



TOWN OF GULF STREAM, FLORIDA



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

FISCAL YEAR ENDED SEPTEMBER 30, 2013

TOWN OF GULF STREAM, FLORIDA
SEPTEMBER 30, 2013

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NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
P.O. BOX 940
WEST PALM BEACH, FLORIDA 33402-0947
TELEPHONE (561) 659-3090
FAX (561) 832-4628
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1939-1994), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, CPA
ROBERT W. HENDRIX, JR., CPA
JANET R. DAVENPORT, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CPA, ABV, CFP®, CPA
ALEXIA G. VARGA, CFP®, CPA
EDWARD T. HOLT, JR., PFS, CPA
ERIAN J. BERGIA, CFP®, CPA

KATHLEEN A. MINER, CPA
J. MICHAEL S. WENS, CPA
JANET A. PERRY, CPA
KAROL RE. BRISON, CPA, CMA
MARK J. WYMAN, CPA, CMA
RYAN M. SHORE, CPA
EMILY H. GIBBONS, CPA
WILLIAM, CPA

INDEPENDENT AUDITOR'S REPORT

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

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 838
BELLE GLADE, FLORIDA 33100-0338
TELEPHONE (561) 996-6612
FAX (561) 996-6248

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, 2013, 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 Opinion” 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, 2013, 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, 2013, 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.

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 January 8, 2014, 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 & Mimer, P.A.

West Palm Beach, Florida
January 8, 2014

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

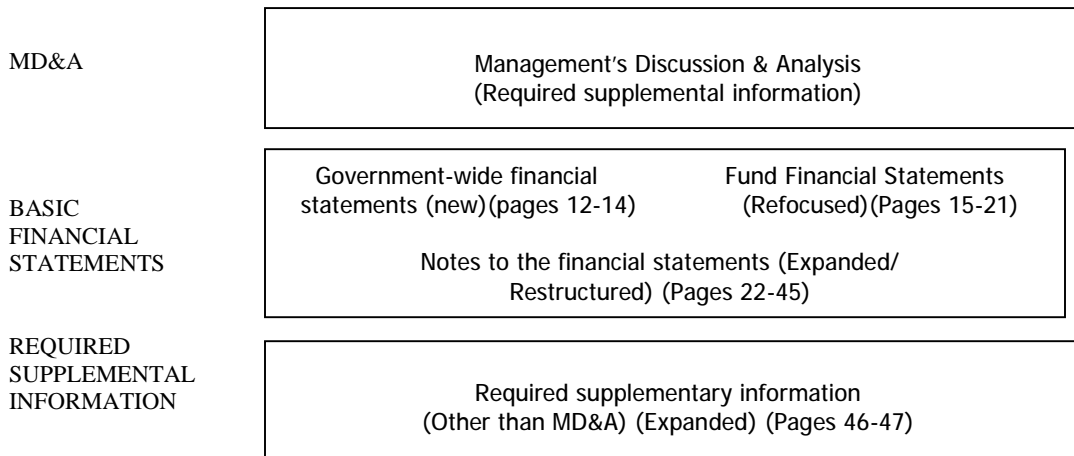
Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Town’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Ø 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 \$10,007,392 (net position). Of this amount, \$1,005,838 (unrestricted net position) may be used to meet the government’s ongoing obligations to citizens and creditors.
- Ø The governmental activities revenues were \$3,119,593 at the close of fiscal year 2013.
- Ø The business-type activities revenues were \$944,686 at the close of fiscal year 2013.
- Ø The total cost of all Town programs was \$4,641,331 during the fiscal year 2013.
- Ø At the end of the 2013 fiscal year, unassigned fund balance for the general fund was \$752,858 or 23% 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.



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 and deferred outflows of resources and (b) liabilities and 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:

- Ø 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.
- Ø 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 9. 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.

- Ø 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

Ø 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 2013 is reported at \$10,007,392. Net position of the Town's governmental activities for the fiscal year ending 2013 is \$7,603,961. The net position of our business-type activities is reported at \$2,403,431 for the fiscal year ending 2013. Overall the financial position of the total primary government is about the same as the prior year, with a slight decrease in net position for the governmental activities and a slight increase for the business type activities.

Town of Gulf Stream Statement of Net Position As of September 30, 2013

	Governmental Activities		Business-type Activities		TOTAL	
	2012	2013	2012	2013	2012	2013
Current and Other Assets	\$8,854,512	\$7,897,076	\$ 314,502	\$ 558,072	\$ 9,169,014	\$ 8,455,148
Capital Assets	<u>2,149,857</u>	<u>2,111,107</u>	<u>2,009,243</u>	<u>1,943,527</u>	<u>4,159,100</u>	<u>4,054,634</u>
TOTAL ASSETS	<u>11,004,369</u>	<u>10,008,183</u>	<u>2,323,745</u>	<u>2,501,599</u>	<u>13,328,114</u>	<u>12,509,782</u>
Current and Other Liabilities	99,113	124,454	131,204	98,168	230,317	222,622
Long-term Liabilities	<u>2,513,353</u>	<u>2,279,768</u>	<u> </u>	<u> </u>	<u>2,513,353</u>	<u>2,279,768</u>
TOTAL LIABILITIES	<u>2,612,466</u>	<u>2,404,222</u>	<u>131,204</u>	<u>98,168</u>	<u>2,743,670</u>	<u>2,502,390</u>
Net Position:						
Net Investment in Capital Assets	2,149,857	2,111,107	2,009,243	1,943,527	4,159,100	4,054,634
Restricted – Dredging Projects	17,820	17,820			17,820	17,820
Restricted – Underground Utilities	5,298,496	4,806,250			5,298,496	4,806,250
Restricted – Repairs, replacements, and improvements			56,070	122,850	56,070	122,850
Unrestricted	<u>925,730</u>	<u>668,784</u>	<u>127,228</u>	<u>337,054</u>	<u>1,052,958</u>	<u>1,005,838</u>
TOTAL NET POSITION	<u>\$8,391,903</u>	<u>\$7,603,961</u>	<u>\$2,192,541</u>	<u>\$2,403,431</u>	<u>\$10,584,444</u>	<u>\$10,007,392</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).

