

**TOWN OF  
PALM SHORES,  
FLORIDA**

**Basic  
Financial Statements  
and Supplementary  
Information**

**September 30, 2022**

# **TOWN OF PALM SHORES, FLORIDA**

## **Official Directory**

**September 30, 2022**

Carol McCormack	Mayor
Frank Falcone	Vice-Mayor
Chase Chambliss	Councilman
Paul Bonville	Councilman
Sharon Secord	Councilwoman

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Town Council  
Town of Palm Shores, Florida

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Palm Shores, Florida (the "Town") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

#### **MELBOURNE**

8035 Spyglass Hill Road  
Melbourne, FL 32940  
321-757-2020

#### **ORLANDO**

255 South Orange Avenue, #1200  
Orlando, FL 32801  
407-841-8841

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, 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.

### **Supplementary 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The 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 nonmajor fund financial statements 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 June 26, 2023 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.

June 26, 2023  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

**TOWN OF PALM SHORES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

As management of the Town of Palm Shores, Florida (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2022. Consideration should be given to the information presented here in conjunction with information that has been furnished in the basic financial statements, as listed on the table of contents.

**FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$3,271,493 (net position). Of this amount, \$1,653,220 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- During the fiscal year the Town's total net position increased by \$274,754.
- As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$1,662,820, an increase of \$333,652 from the previous fiscal year. This amount is available for spending at the Town's discretion (unassigned).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

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

- The statement of net position presents information on all of the Town's assets, deferred outflows, liabilities, deferred inflows, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, transportation, and recreation. The Town has no business type activities. The government-wide financial statements can be found on pages as listed on the table of contents of this report.



## **OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**2) Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has only one category of funds - governmental funds.

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

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

The Town maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, ARPA Fund, and the Nonmajor Governmental Funds. The Nonmajor Governmental Funds contain the Public Facilities Impact Fund and the Recreation Impact Fund. The General Fund and ARPA Fund are presented as the Town's major funds.

The basic governmental fund financial statements can be found on pages as listed on the table of contents of this report.

**3) Notes to the financial statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages as listed on the table of contents of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparison of the condensed statement of net position is provided below:

### Statement of Net Position

	Governmental Activities		
	2022	2021	Variance
<b>ASSETS</b>			
Current assets	\$ 1,784,362	\$ 1,488,408	\$ 295,954
Capital assets	1,591,530	1,643,517	(51,987)
Total assets	<u>3,375,892</u>	<u>3,131,925</u>	<u>243,967</u>
<b>LIABILITIES</b>			
Current liabilities	94,799	128,233	(33,434)
Noncurrent liabilities	9,600	6,953	2,647
Total liabilities	<u>104,399</u>	<u>135,186</u>	<u>(30,787)</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,591,530	1,643,517	(51,987)
Restricted for:			
Public facilities	15,956	15,956	-
Recreation	10,787	15,051	(4,264)
Unrestricted	<u>1,653,220</u>	<u>1,322,215</u>	<u>331,005</u>
Total net position	<u>\$ 3,271,493</u>	<u>\$ 2,996,739</u>	<u>\$ 274,754</u>

Current assets increased by approximately \$296,000 primarily due to an increase in cash as a result of the Town receiving additional American Rescue Plan Act (“ARPA”) funds. The Town’s capital assets decreased by approximately \$52,000 which relates to current year depreciation expense.

Current liabilities decreased by approximately \$33,000 as a result of a portion of the ARPA funds received in 2021, but not recognized until fiscal year 2022, creating a decrease in unearned revenue over the prior year.

