



TOWN OF GULF STREAM, FLORIDA



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

FISCAL YEAR ENDED SEPTEMBER 30, 2015

TOWN OF GULF STREAM, FLORIDA
SEPTEMBER 30, 2015

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NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT AUDITOR'S REPORT

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The Honorable Mayor and Members of the Town Commission
Town of Gulf Stream, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Gulf Stream, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Basis for Qualified Opinions

The Town has not recognized the other postemployment benefits (OPEB) expense and obligation in the financial statements of the governmental activities, business-type activities, and the Enterprise Fund as required in accordance with accounting principles generally accepted in the United States of America as provided in Governmental Accounting Standards Board Statement No. 45. The effects of that departure on the financial statements are not reasonably determinable. The Town also has not disclosed the descriptive information about other postemployment benefits required by standards.

Qualified Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and Enterprise Fund of the Town of Gulf Stream, Florida, as of September 30, 2015, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the Special Assessment Fund of the Town of Gulf Stream, Florida, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, during the fiscal year ended September 30, 2015. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 4 through 11 and 46 through 47 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.

Management has omitted the Schedule of Funding Progress for Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, on our consideration of the Town of Gulf Stream, Florida'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Gulf Stream, Florida's internal control over financial reporting and compliance.

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida
June 30, 2016

Management’s Discussion and Analysis

The Town of Gulf Stream’s (the “Town”) discussion and analysis is designed to:

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

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

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the Town of Gulf Stream exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year by \$8,713,324 (net position).
- The governmental activities revenues were \$4,295,529 at the close of fiscal year 2015.
- The business-type activities revenues were \$1,089,717 at the close of fiscal year 2015.
- The total cost of all Town programs was \$5,459,541 during the fiscal year 2015.
- At the end of the 2015 fiscal year, unassigned fund balance for the general fund was \$1,338,829 or 36% of total general fund expenditures.

USING THIS REPORT

In light of the fact that this is a very different presentation from the pre-GASB 34 Statements, the following graphic is provided for your review.

| | |
|---|---|
| MD&A | Management’s Discussion & Analysis (Required supplemental information) |
| BASIC FINANCIAL STATEMENTS | Government-wide financial statements (new)(pages 12-14) Fund Financial Statements (Refocused)(Pages 15-21) Notes to the financial statements (Expanded/ Restructured) (Pages 22-45) |
| REQUIRED SUPPLEMENTAL INFORMATION | Required supplementary information (Other than MD&A) (Expanded) (Pages 46-47) |

Management's Discussion and Analysis

The financial statement's 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 Gulf Stream's 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 is the difference between the Town's (a) assets plus deferred outflows of resources and (b) liabilities plus deferred inflows of resources. It is one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net position are indicators of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

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

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

Fund Financial Statements

Our analysis of the Town's major funds begins on page 10. 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 governmental funds, which focus 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 fund 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.

Management's Discussion and Analysis

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position

The Town's combined net position for the fiscal year ending 2015 is reported at \$8,713,324. Net position of the Town's governmental activities for the fiscal year ending 2015 is \$5,843,148. The net position of our business-type activities is reported at \$2,870,176 for the fiscal year ending 2015. Overall the financial position of the total primary government decreased \$74,295 during the current fiscal year. Net position for the governmental activities decreased \$291,651 and net position for the business-type activities increased \$217,356.

Town of Gulf Stream Net Position September 30, 2014 and 2015

| | Governmental Activities | | Business-type Activities | | TOTAL | |
|---|----------------------------|--------------------|-----------------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Current and Other Assets | \$6,603,432 | \$5,928,977 | \$ 839,270 | \$ 1,210,932 | \$7,442,702 | \$7,139,909 |
| Capital Assets | 2,242,320 | 2,108,528 | 1,886,995 | 1,820,556 | 4,129,315 | 3,929,084 |
| TOTAL ASSETS | <u>8,845,752</u> | <u>8,037,505</u> | <u>2,726,265</u> | <u>3,031,488</u> | <u>11,572,017</u> | <u>11,068,993</u> |
| Current and Other Liabilities | 627,905 | 348,860 | 73,445 | 160,227 | 701,350 | 509,087 |
| Long-term Liabilities | 2,076,483 | 1,841,529 | | 1,085 | 2,076,483 | 1,842,614 |
| TOTAL LIABILITIES | <u>2,704,388</u> | <u>2,190,389</u> | <u>73,445</u> | <u>161,312</u> | <u>2,777,833</u> | <u>2,351,701</u> |
| Deferred Inflows of Resources | <u>6,565</u> | <u>3,968</u> | | | <u>6,565</u> | <u>3,968</u> |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 2,242,320 | 2,108,528 | 1,886,995 | 1,820,556 | 4,129,315 | 3,929,084 |
| Restricted – Dredging Projects | 17,820 | 17,820 | | | 17,820 | 17,820 |
| Restricted – Underground Utilities | 3,176,041 | 2,446,436 | | | 3,176,041 | 2,446,436 |
| Restricted for transportation | 10,582 | 16,454 | | | 10,582 | 16,454 |
| Restricted – Repairs, replacements, and improvements | | | 189,960 | 256,830 | 189,960 | 256,830 |
| Unrestricted | 688,036 | 1,253,910 | 575,865 | 792,790 | 1,263,901 | 2,046,700 |
| TOTAL NET POSITION | <u>\$6,134,799</u> | <u>\$5,843,148</u> | <u>\$2,652,820</u> | <u>\$2,870,176</u> | <u>\$8,787,619</u> | <u>\$8,713,324</u> |

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 decrease in net position for governmental activities totaled \$291,651. The decrease in net position was primarily due increased legal fees and emergency repairs to collapsed stormwater outfalls.
- The increase in business-type net position was \$217,356. The increase in net position was due to the shift from utilizing contract services to in-house labor that eliminated excessive fees for meter reading, maintenance and repairs.

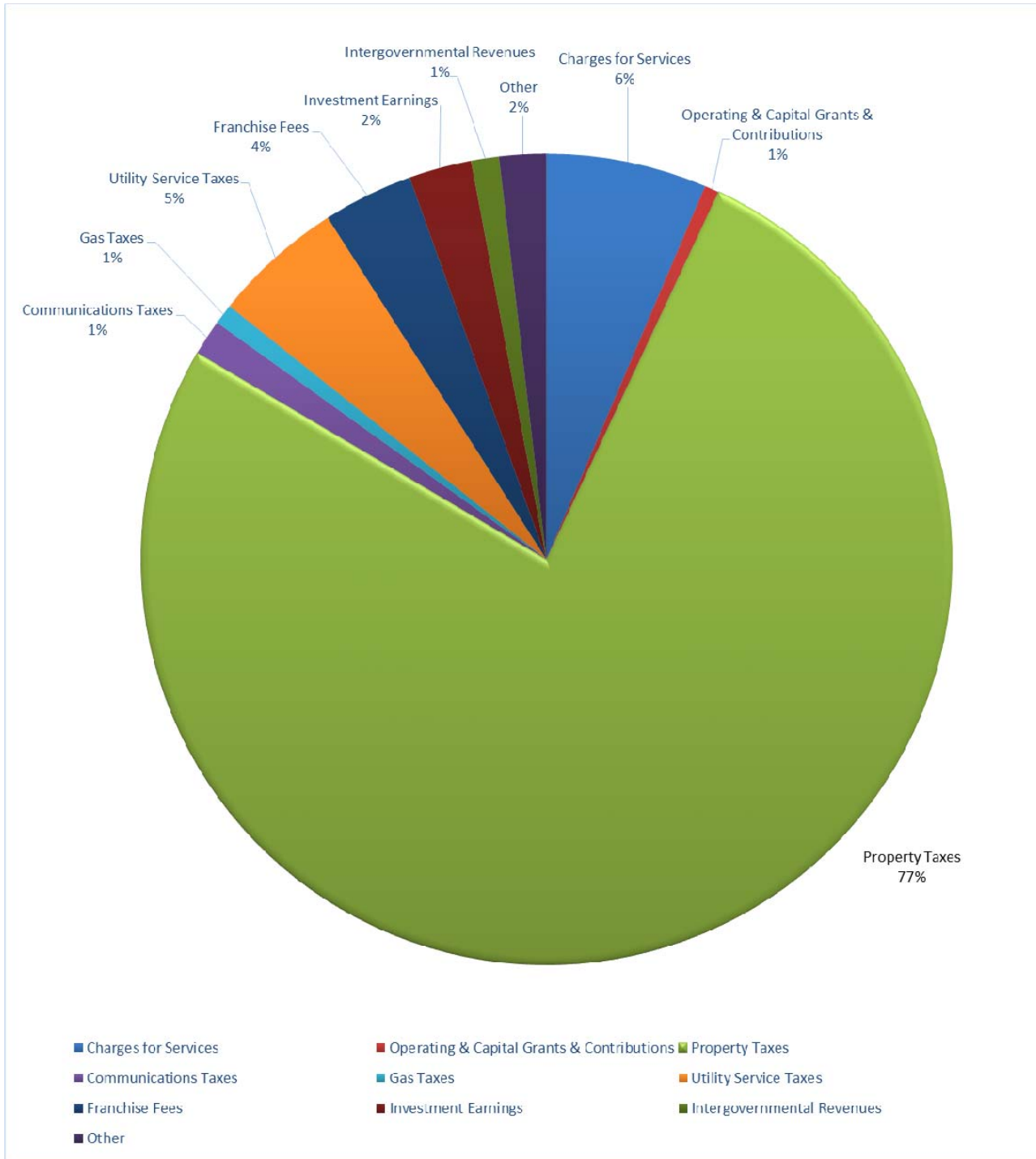
Town of Gulf Stream Changes in Net Position For the Fiscal Years Ended September 30, 2014 and 2015