- Ø The decrease in net position for governmental activities totaled \$787,942. The decrease in net position was primarily due increased legal fees as well fees associated with the Special Revenue Fund.
- Ø The increase in business-type net position was \$210,890. The increase in net position was due in part to the shift from utilizing contract services to in-house labor.

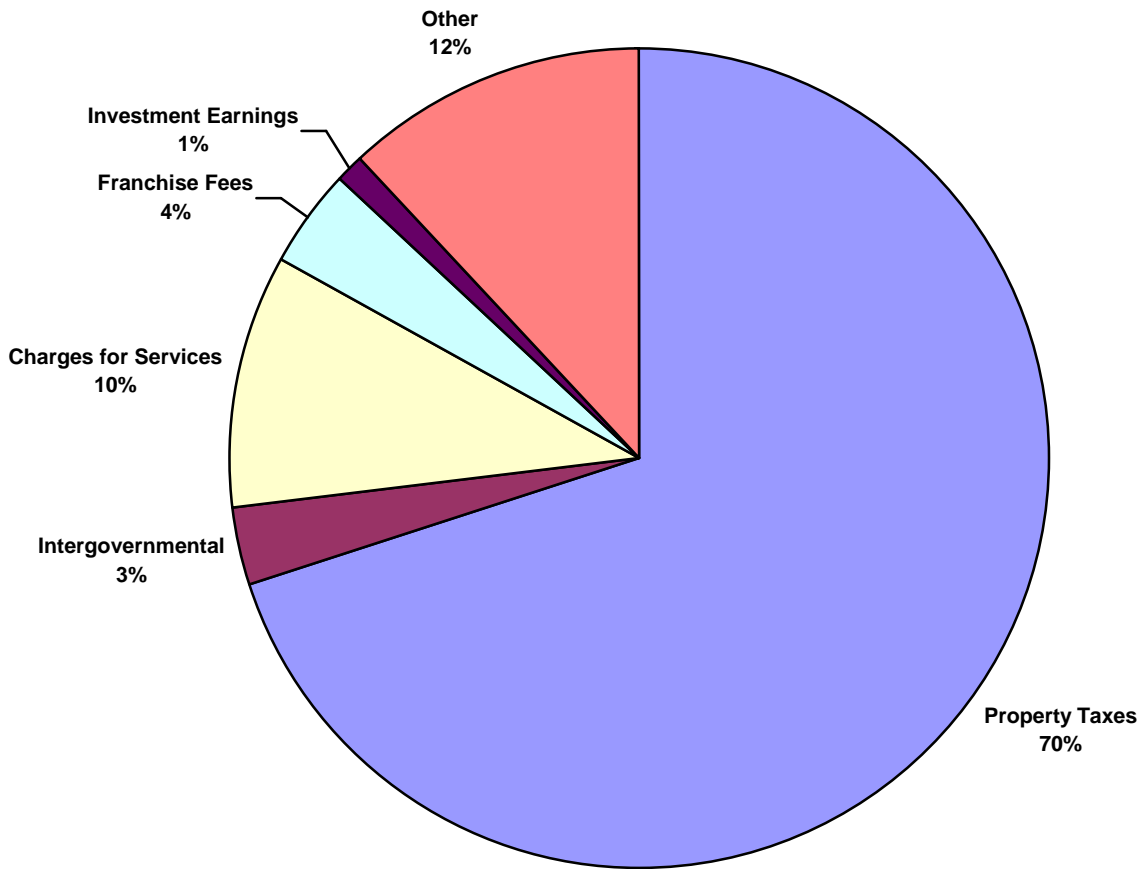
Town of Gulf Stream's Changes in Net Position

	Governmental Activities		Business-type Activities		TOTAL	
	2012	2013	2012	2013	2012	2013
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 272,564	\$ 324,536	\$ 874,573	\$ 944,686	\$ 1,147,137	\$ 1,269,222
Operating & Capital Grants	92,528	40,000			92,528	40,000
<i>General Revenues:</i>						
Property Taxes	1,850,192	2,186,723			1,850,192	2,186,723
Communications Taxes	60,207	69,177			60,207	69,177
Gas Taxes	30,845	31,089			30,845	31,089
Utility Service Taxes	154,653	177,916			154,653	177,916
Franchise Fees	124,499	125,893			124,499	125,893
Unrestricted Investment Earnings	3,606	36,237			3,606	36,237
Intergovernmental Revenues	96,298	86,022			96,298	86,022
Other	33,900	42,000			33,900	42,000
Total Revenues	<u>2,719,292</u>	<u>3,119,593</u>	<u>874,573</u>	<u>944,686</u>	<u>3,593,865</u>	<u>4,064,279</u>
Expenses						
<i>Governmental Activities:</i>						
General and Administrative	813,714	1,116,362			813,714	1,116,362
Police Department	1,436,588	1,426,179			1,436,588	1,426,179
Fire Protection	315,580	428,210			315,580	428,210
Streets	226,519	227,396			226,519	227,396
Sanitation	129,801	132,261			129,801	132,261
Physical Environment	144,166	527,444			144,166	527,444
Interest on long-term debt	1,892	49,683			1,892	49,683
<i>Business-type Activities:</i>						
Water			892,168	733,796	892,168	733,796
Total Expenses	<u>3,068,260</u>	<u>3,907,535</u>	<u>892,168</u>	<u>733,796</u>	<u>3,960,428</u>	<u>4,641,331</u>
Change in Net Position	(348,968)	(787,942)	(17,595)	210,890	(366,563)	(577,052)
Net Position - Beginning	<u>8,740,871</u>	<u>8,391,903</u>	<u>2,210,136</u>	<u>2,192,541</u>	<u>10,951,007</u>	<u>10,584,444</u>
Net Position - Ending	<u>\$8,391,903</u>	<u>\$7,603,961</u>	<u>\$2,192,541</u>	<u>\$2,403,431</u>	<u>\$10,584,444</u>	<u>\$10,007,392</u>

