)
Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.	
	(21,155)
Other postemployment benefit obligation reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.	
	9,825
Change in net position of governmental activities	\$ 229,325

The accompanying notes are an integral part of this financial statement.

Town of Lake Clarke Shores, Florida
Statement of Net Position - Proprietary Fund

<i>September 30, 2020</i>	Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 42,957
Cash and cash equivalents, restricted	461,508
Investments	2,101,984
Investments, restricted	1,222,119
Accounts receivable, net	306,001
Due from other governments	239,985
Prepays	40,675
Inventory	22,621
Special assessments receivables	840,053
Deposits	41,390
Total current assets	5,319,293
Noncurrent assets	
Capital assets	
Nondepreciable	
Land	88,760
Intangibles	1,953,924
Construction in progress	601,976
Depreciable	
Buildings	214,962
Improvements other than buildings	8,694,583
Equipment	377,304
Intangibles	163,500
Leased assets	85,193
Less accumulated depreciation and amortization	(3,575,568)
Total capital assets, net	8,604,634
Total assets	13,923,927
Deferred Outflows of Resources	
Loss on refunding	13,181

-Continued-

The accompanying notes are an integral part of this financial statement.

Town of Lake Clarke Shores, Florida
Statement of Net Position - Proprietary Fund (Continued)

<u>September 30, 2020</u>	Enterprise Fund
Liabilities	
Current liabilities	
Accounts payable	124,991
Contracts payable	17,109
Accrued liabilities	34,355
Due to other funds	274,255
Unearned revenue	30,604
Compensated absences	35,842
Current portion of lease liability	23,181
Current liabilities from restricted assets	
Accrued interest payable	32,598
Notes payable	178,000
Customer deposits	250,910
Total current liabilities	1,001,845
Noncurrent liabilities	
Other post employment benefits	16,205
Lease liability	50,269
Notes payable due after one year	2,799,000
Total noncurrent liabilities	2,865,474
Total liabilities	3,867,319
Net Position	
Net investment in capital assets	6,652,067
Restricted for	
Construction	932,717
Renewal and replacement	500,000
Unrestricted	1,985,005
Total net position	\$ 10,069,789

The accompanying notes are an integral part of this financial statement.

Town of Lake Clarke Shores, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position –
Proprietary Fund

<i>For the year ended September 30, 2020</i>	Enterprise Fund
<hr/>	
Operating Revenues	
Charges for services	\$ 3,253,325
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Total operating revenues	3,253,325
Operating Expenses	
Personnel service	659,237
Contractual services	149,509
Repairs and maintenance	40,015
Supplies	26,023
Purchased utilities	1,335,007
Utilities and communications	19,280
Other charges	134,476
Rent	31,450
Depreciation and amortization	498,151
<hr/>	
Total operating expenses	2,893,148
<hr/>	
Operating income	360,177
Nonoperating Revenues (Expenses)	
Investment earnings	33,368
Gain on disposal of assets	22,351
Interest and fiscal charges	(127,546)
<hr/>	
Total nonoperating revenues (expenses)	(71,827)
<hr/>	
Income Before Contributions and Transfers	288,350
Capital contributions	239,985
Transfers out	(220,000)
<hr/>	
Change in net position	308,335
Net position, beginning of year	9,761,454
<hr/>	
Net position, end of year	\$ 10,069,789
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The accompanying notes are an integral part of this financial statement.

Town of Lake Clarke Shores, Florida
Statement of Cash Flows – Proprietary Fund

For the year ended September 30, 2020

Enterprise Fund

Operating Activities

Cash received from customers for sales and services	\$ 2,999,068
Cash payments to employees	(666,563)
Cash payments to suppliers for goods and services	(1,915,685)

Net cash provided by operating activities 416,820

Noncapital Financing Activities

Cash transfers out to other funds	(220,000)
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Net cash used in noncapital financing activities (220,000)

Capital and Related Financing Activities

Proceeds from notes payable	2,977,000
Cash received from capital grants and contributions	239,985
Proceeds from sale of capital assets	63,024
Principal paid on note payable	(2,009,828)
Cash paid for acquisition and construction of capital assets	(551,276)
Cash paid for interest on notes	(127,015)
Principal paid on lease liabilities	(11,088)

Net cash provided by capital and related financing activities 580,802

Investing Activities

Investment income	33,368
Purchase of investments	(832,427)

Net cash used in investing activities (799,059)

Net decrease in cash and cash equivalents (21,437)

Cash and cash equivalents, beginning of year 525,902

Cash and cash equivalents, end of year \$ 504,465

-Continued-

The accompanying notes are an integral part of this financial statement.

Town of Lake Clarke Shores, Florida
Statement of Cash Flows – Proprietary Fund (Continued)

For the year ended September 30, 2020

Enterprise Fund

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 360,177
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	498,151
Gain on sale of fixed assets	(22,351)
Change in assets, deferred outflows, liabilities and deferred inflows (Increase) decrease in assets and deferred outflows	
Accounts receivable	(13,582)
Assessments receivable	38,207
Due from other governments	(239,985)
Prepaid items	(40,675)
Inventory	1,947
Deferred outflows	(13,181)
Increase (decrease) in liabilities and deferred inflows	
Accounts payable	(20,487)
Contracts payable	(120,710)
Unearned revenue	(2,276)
Accrued payroll and related liabilities	11,293
Due to other funds	(23,300)
Customer deposits	9,030
Total OPEB obligation	(5,438)
Total adjustments	56,643
Net cash provided by operating activities	\$ 416,820
Noncash Capital and Related Financing Activities	
Acquisition of leases assets through capital leases	\$ 84,538

The accompanying notes are an integral part of this financial statement.

Town of Lake Clarke Shores, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Lake Clarke Shores, (the "Town"), was incorporated in 1957 under the provisions of 57-148, Laws of Florida. The current Town Code, as adopted in 1957 and as amended from time to time, authorizes the following services: public safety (police and building inspection), water and sewer systems, sanitation, streets and roads, culture and recreation, and general administrative services. Education, health, and welfare are administered by other governmental entities.

Reporting Entity

The Town is a municipal corporation governed by an elected Mayor, Vice Mayor, President Pro-Tem and the Town Council (the "Council") which appoints a town administrator. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The accounting policies of the Town conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the Town are described below.

In evaluating the Town as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification.

Blended Component Units

The Community Redevelopment Agency (CRA) was organized to finance development within the geographic boundaries of the community redevelopment area. Although legally separate, the CRA is governed by a board comprised solely of the Town's elected Council members and the services provided by the CRA create a financial benefit relationship with the Town. The CRA does not issue separate financial statements. Their financial statements are included in the Town's Financial Statements as a special revenue fund for the year ended September 30, 2020.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers 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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Town of Lake Clarke Shores, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the Town's enterprise fund. Separate financial statements are provided for governmental funds and the proprietary fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the Town's enterprise fund 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.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its blended component unit. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Town reports the following major enterprise fund:

The *Enterprise Fund* accounts for the activities of the water distribution and wastewater collection system for residents of the Town.