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 302,050 | \$ 275,237 | \$1,025,373 | \$1,089,717 | \$1,327,423 | \$1,364,954 |
| Operating & Capital Grants & Contributions | 13,180 | 24,284 | | | 13,180 | 24,284 |
| General Revenues | | | | | | |
| Property Taxes | 2,745,494 | 3,287,456 | | | 2,745,494 | 3,287,456 |
| Communications Taxes | 62,600 | 60,656 | | | 62,600 | 60,656 |
| Gas Taxes | 32,697 | 34,723 | | | 32,697 | 34,723 |
| Utility Service Taxes | 204,000 | 223,761 | | | 204,000 | 223,761 |
| Franchise Fees | 139,567 | 154,349 | | | 139,567 | 154,349 |
| Unrestricted Investment Earnings | 51,422 | 107,115 | | | 51,422 | 107,115 |
| Intergovernmental Revenues | 95,251 | 47,781 | | | 95,251 | 47,781 |
| Other | 34,559 | 80,167 | | | 34,559 | 80,167 |
| Total Revenues | <u>3,680,820</u> | <u>4,295,529</u> | <u>1,025,373</u> | <u>1,089,717</u> | <u>4,706,193</u> | <u>5,385,246</u> |
| Expenses | | | | | | |
| Governmental Activities | | | | | | |
| General Government | 1,297,045 | 1,620,270 | | | 1,297,045 | 1,620,270 |
| Police Department | 1,406,977 | 1,394,742 | | | 1,406,977 | 1,394,742 |
| Fire Protection | 389,536 | 409,013 | | | 389,536 | 409,013 |
| Streets | 216,047 | 248,481 | | | 216,047 | 248,481 |
| Sanitation | 134,722 | 138,341 | | | 134,722 | 138,341 |
| Physical Environment | 1,640,828 | 737,662 | | | 1,640,828 | 737,662 |
| Interest on Long-Term Debt | 43,335 | 38,671 | | | 43,335 | 38,671 |
| Business-Type Activities | | | | | | |
| Water | | | 775,984 | 872,361 | 775,984 | 872,361 |
| Total Expenses | <u>5,128,490</u> | <u>4,587,180</u> | <u>775,984</u> | <u>872,361</u> | <u>5,904,474</u> | <u>5,459,541</u> |
| Change in Net Position | (1,447,670) | (291,651) | 249,389 | 217,356 | (1,198,281) | (74,295) |
| Net Position - Beginning | 7,582,469 | 6,134,799 | 2,403,541 | 2,652,820 | 9,986,010 | 8,787,619 |
| Net Position - Ending | <u>\$6,134,799</u> | <u>\$5,843,148</u> | <u>\$2,652,930</u> | <u>\$2,870,176</u> | <u>\$8,787,729</u> | <u>\$8,713,324</u> |

Management's Discussion and Analysis

More than half the Town's revenue comes from Property Taxes. (Please see chart below.)

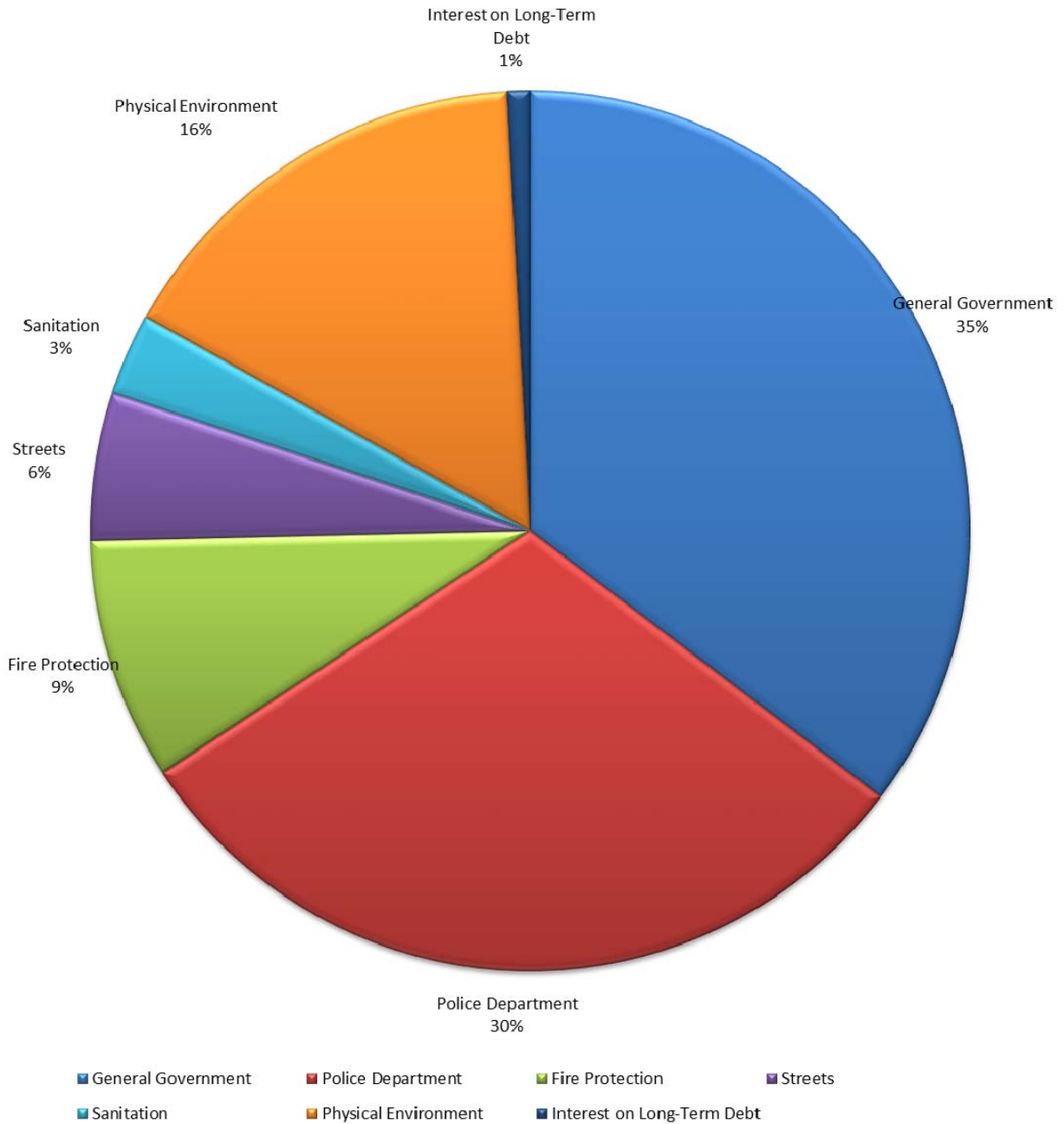
Revenues – Governmental Revenues by Source



Management's Discussion and Analysis

The Town's expenses cover a range of services, with 30% related to public safety. (Please see chart below.)