The Town’s net investment in capital assets, e.g., land, buildings and improvements, improvements other than buildings, furniture and equipment, and infrastructure; represent 49% of the Town’s net position.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Comparison of the Town's statement of activities for the years ended September 30 is provided below:

### Statement of Activities

	Governmental activities		
	2022	2021	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 177,419	\$ 135,342	\$ 42,077
Operating grants and contributions	159,231	-	159,231
Capital grants and contributions	27,951	72,113	(44,162)
Total program revenues	<u>364,601</u>	<u>207,455</u>	<u>157,146</u>
General revenues:			
Franchise fees	80,300	71,126	9,174
Utility and communication service taxes	182,066	172,057	10,009
Local option gas tax	28,359	27,594	765
State revenue sharing	124,497	107,147	17,350
Interest income	596	1,340	(744)
Miscellaneous	4,599	11,497	(6,898)
Total general revenues	<u>420,417</u>	<u>390,761</u>	<u>29,656</u>
Total revenues	<u>785,018</u>	<u>598,216</u>	<u>186,802</u>
Expenses:			
General government	430,535	383,860	46,675
Transportation	62,812	68,420	(5,608)
Recreation	16,917	7,812	9,105
Total expenses	<u>510,264</u>	<u>460,092</u>	<u>50,172</u>
Change in net position	274,754	138,124	136,630
Net position, beginning	2,996,739	2,858,615	138,124
Net position, ending	<u>\$ 3,271,493</u>	<u>\$ 2,996,739</u>	<u>\$ 274,754</u>

Charges for services increased by approximately \$42,000 primarily due to a significant increase in permitting fees due to additional building projects.

Operating grants and contributions increased by approximately \$159,000 due to ARPA funds received and recognized as revenue for operating expenses in fiscal year 2022. Capital grants and contributions decreased by approximately \$44,000, due to fewer ARPA funds being allocated to capital expenditures in the current year.

Utility and communication service taxes increased by approximately \$10,000 due to higher communication services tax rates in comparison to the prior year.

State sharing revenue increased by approximately \$17,000 due to an increase in half-cent sales tax and intergovernmental revenue share.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

General government expenses increased by approximately \$46,000 which is primarily due to inflation and increased attorney fees, accounting fees, insurance costs and repairs.

## **FUND FINANCIAL STATEMENTS**

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

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

As of the end of the current fiscal year, the Town's governmental funds reported total fund balances of \$1,689,563, an increase of \$329,388 in comparison with the prior year. The fund balance amount is comprised of restricted amounts of \$15,596 for public facilities, \$10,787 for recreation and unassigned funds of \$1,662,820 which is available for spending at the Town's discretion. At the year end, there were no outstanding contracts or purchase orders.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, total fund balance of the general fund was \$1,662,820, an increase of \$333,652 over the previous year.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The following information is presented to assist the reader in comparing actual results with budgetary amounts. The general fund budgetary highlights can be found as listed on the table of contents of this report.

The actual revenues were more than budgeted revenues by approximately \$155,000. The actual expenditures were below budgeted expenditures by approximately \$57,000.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The Town's total capital assets for its governmental activities as of September 30, 2022, amounts to \$1,591,530 (net of accumulated depreciation). The Town purchased capital assets in 2022 for \$7,278. This investment in capital assets includes land, buildings and improvements, improvements other than buildings, furniture and equipment, and infrastructure.

At the end of the current fiscal year, the Town had no outstanding debt.

Additional information on the Town's capital assets can be found in Note C to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The Town does not assess property tax.
- The Town has budgeted for \$760,881 in expenditures for fiscal year ending September 30, 2023.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Palm Shores, Florida's finances for those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mayor of the Town of Palm Shores, 5030 Paul Hurtt Lane, Palm Shores, FL 32940.