Management's Discussion and Analysis

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

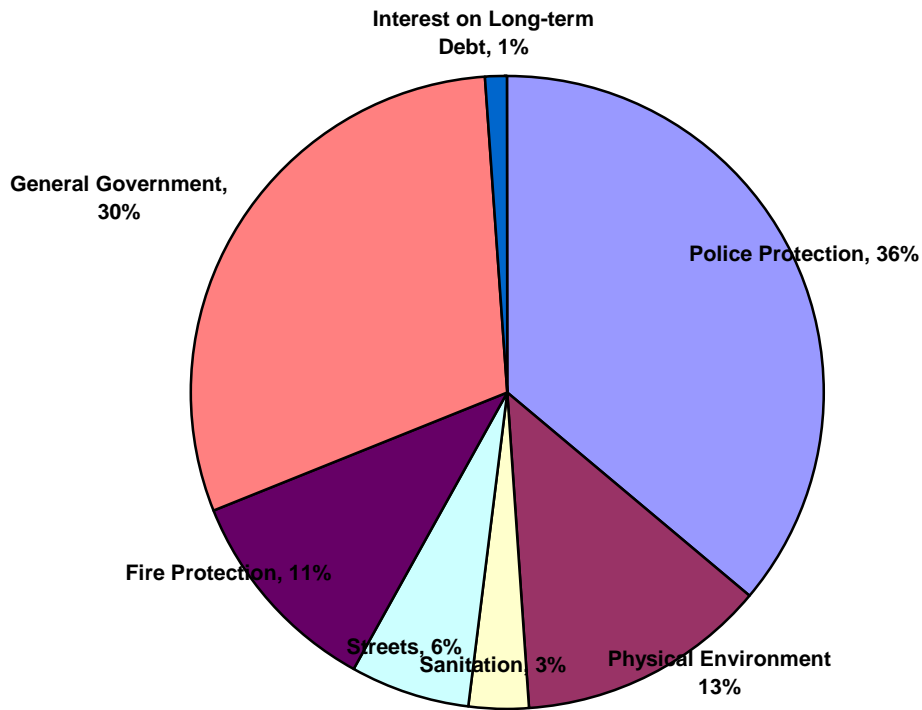
Revenues – Governmental Revenues by Source



Management's Discussion and Analysis

The Town's expenses cover a range of services, with 36% related to public safety. (Please see chart below.)

Expenses – Governmental Expenses by Function



Financial Analysis of the Governmental Fund on the Fund Basis

As the Town of Gulf Stream completed the year, the general fund reported a fund balance of \$778,193 a decrease of \$202,983 from the previous fiscal year. The decrease was due primarily to legal fees.

The general fund ended the 2013 fiscal year with \$7,515 in nonspendable fund balance, \$17,820 in restricted fund balance, and \$752,858 in unassigned fund balance.

Management's Discussion and Analysis

Financial Analysis of the Proprietary Fund

Total net position of the water fund at the end of the fiscal year 2013 was \$2,403,431. The net position of the water fund has increased slightly from last year. Water rates were not changed and there were not any major improvements.

General Fund Budgetary Highlights

Over the course of the year, The Town Commission revised the budget for expenditures twice. These adjustments increased total expenditures by \$485,910, with \$380,000 of the increase for legal costs. With these adjustments, actual expenditures were \$167,975 less than the final budget amounts. Revenues were \$114,952 more than the final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013, the Town had invested \$4,054,634 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's Capital Assets (Net of depreciation) as of September 30, 2013

	Governmental Activities		Business-type Activities		TOTAL	
	2012	2013	2012	2013	2012	2013
Land	\$ 376,523	\$ 376,523	\$	\$	\$ 376,523	\$ 376,523
Construction in Process						
Buildings & Improvements	216,427	186,415	2,002,855	1,939,545	2,219,282	2,125,960
Equipment	81,861	100,799	6,388	3,982	88,249	104,781
Infrastructure	<u>1,475,046</u>	<u>1,447,370</u>			<u>1,475,046</u>	<u>1,447,370</u>
TOTALS	<u>\$2,149,857</u>	<u>\$2,111,107</u>	<u>\$2,009,243</u>	<u>\$1,943,527</u>	<u>\$4,159,100</u>	<u>\$4,054,634</u>

Management's Discussion and Analysis

Long-Term Liabilities

As of September 30, 2013 the Town had \$2,279,768 in long-term liabilities as shown in the following table: Additional information can be found in Note 6 to the financial statements.