Expenses – Governmental Expenses by Function



Management's Discussion and Analysis

Financial Analysis of the Governmental Funds

As the Town of Gulf Stream completed the year, the general fund reported a fund balance of \$1,411,890, an increase of \$562,524 from the previous fiscal year. The increase was due primarily to decreased costs to bring the Town's facilities into ADA compliance and increased tax revenue. The general fund ended the 2015 fiscal year with \$38,787 in non-spendable fund balance, \$34,274 in restricted fund balance, and \$1,338,829 in unassigned fund balance.

Financial Analysis of the Proprietary Fund

Total net position of the water fund at the end of the fiscal year 2015 was \$2,870,176. The net position of the water fund has increased slightly from last year. Water rates were raised slightly by Town Resolution 13-11 that was implemented for the entire Fiscal Year 2014-2015.

General Fund Budgetary Highlights

Over the course of the year, The Town Commission revised the budget for expenditures one time by resolution. This adjustment did not change total expenditures but was a reclassification of expenditures. With this adjustment, actual expenditures were \$445,791 less than the final budget amounts. Revenues were \$116,733 more than the final budget amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the Town had invested \$3,929,084 in a broad range of capital assets including police equipment, buildings, infrastructure and water improvements. Additional information can be found in Note 4 to the financial statements.

**Town of Gulf Stream
Capital Assets
(Net of Depreciation)
September 30, 2014 and 2015**

| | Governmental Activities | | Business-type Activities | | TOTAL | |
|--------------------------|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Land | \$ 376,523 | \$ 376,523 | \$ | \$ | \$ 376,523 | \$ 376,523 |
| Construction in Process | 3,190 | 5,235 | | | 3,190 | 5,235 |
| Buildings & Improvements | 193,824 | 164,532 | 1,876,236 | 1,812,926 | 2,070,060 | 1,977,458 |
| Equipment | 212,062 | 196,150 | 10,759 | 7,630 | 222,821 | 203,780 |
| Infrastructure | <u>1,456,721</u> | <u>1,366,088</u> | | | <u>1,456,721</u> | <u>1,366,088</u> |
| TOTALS | <u>\$2,242,320</u> | <u>\$2,108,528</u> | <u>\$1,886,995</u> | <u>\$1,820,556</u> | <u>\$4,129,315</u> | <u>\$3,929,084</u> |

Management's Discussion and Analysis

Long-Term Liabilities

As of September 30, 2015 the Town had \$1,842,614 in long-term liabilities as shown in the following table. Additional information can be found in Note 5 to the financial statements.

Town of Gulf Stream Long-Term Liabilities September 30, 2014 and 2015

| | Governmental Activities | | Business-type Activities | | TOTAL | |
|----------------------|----------------------------|--------------------|-----------------------------|-----------------|--------------------|--------------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Promissory Note | \$1,964,023 | \$1,735,914 | \$ | \$ | \$1,964,023 | \$1,735,914 |
| Compensated Absences | <u>112,460</u> | <u>105,615</u> | <u> </u> | <u>1,085</u> | <u>112,460</u> | <u>106,700</u> |
| TOTALS | <u>\$2,076,483</u> | <u>\$1,841,529</u> | <u>\$ </u> | <u>\$ 1,085</u> | <u>\$2,076,483</u> | <u>\$1,842,614</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2016 fiscal year, general fund revenue projections are increased by the millage rate change.

- The millage rate was increased to 5.0000 mills from 3.9000 mills, which is greater than the rolled-back rate by 37.61%.

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 demonstrates 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 Gulf Stream, 100 Sea Road, Gulf Stream, FL 33483.

TOWN OF GULF STREAM, FLORIDA
Statement of Net Position
September 30, 2015

| | Primary Government | | |
|--|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 89,867 | \$ | \$ 89,867 |
| Investments | 2,421,494 | | 2,421,494 |
| Equity in pooled investments | 1,524,486 | 773,532 | 2,298,018 |
| Accounts receivable | 71,787 | 176,411 | 248,198 |
| Assessments receivable | 1,735,056 | | 1,735,056 |
| Inventories | 8,287 | 4,159 | 12,446 |
| Prepaid expenses | 30,500 | | 30,500 |
| Restricted assets | | | |
| Cash and cash equivalents | 47,500 | | 47,500 |
| Equity in pooled investments | | 242,362 | 242,362 |
| Accounts receivable | | 14,468 | 14,468 |
| Capital assets | | | |
| Non-depreciable | 381,758 | | 381,758 |
| Depreciable (net of depreciation) | 1,726,770 | 1,820,556 | 3,547,326 |
| Total assets | 8,037,505 | 3,031,488 | 11,068,993 |
| Liabilities | | | |
| Accounts payable | 226,353 | 153,760 | 380,113 |
| Accrued liabilities | 50,722 | | 50,722 |
| Accrued interest payable | 18,091 | | 18,091 |
| Payable from restricted assets | | | |
| Damage deposit bonds | 47,500 | | 47,500 |
| Unearned revenue | 6,194 | 6,467 | 12,661 |
| Long-term liabilities | | | |
| Payable within one year | 311,054 | 1,085 | 312,139 |
| Payable after one year | 1,530,475 | | 1,530,475 |
| Total liabilities | 2,190,389 | 161,312 | 2,351,701 |
| Deferred inflows of resources | | | |
| Unearned revenue | 3,968 | | 3,968 |
| Net position | | | |
| Net investment in capital assets | 2,108,528 | 1,820,556 | 3,929,084 |
| Restricted for dredging projects | 17,820 | | 17,820 |
| Restricted for underground utilities | 2,446,436 | | 2,446,436 |
| Restricted for transportation | 16,454 | | 16,454 |
| Restricted for repairs, replacements and improvements | | 256,830 | 256,830 |
| Unrestricted | 1,253,910 | 792,790 | 2,046,700 |
| Total net position | \$ 5,843,148 | \$ 2,870,176 | \$ 8,713,324 |

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Statement of Activities
For the Year Ended September 30, 2015

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Charges for Services</u> |
|-------------------------------|---------------------|-----------------------------|
| Primary Government | | |
| Governmental activities | | |
| General government | \$ 1,620,270 | \$ 128,824 |
| Police department | 1,394,742 | 2,465 |
| Fire protection | 409,013 | |
| Streets | 248,481 | |
| Sanitation | 138,341 | 138,283 |
| Physical environment | 737,662 | 5,665 |
| Interest on long-term debt | 38,671 | |
| Total governmental activities | <u>4,587,180</u> | <u>275,237</u> |
| Business-type activities | | |
| Water | <u>872,361</u> | <u>1,089,717</u> |
| Total primary government | <u>\$ 5,459,541</u> | <u>\$ 1,364,954</u> |

| Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | |
|--|--|--|-----------------------------|---------------------|
| Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | Governmental activities | Business-type activities | Total |
| \$ 24,284 | \$ | \$ (1,467,162) | \$ | \$ (1,467,162) |
| | | (1,392,277) | | (1,392,277) |
| | | (409,013) | | (409,013) |
| | | (248,481) | | (248,481) |
| | | (58) | | (58) |
| | | (731,997) | | (731,997) |
| | | (38,671) | | (38,671) |
| <u>24,284</u> | | <u>(4,287,659)</u> | | <u>(4,287,659)</u> |
| | | | 217,356 | 217,356 |
| <u>\$ 24,284</u> | <u>\$</u> | <u>(4,287,659)</u> | <u>217,356</u> | <u>(4,070,303)</u> |
| General revenues | | | | |
| Property taxes | | 3,287,456 | | 3,287,456 |
| Communications services taxes | | 60,656 | | 60,656 |
| Gas taxes | | 34,723 | | 34,723 |
| Utility service tax | | 223,761 | | 223,761 |
| Franchise taxes | | 154,349 | | 154,349 |
| Intergovernmental shared revenues | | 107,115 | | 107,115 |
| Unrestricted investment earnings | | 47,781 | | 47,781 |
| Miscellaneous revenues | | 80,167 | | 80,167 |
| Total general revenues | | <u>3,996,008</u> | | <u>3,996,008</u> |
| Change in net position | | (291,651) | 217,356 | (74,295) |
| Net position - beginning | | 6,134,799 | 2,652,820 | 8,787,619 |
| Net position - ending | | <u>\$ 5,843,148</u> | <u>\$ 2,870,176</u> | <u>\$ 8,713,324</u> |