Additionally, the Town reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.

During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Town of Lake Clarke Shores, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. Certain special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The Town's administrator may make transfers of appropriations within a department of the general fund up to \$2,500. Transfers of appropriations between departments in other funds or in excess of \$2,500 in the general fund require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and cash equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments for the Town are reported at fair value (generally based on quoted market prices) except for certificates of deposit which are stated at cost; and the Town's positions in State of Florida State Board of Administration Local Government Surplus Trust Fund (Florida PRIME), the Florida Surplus

Town of Lake Clarke Shores, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset Fund Trust (Florida SAFE) which are local government investment pools and meet all of the specified criteria in Section 150: *Investments* to qualify to elect to measure their investments at amortized cost. Accordingly, the fair value of the Town's position in the pool is equal to the value of the pooled shares.

Receivables and payables

Unbilled receivables – An amount for unbilled revenue is recorded in the Enterprise fund for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 120 days are subject to being considered as uncollectible.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Unearned revenue – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" within the fund financial statements. Long-term borrowings between funds are classified as "advances to other funds" or "advances from other funds" in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are netted as part of the reconciliation to the government-wide presentation.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Town of Lake Clarke Shores, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. In governmental funds, prepaid items are recorded using the consumption method and are offset by the nonspendable fund balance component which indicates that they do not constitute “available spendable resources”, even though they are component of current assets.

Restricted Assets

Certain assets of the Town are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Customer deposit accounts – Deposited in non-interest bearing accounts and refunded upon termination of service with the Town and satisfaction of all obligations due.

Note payable and capital lease debt service accounts – Includes certain proceeds from issuance of notes, as well as certain resources set aside for the repayment of notes or capital lease obligations.

Capital Assets

Capital assets, which include property, equipment, leased assets and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of two years, and a cost of more than the thresholds as follows:

Buildings	\$ 50,000
Improvements	50,000
Infrastructure	100,000
Equipment	5,000

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Town chose to include all such items regardless of their acquisition date or amount. The Town was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the Town constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Town of Lake Clarke Shores, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Interest incurred during the construction phase of capital assets of enterprise funds is expensed as the assets are constructed in accordance with GASBS 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

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

Deferred Outflows/Inflows of Resources

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

The Town has one (1) item that qualifies for reporting as deferred outflows of resources, the *deferred amount on refunding* reported in the government-wide and proprietary funds statements of net position. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceed their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one (1) item that qualifies for reporting as deferred inflows of resources. The *deferred inflows related to business tax receipts* relate to a non-exchange transaction where the Town has received funds, however it does not meet the requirement for recognition of revenue in the current period, and will be recognized in a future period.

Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Compensated Absences

The Town's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Accumulated sick leave lapses when employees leave the employ of the Town and, accordingly upon separation from service, no monetary obligation exists.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the notes and is recorded as an adjustment to interest expense. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, debt issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize note issuance costs during the current period. The face amount of note issued is reported as other financing sources.

Leases

Lease contracts that provide the Town with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the total OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan.

Town of Lake Clarke Shores, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Categories and Classification of Fund Equity

Net position flow assumption – Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Town of Lake Clarke Shores, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as *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 or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes – Property taxes attach as an enforceable lien on real property and are levied as of July 1st. The tax levy is divided into two billings: the first billing (mailed on July 1) is an estimate of the current year’s levy based on the prior year’s taxes; the second billing (mailed on January 1) reflects adjustments to the current year’s actual levy. The billings are considered past due 30 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Enterprise fund is charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 26, 2021 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Recently Issued and Implemented Accounting Pronouncements

In fiscal year 2020, the Town implemented GASB Statement No. 87, *Leases*. In accordance with generally accepted accounting principles. The adoption of this standard resulted in no prior period adjustment to the Town's financial statements.

In fiscal year 2020, the Town also implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The adoption of this standard resulting in no significant impact to the Town's financial statements.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

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

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the 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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

Town of Lake Clarke Shores, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for fiscal year ending September 30, 2021. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for fiscal year ending September 30, 2023.

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for fiscal year ending September 30, 2022.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*.

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution

Town of Lake Clarke Shores, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for fiscal year ending September 30, 2022.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal year ending September 30, 2023, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

The Town is evaluating the requirements of the above statements and the impact on reporting.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2020, \$250,000 of the Town's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Town pursuant to Section 280.08, Florida Statutes.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

The investment program is established in accordance with the Town's investment policy, pertinent bond resolutions and Section 218.45, Florida Statutes, which allows the Town to invest in the Florida State Board of Administration intergovernmental investment pool or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969; direct obligations of the United States Government; obligations of the different agencies of the Federal Government; registered money market funds and accounts of state qualified public depositories; repurchase agreements; and 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 provided such investment company or investment trust takes delivery of such collateral either directly or through and authorized custodian.

The investing of public funds with the Florida State Board of Administration (SBA) - Local Government Surplus Funds Trust Fund is governed by Section 218.407, Florida Statutes. The SBA is under regulatory oversight of the State of Florida. The investment pool consists largely of corporate notes and commercial paper. On September 30, 2020, the Town had \$27 invested. The fair value of the Town's position in the pool is equal to the value of the pooled shares or net asset value.

The Florida Surplus Asset Fund Trust (Florida SAFE) is a common law trust organized under the laws of the State of Florida as an intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01 of the Florida Statutes. The investment pool consists of obligations guaranteed by the full faith and credit of the United States, U.S. government agency obligations, commercial paper, bank obligations and other obligations permitted by applicable Florida Statutes. At September 30, 2020, the Town's share of Florida SAFE was \$3,222,451. The fair value of the Town's position in the pool is equal to the value of the pooled shares or net asset value.

Under GASB Codification 150: *Investments*, 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. As of September 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Town's access to 100 percent of their account value in either external investment pool.

Deposits available within various funds were consolidated for investment purposes. Interest earned was allocated to the various funds based on their average cash and investment balances.

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

deposits are defined as public deposits. The financial institutions in which the Town places its deposits are certified as “qualified public depositories,” as required under the Florida Security for Public Deposits Act. For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The Town’s investment policy limits interest rate risk by requiring that an attempt be made to match investment maturities with known cash needs and anticipated cash flow requirements. In addition, investments of current operating funds are required to have maturities of no longer than twelve months.

Credit risk – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations.

Concentration risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The Town’s investment policy does not address concentration risk.

Fair Value – GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Town of Lake Clarke Shores, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2020.