**Town of Palm Shores, Florida**

**STATEMENT OF NET POSITION**

**September 30, 2022**

	<u>Governmental activities</u>
<b>ASSETS</b>	
Cash, cash equivalents and investments	\$ 1,784,362
Total current assets	<u>1,784,362</u>
Capital assets, not being depreciated	
Land	881,602
Capital assets, net of accumulated depreciation	
Buildings and improvements	279,574
Improvements other than buildings	103,125
Furniture and equipment	17,731
Infrastructure	<u>309,498</u>
Total capital assets	<u>1,591,530</u>
Total assets	<u>3,375,892</u>
<b>LIABILITIES</b>	
Accounts payable	6,287
Accrued wages payable	4,082
Unearned revenue	84,430
Noncurrent liabilities	
Due in more than one year - compensated absences	<u>9,600</u>
Total liabilities	<u>104,399</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,591,530
Restricted for	
Public facilities	15,956
Recreation	10,787
Unrestricted	<u>1,653,220</u>
Total net position	<u><u>\$ 3,271,493</u></u>

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

Town of Palm Shores, Florida

STATEMENT OF ACTIVITIES

For the year ended September 30, 2022

Function/Program	Program revenues				Net (expense) revenue and changes in net position
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	
Governmental activities:					
General government	\$ 430,535	\$ 108,747	\$ 159,231	\$ 27,951	\$ (134,606)
Public safety	-	55,694	-	-	55,694
Transportation	62,812	12,978	-	-	(49,834)
Recreation	16,917	-	-	-	(16,917)
Total	<u>\$ 510,264</u>	<u>\$ 177,419</u>	<u>\$ 159,231</u>	<u>\$ 27,951</u>	<u>(145,663)</u>
		General revenues			
		Taxes			
				Franchise fees	80,300
				Utility and communications service taxes	182,066
				Local option gas tax	28,359
				State revenue sharing	124,497
				Interest income	596
				Miscellaneous	4,599
				Total general revenues	<u>420,417</u>
				Change in net position	274,754
				Net position, beginning	<u>2,996,739</u>
				Net position, ending	<u>\$ 3,271,493</u>

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

Town of Palm Shores, Florida

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2022

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 1,784,362	\$ -	\$ -	\$ 1,784,362
Due from other funds	-	84,430	26,743	111,173
Total assets	<u>\$ 1,784,362</u>	<u>\$ 84,430</u>	<u>\$ 26,743</u>	<u>\$ 1,895,535</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 6,287	\$ -	\$ -	\$ 6,287
Accrued wages payable	4,082	-	-	4,082
Unearned revenue	-	84,430	-	84,430
Due to other funds	111,173	-	-	111,173
Total liabilities	<u>121,542</u>	<u>84,430</u>	<u>-</u>	<u>205,972</u>
Fund balances				
Restricted for				
Public facilities	-	-	15,956	15,956
Recreation	-	-	10,787	10,787
Unassigned	1,662,820	-	-	1,662,820
Total fund balances	<u>1,662,820</u>	<u>-</u>	<u>26,743</u>	<u>1,689,563</u>
Total liabilities and fund balances	<u>\$ 1,784,362</u>	<u>\$ 84,430</u>	<u>\$ 26,743</u>	<u>\$ 1,895,535</u>

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



Town of Palm Shores, Florida

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION

September 30, 2022

Fund balances - total governmental funds		\$ 1,689,563
The net position reported for governmental activities in the statement of net position are different because: Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Land	\$ 881,602	
Buildings and improvements, net	279,574	
Improvements other than buildings, net	103,125	
Furniture and equipment, net	17,731	
Infrastructure, net	<u>309,498</u>	
		1,591,530
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences		<u>(9,600)</u>
Total net position of governmental activities		<u>\$ 3,271,493</u>