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Balance Sheet - Governmental Funds
September 30, 2015

| | General Fund | Special Assessment Fund | Total Governmental Funds |
|--|---------------------|-------------------------------|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Assets | | | |
| Cash and cash equivalents | \$ 59,346 | \$ 30,521 | \$ 89,867 |
| Investments | | 2,421,494 | 2,421,494 |
| Equity in pooled investments | 1,524,486 | | 1,524,486 |
| Accounts receivable | 71,787 | | 71,787 |
| Assessments receivable | | 1,735,056 | 1,735,056 |
| Inventories | 8,287 | | 8,287 |
| Prepaid expenditures | 30,500 | | 30,500 |
| Restricted assets | | | |
| Cash and cash equivalents | <u>47,500</u> | | <u>47,500</u> |
| Total assets | <u>\$ 1,741,906</u> | <u>\$ 4,187,071</u> | <u>\$ 5,928,977</u> |
| Liabilities, deferred inflows of resources, and fund equity | | | |
| Liabilities | | | |
| Accounts payable | \$ 221,632 | \$ 4,721 | \$ 226,353 |
| Accrued liabilities | 50,722 | | 50,722 |
| Unearned revenue | 6,194 | | 6,194 |
| Payable from restricted assets | | | |
| Deposit payable | <u>47,500</u> | | <u>47,500</u> |
| Total liabilities | <u>326,048</u> | <u>4,721</u> | <u>330,769</u> |
| Deferred inflows of resources | | | |
| Unearned revenue | 3,968 | | 3,968 |
| Unavailable revenue | | <u>1,735,056</u> | <u>1,735,056</u> |
| Total deferred inflows of resources | <u>3,968</u> | <u>1,735,056</u> | <u>1,739,024</u> |
| Fund equity | | | |
| Nonspendable | | | |
| Inventories | 8,287 | | 8,287 |
| Prepays | 30,500 | | 30,500 |
| Restricted for | | | |
| Dredging projects | 17,820 | | 17,820 |
| Transportation | 16,454 | | 16,454 |
| Underground utilities | | 2,447,294 | 2,447,294 |
| Unassigned | <u>1,338,829</u> | | <u>1,338,829</u> |
| Total fund equity | <u>1,411,890</u> | <u>2,447,294</u> | <u>3,859,184</u> |
| Total liabilities, deferred inflows of resources, and fund equity | <u>\$ 1,741,906</u> | <u>\$ 4,187,071</u> | <u>\$ 5,928,977</u> |

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2015

| | | |
|------------------------------------|--|--------------|
| Fund balance of governmental funds | | \$ 3,859,184 |
|------------------------------------|--|--------------|

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental fund.

| | | |
|-------------------------------|--------------------|-----------|
| Governmental capital assets | \$ 4,515,259 | |
| Less accumulated depreciation | <u>(2,406,731)</u> | 2,108,528 |

Revenue is recognized when earned in the government wide statements regardless of when it is collected. Governmental funds recognize revenue when it is both measurable and available.

| | |
|---------------------|-----------|
| Unavailable revenue | 1,735,056 |
|---------------------|-----------|

Long-term liabilities, including accrued interest payable, are not due and payable in the current period and therefore, are not reported in governmental funds.

| | |
|--------------------------|------------------|
| Note payable | (1,735,914) |
| Accrued interest payable | (18,091) |
| Compensated absences | <u>(105,615)</u> |

| | |
|---|----------------------------|
| Net position of governmental activities | <u><u>\$ 5,843,148</u></u> |
|---|----------------------------|

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2015

| | <u>General Fund</u> | <u>Special Assessment Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--|---|
| Revenues | | | |
| Taxes | \$ 3,623,947 | \$ | \$ 3,623,947 |
| Intergovernmental revenue | 146,815 | | 146,815 |
| Licenses and permits | 252,544 | | 252,544 |
| Charges for services | 139,587 | | 139,587 |
| Fines and forfeits | 2,465 | | 2,465 |
| Investment earnings | 4,341 | 43,440 | 47,781 |
| Special assessments | | 230,595 | 230,595 |
| Miscellaneous | 76,725 | 5,665 | 82,390 |
| Total revenues | <u>4,246,424</u> | <u>279,700</u> | <u>4,526,124</u> |
| Expenditures | | | |
| Current | | | |
| General and administrative | 1,560,006 | | 1,560,006 |
| Police department | 1,341,206 | | 1,341,206 |
| Fire protection | 409,013 | | 409,013 |
| Streets | 168,042 | | 168,042 |
| Sanitation | 138,341 | | 138,341 |
| Physical environment | | 737,662 | 737,662 |
| Capital outlay | 67,292 | | 67,292 |
| Debt service | | | |
| Principal | | 228,109 | 228,109 |
| Interest | | 41,048 | 41,048 |
| Total expenditures | <u>3,683,900</u> | <u>1,006,819</u> | <u>4,690,719</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>562,524</u> | <u>(727,119)</u> | <u>(164,595)</u> |
| Net change in fund balance | 562,524 | (727,119) | (164,595) |
| Fund balance - beginning of the year | <u>849,366</u> | <u>3,174,413</u> | <u>4,023,779</u> |
| Fund balance - end of the year | <u>\$ 1,411,890</u> | <u>\$ 2,447,294</u> | <u>\$ 3,859,184</u> |

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of the Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2015

Net change in fund balance of governmental funds \$ (164,595)

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 depreciated over their estimated useful life.

| | | |
|---------------------------------|------------------|-----------|
| Expenditures for capital assets | \$ 67,292 | |
| Less current year depreciation | <u>(181,537)</u> | (114,245) |

Gains and losses on the disposal of fixed assets are not reported in the governmental funds but are reported in the statement of activities

| | | |
|---|--|----------|
| Net book value of fixed asset disposals | | (19,547) |
|---|--|----------|

Governmental funds include revenues collected within 60 days of year end as deferred revenue. Government-wide reporting recognizes revenues when they are earned, regardless of when they are collected.

| | | |
|---------------------|--|-----------|
| Special assessments | | (230,595) |
|---------------------|--|-----------|

The repayment of the principal of long term debt consumes financial resources of governmental funds, but it does not have any effect on net position

| | | |
|----------------------------|--|---------|
| Principal payments on debt | | 228,109 |
|----------------------------|--|---------|

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

| | | |
|--|--------------|--|
| Change in accrued interest payable | 2,377 | |
| Change in long-term compensated absences | <u>6,845</u> | |

| | | |
|---|--|---------------------|
| Change in net position of governmental activities | | <u>\$ (291,651)</u> |
|---|--|---------------------|

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Statement of Net Position
Proprietary Fund
September 30, 2015

| | <u>Enterprise Fund</u> |
|---|----------------------------|
| Assets | |
| Current assets | |
| Equity in pooled investments | \$ 773,532 |
| Accounts receivable, net | 176,411 |
| Inventories | 4,159 |
| Restricted assets | |
| Equity in pooled investments | 242,362 |
| Accounts receivable | 14,468 |
| Total current assets | <u>1,210,932</u> |
| Noncurrent assets | |
| Depreciable capital assets | 2,730,300 |
| Less accumulated depreciation | <u>(909,744)</u> |
| Total noncurrent assets | <u>1,820,556</u> |
| Total assets | <u>3,031,488</u> |
| Liabilities | |
| Current liabilities | |
| Accounts payable | 153,760 |
| Compensated absences payable | 1,085 |
| Unearned revenue | 6,467 |
| Total current liabilities | <u>161,312</u> |
| Total liabilities | <u>161,312</u> |
| Net position | |
| Net investment in capital assets | 1,820,556 |
| Restricted for repairs, replacements and improvements | 256,830 |
| Unrestricted | <u>792,790</u> |
| Total net position | <u>\$ 2,870,176</u> |

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Statement of Revenues, Expenses, and Changes
in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2015

| | <u>Enterprise Fund</u> |
|--------------------------------------|----------------------------|
| Operating revenues | |
| Charges for services | <u>\$ 1,022,847</u> |
| Total operating revenues | <u>1,022,847</u> |
| Operating expenses | |
| Personnel | 73,926 |
| Water purchases | 568,288 |
| Repairs and maintenance | 17,389 |
| Management fees | 75,000 |
| Depreciation expense | 66,439 |
| Payment in lieu of taxes | 39,700 |
| Other expenses | <u>31,619</u> |
| Total operating expenses | <u>872,361</u> |
| Operating income | <u>150,486</u> |
| Capital contributions | |
| Reserve fees | <u>66,870</u> |
| Total capital contributions | <u>66,870</u> |
| Change in net position | 217,356 |
| Net position - beginning of the year | <u>2,652,820</u> |
| Net position - end of the year | <u><u>\$ 2,870,176</u></u> |