Investment type	Fair Value	Weighted Average to Maturity (WAM)	Rating	Agency
Community Redevelopment Agency				
SBA (Florida PRIME)	\$ 27	53 days	AAAm	S&P
Florida SAFE	3,222,451	60 days	AAAm	S&P
Total	\$ 3,222,478			

Investment type	Historical Cost	
Certificates of deposit	805,627	115 days
Certificate of deposit	678,785	76 days
Total	1,484,412	

**Total investments excluded
from fair value hierarchy** \$ 4,706,890

Accounts Receivable

For the Enterprise Fund, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to September 30, 2020 (unbilled receivable), is estimated and accrued at year end. The Town deems all amounts collectable therefore an allowance for doubtful accounts is not necessary. If payments are not received from customers, services are shut off and deposits are applied against negative balances.

All account receivables are shown net of allowances for uncollectable accounts for governmental funds. The accounts receivable and allowance for uncollectable accounts at September 30, 2020, were as follows:

Town of Lake Clarke Shores, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

	Accounts Receivable	Unbilled Receivable	Allowance for Uncollectible	Net
General Fund	\$ 61,323	\$ -	\$ -	\$ 61,323
Enterprise Fund	177,587	172,914	(44,500)	306,001
Total	\$ 238,910	\$ 172,914	\$ (44,500)	\$ 367,324

Property taxes are considered fully collected (96% of the levy) during and prior to the end of the fiscal year. Therefore, no material amounts of property taxes are receivable as of September 30, 2020. There are no other reserves for receivables recorded by the Town as of September 30, 2020.

Town of Lake Clarke Shores, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 517,753	\$ -	\$ -	\$ 517,753
Construction-in-progress	52,604	116,136	(12,918)	155,822
Capital assets, not being depreciated	570,357	116,136	(12,918)	673,575
Capital assets, being depreciated				
Buildings	3,166,627	-	(110,922)	3,055,705
Improvements other than buildings	1,901,039	-	-	1,901,039
Equipment	852,917	39,097	(169,083)	722,931
Infrastructure	6,788,095	12,918	-	6,801,013
Capital assets, being depreciated	12,708,678	52,015	(280,005)	12,480,688
Less accumulated depreciation for				
Buildings	(764,257)	(61,114)	73,206	(752,165)
Improvements other than buildings	(604,291)	(87,675)	-	(691,966)
Equipment	(561,096)	(72,518)	169,083	(464,531)
Infrastructure	(5,848,388)	(170,987)	-	(6,019,375)
Total accumulated depreciation	(7,778,032)	(392,294)	242,289	(7,928,037)
Total capital assets being depreciated, net	4,930,646	(340,279)	(37,716)	4,552,651
Capital assets, being amortized				
Leased assets, equipment	-	316,151	-	316,151
Less accumulated amortization	-	(32,439)	-	(32,439)
Total capital assets being amortized, net	-	283,712	-	283,712
Governmental activities capital assets, net	\$ 5,501,003	\$ 59,569	\$ (50,634)	\$ 5,509,938

Town of Lake Clarke Shores, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Land	\$ 88,760	\$ -	\$ -	\$ 88,760
Intangibles, water rights	1,953,924	-	-	1,953,924
Construction-in-progress	690,344	545,268	(633,636)	601,976
Capital assets, not being depreciated	2,733,028	545,268	(633,636)	2,644,660
Capital assets, being depreciated				
Buildings	214,962	-	-	214,962
Improvements other than buildings	8,060,947	633,636	-	8,694,583
Equipment	635,171	5,352	(263,219)	377,304
Capital assets, being depreciated	8,911,080	638,988	(263,219)	9,286,849
Less accumulated depreciation for				
Buildings	(46,575)	(8,599)	-	(55,174)
Improvements other than buildings	(2,710,821)	(412,317)	-	(3,123,138)
Equipment	(438,885)	(59,734)	244,898	(253,721)
Total accumulated depreciation	(3,196,281)	(480,650)	244,898	(3,432,033)
Total capital assets being depreciated, net	5,714,799	158,338	(18,321)	5,854,816
Capital assets, being amortized				
Intangibles	163,500	-	-	163,500
Leased assets, equipment	-	85,193	-	85,193
Capital assets, being amortized	163,500	85,193	-	248,693
Less accumulated amortization				
Intangibles	(126,034)	(4,088)	-	(130,122)
Leased assets, equipment		(13,413)	-	(13,413)
Total accumulated amortization	(126,034)	(17,501)	-	(143,535)
Total capital assets being amortized, net	37,466	67,692	-	105,158
Business-type activities capital assets, net	\$ 8,485,293	\$ 771,298	\$ (651,957)	\$ 8,604,634

Town of Lake Clarke Shores, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

The following is a summary of changes in capital assets during the year ended September 30, 2020:

Depreciation and amortization expense was allocated to the governmental functions in the statement of activities as follows:

<i>For the year ended September 30,</i>	<u>2020</u>
Governmental activities	
General government	\$ 91,308
Culture and recreation	44,797
Highways and streets	184,116
Public safety	104,512
Total depreciation and amortization expense - governmental activities	<u>\$ 424,733</u>

Long-Term Debt and Liabilities

Capital Improvement Revenue and Refunding Note, Series 2019

On November 21, 2019, the Town issued the Capital Improvement Revenue and Refunding Note, Series 2019 (Capital Improvement Note) with an initial principal balance of \$1,174,000 and an interest rate of 2.08% per annum. The Capital Improvement Note requires bi-annual payments of interest beginning April 1, 2020 and annual principal payments due beginning October 1, 2020. The Capital Improvement Note matures on October 1, 2026 and is secured by the unspent debt proceeds, and the Town's non-ad valorem revenues. The proceeds of the Capital Improvement Note were used to refund Town's Promissory Note, Series 2018 with an outstanding principal balance of \$270,000 and an interest rate of 3.73% per annum. The remaining proceeds are intended to fund road and infrastructure improvements related to a bridge. The economic gain on refunding was \$42,956.

Utility System Revenue and Revenue Refunding Note, Series 2019

On November 21, 2019, the Town issued the Utility System Revenue and Revenue Refunding Note, Series 2019 (Utility System Note) with an initial principal balance of \$2,977,000 and an interest rate of 2.19% per annum. The Utility System Note requires bi-annual payments of interest beginning April 1, 2020, and annual payments of principal beginning on October 1, 2020. The Utility System Note matures on October 1, 2034 and is secured by pledged revenues consisting of impact fees and operating proceeds from the enterprise fund. The proceeds of the Utility System Note were used to refund the Promissory Note, Series 2016 with an outstanding principal balance of \$893,454 and an interest rate of 2.65% per annum, to refund the Promissory Note, Series 2018 with an outstanding principal balance of \$900,000 and an interest rate of 3.73%. The remaining proceeds are intended to fund infrastructure improvements and the conversion of septic tanks to a wastewater collection system. The economic gain on refunding was \$193,453. The Town was in compliance with its rate covenant.