**Town of Gulf Stream's
Long-Term Liabilities
As of September 30, 2013**

	Governmental Activities		Business-type Activities		TOTAL	
	2012	2013	2012	2013	2012	2013
Promissory Note	\$2,427,895	\$2,187,516	\$	\$	\$2,427,895	\$2,187,516
Compensated Absences	<u>85,458</u>	<u>92,252</u>	<u> </u>	<u> </u>	<u>85,458</u>	<u>92,252</u>
TOTALS	<u><u>\$2,513,353</u></u>	<u><u>\$2,279,768</u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$2,513,353</u></u>	<u><u>\$2,279,768</u></u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2014 fiscal year, general fund revenue projections are increased by the millage rate change.

- Ø The millage rate was increased to 3.7000 mills from 3.1000 mills, which is greater than the rolled-back rate by 24.42%.

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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,467,917	\$	\$ 2,467,917
Investments	2,406,193		2,406,193
Equity in pooled investments	712,095	203,447	915,542
Accounts receivable	68,927	147,456	216,383
Assessments receivable	2,189,484		2,189,484
Inventories	7,515	7,656	15,171
Prepaid expenses		1,163	1,163
Debt issue cost	21,492		21,492
Deposits	23,453		23,453
Restricted assets			
Equity in pooled investments		185,950	185,950
Accounts receivable		12,400	12,400
Capital assets			
Non-depreciable	376,523		376,523
Depreciable (net of depreciation)	1,734,584	1,943,527	3,678,111
Total assets	10,008,183	2,501,599	12,509,782
Liabilities			
Liabilities			
Accounts payable	46,889	16,897	63,786
Accrued liabilities	38,699		38,699
Accrued interest payable	22,797		22,797
Payable from restricted assets			
Damage deposit bonds		75,500	75,500
Deferred revenue	16,069	5,771	21,840
Long-term debt			
Payable within one year	292,530		292,530
Payable after one year	1,987,238		1,987,238
Total liabilities	2,404,222	98,168	2,502,390
Net position			
Net investment in capital assets	2,111,107	1,943,527	4,054,634
Restricted for dredging projects	17,820		17,820
Restricted for underground utilities	4,806,250		4,806,250
Restricted for repairs, replacements and improvements		122,850	122,850
Unrestricted	668,784	337,054	1,005,838
Total net position	\$ 7,603,961	\$ 2,403,431	\$ 10,007,392

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Statement of Activities
For the Year Ended September 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Primary Government		
Governmental activities		
General government	\$ 1,116,362	\$ 185,864
Police department	1,426,179	1,143
Fire protection	428,210	
Streets	227,396	
Sanitation	132,261	132,147
Physical environment	527,444	5,382
Interest on long-term debt	49,683	
Total governmental activities	<u>3,907,535</u>	<u>324,536</u>
Business-type activities		
Water	<u>733,796</u>	<u>944,686</u>
Total primary government	<u>\$ 4,641,331</u>	<u>\$ 1,269,222</u>

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Primary Government		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental activities	Business-type activities	Total
\$ 40,000	\$	\$ (890,498)	\$	\$ (890,498)
		(1,425,036)		(1,425,036)
		(428,210)		(428,210)
		(227,396)		(227,396)
		(114)		(114)
		(522,062)		(522,062)
		(49,683)		(49,683)
<u>40,000</u>		<u>(3,542,999)</u>		<u>(3,542,999)</u>
			210,890	210,890
<u>\$ 40,000</u>	<u>\$</u>	<u>(3,542,999)</u>	<u>210,890</u>	<u>(3,332,109)</u>
General revenues				
Property taxes		2,186,723		2,186,723
Communications services taxes		69,177		69,177
Gas taxes		31,089		31,089
Utility service tax		177,916		177,916
Franchise taxes		125,893		125,893
Intergovernmental shared revenues		86,022		86,022
Unrestricted investment earnings		36,237		36,237
Miscellaneous revenues		42,000		42,000
Total general revenues		<u>2,755,057</u>		<u>2,755,057</u>
Change in net position		(787,942)	210,890	(577,052)
Net position - beginning		8,391,903	2,192,541	10,584,444
Net position - ending		<u>\$ 7,603,961</u>	<u>\$ 2,403,431</u>	<u>\$ 10,007,392</u>

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Balance Sheet - Governmental Funds
September 30, 2013

	General Fund	Special Assessment Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 91,313	\$ 2,376,604	\$ 2,467,917
Investments		2,406,193	2,406,193
Equity in pooled investments	712,095		712,095
Accounts receivable	68,927		68,927
Assessments receivable		2,189,484	2,189,484
Due from other funds		23,453	23,453
Inventories	7,515		7,515
Security deposits	23,453		23,453
	<u>\$ 903,303</u>	<u>\$ 6,995,734</u>	<u>\$ 7,899,037</u>
Total assets			
Liabilities and fund equity			
Liabilities			
Accounts payable	\$ 46,889	\$	\$ 46,889
Accrued liabilities	38,699		38,699
Due to other funds	23,453		23,453
Deferred revenue	16,069	2,189,484	2,205,553
	<u>125,110</u>	<u>2,189,484</u>	<u>2,314,594</u>
Total liabilities			
Fund equity			
Nonspendable			
Inventories	7,515		7,515
Restricted for			
Dredging projects	17,820		17,820
Underground utilities		4,806,250	4,806,250
Unassigned	752,858		752,858
	<u>778,193</u>	<u>4,806,250</u>	<u>5,584,443</u>
Total fund equity			
Total liabilities and fund equity	<u>\$ 903,303</u>	<u>\$ 6,995,734</u>	<u>\$ 7,899,037</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, 2013