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2015

| | <u>Enterprise Fund</u> |
|--|--------------------------------------|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 1,011,572 |
| Payments to employees | (72,841) |
| Payments to suppliers | (531,210) |
| Internal activity - payments to other funds | <u>(114,700)</u> |
| Net cash provided by operating activities | <u>292,821</u> |
| Cash flows from capital financing activities: | |
| Reserve fees received | <u>66,201</u> |
| Net cash provided by capital financing activities | <u>66,201</u> |
| Cash flows from investing activities: | |
| Purchase of investments | <u>(359,022)</u> |
| Net cash used by investing activities | <u>(359,022)</u> |
| Net increase (decrease) in cash and cash equivalents | |
| Cash and cash equivalents - beginning of the year | <u> </u> |
| Cash and cash equivalents - end of the year | <u><u>\$ </u></u> |
| | |
| Cash flows from operating activities: | |
| Operating income | \$ 150,486 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 66,439 |
| Changes in assets and liabilities: | |
| Decrease (increase) in: | |
| Accounts receivable | (11,971) |
| Increase (decrease) in: | |
| Accounts payable | 86,086 |
| Accrued liabilities | 1,085 |
| Unearned revenue | <u>696</u> |
| Total adjustments | <u>142,335</u> |
| Net cash provided by operating activities | <u><u>\$ 292,821</u></u> |

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Town of Gulf Stream, Florida is a municipal corporation organized pursuant to Chapter 31276, 1955 Laws of Florida. The Town operates under the Commission/Mayor form of government. The Town's major operations include general government, public safety, streets, sanitation, physical environment, and water services.

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

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

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

Based upon application of the above criteria, management of the Town of Gulf Stream has determined that no component units exist which would require inclusion in this report. Further, the Town is not aware of any entity that would consider the Town to be a component unit.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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 afterwards to pay liabilities of the current period. The Town considers revenues collected within 60 days of the year end to be available to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

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

The Town reports the General Fund and The Special Assessment Fund as major governmental funds. The General Fund is the general operating fund of the Town, and it is used to account for all financial resources except those required to be accounted for in another fund. The Special Assessment Fund is a special revenue fund used to account for financial resources relating to the underground utility project.

Proprietary Funds

Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses report on the costs to maintain the proprietary systems, the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

The Town reports the Municipal Water Fund as a major proprietary fund. The Municipal Water Fund was established to account for the provision of water services to Town residents.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts. For the purposes of the statement of cash flows, the Town considers amounts on deposit in demand accounts to be cash equivalents.

Investments

Investments in the Local Government Surplus Funds Trust Fund, a 2a-7-like pool, are carried at fair value. A 2a-7-like pool is not registered with the SEC as an investment company, but nevertheless, has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, this pool operates essentially as a money market fund.

Accounts Receivable

Trade and other receivable are shown net of an allowance for estimated uncollectible amounts. Charges for solid waste collection and water usage are billed on a bi-monthly cycle. The Town recognizes revenue and the related receivables for the estimated unbilled usage at year end.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks) are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements and in the Water Enterprise Fund. Effective October 1, 2011, the Town increased the capitalization threshold from \$1,000 for all classes of capital assets to the following amounts:

| | |
|----------------------|---------|
| Buildings | \$5,000 |
| Equipment | 5,000 |
| Infrastructure | 10,000 |
| Water Infrastructure | 10,000 |

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

The change was made prospectively, and all capital assets placed into service prior to October 1, 2011 will remain capitalized. Such assets are recorded at cost or the fair market value of the assets at the time of purchase or contribution. The Town is a Phase 3 government under GASB 34 and has elected not to report major general infrastructure assets retroactively. Depreciation has been provided over the useful lives using the straight line method. The estimated useful lives are as follows:

| | |
|----------------------|-------------|
| Buildings | 10-30 years |
| Equipment | 3-15 years |
| Infrastructure | 25-50 years |
| Water Infrastructure | 40-50 years |

Inventory

Inventories consist of expendable supplies held for consumption which are carried at cost (first-in, first-out). The Town accounts for inventories using the consumption method, under which expenditures are recognized only when inventory items are used. Reported inventory is equally offset by nonspendable fund balance which indicates that it does not constitute “available spendable resources” even though it is a component of net current assets.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place. All vacation, sick leave, and sabbatical leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Town employees may accumulate up to 5 days of vacation leave and 120 days of sick leave. Accumulated vacation is payable to employees upon termination or retirement at the rate of pay on that date. Sick leave can only be used for paid time off and is not paid to any employee upon termination.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Cost

Interest costs in governmental funds are charged to expenditures as incurred. Construction period interest incurred in governmental funds is not capitalized. Construction period interest incurred in proprietary funds is capitalized and included in the cost of the assets in accordance with generally accepted accounting principles.

Interfund Transactions

Transactions between funds consist of loans, services provided, reimbursements, or transfers. The current portion of interfund loans are reported in the fund financial statements as “due from other funds” and “due to other funds” while the non-current portion of interfund loans are reported as “advances to other funds” and “advances from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. Services deemed to be reasonably equivalent in value, are treated as revenue and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost. All other interfund transactions are presented as transfers.

Unearned Revenues

The government reports unearned revenue on its government wide statement of net position, proprietary statement of net position, and governmental funds balance sheet. Unearned revenue arises when the government receives resources prior to revenue recognition. In subsequent periods, when revenue recognition criteria are met the liability for unearned revenue is removed and revenue is recognized.

Unavailable Revenue

The Town reports unavailable revenue on its governmental funds balance sheet for resource inflows that do not qualify for recognition as revenue in a governmental fund because they are not yet considered available. In subsequent periods when the resources are considered available the liability for unavailable revenue is removed and revenue is recognized.

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Long-Term Liabilities

In the government-wide financial statements and proprietary 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 statement of net position.

Fund Balance

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

1. Nonspendable fund balances – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.
2. Restricted fund balance – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

3. Committed fund balance – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the Town’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action (an ordinance) it employed to previously commit those amounts.

4. Assigned fund balance – Includes amounts intended to be used by the Town for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Town Commission or the Town Manager to which the Town Commission has delegated authority to assign amounts to be used for specific purposes. The authority for making an assignment is not required to be the Town’s highest level of decision making authority. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts classified as committed.

5. Unassigned fund balance – Includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

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

Budgetary Data

Formal budgetary integration is employed as a management control device during the year for the General Fund and the Municipal Water Fund. Appropriations are legally controlled at the department level. All budgets are legally enacted and are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by appropriate action. The Special Assessment Special Revenue Fund is not budgeted because it is not legally required to be budgeted.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

The tax levy of the Town is established by the Town Commission prior to October 1 of each year, and the Palm Beach County Property Appraiser incorporates the Town's millages into the total tax levy, which includes Palm Beach County and Palm Beach County School Board tax requirements.

All property is reassessed according to its fair market value January 1 of each year, which is also the lien date. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all the appropriate requirements of state statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1st following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest of 18% per year. On or prior, to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After the sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years.

Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations.

Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, and useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements

The Town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended September 30, 2015:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

Recently Issued Accounting Pronouncements

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

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value of certain investments and disclosures related to all fair value measurements. This Statement is effective for the fiscal year ending September 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Certain sections of this Statement are effective for the fiscal year ending September 30, 2016 and the remaining sections are effective for the fiscal year ending September 30, 2017.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. This Statement is effective for the fiscal year ending September 30, 2017.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In June 2015 the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for the fiscal year ending September 30, 2018.

In June 2015 the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement identifies – in the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles. This Statement is effective for the fiscal year ending September 30, 2016.

In August 2015 the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. This Statement is effective for the fiscal year ending September 30, 2017.

In December 2015 the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement is effective for the fiscal year ending September 30, 2017.