Town of Lake Clarke Shores, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

The following is a summary of governmental and business type activities notes payable for the year ended September 30, 2020:

<i>Year ending September 30,</i>	Governmental		Business-type Activities	
	Capital Improvement Note, Series 2019		Utility System Note, Series 2019	
	Principal	Interest	Principal	Interest
2021	\$ 160,000	\$ 22,755	\$ 178,000	\$ 63,247
2022	160,000	19,427	173,000	59,404
2023	164,000	16,058	177,000	55,571
2024	167,000	12,615	181,000	51,651
2025	171,000	9,100	185,000	47,643
2026 - 2030	352,000	7,363	986,000	175,025
2031 - 2035	-	-	1,097,000	61,090
Total	\$ 1,174,000	\$ 87,318	\$ 2,977,000	\$ 513,631

Leases

The Town has entered into non-cancelable lease agreements to obtain the right-to-use various vehicles for its governmental and business-type activities. The leases have an initial term from 2 to 5 years at which point the Town has the option to purchase the vehicles or return them to the lessor. The residual values total \$61,513 at the end of the leases. Interest rates range from 3.88% to 5.01%. Monthly payments range from \$373 to \$1,067.

The following is a schedule of minimum future lease payments from lease agreements as of September 30:

<i>Year ending September 30,</i>	Governmental		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 66,807	\$ 11,680	\$ 23,181	\$ 4,200
2022	68,270	8,639	15,945	2,840
2023	66,753	5,238	11,480	1,968
2024	47,640	1,822	12,064	1,383
2025	6,252	98	10,780	583
Total	\$ 255,722	\$ 27,477	\$ 73,450	\$ 10,974

Town of Lake Clarke Shores, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Changes In Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows for governmental activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Notes payable					
Promissory Note, Series 2019	\$ 300,000	\$ -	\$ (300,000)	\$ -	\$ -
Capital Improvement Note, Series 2019	-	1,174,000	-	1,174,000	160,000
Total notes from direct borrowings:	300,000	1,174,000	(300,000)	1,174,000	160,000
Capital leases payable	-	279,946	(24,224)	255,722	66,807
Compensated absences	76,064	93,073	(71,918)	97,219	77,219
Other postemployment benefits	55,732	-	(9,825)	45,907	-
Governmental activity long-term liabilities	\$ 431,796	\$ 1,547,019	\$ (405,967)	\$ 1,572,848	\$ 304,026

Long-term liability activity for the year ended September 30, 2020, was as follows for business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Promissory Note, Series 2016	\$ 1,009,828	\$ -	\$ (1,009,828)	\$ -	\$ -
Promissory Note, Series 2018	1,000,000		(1,000,000)	-	
Utility System Note, Series 2019	-	2,977,000	-	2,977,000	178,000
Total notes from direct borrowings:	2,009,828	2,977,000	(2,009,828)	2,977,000	178,000
Lease liabilities	-	84,538	(11,088)	73,450	23,181
Compensated absences	35,529	41,618	(41,305)	35,842	35,842
Other postemployment benefits	21,643	-	(5,438)	16,205	-
Business-type activity long-term liabilities	\$ 2,067,000	\$ 3,103,156	\$ (2,067,659)	\$ 3,102,497	\$ 237,023

Compensated absences and other postemployment benefits will be liquidated in future periods primarily by the General Fund for governmental activities. Business-type activities compensated absences will be liquidated by the enterprise fund.

Town of Lake Clarke Shores, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Pledged Revenues

The Town has revenue notes outstanding at September 30, 2020, for which revenues of the Town have been pledged for repayment. Revenues pledged to repay these obligations are as follows:

	Amount Outstanding	Future Principal and Interest	Current Pledged Revenue	Current Year Principal and Interest	Percentage of annual debt service requirement
Governmental Activities					
Capital Improvement Note, Series 2019 *	\$ 1,174,000	\$ 1,261,318	\$ 183,744	\$ 182,755	101%
Business-Type Activities					
Utility System Note, Series 2019	\$ 2,977,000	\$ 3,490,631	\$ 858,328	\$ 241,247	356%

Interfund Receivables, Payables And Transfers

Operating Transfers	Transfers		Net
	In	Out	
Major Funds			
General Fund	\$ 220,000	\$ -	\$ 220,000
Enterprise fund	-	(220,000)	(220,000)
Total	\$ 220,000	\$ (220,000)	\$ -

The transfer from the Enterprise fund to the General Fund were to provide reimbursement for administrative expenses.

Net Investment In Capital Assets

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets (net)	\$ 5,509,938	\$ 8,604,634	\$ 14,114,572
Capital leases	(255,722)	(73,450)	(329,172)
Notes payable	(1,174,000)	(2,977,000)	(4,151,000)
Unspent debt proceeds	857,030	1,114,992	1,972,022
Contracts payable	-	(17,109)	(17,109)
Net investment in capital assets	\$ 4,937,246	\$ 6,652,067	\$ 11,589,313

Note 3: RETIREMENT PLANS

Description of Plans

The Town of Lake Clarke Shores, Florida's Money Purchase Plan is a defined contribution 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, 2020, the Town contributed an amount equal to 9% 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 contributions. For the fiscal year ended September 30, 2020, the Town recognized retirement expense of \$122,237 for the Plan, and as of the fiscal year end. The retirement plan had forfeitures of \$4,553 for the year ending September 30, 2020.

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Town administers a single-employer defined benefit healthcare plan (the "Plan") that provides medical insurance to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the Town is required to provide eligible retirees the opportunity to participate in this Plan at the same cost that is applicable to active employees. The Town does not issue stand-alone financial statements for this Plan. All financial information related to the Plan is accounted for in the Town's basic financial statements.

Funding Policy

The Town is funding the post employee benefits on a pay-as-you-go basis. Contribution rates for the Plan are established by Town Council annually during the budget process. The Town does not pay for health insurance premiums for retirees. Blended premium rates for active and retired employees combined provide an implicit subsidy for retirees because on an actual basis, their current and future claims are expected to result in higher costs to the Plan than those of active employees. The current year contributions are determined as annualized claims incurred based on the retiree age at the beginning of the fiscal year and the claims table used for liability determination offset by the annual premium paid by the retiree for such coverage. Town contributions are assumed to be equal to benefits paid.

Town of Lake Clarke Shores, Florida
Notes to Financial Statements

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Plan Membership

At October 1, 2019, the valuation date, OPEB membership consisted of the following:

Inactive members	0
Active members	26
<u>Total</u>	<u>26</u>

Actuarial Assumptions and Other Inputs

In the September 30, 2020 measurement data, the actuarial assumptions and other inputs, applied include the following:

Inflation	2.50%	
Salary increases	2.50%	
Discount Rate	2.14%	Investment rate of return
Health care cost trend rates	7.50%	Trending down to 4.00%
Retirees' share of benefit-related costs	100.00%	Of projected health insurance premium

The discount rate was selected based on a 20-year tax-exempt high-quality general obligation municipal bond yield of index. The Bond Buyer 20-Bond General Obligation Index is the average rating of 20 bonds that are grade 'Aa2' (Moody's) or grade 'AA' (S&P 500). The Bond Buyer 20-Bond General Obligation Index at September 28, 2020 was 2.14%.