Fund balance of governmental funds		\$ 5,584,443
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental fund.</p>		
Governmental capital assets	\$ 4,267,099	
Less accumulated depreciation	<u>(2,155,992)</u>	2,111,107
<p>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.</p>		
Deferred revenue		2,189,484
<p>Debt issue cost are reported as expenditures in governmental funds when debt is issued. These items are deferred and amortized over the life of the related debt in the government-wide statements.</p>		
Unamortized debt issue cost		21,492
<p>Long-term liabilities, including accrued interest payable, are not due and payable in the current period and therefore, are not reported in governmental funds.</p>		
Note payable		(2,187,516)
Accrued interest payable		(22,797)
Compensated absences		<u>(92,252)</u>
Net position of governmental activities		<u>\$ 7,603,961</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, 2013

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 2,480,109	\$	\$ 2,480,109
Intergovernmental revenue	128,022		128,022
Licenses and permits	282,017		282,017
Charges for services	135,395		135,395
Fines and forfeits	1,143		1,143
Investment earnings	3,907	32,330	36,237
Special assessments		238,412	238,412
Miscellaneous	51,288	5,382	56,670
Total revenues	<u>3,081,881</u>	<u>276,124</u>	<u>3,358,005</u>
Expenditures			
Current			
General and administrative	1,068,075		1,068,075
Police department	1,380,296		1,380,296
Fire protection	428,210		428,210
Streets	148,917		148,917
Sanitation	132,261		132,261
Physical environment		499,213	499,213
Capital outlay	127,105		127,105
Debt service			
Principal		240,379	240,379
Interest		28,778	28,778
Total expenditures	<u>3,284,864</u>	<u>768,370</u>	<u>4,053,234</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(202,983)</u>	<u>(492,246)</u>	<u>(695,229)</u>
Net change in fund balance	(202,983)	(492,246)	(695,229)
Fund balance - beginning of the year	<u>981,176</u>	<u>5,298,496</u>	<u>6,279,672</u>
Fund balance - end of the year	<u>\$ 778,193</u>	<u>\$ 4,806,250</u>	<u>\$ 5,584,443</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, 2013

Net change in fund balance of governmental funds \$ (695,229)

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	\$ 118,032	
Less current year depreciation	<u>(148,165)</u>	(30,133)

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		(8,617)
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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		(264,114)
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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		240,379
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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.

Amortization of bond issue costs		(2,529)
Change in accrued interest payable		(20,905)
Change in long-term compensated absences		<u>(6,794)</u>

Change in net position of governmental activities		<u>\$ (787,942)</u>
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See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Statement of Net Position
Proprietary Fund
September 30, 2013

	Enterprise Fund
Assets	
Current assets	
Equity in pooled investments	\$ 203,447
Accounts receivable, net	147,456
Prepaid expenses	1,163
Inventories	7,656
Restricted assets	
Equity in pooled investments	185,950
Accounts receivable	12,400
Total current assets	558,072
Noncurrent assets	
Depreciable capital assets	2,720,800
Less accumulated depreciation	(777,273)
Total noncurrent assets	1,943,527
Total assets	2,501,599
Liabilities	
Current liabilities	
Accounts payable	16,897
Deferred revenue	5,771
Payable from restricted assets	
Deposits payable	75,500
Total current liabilities	98,168
Total liabilities	98,168
Net position	
Net investment in capital assets	1,943,527
Restricted for repairs, replacements and improvements	122,850
Unrestricted	337,054
Total net position	\$ 2,403,431

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, 2013

	<u>Enterprise Fund</u>
Operating revenues	
Charges for services	<u>\$ 877,906</u>
Total operating revenues	<u>877,906</u>
Operating expenses	
Personnel	44,110
Water purchases	496,138
Repairs and maintenance	1,741
Management fees	65,000
Depreciation expense	65,716
Payment in lieu of taxes	30,132
Other expenses	<u>30,959</u>
Total operating expenses	<u>733,796</u>
Operating income	<u>144,110</u>
Capital contributions	
Reserve fees	<u>66,780</u>
Total capital contributions	<u>66,780</u>
Change in net position	210,890
Net position - beginning of the year	<u>2,192,541</u>
Net position - end of the year	<u><u>\$ 2,403,431</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, 2013

	Enterprise Fund
Cash flows from operating activities:	
Receipts from customers	\$ 886,082
Payments to employees	(44,110)
Payments to suppliers	(585,536)
Internal activity - receipts from other funds	66,536
Net cash provided by operating activities	322,972
Cash flows from capital financing activities:	
Reserve fees received	66,425
Net cash provided by capital financing activities	66,425
Cash flows from investing activities:	
Purchase of investments	(389,397)
Net cash provided by investing activities	(389,397)
Net increase (decrease) in cash and cash equivalents	
Cash and cash equivalents - beginning of the year	_____
Cash and cash equivalents - end of the year	\$ _____
Cash flows from operating activities:	
Operating income	\$ 144,110
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	65,716
Changes in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(12,595)
Due from other funds	161,668
Prepaid expenses	4,765
Inventory	(7,656)
Increase (decrease) in:	
Accounts payable	(53,807)
Deposits	15,000
Deferred revenue	5,771
Total adjustments	178,862
Net cash provided by operating activities	\$ 322,972

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

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 it appoints a voting majority of the organization’s governing board and (1) it 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. 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, the Town of Gulf Stream has determined that there are no legally separate entities to consider as potential component units.

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. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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.

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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 by the Town.

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.