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

Town of Palm Shores, Florida

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended September 30, 2022

	General Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 290,725	\$ -	\$ -	\$ 290,725
Intergovernmental	124,497	-	-	124,497
American Recovery Plan Act	159,231	27,951	-	187,182
Charges for services	59,333	-	-	59,333
Licenses and permits	105,108	-	-	105,108
Transportation	12,978	-	-	12,978
Miscellaneous	3,987	-	612	4,599
Interest income	596	-	-	596
Total revenues	<u>756,455</u>	<u>27,951</u>	<u>612</u>	<u>785,018</u>
<b>EXPENDITURES</b>				
Current				
General government	357,589	11,034	-	368,623
Transportation	62,812	-	-	62,812
Recreation	-	16,917	-	16,917
Capital outlay	-	-	7,278	7,278
Total expenditures	<u>420,401</u>	<u>27,951</u>	<u>7,278</u>	<u>455,630</u>
<b>Excess of revenues over expenditures</b>	<u>336,054</u>	<u>-</u>	<u>(6,666)</u>	<u>329,388</u>
Other financing sources (uses)				
Transfers in	4,876	-	7,278	12,154
Transfers out	(7,278)	-	(4,876)	(12,154)
<b>Excess of revenues and other financing sources over expenditures</b>	<u>333,652</u>	<u>-</u>	<u>(4,264)</u>	<u>329,388</u>
Fund balances, beginning	<u>1,329,168</u>	<u>-</u>	<u>31,007</u>	<u>1,360,175</u>
Fund balances, ending	<u>\$ 1,662,820</u>	<u>\$ -</u>	<u>\$ 26,743</u>	<u>\$ 1,689,563</u>

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

Town of Palm Shores, Florida

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended September 30, 2022

Net change in fund balances - total governmental funds		\$	329,388
The change in net position reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:			
Capital outlay		\$	7,278
Depreciation expense			<u>(59,265)</u>
			(51,987)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These expenses consist of:			
Compensated absences			<u>(2,647)</u>
Change in net position of governmental activities		\$	<u><u>274,754</u></u>

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

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Palm Shores, Florida (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described below.

1. Reporting entity

The Town was incorporated and organized by a special act of the Florida legislature in 1959 as a municipality with a strong Mayor and a four-member Council. Both the Mayor and Council are elected by the registered voters of the Town. The Council elects a Vice-Mayor from among its members annually. The Town provides a wide range of services as directed by the Town Charter, including general government, inspections, planning and zoning, and other related general and administrative services for its approximately 1,300 residents.

In evaluating the Town as a reporting entity, management has addressed all potential component units that may, or may not fall within the Town's oversight and control, and thus, be included in the Town's financial statements, as defined in *GASB Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, *Defining the Financial Reporting Entity*. There were no component units to be reported by the Town during the current fiscal year.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the primary government as a whole. As part of the consolidation process, all interfund activities are eliminated from these statements.

Net position, the difference between assets and liabilities, as presented in the statement of net position, is subdivided into three categories: net investments in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation. Net investment in capital assets is the component of net position that consists of capital assets, net of accumulated depreciation, and reduced by any outstanding balances of bonds, mortgages, notes of other borrowings that are attributable to the acquisition, construction and improvements of those assets. Unrestricted net position is the component of net position that does not meet the definition of the other two components.

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

The statement of activities presents a comparison between the direct and indirect expenses of a given function or segment and its program revenues, and displays the extent to which each function or segment contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate fund financial statements report detailed information about the Town's governmental funds. The Town has two major funds: General Fund and ARPA Fund. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures 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.

Franchise and utility taxes, state revenue sharing and charges for services (except for investment earnings) associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Investment earnings are recorded when earned.

**Town of Palm Shores, Florida**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus, basis of accounting and financial statement presentation (continued)

The Town reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

ARPA Fund - This fund is used to account for revenues obtained by the Town through the Coronavirus State and Local Fiscal Recovery Funds ("SLFRF") program established by the ARPA. The purpose of these funds is the recovery from the COVID-19 impact.

4. Cash, cash equivalents and investments

The Town's cash and cash equivalents and investments are considered to be cash on hand, demand deposits, and pooled investments with the State Board of Administration.

Florida Statutes authorize the Town to invest in the Local Government Surplus Funds Trust Fund which is administered by the State Board of Administration; obligations of, or obligations where the principal and interest of which are unconditionally guaranteed by the United States Government; interest bearing time deposits or savings accounts in banks and savings and loan organized under Laws of the United States; obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, or obligations guaranteed by the Government National Mortgage Association; and obligations of the Federal National Mortgage Association.