In December 2015 the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for the fiscal year ending September 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for the fiscal year ending September 30, 2017. Earlier application is encouraged.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2015, the carrying amount of the Town's deposits was \$5,095,304 and the bank balances totaled \$5,110,495. The Town also had cash on hand of \$200. Town's deposits include checking accounts, money market accounts, and certificates of deposit. The Town had three money market accounts with a total bank balance and carrying amount of \$4,437,577. The certificates of deposit and money market accounts are reported as investments in the balance sheet. As of September 30, 2015, the Town held the following certificates of deposit:

| <u>Days to Maturity</u> | <u>Fair Value</u> |
|-------------------------|-------------------|
| 175 | \$255,901 |
| 667 | <u>264,659</u> |
| | <u>\$520,560</u> |

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

Investments

Florida statutes authorize the Town to invest in the Local Government Surplus Funds Trust Fund administered by the State Treasurer, negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government, interest-bearing time deposits in financial institutions located in Florida and organized under Federal or Florida laws, obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank or its district banks, or obligations guaranteed by the Government National Mortgage Association, and obligations of the Federal National Mortgage Association.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

On August 3, 2009, the SBA announced “Florida PRIME” as the highly enhanced version of the SBA’s prior Local Government Investment Pool, which was previously known as the Local Government Surplus Trust Fund. The SBA administers Florida PRIME which is governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME. The Florida PRIME is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The fair share of the position in the Florida PRIME is equal to the value of the pool shares.

At September 30, 2015, Florida PRIME was assigned a "AAA(m)" principal stability fund rating by the Standard and Poor's Ratings. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balance should also be considered its fair value.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2015, was 29 days. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

As of September 30, 2015, the Town held the following investments:

| | Weighted Average <u>Maturity</u> | Fair <u>Value</u> |
|---|--|----------------------|
| State Board of Administration Investment Pool | | |
| Florida PRIME | 29 days | <u>\$ 3,737</u> |

The investments in the State Board of Administration Pool are reported as investments in the balance sheet.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill their obligations. The Town’s investment policies limit its investments to high quality investments to control credit risk. At September 30, 2015, Florida PRIME was rated “AAA(m) by Standard and Poor’s Ratings Services.

Interest Rate Risk

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

NOTE 3 – RECEIVABLES

As of September 30, 2015, the Town’s receivables for the individual major funds, including applicable allowances for uncollectible accounts, are as follows:

| | <u>General Fund</u> | <u>Special Assessment Fund</u> | <u>Water Fund</u> | <u>Total</u> |
|------------------------------|-------------------------|--|-----------------------|---------------------|
| Taxes | \$ 29,190 | \$ | \$ | \$ 29,190 |
| Accounts - unbilled | 23,078 | | 182,038 | 205,116 |
| Accounts - billed | 5,574 | | 15,431 | 21,005 |
| Due from other governments | 13,945 | | | 13,945 |
| Special assessments | | 1,735,056 | | 1,735,056 |
| Subtotal | <u>71,787</u> | <u>1,735,056</u> | <u>197,469</u> | <u>2,004,312</u> |
| Allowance for uncollectibles | | | (6,590) | (6,590) |
| Net receivables | <u>\$ 71,787</u> | <u>\$ 1,735,056</u> | <u>\$ 190,879</u> | <u>\$ 1,997,722</u> |

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

| <u>Business-Type Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---------------------------------|------------------------------|-------------------|------------------|---------------------------|
| Assets being depreciated | | | | |
| Water system improvements | \$2,658,922 | \$ | \$ | \$2,658,922 |
| Equipment | 71,378 | | | 71,378 |
| Total at historical cost | <u>2,730,300</u> | | | <u>2,730,300</u> |
| Accumulated depreciation | | | | |
| Water system improvements | 782,686 | 63,310 | | 845,996 |
| Equipment | 60,619 | 3,129 | | 63,748 |
| Total accumulated depreciation | <u>843,305</u> | <u>66,439</u> | | <u>909,744</u> |
| Business-type activities, net | <u>\$1,886,995</u> | <u>\$(66,439)</u> | <u>\$</u> | <u>\$1,820,556</u> |

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 4 – CAPITAL ASSETS (Continued)

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--------------------------------|------------------------------|---------------------|--------------------|---------------------------|
| Assets not being depreciated | | | | |
| Land | \$ 376,523 | \$ | \$ | \$ 376,523 |
| Construction in progress | 3,190 | 2,045 | | 5,235 |
| Total not being depreciated | <u>379,713</u> | <u>2,045</u> | | <u>381,758</u> |
| Assets being depreciated | | | | |
| Buildings | 892,705 | | | 892,705 |
| Equipment | 585,746 | 65,247 | (61,051) | 589,942 |
| Infrastructure | 2,650,854 | | | 2,650,854 |
| Total being depreciated | <u>4,129,305</u> | <u>65,247</u> | <u>(61,051)</u> | <u>4,133,501</u> |
| Total at historical cost | <u>4,509,018</u> | <u>67,292</u> | <u>(61,051)</u> | <u>4,515,259</u> |
| Accumulated depreciation | | | | |
| Buildings | 698,881 | 29,292 | | 728,173 |
| Equipment | 373,684 | 61,612 | (41,504) | 393,792 |
| Infrastructure | 1,194,133 | 90,633 | | 1,284,766 |
| Total accumulated depreciation | <u>2,266,698</u> | <u>181,537</u> | <u>(41,504)</u> | <u>2,406,731</u> |
| Governmental activities, net | <u>\$2,242,320</u> | <u>\$ (114,245)</u> | <u>\$ (19,547)</u> | <u>\$2,108,528</u> |

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

| | |
|-------------------------------|-------------------|
| Governmental activities: | |
| General government | \$ 62,325 |
| Police department | 39,607 |
| Streets | <u>79,605</u> |
| Total governmental activities | <u>\$ 181,537</u> |
| Business-type activities: | |
| Municipal water | <u>\$ 66,439</u> |

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 5 – LONG-TERM LIABILITIES

Governmental Activities

On September 6, 2012, the Town issued its Promissory Note, Undergrounding Project in the principal amount of \$2,427,895 to provide funds for the project of undergrounding the electric, cable television, and telephone utility facilities serving the municipality. Such debt shall not be a general obligation of the Town. The Town covenants that, so long as the Note shall remain unpaid or any other amounts are owed by the Town under the Note, it will appropriate in its annual budget, by amendment, if required, from pledged funds and available non ad valorem revenues, amounts sufficient to pay principal and interest on the Note as they become due. The covenant to budget and appropriate does not create a lien upon or pledge of the available non ad valorem revenues. Pledged funds consist of amounts on deposit in the note proceeds fund and the payment fund and special assessments.

Principal and interest payments on the Note are due in annual installments commencing on April 1, 2013 and on each April 1 thereafter until final maturity on April 1, 2022. The Note bears interest at the rate of 2.09%. At September 30, 2015, principal and interest to maturity on April 1, 2022 to be paid from pledged funds totaled \$1,884,034. Principal and interest paid for the current fiscal year was \$269,157 and pledged special assessments were \$230,595.

Annual debt service requirements to maturity are as follows:

| Year Ended September 30 | Principal | Interest | Payment |
|----------------------------|---------------------|-------------------|---------------------|
| 2016 | \$ 232,876 | \$ 36,281 | \$ 269,157 |
| 2017 | 237,743 | 31,414 | 269,157 |
| 2018 | 242,712 | 26,445 | 269,157 |
| 2019 | 247,785 | 21,372 | 269,157 |
| 2020 | 252,964 | 16,193 | 269,157 |
| 2021-2022 | 521,834 | 16,415 | 538,249 |
| | <u>\$ 1,735,914</u> | <u>\$ 148,120</u> | <u>\$ 1,884,034</u> |

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Changes in the Town’s long-term liabilities for the year ended September 30, 2015 are summarized as follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Promissory Note | \$1,964,023 | \$ | \$ 228,109 | \$1,735,914 | \$232,876 |
| Compensated absences | 112,460 | 46,967 | 53,812 | 105,615 | 78,178 |
| Total Governmental Activities | <u>\$2,076,483</u> | <u>\$ 46,967</u> | <u>\$ 281,921</u> | <u>\$1,841,529</u> | <u>\$311,054</u> |
| | | | | | |
| <u>Business-type Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
| Total Governmental Activities | <u>\$</u> | <u>\$ 1,085</u> | <u>\$</u> | <u>\$ 1,085</u> | <u>\$ 1,085</u> |

Compensated absences of the governmental activities are liquidated by the General Fund.

Interest Expense

The total interest cost incurred on all Town debt for the year ended September 30, 2015, was \$38,671 and total interest paid during the year was \$41,048. No interest was capitalized in the Enterprise Fund during the year.