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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Investments in certificates of deposits are carried at amortized cost that approximates market, because these investments are considered to be nonparticipating interest earning investment contracts that are not affected by changes in interest rates.

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, 2013

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, 2013

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.

Deferred Revenues

The government reports deferred revenue on its government wide statement of net position, proprietary statement of net position, and governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

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:

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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.
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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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.

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. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. 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: 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions of enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 1 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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

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.

Implementation of Governmental Accounting Standards Board Statements

The Town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended September 30, 2013:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. This statement provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement directly incorporates the applicable guidance from FASB and AICPA pronouncements into the state and local government accounting and financial reporting standards, with provisions modified, as appropriate, to recognize the effects of the governmental environment and the needs of governmental financial statement users without affecting the substance of the applicable guidance.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

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.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for the fiscal year ending September 30, 2014. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for the fiscal year ending September 30, 2014. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans primarily through enhanced note disclosures and schedules of required supplementary information. This Statement is effective for the fiscal year ending September 30, 2014. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In June 2012, the GASB issued 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. This Statement is effective for the fiscal year ending September 30, 2015. Management is currently evaluating the impact of the adoption of this statement on the Town’s financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB 68.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2013, the carrying amount of the Town's deposits was \$5,972,769 and the bank balances totaled \$6,029,113. 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 \$2,985,430. The certificates of deposit and money market accounts are reported as investments in the balance sheet. As of September 30, 2013, the Town held the following certificates of deposit:

<u>Days to Maturity</u>	<u>Fair Value</u>
235	\$255,782
297	<u>263,840</u>
	<u>\$519,622</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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.

The State Board of Administration is part of the Local Governments Surplus Funds Trust Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Governments Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund 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.

On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A, (Local Government Surplus Funds Trust Fund Investment Pool) consisted of all money market appropriate assets. Pool B, (Surplus Funds Trust Fund) consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B. On August 3, 2009, the SBA announced "Florida PRIME" as the highly enhanced version of the SBA's prior Local Government Investment Pool. Pool A is now referred to as Florida PRIME and Pool B is referred to as Fund B.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

At September 30, 2013, 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. Fund B is not considered a SEC 2a7-like fund and is not rated by any nationally recognized rating agency.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2013, was 44 days. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

The weighted average life (WAL) of Fund B at September 30, 2013, was 4.04 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates for Fund B as of September 30, 2013. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

As of September 30, 2013, the Town held the following investments:

	Weighted Average <u>Maturity</u>	Fair <u>Value</u>
State Board of Administration Investment Pool		
Florida PRIME	44 days	\$ 2,053
Fund B	4.04 years	<u>580</u>
		<u>\$ 2,633</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, 2013

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, 2013, Florida PRIME was rated “AAA(m) by Standard and Poor’s Ratings Services. Fund B is not rated by any nationally recognized rating agency.

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, 2013, 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	\$ 28,052	\$	\$	\$ 28,052
Accounts - unbilled	21,816		154,012	175,828
Accounts - billed	3,820		12,434	16,254
Due from other governments	15,239			15,239
Special assessments		2,189,484		2,189,484
Subtotal	<u>68,927</u>	<u>2,189,484</u>	<u>166,446</u>	<u>2,424,857</u>
Allowance for uncollectibles			(6,590)	(6,590)
Net receivables	<u>\$ 68,927</u>	<u>\$ 2,189,484</u>	<u>\$ 159,856</u>	<u>\$ 2,418,267</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 376,523	\$	\$	\$ 376,523
Construction in process				
Capital assets being depreciated:				
Buildings	856,995			856,995
Infrastructure	2,500,823	51,686		2,552,509
Equipment	<u>455,404</u>	<u>66,346</u>	<u>(40,678)</u>	<u>481,072</u>
Total at historical cost	<u>4,189,745</u>	<u>118,032</u>	<u>(40,678)</u>	<u>4,267,099</u>
Less accumulated depreciation for:				
Buildings	640,568	30,012		670,580
Infrastructure	1,025,777	79,362		1,105,139
Equipment	<u>373,543</u>	<u>38,791</u>	<u>(32,061)</u>	<u>380,273</u>
Total accumulated depreciation	<u>2,039,888</u>	<u>148,165</u>	<u>(32,061)</u>	<u>2,155,992</u>
Governmental activities capital assets, net	<u>\$2,149,857</u>	<u>\$ (30,133)</u>	<u>\$(8,617)</u>	<u>\$2,111,107</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets being depreciated:				
Water system improvements	\$2,658,922	\$	\$	\$2,658,922
Equipment	<u>61,878</u>	<u> </u>	<u> </u>	<u>61,878</u>
Total at historical cost	<u>2,720,800</u>	<u> </u>	<u> </u>	<u>2,720,800</u>
Less accumulated depreciation for:				
Water system improvements	656,067	63,310		719,377
Equipment	<u>55,490</u>	<u>2,406</u>	<u> </u>	<u>57,896</u>
Total accumulated depreciation	<u>711,557</u>	<u>65,716</u>	<u> </u>	<u>777,273</u>
Business-type activities capital assets, net	<u>\$2,009,243</u>	<u>\$ (65,716)</u>	<u> </u>	<u>\$1,943,527</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 4 – CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 43,107
Police department	36,484
Streets	<u>68,574</u>
 Total governmental activities	 <u>\$ 148,165</u>
 Business-type activities:	
Municipal water	<u>\$ 65,716</u>

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables at September 30, 2013, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Assessment	General Fund	<u>\$ 23,453</u>
		<u>\$ 23,453</u>

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 6 – 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, 2013, principal and interest to maturity on April 1, 2022 to be paid from pledged funds totaled \$2,422,412. Principal and interest paid for the current fiscal year was \$269,157 and pledged special assessments were \$238,412.