5. Receivables

After reviewing the individual account balances, the Town's management has determined that 100% of the receivables are fully collectible based on prior experience with similar accounts. Therefore, no allowance for doubtful accounts has been provided.

6. Capital assets

Capital assets, which include land, buildings and improvements, improvements other than buildings, furniture and equipment, and infrastructure (i.e. park rehabilitation) are reported in the government-wide financial statements. The Town defines capital assets as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost when purchased. Contributed capital assets are capitalized at their fair value at the date received.

**Town of Palm Shores, Florida**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Capital assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Pursuant to GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Section 1400.162, *Reporting Capital Assets*, the Town elected not to record and depreciate infrastructure assets placed in service prior to the fiscal year ended September 30, 2006. Current year additions are placed in service and recorded as a capital asset.

Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of depreciable assets. The estimated useful lives of the various classes of depreciable assets are as follows:

<u>Asset class</u>	<u>Estimated useful lives (years)</u>
Buildings and improvements	10-40
Improvements other than buildings	10-40
Furniture and equipment	5-7
Infrastructure	40

7. Compensated absences

The Town records the vested portion of accumulated unused compensated absences, if material, at year-end based on each employee's unused hours and rate of pay, including the Town's share of payroll taxes. All compensated absences are accrued when incurred in the governmental-wide financial statements as accrued liabilities. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

8. Long-term obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities.

9. Income tax

The Town qualifies as a tax-exempt entity and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reported year. Actual results could differ from these estimates.

11. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Fund Balance - The difference between assets and all current operational commitments and liabilities reported in a governmental fund.

Non-spendable Fund Balance - Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (inventories, prepaid expenditures) and items such as long-term amount of loans, property acquired for resale, as well as unrealized gains.

Restricted Fund Balance - Amounts that have externally enforceable limitations on use of resources 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.

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

Assigned Fund Balance - Amounts that are constrained by the Town's intent to be used for specific purposes that are neither considered restricted nor committed. The authority to assign fund balance lies with the Mayor.

Unassigned Fund Balance - The residual classification for the General Fund resources. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.



**Town of Palm Shores, Florida**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

11. Fund balance classification (continued)

Restricted amounts shall be spent first unless there are legal documents and/or contracts prohibiting this, such as grant agreements. Further, the order of priority shall be Committed Fund Balance, followed by Assigned Fund Balance, and then Unassigned Fund Balance when expenditures are incurred for purposes for which amounts in any of the classifications could be used.

12. Property tax

The Town of Palm Shores derives no revenue from property taxes. Therefore, a millage rate is not applicable.

13. Interfund transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. As of September 30, 2022, the General Fund owed the other governmental funds \$111,173.

**NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS**

The Town’s cash, cash equivalents and investments at September 30, 2022, were:

	Fair value	Duration WAM (weighted average maturity)	Rating
Cash and cash equivalents	\$ 1,723,104	N/A	Not rated
Florida PRIME	<u>61,258</u>	21 days	AAAm
Total cash and cash equivalents and investments	<u>\$ 1,784,362</u>		

*Custodial credit risk* -The Town maintains its cash and cash equivalent balances in financial institutions that are insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to \$250,000 per depositor. At September 30, 2022, the Town’s cash and cash equivalent balances were fully insured through the FDIC coverage and their qualified public depositor accounts. 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. Financial institutions must meet the criteria of being a Qualified Public Depository as described in the Florida Security for Public Deposits Act, under Chapter 280, Florida Statutes, before any investments are made with those institutions.

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

**NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

The Town also has an investment in Florida Prime that is subject to certain risks. On December 23, 2008, all Local Government Investment Pool ("LGIP") fund balances became 100% liquid. The LGIP was given a new name, "Florida PRIME", on August 3, 2009. As of September 30, 2022, the Town had \$61,258 in Florida PRIME. The primary investment objectives for Florida PRIME, in priority order, are safety, liquidity, and competitive returns with minimization of risks. Investment performance of Florida PRIME is evaluated on a monthly basis.