Mortality rates were based on the PUBG-2010 Mortality Tables for Males and Females as appropriate with both rates, fully generational with adjustments for mortality improvements based on Scale MP-2019.

The actuarial assumptions used in the October 1, 2019 valuation were not based on the results of an actuarial experience study.

At September 30, 2020, the Town reported a total OPEB liability of \$62,112. The information has been provided as of the September 30, 2020 measurement date.

Town of Lake Clarke Shores, Florida
Notes to Financial Statements

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions and Other Inputs (continued)

		<u>Increase (Decrease)</u>
		Total OPEB Liability (a)
Balance as of October 1, 2019	\$	77,375
Changes for the year		
Service cost		3,627
Interest		2,411
Changes of assumptions		(5,894)
Difference between expected and actual experience		(11,964)
Benefit payments		(3,443)
Net changes		(15,263)
Balance as of September 30, 2020	\$	62,112

The changes in the assumptions for the October 1, 2019 valuation date was a reduction in the discount rate from 3.58% to 2.14% and updated mortality tables.

Sensitivity of the Net OPEB Liability

The following table represents the Town's total and net OPEB liability calculated using the discount rate of 2.14%, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.14%) or one percentage point higher (3.14%) than the current rate:

		1% Decrease		Current Discount Rate		1% Increase
		1.14%		2.14%		3.14%
Net OPEB Liability	\$	72,018	\$	62,112	\$	54,153

The following table represents the Town's total and net OPEB liability calculated using the health care cost trend rate of 4.00%-7.50%, as well as what the Town's net OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.00%-6.50%) or one percentage point higher (5.00%-8.50%) than the current rate:

		1% Decrease		Ultimate Trend		1% Increase
		3.00%-6.50%		4.00%-7.50%		5.00%-8.50%
Net OPEB Liability	\$	52,907	\$	62,112	\$	73,690

Note 5: 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; injuries to employees; and natural disasters.

The Town purchases separate commercial insurance coverage for workers' compensation, liability, and property damage. Coverage for workers' compensation and automobile claims are limited to the maximum liability exposure the Town faces under Florida statutes. The Town had no settled claims in excess of insurance coverage during the last three fiscal years.

Note 6: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the Town is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the Town, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the Town or results of activities.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, and the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts not recorded, if any, to be immaterial.

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 expired on September 30, 2020. A new contract was entered into effective October 1, 2020 through September 30, 2025. The Town negotiated significant changes to the contract resulting in rates that are over 20% lower than the original agreement with an escalation factor not to exceed 2% per year. For the year ended September 30, 2020, the Town was charged \$225,713 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 of 400,000 gallons per day, the contracted minimum. For the year ended September 30, 2020, the Town was charged \$277,318 for purchased water pursuant to the agreement.

Note 6: COMMITMENTS AND CONTINGENCIES (Continued)

City of Lake Worth Interlocal Agreement to Provide Sewer Treatment Services

On September 17, 2013, the Town entered into a new interlocal agreement with the City of Lake Worth, Florida (the "City") for waste water 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 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, 2020, the Town was charged \$355,818 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 for the purchase and sale of bulk potable water for the Seminole Manor Service Area for a period of ten years, renewable for successive periods of five years at the option of the City. The City agreed to provide bulk water service at a rate of \$0.65 cents per thousand gallons for a minimum of three years. In October 2002, the Town paid for an additional 82 equivalent residential units to serve the Hypoluxo Village Service Area. The agreement expired on October 13, 2008. On February 15, 2011, the Town entered into a new interlocal agreement with the City of Lake Worth for the purchase and sale of bulk potable water to serve residents living within the Hypoluxo Village Service Area for a period of ten years, renewable for successive periods of five years each, upon the same terms and conditions, by written agreement of both parties to the agreement prior to expiration of the initial term or any renewal thereof. Bulk potable water purchases and sales for the Seminole Manor Service Area were discontinued under the agreement. The City agreed to provide water service at a bulk service rate of \$0.303 cents per hundred gallons. Future rate changes will be allowed only at the time of the City's water system rate increases. The new rate to be charged will be equal to the current rate plus the monetary rate increases. The new rate to be charged will be equal to the current rate plus the monetary change in the rate of the lowest tier residential water rate placed into effect at the time of the new rate change. The Town is billed on a monthly basis for actual metered water service delivered by the City, based upon a reserve capacity of 200,000 gallons per day. A 25% surcharge shall

be added for all usage exceeding the reserve capacity in any month. For the year ended September 30, 2020, the Town was charged \$126,801 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

Note 6: COMMITMENTS AND CONTINGENCIES (Continued)

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 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, 2020, the Town incurred charges of \$492,660 under the agreement.

Village of Palm Springs Interlocal Agreement to Purchase Police Dispatch Services

Effective October 1, 2010 the Town entered into an agreement with the Village of Palm Springs to provide Police Dispatch Services to the Town. On July 9, 2013 the agreement was amended to be a 5-year agreement with a second automatic 5-year renewal effective October 1, 2013. The agreement has an automatic cost escalation clause tied to the CPI but limited to a maximum of 3% per year. The cost for the fiscal year ending September 30, 2020 is \$48,661.

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, 2020, the Town incurred charges of \$563 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 onetime 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

Note 6: COMMITMENTS AND CONTINGENCIES (Continued)

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 by April 1st. During the fiscal year ended September 30, 2020, the Town incurred expenditures of \$15,001 pursuant to the agreement.

COVID-19 Pandemic

In March 2020, the World Health Organization made the assessment that the outbreak of the novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the ongoing operating activities and the future results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain as of February 26, 2021.

Note 7: SPECIAL ASSESSMENTS

Forest Hill Boulevard Sanitary Sewer Project

In 2015, non-ad valorem special assessments were levied on properties specially benefited by 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, 2020, the special assessments receivable was \$840,053.

**EQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**



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Town of Lake Clarke Shores, Florida
Budgetary Comparison Schedule – General Fund

<i>For the year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes:				
Property Taxes	\$ 1,647,398	\$ 1,647,398	\$ 1,652,311	\$ 4,913
Utility Taxes	125,000	125,000	106,200	(18,800)
Franchise Fees	202,000	202,000	191,400	(10,600)
Licenses and Permits	161,000	161,000	199,175	38,175
Intergovernmental	517,412	547,283	586,631	39,348
Charges for services	95,000	95,000	106,024	11,024
Fines and forfeitures	46,100	46,100	234,110	188,010
Investment earnings (loss)	20,000	20,000	15,268	(4,732)
Miscellaneous revenue	59,450	59,450	106,513	47,063
Total revenues	2,873,360	2,903,231	3,197,632	294,401
Expenditures				
Current				
General government	1,161,280	1,161,680	1,156,067	5,613
Public safety	1,574,876	1,551,345	1,537,831	13,514
Transportation	89,500	64,692	57,928	6,764
Culture and recreation	121,400	123,808	123,808	-
Debt service principal	30,000	58,622	54,224	4,398
Debt service Interest	11,190	54,097	50,985	3,112
Capital outlay	160,350	443,050	455,128	(12,078)
Total expenditures	3,148,596	3,457,294	3,435,971	21,323
Excess of revenues over expenditures	(275,236)	(554,063)	(238,339)	315,724
Other Financing Sources				
Transfers in	220,000	220,000	220,000	-
Proceeds from issuance of debt	-	1,464,000	1,453,946	10,054
Payment to refunded note escrow agent	-	(271,442)	(271,442)	-
Proceeds from sale of capital assets	55,236	55,236	5,990	49,246
Total other financing sources	275,236	1,467,794	1,408,494	59,300
Net change in fund balance	-	913,731	1,170,155	375,024
Fund balance, beginning of the year	1,032,283	1,032,283	1,032,283	-
Fund balance, end of year	\$ 1,032,283	\$ 1,946,014	\$ 2,202,438	\$ 375,024

The accompanying notes to required supplementary information are an integral part of this schedule.

Town of Lake Clarke Shores, Florida Budgetary Notes to Required Supplementary Information

Note that this schedule is prepared on a budgetary basis, but it is not different from Generally Accepted Accounting Principles (GAAP) in presentation, except as noted below:

The Town budgets for Capital Outlay within the various departments of the fund, and while capital outlay is in excess of budget, it is not over budget within its respective department.

Note 1: BUDGETARY INFORMATION

The Town adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- a) Prior to the first day of August of each year, the Town manager prepares a proposed budget for the next succeeding fiscal year and submits it to the council. The recommended budget includes proposed expenditures and the sources of receipts to finance them.
- b) Complete copies of the proposed budget are made available for public inspection. Public hearings are conducted to obtain taxpayers' comments.
- c) The budget is enacted through passage of an ordinance and becomes the basis for the millage levied by the council.
- d) The Town manager is authorized to transfer budgeted amounts of the General Fund between line items within a department within \$2,500; however, any revisions that alter the total expenditures of any department must be approved by the council. Expenditures may not exceed legal appropriations at the department level. All appropriations lapse at year end.
- e) Formal budgetary integration is employed as a management control device during the year for the General Fund and all major, special revenue funds (if any).
- f) Budgets are legally adopted on a basis consistent with GAAP except for transfers, debt service, capital outlay, and certain intragovernment amounts.
- g) The budgetary comparison schedule shown in the accompanying required supplementary information presents comparisons of the legally adopted budget, as amended, with actual results. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

Town of Lake Clarke Shores, Florida
Required Other Postemployment Benefits Supplementary Information
Schedule of Changes in OPEB Liability and Related Ratios

<i>As of and for the year ended September 30,</i>	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 3,627	\$ 4,329	\$ 4,590
Interest	2,411	2,959	2,600
Changes of benefit term	-	-	-
Difference between expected and actual experience	(11,964)	-	-
Changes of assumptions or other inputs	(5,894)	5,227	(4,506)
Benefit payments	(3,443)	(3,188)	(2,938)
Net change in total OPEB liability	(15,263)	9,327	(254)
Total OPEB liability - beginning	77,375	68,048	68,302
Total OPEB liability - ending	\$ 62,112	\$ 77,375	\$ 68,048
Covered employee payroll	\$ 1,466,922	\$ 1,455,338	\$ 1,419,842
Total OPEB liability as a percentage of covered employee payroll	4.23%	5.32%	4.79%

* GASB Codification P52 requires an employer to disclose a 10-year history. However, until a full 10-year trend is compiled, information will be presented only for those years which information is available.

* The following discount rate was used in each period:

9/30/2018 - 4.18%

9/30/2019 - 3.58%

9/30/2020 - 2.14%



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OTHER SUPPLEMENTARY INFORMATION

Town of Lake Clarke Shores, Florida
Combining Balance Sheet – Nonmajor Governmental Funds

<i>September 30, 2020</i>	Community Redevelopment Agency Fund	Infrastructure Surtax Fund	Forfeiture Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 63,339	\$ 218,175	\$ 13,236	\$ 294,750
Due from other governments	-	34,309	-	34,309
Due from other funds	-	274,255	-	274,255
Total assets	\$ 63,339	\$ 526,739	\$ 13,236	\$ 603,314
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,134	\$ -	\$ -	\$ 1,134
Total liabilities	1,134	-	-	1,134
Fund balances				
Restricted				
Public safety	-	-	13,236	13,236
Community redevelopment	62,205	-	-	62,205
Infrastructure	-	526,739	-	526,739
Total fund balances	62,205	526,739	13,236	602,180
Total liabilities and fund balances	\$ 63,339	\$ 526,739	\$ 13,236	\$ 603,314

Town of Lake Clarke Shores, Florida
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds

<i>For the year ended September 30, 2020</i>	Community Redevelopment Agency Fund	Infrastructure Surtax Fund	Forfeiture Fund	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 44,647	\$ 248,566	\$ -	\$ 293,213
Fines and forfeitures	-	-	1,782	1,782
Investment and other income	629	1,034	-	1,663
Total revenues	45,276	249,600	1,782	296,658
Expenditures				
Current				
Public safety	-	-	2,710	2,710
Community redevelopment	26,479	-	-	26,479
Debt service				
Interest and fiscal agent fees	-	6,487	-	6,487
Capital outlay	-	56,019	-	56,019
Total expenditures	26,479	62,506	2,710	91,695
Excess (deficiency) of revenues over (under) expenditures	18,797	187,094	(928)	204,963
Net change in fund balances	18,797	187,094	(928)	204,963
Fund balances, beginning of year	43,408	339,645	14,164	397,217
Fund balances, end of year	\$ 62,205	\$ 526,739	\$ 13,236	\$ 602,180

Town of Lake Clarke Shores, Florida
Schedule of Departmental Expenditures – Budget and Actual
General Fund