NOTE 6 – DEFINED CONTRIBUTION EMPLOYEE RETIREMENT PLAN

On November 28, 1990, the Town passed Resolution No. 90-8, authorizing the establishment of a 401(a) plan (the "Plan"). All full-time employees are eligible to participate in the Plan upon completion of six months of service and attaining age 18. This defined contribution pension plan is administered by the International City Management Association Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The plan requires that the Town and the employees contribute an amount equal to 20.92% and 8.0%, respectively, of the employee’s base salary each month. The Town’s contribution for each employee and investment earnings allocated to the employee’s account vest at a rate of 20% per year of service completed. Employees are eligible for normal retirement upon attainment of the age of 59-1/2. Town contributions and interest forfeited by employees who leave employment before satisfying the vesting requirement are used to reduce the Town’s current-period contribution requirement. For the fiscal year ended September 30, 2015, the Town recognized

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 6 – DEFINED CONTRIBUTION EMPLOYEE RETIREMENT PLAN (Continued)

pension expense of \$248,737 for the Plan, and as of the fiscal year end, the Town reported a payable in the amount of \$8,247 for outstanding contributions to the Plan. There were no forfeitures for the fiscal year.

Because the Town does not hold or administer funds for the Plan, it does not meet the criteria for inclusion in the Town's financial statements as a fiduciary fund. The Plan does not issue a stand alone financial report.

NOTE 7 – DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Assets of the plan are invested in either mutual funds or insurance contracts. In 1998, the Plan was amended to conform to changes in the Internal Revenue Code brought about by the Small Business Job Protection Act of 1996 (the "Act"). The Act requires that eligible deferred compensation plans established and maintained by governmental employers be amended to provide that all assets of the plan be held in trust, or under one or more appropriate annuity contracts or custodial accounts, for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, plan assets are no longer subject to the claims of the Town's general creditors.

Because the Town has little administrative involvement and does not perform the investing function for funds in the Plan, the Town's activities do not meet the criteria for inclusion in the fiduciary funds of a government.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Town was required to implement Governmental Accounting Standards Board Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* for fiscal year ending September 30, 2010. Retirees of the Town pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium charged for active employees, who are younger than retirees on average. This implied subsidy constitutes other postemployment benefits under GASB Statement 45. The Town elected not to apply GASB 45. The effects of that departure on the financial statements are not reasonably determinable. The Town also has not disclosed the descriptive information about other postemployment benefits required by standards.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 9 – INTERLOCAL AGREEMENTS

Interlocal Fire and EMS Service Agreement with the City of Delray Beach

On July 14, 2009, the Town entered into an agreement with the City of Delray Beach whereby the City will provide the Town with fire and emergency medical services. The term of the agreement is for 10 years beginning on October 1, 2009, and extending through September 30, 2019. On October 4, 2011, the agreement was amended to increase the service fee for additional areas annexed into the Town. The Town paid an annual service fee of \$389,536 for the fiscal year ended September 30, 2015. The annual service fees for future years will be the current year fee of \$409,013 adjusted annually based on the “All Urban Customers – United States April Consumer Price Index” or an increase of five percent (5.0%), whichever is greater. The annual service for the fiscal year ending September 30, 2016 will be \$429,464

Interlocal Dispatch Service Agreement with the City of Delray Beach

On October 1, 2012, the Town entered into a new agreement with the City of Delray Beach for dispatch services. The agreement shall automatically renew for five one year renewals unless either party notifies the other in writing of their intent not to renew at least 90 days prior to the start of the renewal term. The agreement shall terminate on September 30, 2017. The basic service fee under the agreement was \$54,036 for the initial contract year. Each year thereafter the basic service fee shall be adjusted from the previous year in an amount based upon the All Urban Consumers-United States Consumer Price Index for April. For the year ended September 30, 2015, the Town paid \$54,036 pursuant to the agreement.

Interlocal Water Purchase Agreement with the City of Delray Beach

In June 1998, the Town entered into an agreement with the City of Delray Beach for the purchase of treated, potable water. The term of the agreement is for a period of twenty-five years. Under the terms of the agreement, the Town is to pay the City the prevailing water rate charged by the City to non-residential users plus a surcharge of 25%. For the year ended September 20, 2015, the Town paid \$568,288 pursuant to the agreement.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 10 – COMMITMENTS

Solid Waste and Recycling Collection Franchise Agreement

On September 13, 2013, the Town amended the solid waste and recycling collection franchise agreement with Waste Management Inc. of Florida (WMI). The amendment extended the term of the agreement until September 30, 2018, and eliminated the fuel surcharge provision. Under the terms of the agreement, the Town informs WMI of the total number of residential and multi-family units that have a Certificate of Occupancy each year on September 1. WMI bills all multi-family units that are serviced by a container. The monthly charges for the remainder of the units that are serviced by means other than by containers are paid by the Town.

WMI bills the Town monthly for these services at the then current rate as adjusted from time to time by the terms and conditions of the agreement. For the year ended September 30, 2015, the Town made payments of \$138,341 pursuant to the agreement.

Construction Commitments

| <u>Project</u> | <u>Authorized Amount</u> | <u>Amount Completed at 09/30/15</u> | <u>Balance to Complete at 09/30/15</u> |
|---|------------------------------|---|--|
| Undergrounding – Phase I | \$1,389,355 | \$1,385,031 | \$ 4,324 |
| Project Management and Engineering Support | <u>408,206</u> | <u>278,888</u> | <u>129,318</u> |
| | <u>\$1,797,561</u> | <u>\$1,663,919</u> | <u>\$ 133,642</u> |

NOTE 11 – 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 for which the Town carries commercial insurance. The Town purchases commercial insurance to cover the various risks. Retention of risks is limited to those risks that are uninsurable and deductibles ranging from \$250 to \$2,500 per occurrence. The Town has not significantly reduced insurance coverage during the past three fiscal years. There were no settled claims which exceeded insurance coverage during the fiscal years ended September 30, 2014 and 2015. During the fiscal year ended September 30, 2013, settlements exceeded insurance coverage by \$180,000.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 11 – RISK MANAGEMENT (Continued)

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

The Town is involved in various litigation and claims arising in the course of operations. The Town is a defendant in several lawsuits alleging violation by the Town of the State of Florida’s Public Records Law. In the event of success in these cases, plaintiffs would be entitled to attorney’s fees. The likelihood of unfavorable outcomes and the amounts of potential losses cannot be reasonably determined at this time. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements.

NOTE 12 – OPERATING LEASE

On May 31, 2013, the Town entered into an operating lease for a copier for use in Town Hall. The lease is for a term of 60 months and requires minimum monthly payments of \$501 that commenced in July 2013. For the year ended September 30, 2015, the Town made payments of \$6,012 pursuant to the lease.

The following is a schedule of the Town’s required future minimum lease payments under the agreement:

| <u>Year Ended September 30</u> | <u>Minimum Lease Payments</u> |
|------------------------------------|---------------------------------------|
| 2016 | \$ 6,012 |
| 2017 | 6,012 |
| 2018 | <u>4,509</u> |
| | <u><u>\$16,533</u></u> |

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2015

NOTE 13 – SPECIAL ASSESSMENT

On June 30, 2011, the Town adopted Resolution 011-11 levying non-ad valorem special assessments on properties specially benefitted by a capital improvement project to place underground the overhead electric, cable television, and telephone utility facilities that serve a portion of the Town and its inhabitants. The special assessments were calculated using a methodology that fairly and reasonably apportions the cost of the project among the benefitted parcels in proportion to the benefits to such parcels. The calculation methodology used an equivalent benefit unit assigned for three categories: (1) improved safety (2) improved reliability and (3) improved aesthetics.

Property owners were given the option to pay the entire amount of the assessment in advance of the Town obtaining financing for the project. The special assessments are subject to prepayment only on or before November 1, 2011. Assessments that are not prepaid shall be payable in not less than 10 and not more than 20 yearly installments. The special assessments shall bear interest not exceeding 10% per annum over the term of the financing obtained by the Town and will include annual costs related to administration and collection not to exceed 5%. The total assessable cost was \$5,518,144, and the Town received prepayments in the amount of \$2,885,049. See Note 5 for a discussion of the related financing for the project.

NOTE 14 – SUBSEQUENT EVENTS

On May 13, 2016, the Town awarded contracts for the Phase II undergrounding project to Wilco Electrical LLC in the amount of \$2,890,597 and Comcast in the amount of \$160,312.