The local government pooled investment account (Florida Prime) is administered by the State Board of Administration and is composed of local government surplus funds deposited therein by units of local government. The investing of public funds with the State Board of Administration is governed by Section 218.407, Florida Statutes. The investments with the State Board of Administration consist largely of federal agency obligations, repurchase agreements, banker's acceptance, and commercial paper.

In adherence with GASB's *Codification of Governmental Accounting and Financial Reporting Standard, Section In5, Investment Pools (External)*, Certain External Investment Pools and Pool Participants, the Town reports its investments in Florida PRIME at amortized cost because Florida PRIME is an external investment pool that reports their investments at amortized cost. Florida PRIME has established policies and guidelines regarding participant transactions and the authority to limit or restrict withdrawals from, or to impose penalties for early withdrawal. As of September 30, 2022, 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 the Florida PRIME external investment pool.

*Interest rate risk* - The Town's adopted investment guidelines require that the investments of the Town be limited to those investments contained in Florida Statutes 218.415(17) subparagraphs (a) through (d), which allow investments in the local government pooled investment account, securities and exchange commission required money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the U.S. Treasury. The Town's investment policy does not further limit its investment choices. As of September 30, 2022, the Florida Prime Fund was rated by S&P, a nationally recognized statistical rating organization, as noted on the previous page.

**Town of Palm Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2022**

**NOTE C - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 881,602	\$ -	\$ -	\$ 881,602
Capital assets, being depreciated:				
Building and improvements	579,386	-	-	579,386
Improvements other than buildings	439,789	-	-	439,789
Furniture and equipment	135,358	-	-	135,358
Infrastructure	579,395	7,278	-	586,673
Total capital assets being depreciated	<u>1,733,928</u>	<u>7,278</u>	<u>-</u>	<u>1,741,206</u>
Less accumulated depreciation for:				
Buildings and improvements	285,115	14,697	-	299,812
Improvements other than buildings	324,994	11,670	-	336,664
Furniture and equipment	107,382	10,245	-	117,627
Infrastructure	254,522	22,653	-	277,175
Total accumulated depreciation	<u>972,013</u>	<u>59,265</u>	<u>-</u>	<u>1,031,278</u>
Total capital assets being depreciated, net	<u>761,915</u>	<u>(51,987)</u>	<u>-</u>	<u>709,928</u>
Governmental activities capital assets, net	<u>\$ 1,643,517</u>	<u>\$ (51,987)</u>	<u>\$ -</u>	<u>\$ 1,591,530</u>

Depreciation expense of \$59,265 was charged to the general government function.

**NOTE D - LONG-TERM LIABILITIES**

Compensated absences in the governmental activities are classified as long-term liabilities and are liquidated by the general fund.

Changes in long-term liabilities

	Balance at October 1, 2021	Additions	Reductions	Balance at September 30, 2022	Due within one year
Compensated absences	<u>\$ 6,953</u>	<u>\$ 8,107</u>	<u>\$ 5,460</u>	<u>\$ 9,600</u>	<u>\$ -</u>

**NOTE E - UNEARNED REVENUE**

Unearned revenues are a liability that represents amounts received, but not yet earned. The Town's unearned revenue consist mostly of approximately \$84,000 of the ARPA funds received, but not expensed in fiscal year 2022. The unearned revenue will be earned in the future periods as the eligible expenses will be incurred.

**Town of Palm Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2022**

**NOTE F - COMMITMENTS AND CONTINGENCIES**

During the ordinary course of its operations, the Town is party to various claims, legal actions, and complaints. Some of these matters are covered by the Town's insurance program. While the ultimate effect of any litigation cannot be ascertained at this time, management believes, based on the advice of legal counsel, that there will be no material effect on the Town's financial position and/or that the Town has sufficient insurance coverage to cover any claims.

**NOTE G - 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 has obtained insurance from commercial underwriters for all the aforementioned risks except workers' compensation. For workers' compensation, the Town has joined with other local governments in the State participating in the Florida League of Cities Municipal Self-Insurance Program ("Program"), a public entity risk pool currently operating as a common risk management and insurance program.