<i>For the year ended September 30, 2020</i>	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures:			
General government:			
Mayor and council:			
Personal services:			
Executive salaries	\$ 6,000	\$ 5,800	\$ 200
FICA taxes	372	360	12
Medicare taxes	87	84	3
Operating:			
Travel and per diem	1,500	1,500	-
Other current charges	500	99	401
Operating supplies	3,600	3,583	17
Books, dues and education	4,000	3,906	94
Total mayor and council	16,059	15,332	727
Finance:			
Operating:			
Consulting finance director	17,200	17,170	30
Accounting and auditing	18,000	17,895	105
Total finance	35,200	35,065	135
Administration and clerk:			
Personal services:			
Regular salaries and wages	208,281	208,262	19
Election workers	-	-	-
Overtime	1,500	1,444	56
FICA taxes	12,682	12,547	135
Medicare taxes	3,738	2,934	804
Pension contributions	19,242	19,201	41
Retirement	7,500	7,523	(23)
Life and health insurance	35,650	35,606	44
Operating:			
IT professional fees	-	1,776	(1,776)
Assessment for LCS sewer	6,342	6,089	253
Travel and per diem	5,000	4,761	239
Communications	700	1,594	(894)
Postage and freight	600	100	500
Rental and leases	-	10	(10)
Repair and maintenance	20,540	20,468	72
Printing and binding	400	-	400
Other current charges	500	-	500
Advertising	2,700	3,488	(788)
Office supplies	1,000	1,132	(132)
Operating supplies	2,000	2,276	(276)
Transfer to CRA tif payment	25,347	25,347	-
Books, dues and education	8,000	6,894	1,106
Debt Service:			
Debt service principal	30,000	30,000	-
Debt service interest	9,497	7,968	1,529
Other debt service costs	38,600	38,530	70
Total administration and clerk	439,819	437,950	1,869

-Continued-

Town of Lake Clarke Shores, Florida
Schedule of Departmental Expenditures – Budget and Actual
General Fund (continued)

<i>For the year ended September 30, 2020</i>	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Legal:			
Operating:			
Professional fees	63,000	60,853	2,147
Total legal	63,000	60,853	2,147
Other general government:			
Operating:			
Professional fees	48,200	48,186	14
Other contractual service	26,300	26,284	16
Garbage collection service	230,003	229,925	78
Weed control	20,128	20,130	(2)
Lawn maintenance service	107,543	107,471	72
Travel and per diem	-	-	-
Communications	19,538	19,450	88
Postage and freight	3,000	2,704	296
Electricity	23,500	22,870	630
Water and sewer	3,500	3,535	(35)
Rental and leases	2,000	1,996	4
General liability insurance	75,800	75,747	53
Repair and maintenance	31,000	30,633	367
Reoccurring/annual/monthly cost	26,400	26,343	57
COVID-19 costs	38,100	38,060	40
Printing and binding	200	193	7
Other current charges	11,650	11,621	29
Office supplies	800	834	(34)
Operating supplies	7,000	7,010	(10)
Gas and oil	1,200	588	612
Books, dues and education	9,837	9,785	52
Capital Outlay:			
Computers and Software	25,800	25,782	18
Improvements other than buildings	18,400	18,310	90
Total other general government	729,899	727,457	2,442
Total general government	1,283,977	1,276,657	7,320

-Continued-

Town of Lake Clarke Shores, Florida
Schedule of Departmental Expenditures – Budget and Actual
General Fund (continued)

<i>For the year ended September 30, 2020</i>	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Public Safety:			
Law enforcement:			
Personal services:			
Regular salaries and wages	681,336	681,059	277
Police department special details	58,750	58,735	15
Overtime	29,700	29,714	(14)
State incentive pay	7,180	7,114	66
FICA taxes	45,970	45,877	93
Medicare taxes	11,055	10,729	326
Retirement	53,730	53,692	38
Life and health insurance	104,400	104,310	90
Unemployment compensation	-	1,513	(1,513)
IT professional fees	12,800	22,576	(9,776)
Operating:			
Other contractual service	72,600	62,227	10,373
Dispatch contract	49,018	48,661	357
Travel and per diem	600	562	38
Communications	47,000	46,962	38
Postage and freight	1,000	658	342
Rental and leases	2,300	2,264	36
Vehicle leases	1,700	1,700	-
Repair and maintenance	13,600	10,282	3,318
Vehicle repair and maint.	40,000	36,382	3,618
Reoccurring/annual/monthly cost	33,900	33,954	(54)
Printing and binding	199	600	(401)
Other current charges	300	1,070	(770)
Crime prevention operat.	500	340	160
Office supplies	1,500	1,660	(160)
Operating supplies	25,000	24,361	639
Gas and oil	20,900	20,839	61
Uniforms	7,200	7,238	(38)
Books, dues and education	2,000	1,930	70
Capital Outlay:			
Radios police department	15,100	15,001	99
HVAC AHU handler	1,600	1,609	(9)
Server upgrade	38,900	53,507	(14,607)
Machinery and equipment	325,000	316,151	8,849
Debt Service:			
Debt service principal	28,622	24,224	4,398
Debt service interest	6,000	4,487	1,513
Total law enforcement	1,739,460	1,731,988	7,472

-Continued-

Town of Lake Clarke Shores, Florida
Schedule of Departmental Expenditures – Budget and Actual
General Fund (continued)

<i>For the year ended September 30, 2020</i>	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Provective insepctions and code enforcement:			
Personal services:			
Regular salaries and wages	88,801	88,787	14
Overtime	4,200	4,183	17
FICA taxes	6,175	5,513	662
Medicare taxes	1,444	1,264	180
Retirement	8,514	7,440	1,074
Life and health insurance	20,300	20,231	69
Professional fees	2,000	1,975	25
IT professional fees	14,800	14,773	27
Operating:			
Other contractual service	62,200	61,105	1,095
Travel and per diem	1,598	1,098	500
Communications	500	494	6
Postage and freight	1,800	1,100	700
Rental and leases	500	-	500
Repair and maintenance	100	10	90
Reoccurring/annual/monthly cost	5,000	4,923	77
Other current charges	2,000	1,547	453
Office supplies	675	767	(92)
Operating supplies	3,000	2,148	852
Books, dues and education	3,500	3,464	36
Total Provective insepctions and code enforcement	227,107	220,822	6,285
Total public safety	1,966,567	1,952,810	13,757
Highways and streets:			
Operating:			
Professional fees	8,200	8,122	78
NPDES agreement	4,000	3,999	1
Electricity	25,992	25,789	203
Repair and maintenance	22,500	15,941	6,559
Operating supplies	3,000	3,096	(96)
Road materials and supplies	1,000	981	19
Capital Outlay:			
Improvements other than buildings	-	6,610	(6,610)
Total highways and streets	64,692	64,538	154

-Continued-

Town of Lake Clarke Shores, Florida
Schedule of Departmental Expenditures – Budget and Actual
General Fund (continued)

<i>For the year ended September 30, 2020</i>	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Culture and recreation:			
Parks and recreation:			
Operating:			
Professional fees	6,500	6,500	-
Other contractual service	27,000	26,964	36
Electricity	2,500	2,022	478
Water and sewer	600	734	(134)
Repair and maintenance	12,200	12,130	70
Operating supplies	3,008	3,481	(473)
Beautification/landscape	23,000	22,961	39
Books, dues and education	-	80	(80)
Capital outlay:			
Town Hall park playground improvement	9,550	9,463	87
Total parks and recreation	84,358	84,335	23
Special events:			
Operating:			
Postage and freight	1,500	1,335	165
Reoccurring/annual/monthly cost	1,200	1,215	(15)
Printing and binding	5,400	5,416	(16)
Promotional activities	5,000	5,155	(155)
Other current charges	300	300	-
Operating supplies	35,600	35,515	85
Capital outlay:			
Equipment	8,700	8,695	5
Total special events	57,700	57,631	69
Total culture and recreation	142,058	141,966	92
Total expenditures	\$ 3,457,294	\$ 3,435,971	\$ 21,323



Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

(321) 255-0088
(321) 259-8648 (fax)
www.cricpa.com

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

Honorable Mayor and 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, 2020, 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 February 26, 2021.