TOWN OF GULF STREAM, FLORIDA
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended September 30, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|---------------------|---|
| | Original | Final | | |
| Taxes | | | | |
| Ad valorem taxes | \$ 3,306,230 | \$ 3,306,230 | \$ 3,287,456 | \$ (18,774) |
| Local option fuel taxes | 33,017 | 33,017 | 34,723 | 1,706 |
| Utility service taxes | 174,500 | 174,500 | 223,761 | 49,261 |
| Communications services taxes | 69,000 | 69,000 | 60,656 | (8,344) |
| Local business tax | 22,140 | 22,140 | 17,351 | (4,789) |
| Total taxes | <u>3,604,887</u> | <u>3,604,887</u> | <u>3,623,947</u> | <u>19,060</u> |
| Licenses and permits | | | | |
| Building permits | 90,000 | 90,000 | 98,195 | 8,195 |
| Franchise fees | 133,000 | 133,000 | 154,349 | 21,349 |
| Total licenses and permits | <u>223,000</u> | <u>223,000</u> | <u>252,544</u> | <u>29,544</u> |
| Intergovernmental revenue | | | | |
| State revenue sharing proceeds | 97,144 | 97,144 | 97,646 | 502 |
| Shared revenue from other local units | 4,860 | 4,860 | 9,469 | 4,609 |
| Payment in lieu of taxes | 39,700 | 39,700 | 39,700 | |
| Total intergovernmental revenue | <u>141,704</u> | <u>141,704</u> | <u>146,815</u> | <u>5,111</u> |
| Charges for services | | | | |
| Solid waste collection fees | 140,000 | 140,000 | 138,283 | (1,717) |
| Other | 15,000 | 15,000 | 1,304 | (13,696) |
| Total charges for services | <u>155,000</u> | <u>155,000</u> | <u>139,587</u> | <u>(15,413)</u> |
| Judgments, fines and forfeits | | | | |
| Judgments and fines | 1,100 | 1,100 | 2,465 | 1,365 |
| Total judgments, fines, and forfeits | <u>1,100</u> | <u>1,100</u> | <u>2,465</u> | <u>1,365</u> |
| Investment earnings | 4,000 | 4,000 | 4,341 | 341 |
| Miscellaneous revenues | | | | |
| Contributions | | | 24,284 | 24,284 |
| Other | | | 52,441 | 52,441 |
| Total miscellaneous revenues | | | <u>76,725</u> | <u>76,725</u> |
| Total revenues | <u>4,129,691</u> | <u>4,129,691</u> | <u>4,246,424</u> | <u>116,733</u> |
| Expenditures | | | | |
| General and administrative | 1,247,248 | 1,547,248 | 1,560,006 | (12,758) |
| Police | 1,504,708 | 1,504,708 | 1,406,453 | 98,255 |
| Fire | 410,013 | 410,013 | 409,013 | 1,000 |
| Streets | 657,172 | 357,172 | 170,087 | 187,085 |
| Sanitation | 141,000 | 141,000 | 138,341 | 2,659 |
| Contingency | 169,550 | 169,550 | | 169,550 |
| Total expenditures | <u>4,129,691</u> | <u>4,129,691</u> | <u>3,683,900</u> | <u>445,791</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$</u> | <u>\$</u> | 562,524 | <u>\$ 562,524</u> |
| Fund balance, beginning of year | | | 849,366 | |
| Fund balance, end of year | | | <u>\$ 1,411,890</u> | |

TOWN OF GULF STREAM, FLORIDA
Notes to the Budgetary
Required Supplemental Information (RSI)
General Fund
September 30, 2015

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

Budgetary comparison information is required to be presented for the General Fund and each major special revenue fund. The Special Assessment Special Revenue Fund is not legally required to be budgeted and is not budgeted.

A budgetary comparison schedule is presented for the General Fund. The procedures for establishing budgetary data reflected in the budgetary comparison schedule are as follows:

1. Prior to August 1st, the Town Manager submits to the Town Commission a proposed operating budget for the fiscal year commencing the next October 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1st, the budget is legally enacted through the passage of an ordinance.
4. The Town Manager is authorized to transfer budgeted amounts within any department. However, any revisions that alter the total expenditures of any department must be approved by the Town Commission by a legally enacted ordinance.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Appropriations along with encumbrances lapse at September 30th.

NOTE 2 - BUDGET AND ACTUAL COMPARISONS

Formal budgetary integration is employed within the accounting system as a management control device. Appropriations are legally controlled at the department level and expenditures may not legally exceed appropriations at that level. For the year ended September 30, 2015, the following department had an excess of expenditures over appropriations.

| | |
|----------------------------|-----------|
| General and administrative | \$ 12,758 |
|----------------------------|-----------|



NOWLEN, HOLT & MINER, P.A.

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

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The Honorable Mayor and Members of the Town Commission
Town of Gulf Stream, 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, and each major fund of the Town of Gulf Stream, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Gulf Stream's basic financial statements and have issued our report thereon dated June 30, 2016. The opinions on the governmental activities, business-type activities, and Enterprise Fund were qualified because the Town has not recognized the other postemployment benefits (OPEB) expense and obligation which is required in accordance with U.S. generally accepted accounting principles as provided in Governmental Accounting Standards Board Statement No. 45.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Gulf Stream, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Gulf Stream, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Gulf Stream, 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

Finding 2015-1 Closing Procedures

Condition: Material adjustments were required to correct the accounting records.

Criteria: Accurate accounting records are required as a basis for decision making.

Effect: Prior to audit adjustments, the accounting records were misstated.

Recommendation: We recommend that the Town review the monthly and year-end financial closing and reporting procedures and update them to facilitate the preparation of more accurate financial reports.

Management Response: A review of the year-end accounts payable and accrued liabilities processing procedures will be examined to assure that the accounting software capabilities are maximized to the fullest extent possible and that the underlying accounting records are reconciled to the general ledger.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Gulf Stream, 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 Gulf Stream, Florida's Response to Findings

The Town of Gulf Stream, Florida's response to the finding identified in our audit is described above. The Town of Gulf Stream, Florida's response 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
June 30, 2016



NOWLEN, HOLT & MINER, P.A.

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

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The Honorable Mayor and Members of the Town Commission
Town of Gulf Stream, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Gulf Stream, Florida, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 30, 2016. The Town has not recognized the other postemployment benefits (OPEB) expense and obligation in the financial statements of the governmental activities, business-type activities, and Enterprise Fund as required in accordance with accounting principles generally accepted in the United States of America, as provided in Governmental Accounting Standards Board Statement No. 45. The effects of that departure on the financial statements are not reasonably determinable. The Town also has not disclosed the descriptive information about other postemployment benefits required by accounting principles generally accepted in the United States of America.

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 Reports

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding

compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 30, 2016, 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 recommendations in the prior year that required corrective actions.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we report the results of our determination as to whether or not the Town of Gulf Stream, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town of Gulf Stream, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Gulf Stream, 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. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we report the results of our determination as to whether the annual financial report for the Town of Gulf Stream, Florida for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that the two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

Based on the application of criteria in publications cited in Section 10.553, Rules of the Auditor General, there are no special district component units of the Town of Gulf Stream, Florida.

Other Matters

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

Finding 2015-2

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

Criteria: Florida Statutes prohibit expenditures in excess of appropriations.

Effect: Noncompliance with budgetary requirements.

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

Management Response: In the future, the Town Manager will monitor budget appropriations, and where appropriate, a recommendation for a budget amendment will be made to the Town Commission.

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

Single Audits

The Town expended less than \$500,000 of federal awards and less than \$500,000 of state financial assistance for the year ended September 30, 2015, and was not required to have a federal single audit or a state single audit.

Response to Management Letter

The Town of Gulf Stream, Florida's response to the findings identified in our audit is presented above. The Town's response 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 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 Representative, the Florida Auditor General, Federal and state awarding agencies, pass-through entities, management of the Town of Gulf Stream, and members of the Town Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida
June 30, 2016



NOWLEN, HOLT & MINER, P.A.

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

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The Honorable Mayor and Members of the Town Commission
Town of Gulf Stream, Florida

We have examined the Town of Gulf Stream, Florida’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2015. Management is responsible for the Town of Gulf Stream, Florida’s compliance with those requirements. Our responsibility is to express an opinion on the Town of Gulf Stream, Florida’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town of Gulf Stream, Florida’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town of Gulf Stream, Florida’s compliance with specified requirements.

In our opinion, the Town of Gulf Stream, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 30, 2016