Annual debt service requirements to maturity are as follows:

Year Ended September 30	Principal	Interest	Payment
2014	\$ 223,438	\$ 45,719	\$ 269,157
2015	228,108	41,049	269,157
2016	232,875	36,282	269,157
2017	237,742	31,415	269,157
2018	242,711	26,446	269,157
2019-2022	1,022,642	53,985	1,076,627
	<u>\$ 2,187,516</u>	<u>\$ 234,896</u>	<u>\$ 2,422,412</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Promissory Note,					
Underground project	\$2,427,895	\$	\$ 240,379	\$2,187,516	\$223,438
Compensated absences	85,458	103,829	97,035	92,252	69,092
Total Governmental Activities	<u>\$2,513,353</u>	<u>\$103,829</u>	<u>\$337,414</u>	<u>\$2,279,768</u>	<u>\$292,530</u>

Compensated absences are liquidated by the General Fund.

Interest Expense

The total interest cost incurred on all Town debt for the year ended September 30, 2013, was \$49,683, and total interest paid during the year was \$28,778. No interest was capitalized in the Enterprise Fund during the year.

NOTE 7 – 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. The Town's total payroll for the fiscal year ended September 30, 2013, was \$1,236,254, with covered payroll of \$1,111,291. The Town's required and actual contribution for the year was \$232,482 equaling 20.92% of covered payroll. The employees' contribution for the year was \$88,903 equaling 8.0% of covered payroll. The investments are held in various mutual funds and employees can direct employer and employee contributions made on their behalf.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 7 – DEFINED CONTRIBUTION EMPLOYEE RETIREMENT PLAN (Continued)

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 8 – 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 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. Pursuant to the amendment, the Town made a onetime payment of \$57,210 in December 2012 which covers the increase in service fee as a result of the annexed area. The Town also paid an annual service fee of \$370,987 for the fiscal year ended September 30, 2013. The annual service fees for future years will be the current year fee of \$370,987, 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, 2014 will be \$389,536.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 9 – INTERLOCAL AGREEMENTS (Continued)

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 annual service fee under the agreement is \$54,036.

NOTE 10 – 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.

NOTE 11 – 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, 2013, the Town made payments of \$132,261 pursuant to the agreement.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 11 – COMMITMENTS (Continued)

Construction Commitments

<u>Project</u>	<u>Authorized Amount</u>	<u>Amount Completed at 09/30/13</u>	<u>Balance to Complete at 09/30/13</u>
Street Signs	\$ 80,000	\$	\$ 80,000
Undergrounding – Phase I	1,576,160	_____	1,576,160
	<u>\$1,656,160</u>	<u>\$</u>	<u>\$1,656,160</u>

Project Management and Engineering Support Services

On April 8, 2011, the Town entered into an agreement for project management and engineering support services for the utilities undergrounding project. Under the terms of the agreement, the Town will be billed monthly for services based upon hourly rates plus out-of-pocket costs. Monthly billings shall not exceed \$15,000 per month without written approval in advance. Total billings under the contract shall not exceed 7.5% of the total undergrounding project costs without written approval in advance. As of September 30, 2013, the Town had expended \$143,731 under the agreement.

NOTE 12 – 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, 2011 and 2012. During the fiscal year ended September 30, 2013, settlements exceeded insurance coverage by \$180,000.

The Town is involved in various litigation and claims arising in the course of operations. 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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 12 – 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.

NOTE 13 – 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, 2013, the Town made payments of \$1,366 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>
2014	\$ 6,012
2015	6,012
2016	6,012
2017	6,012
2018	4,509
	<hr style="border-top: 1px solid black;"/>
	\$28,557
	<hr style="border-top: 1px solid black;"/>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 14 – 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 6 for a discussion of the related financing for the project.

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Ad valorem taxes	\$ 2,180,829	\$ 2,180,829	\$ 2,186,723	\$ 5,894
Local option fuel taxes	32,100	32,100	31,089	(1,011)
Utility service taxes	157,500	157,500	177,916	20,416
Communications services taxes	62,000	62,000	69,177	7,177
Local business tax	17,000	17,000	15,204	(1,796)
Total taxes	<u>2,449,429</u>	<u>2,449,429</u>	<u>2,480,109</u>	<u>30,680</u>
Licenses and permits				
Building permits	65,000	65,000	156,124	91,124
Franchise fees	134,000	134,000	125,893	(8,107)
Total licenses and permits	<u>199,000</u>	<u>199,000</u>	<u>282,017</u>	<u>83,017</u>
Intergovernmental revenue				
State revenue sharing proceeds	82,500	82,500	76,881	(5,619)
Shared revenue from other local units	7,000	7,000	9,141	2,141
Payment in lieu of taxes	42,000	42,000	42,000	
Total intergovernmental revenue	<u>131,500</u>	<u>131,500</u>	<u>128,022</u>	<u>(3,478)</u>
Charges for services				
Solid waste collection fees	140,000	140,000	132,147	(7,853)
Other			3,248	3,248
Total charges for services	<u>140,000</u>	<u>140,000</u>	<u>135,395</u>	<u>(4,605)</u>
Judgments, fines and forfeits				
Judgments and fines	3,000	3,000	1,143	(1,857)
Total judgments, fines, and forfeits	<u>3,000</u>	<u>3,000</u>	<u>1,143</u>	<u>(1,857)</u>
Investment earnings	6,000	6,000	3,907	(2,093)
Miscellaneous revenues				
Contributions	38,000	38,000	40,000	2,000
Other			11,288	11,288
Total miscellaneous revenues	<u>38,000</u>	<u>38,000</u>	<u>51,288</u>	<u>13,288</u>
Total revenues	<u>2,966,929</u>	<u>2,966,929</u>	<u>3,081,881</u>	<u>114,952</u>
Expenditures				
General and administrative	722,490	1,122,490	1,090,743	31,747
Police	1,429,058	1,460,468	1,424,974	35,494
Fire	430,947	430,947	428,210	2,737
Streets	192,640	247,140	208,676	38,464
Sanitation	141,000	141,000	132,261	8,739
Contingency	50,794	50,794		50,794
Total expenditures	<u>2,966,929</u>	<u>3,452,839</u>	<u>3,284,864</u>	<u>167,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$</u>	<u>\$ (485,910)</u>	<u>(202,983)</u>	<u>\$ 282,927</u>
Fund balance, beginning of year			<u>981,176</u>	
Fund balance, end of year			<u>\$ 778,193</u>	