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) as a basis for designing 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 Town of Lake Clarke Shores, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore material weakness or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, 2020-001 and 2020-002, that we consider to be material weaknesses.

MW 2020-001 Segregation of Duties

Condition: The Town has a lack of proper segregation of duties.

Criteria: There should be proper segregation of duties between those who collect and handle cash, record transactions, and review or approve transactions.

Cause of condition: During walkthroughs over key controls and Information Technology General Controls, it was noted that Town employees had access to receive cash, record billings, and self-approve entries in the accounting software. Disbursement checks were also being signed without receiving the supporting documentation for the disbursement (such as the related approved purchase order and invoice) at the time the check was being signed.

Potential effect of condition: Fictitious entries could be entered into MUNIS which could allow misappropriated cash to go undetected.

Recommendation: We recommend the roles and responsibilities be updated to prevent those from approving transactions from handling cash, and all supporting documentation be provided to the check signor when signing checks.

Management's Response: Because of the small size of the Town's staff, it is difficult to maintain appropriate segregation of duties at all times. The Town has assigned functions to staff to achieve adequate segregation of duties when all staff are present. However, when some staff members are on vacation, out on sick leave, or working from home it is impossible to achieve the desired segregation of duties. The problem was particularly acute during the 2020 fiscal year because two employees contracted COVID-19 and were out of work for extended periods. The Town will review the roles and responsibilities of staff and update them to prevent employees who approve transactions from handling cash where possible.

Employees that receive payments from customers open their own "batch". That batch must be closed by a supervisor, except for the Utilities Customer Service Rep II, who has permission to open and close a batch. If a batch were to be deleted, there will be an electronic trail in the software. The Town's customers actually serve as a defacto control for cash transactions in that the customers track their accounts and notify the Town if there are mistakes.

During the 2020 fiscal year, the Utilities Admin Supervisor and the Payroll Clerk entered and approved certain journal entries. Many of the journal entries prepared by the Utilities Admin Supervisor were required to record electronic deposits and payments that occurred in the Town's bank accounts. For example, when the Town receives local option gas tax revenue from the State of Florida it is electronically deposited in the Town's operating bank account. A journal entry is required to record the transaction in the Town's accounting records.

The Payroll Clerk enters a journal entry in the accounting software each pay period to record certain payroll activity. During processing of payroll several people are involved. These include the Town Clerk, Payroll Clerk, Police Administrative Assistant, and Town Administrator. The Town Administrator reviews all written payroll reports provided by MINUS. The Town Clerk reviews and track sick leave,

vacation, and comp time. The Town utilizes an imprest bank account for payroll processing. Each pay period funds are transferred from the operating account to the payroll account. The Town Administrator compares the MUNIS written reports with bank transfers before the transfers are approved.

Many journal entries were prepared and entered in MUNIS by the Town's Financial Consultant. All journal entries entered by the Financial Consultant were approved and posted by the Town Administrator. The Financial Consultant reviewed all journal entries after they were posted in MUNIS. Management agrees that employees should not enter and approve their own journal entries, and in the future the Town Administrator will review and approve all journal entries before they are posted.

The Town Administrator signs all checks and reviews supporting documentation before checks are signed. During the review the entire review process was not always documented. In the future the review process will be documented.

MW 2020-002 Record Keeping

Condition: There were no original records kept for several receipts of donations and building permits. Personnel files had inaccurate information in them.

Criteria: Town should have on file all the necessary records and supporting documentation.

Cause of condition: Records related to donation revenue was not kept as many donations were small in amount. Vendor names for receipts relating to building permits were not coded in MUNIS the same way they were coded in IMS (building permit software) and could not be located. For payroll census data, there were several employee files that were not accurate when compared to the census data report provided to the actuary to be used in the valuation of OPEB liability. Some files did not have key information or it was inaccurate (such as hire date).

Potential effect of condition: Revenue may be misstated. Additionally, the OPEB liability may be inaccurate if the census data sent to the actuary is not correct.

Recommendation: We recommend that management review its policies and procedures for document retention, and ensure that supporting documentation for all transactions is kept on file. Personnel files should be reviewed for completeness and accuracy.

Management's Response: During the 2020 fiscal year, staff members contracted COVID and were out of the office for an extended period of time. Staff worked from home part-time as their health allowed. During that time permitting and inspection operations continued with other staff members helping as needed. Some permitting records were misfiled, and it took some time to locate them for the auditors. All documentation was eventually located and provided to the auditors. The Town utilizes separate software programs for permitting activities and accounting, and they don't record permitting activities in the same manner, which makes it difficult to cross reference transactions. The substitute staff did things differently than the regular staff making it difficult to communicate to the auditors what actually happened. Additional training to clarify procedures has been completed.

Documentation for certain small donations to the Town was not retained as required. The Town has long had a policy to send a letter expressing the Town's appreciation to donors that make large contributions to the Town. In the future, the Town will also send letters to donors that make small donations and documentation for all donations will be retained.

Compliance and Other Matters

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

Town of Lake Clarke Shores Response to Findings

The Town's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Cam, Riggs & Ingram, L.L.C.

Melbourne, Florida
February 26, 2021



Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

(321) 255-0088
(321) 259-8648 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' MANAGEMENT LETTER

The Honorable Mayor and 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 (the "Town") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated February 26, 2021.

Auditors' 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 Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' 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 February 26, 2021, 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. The 2019-01 finding made in the preceding annual financial audit report was cleared.

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. The legal authority of the Town of Lake Clarke Shores, Florida and its component unit is disclosed in the footnotes. The Town of Lake Clarke Shores, Florida includes the Community Redevelopment Agency as a blended component unit.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town of Lake Clarke Shores, Florida 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 the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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.

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 members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Caru, Riggs & Ingram, L.L.C.

Melbourne, Florida
February 26, 2021



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Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

(321) 255-0088
(321) 259-8648 (fax)
www.cricpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

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

We have examined the Town of Lake Clarke Shores, Florida's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2020. Management of the Town is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town'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 complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including as assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020.

This report is intended solely for the information and use of Town Council, management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
February 26, 2021