The interlocal agreement with the Program provides that the Program will be self-sustaining through member premiums and will reinsure through commercial companies. There have been no significant reductions in insurance coverage from the prior year. No settlements have exceeded the Town's insurance coverage for each of the past three fiscal years.

**NOTE H - AMERICAN RESCUE PLAN ACT**

On March 11, 2021, the American Rescue Plan Act was signed into law, and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, which together make up the Coronavirus State and Local Fiscal Recovery Funds ("SLFRF") program.

This program is intended to provide support to State and local governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses.

The Town received \$343,725 of ARPA funds as of September 30, 2022. The Town spent a portion of these funds on eligible expenses during fiscal years 2021 and 2022 in accordance with applicable guidance, and the remaining portion of approximately \$84,000 is unearned as of year-end (see Note E).

**NOTE I - SUBSEQUENT EVENTS**

The Town has evaluated subsequent events through June 26, 2023, the date on which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

Town of Palm Shores, Florida

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

For the year ended September 30, 2022

	Budgeted amounts		Actual	Variance with final budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 263,500	\$ 263,500	\$ 290,725	\$ 27,225
Licenses and permits	25,300	25,300	105,108	79,808
American Recovery Plan Act	159,231	159,231	159,231	-
Intergovernmental	96,000	96,000	124,497	28,497
Charges for services	32,800	32,800	59,333	26,533
Transportation	37,700	37,700	12,978	(24,722)
Interest income	1,000	1,000	596	(404)
Miscellaneous	1,000	1,000	3,987	2,987
Appropriated fund balance	(10,000)	(10,000)	-	10,000
Total revenues	<u>606,531</u>	<u>606,531</u>	<u>756,455</u>	<u>149,924</u>
<b>EXPENDITURES</b>				
Current				
General government	376,050	376,050	357,589	18,461
Transportation	85,000	85,000	62,812	22,188
Recreation	16,250	16,250	-	16,250
Total expenditures	<u>477,300</u>	<u>477,300</u>	<u>420,401</u>	<u>56,899</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	129,231	129,231	336,054	206,823
Other financing sources				
Transfers out	-	-	(7,278)	(7,278)
Transfers in	-	-	4,876	4,876
Total other financing sources	<u>-</u>	<u>-</u>	<u>(2,402)</u>	<u>(2,402)</u>
<b>Excess of revenues and other financing sources over expenditures</b>	129,231	129,231	333,652	204,421
Fund balances, beginning	<u>1,329,168</u>	<u>1,329,168</u>	<u>1,329,168</u>	<u>-</u>
Fund balances, ending	<u>\$ 1,458,399</u>	<u>\$ 1,458,399</u>	<u>\$ 1,662,820</u>	<u>\$ 204,421</u>

See accompanying note to required supplementary information.

Town of Palm Shores, Florida

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - ARPA FUND**

For the year ended September 30, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
American Recovery Plan Act	\$ 27,951	\$ 67,596	\$ 27,951	\$ (39,645)
Total revenues	<u>27,951</u>	<u>67,596</u>	<u>27,951</u>	<u>(39,645)</u>
<b>EXPENDITURES</b>				
General government	11,034	50,679	11,034	39,645
Recreation	<u>16,917</u>	<u>16,917</u>	<u>16,917</u>	<u>-</u>
Total expenditures	<u>\$ 27,951</u>	<u>\$ 67,596</u>	<u>\$ 27,951</u>	<u>\$ 39,645</u>

See Independent Auditor's Report.

**Town of Palm Shores, Florida**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**September 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Budgets and budgetary accounting

The Town's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Town Council. Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the budget. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedules for the General Fund and special revenue fund, present actual expenditures in accordance with accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.