TOWN OF GULF STREAM, FLORIDA
Notes to the Budgetary
Required Supplemental Information (RSI)
General Fund
September 30, 2013

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, 2013, no departments had an excess of expenditures over appropriations.



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
212 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 342
WEST PALM BEACH, FLORIDA 33402-0342
TELEPHONE (561) 859-3660
FAX (561) 825-1628
WWW.NHMCPA.COM

EVERETT D. NOWLEN (1900-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, CPA
ROBERT W. HENDERX, JR., CPA
JANET R. BARTCEVICI, CPA
TERRY L. MOITON, JR., CPA
RONALD BENNETT, CPA, ARV, CFE, CRA
ALEXIA R. WAFGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESOIA, CFP®, CPA

KATHLEENA MIVICH, CMA
J. MICHAEL STEVENS, CMA
JARRHET A. PERCY, CMA
ERARD PETERSEKIN, CHE, CMA
MARK J. NYMASIEK, CHE, CMA
HYAN M. SCHOPE, CMA
THOMAS L. SCHMIDT, CMA
WELFAN, CMA

BELLE GLADE OFFICE
833 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-6612
FAX (561) 996-6218

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*

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, 2013, 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 January 8, 2014. 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. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of 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*.

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
January 8, 2014



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
212 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 342
WEST PALM BEACH, FLORIDA 33402-0342
TELEPHONE (561) 859-3660
FAX (561) 845-1628
WWW.NHMC.PA.COM

EVERETT D. NOWLEN (1930-1994), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, CPA
ROBERT W. HENDERX, JR., CPA
JANET R. BARGENIEGL, CPA
TERRY L. MOITON, JR., CPA
RONALD BENNETT, CPA, ABV, CFE, CRA
ALEXIA R. WAFGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESOLA, CFP®, CPA

KATHLEENA MINTH, CMA
J. MICHAEL STEVENS, CMA
JARRHETT A. FERRY, CMA
EDWARD PETERSEIN, CHE, CMA
MARK J. KYMASIEM, CHE, CMA
HYAN M. BLOOM, CMA
THOMAS L. SCHMIDT, CMA
WILLIAM, CMA

BELLE GLACE OFFICE
833 S.E. 2nd STREET
POST OFFICE BOX 308
BELLE GLACE, FLORIDA 33430-0308
TELEPHONE (561) 986-6612
FAX (561) 986-6248

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

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

We have audited the financial statements of the Town of Gulf Stream, Florida, as of and for the year ended September 30, 2013, and have issued our report thereon dated January 8, 2014.

The Town has not recognized the other postemployment benefits (OPEB) expense and obligation in the governmental activities financial statements as required in accordance with accounting principles generally accepted in the United States of America, as provided in Government 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.

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. 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*. Disclosures in that report, which is dated January 8, 2014, should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local government entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

PRIOR YEAR COMMENTS

Rules of the Auditor General require 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 recommendation in the preceding annual financial audit report that required corrective actions.

CURRENT YEAR COMMENTS

Investment of Public Funds

Rules of the Auditor General require our audit to include a review of the Town's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

Current Year Recommendations

Rules of the Auditor General require that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Violations of Provisions of Contracts or Grant Agreements, or Abuse

Rules of the Auditor General require 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.

Oversight Unit and Component Units

Rules of the Auditor General require 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, but has been repeated here. The Town of Gulf Stream, Florida is a municipal corporation organized pursuant to Chapter 31276, Laws of Florida, 1955. Based upon the application of criteria defined in publications cited in Chapter 10.553, Rules of the Auditor General, the Town has determined that there are no component units related to the Town.

Consideration of Financial Emergency Criteria

Rules of the Auditor General require a statement be included as to whether or not the local government entity 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.

Annual Financial Report

Rules of the Auditor General require that we determine whether the annual financial report for the Town of Gulf Stream, Florida for the fiscal year ended September 30, 2013, 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, 2013. In connection with our audit, we noted that the two reports were in substantial agreement.

Financial Condition Assessment Procedures

Pursuant to Rules of the Auditor General, we applied financial condition assessment procedures as of the fiscal year end. 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 provide by management. The results of our procedures did not disclose any matters that are required to be reported. Our assessment was made as of the fiscal year end.

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, 2013. Consequently, the Town was not required to have a federal single audit or a state single audit.

Response to Management Letter

There were no items that required a response of management.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, pass-through entities, 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 & Mimes, P.A.

West Palm Beach, Florida
January 8, 2014