**SUPPLEMENTARY NONMAJOR FUND  
FINANCIAL STATEMENTS**

## **NONMAJOR GOVERNMENTAL FUNDS**

**Nonmajor governmental funds** are special revenue funds which are used to account for specific revenues that are legally restricted to expenditure for particular purposes and are funds that were not deemed a major fund. The Town has two nonmajor funds which are Public Facilities Impact Fund and Recreation Impact Fund.

***Public Facilities Impact Fund*** is used to account for revenues obtained by the Town through impact fees imposed on new businesses within the Town and spent for the purposes of improving public facilities.

***Recreation Impact Fund*** is used to account for revenues obtained by the Town through recreation impact fees imposed on new residential construction, or a renovation of a home. The purpose of these fees is to improve the Town's recreational functions.

Town of Palm Shores, Florida

NONMAJOR GOVERNMENTAL FUNDS -  
COMBINING BALANCE SHEET

September 30, 2022

	<u>Public Facilities Impact Fund</u>	<u>Recreation Impact Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Due from other funds	<u>\$ 15,956</u>	<u>\$ 10,787</u>	<u>\$ 26,743</u>
Total assets	<u><u>\$ 15,956</u></u>	<u><u>\$ 10,787</u></u>	<u><u>\$ 26,743</u></u>
<b>FUND BALANCES</b>			
Restricted	<u>\$ 15,956</u>	<u>\$ 10,787</u>	<u>\$ 26,743</u>
Total fund balances	<u><u>\$ 15,956</u></u>	<u><u>\$ 10,787</u></u>	<u><u>\$ 26,743</u></u>

See Independent Auditor's Report.

Town of Palm Shores, Florida

**NONMAJOR GOVERNMENTAL FUNDS -  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

For the year ended September 30, 2022

	Public Facilities Impact Fund	Recreation Impact Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Miscellaneous	\$ -	\$ 612	\$ 612
Total revenues	<u>-</u>	<u>612</u>	<u>612</u>
<b>EXPENDITURES</b>			
Capital outlay	-	7,278	7,278
Total expenditures	<u>-</u>	<u>7,278</u>	<u>7,278</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	(6,666)	(6,666)
Other financing sources			
Transfers in	-	7,278	7,278
Transfers out	-	(4,876)	(4,876)
<b>Excess of revenues and other financing sources over expenditures</b>	<u>-</u>	<u>(4,264)</u>	<u>(4,264)</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>(4,264)</u>	<u>(4,264)</u>
Fund balance, beginning	15,956	15,051	31,007
Fund balance, ending	<u>\$ 15,956</u>	<u>\$ 10,787</u>	<u>\$ 26,743</u>

See Independent Auditor's Report.

## **COMPLIANCE SECTION**



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

Honorable Mayor and the Town Council  
Town of Palm 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 major funds, and the aggregate remaining fund information of the Town of Palm Shores, Florida (the "Town") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 26, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 26, 2023  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*



## MANAGEMENT LETTER

The Honorable Mayor and Town Council  
Town of Palm Shores, Florida

### Report on the Financial Statements

We have audited the financial statements of the Town of Palm Shores, Florida (the "Town"), as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated June 26, 2023.

### Auditor's Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 26, 2023, 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 annual financial audit report. There were no findings or associated recommendations made in the preceding annual financial audit.

#### MELBOURNE

8035 Spyglass Hill Road  
Melbourne, FL 32940  
321-757-2020

#### ORLANDO

255 South Orange Avenue, #1200  
Orlando, FL 32801  
407-841-8841



## **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 Town of Palm Shores, Florida was established by and is governed per the special law 54-1407 Laws of Florida. There were no component units of the reporting entity to be disclosed in this management letter. Additional legal entity disclosures are included in Note A-1 of the financial statements.

## **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town 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. It is management's responsibility to monitor the Town'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 Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

June 26, 2023  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*



## INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

The Honorable Mayor and Town Council  
Town of Palm Shores, Florida

We have examined the Town of Palm Shores, Florida's (the "Town") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2022. 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 an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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 Section 218.415, Florida Statutes, during the year ended September 30, 2022.

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

June 26, 2023  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

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