



TOWN OF GULF STREAM, FLORIDA



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

FISCAL YEAR ENDED SEPTEMBER 30, 2012

TOWN OF GULF STREAM, FLORIDA
SEPTEMBER 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

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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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Gulf Stream's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 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 post employment benefits required by standards.

In our opinion, except for the effects of the omission of the OPEB expense and obligation for the governmental activities as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Gulf Stream, Florida, as of September 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Town of Gulf Stream, Florida, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accepted accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2013, on our consideration of the Town of Gulf Stream's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the budgetary comparison information on pages 44 and 45 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 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.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
April 9, 2013

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

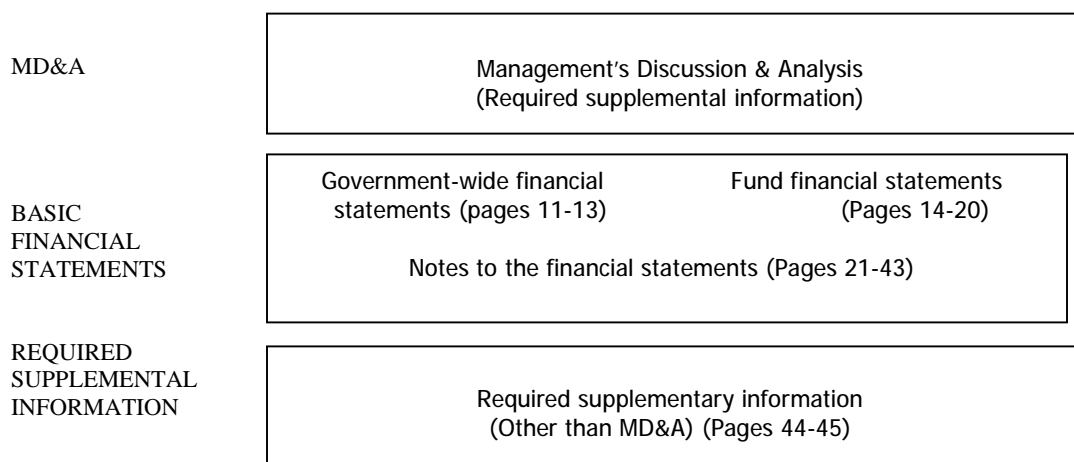
Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Ø The assets of the Town of Gulf Stream exceeded its liabilities at the close of the most recent fiscal year by \$10,584,444 (net assets). Of this amount, \$1,052,958 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Ø The government activities revenues were \$2,719,292 at the close of fiscal year 2012.
- Ø The business-type activities revenues were \$874,573 at the close of fiscal year 2012.
- Ø The total cost of all Town programs was \$3,960,428 during the fiscal year 2012.
- Ø At the end of the 2012 fiscal year, unassigned fund balance for the general fund was \$951,144 or 33% of total general fund expenditures.

USING THIS REPORT

Management's Discussion & Analysis introduces the Town's basic financial statements which are described in the following graphic.



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 Assets includes all of the government's assets and liabilities. 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 assets and how they have changed. Net assets, the difference between the Town's assets and liabilities, is one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net assets 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 Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- Ø Government 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 8. 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 Assets

The Town's combined net assets for the fiscal year ending 2012 are reported at \$10,584,444. Net assets of the Town's governmental activities for the fiscal year ending 2012 are \$8,391,903. The net assets of our business-type activities are reported at \$2,192,541 for the fiscal year ending 2012. Overall the financial position of the total primary government is better than the prior year, with a slight increase in net assets for the governmental activities and for the business type activities.

Town of Gulf Stream Statement of Net Assets As of September 30, 2012

	Governmental Activities		Business-type Activities		TOTAL	
	2011	2012	2011	2012	2011	2012
Current and Other Assets	\$6,740,409	\$8,854,512	\$ 236,549	\$ 314,502	\$ 6,976,958	\$ 9,169,014
Capital Assets	<u>2,187,195</u>	<u>2,149,857</u>	<u>2,076,178</u>	<u>2,009,243</u>	<u>4,263,373</u>	<u>4,159,100</u>
TOTAL ASSETS	<u>8,927,604</u>	<u>11,004,369</u>	<u>2,312,727</u>	<u>2,323,745</u>	<u>11,240,331</u>	<u>13,328,114</u>
Current and Other Liabilities	169,809	402,430	102,591	131,204	272,400	533,634
Long-term Liabilities	<u>16,924</u>	<u>2,210,036</u>	<u> </u>	<u> </u>	<u>16,924</u>	<u>2,210,036</u>
TOTAL LIABILITIES	<u>186,733</u>	<u>2,612,466</u>	<u>102,591</u>	<u>131,204</u>	<u>289,324</u>	<u>2,743,670</u>
Net Assets:						
Invested in Capital Assets	2,187,195	2,149,857	2,076,178	2,009,243	4,263,373	4,159,100
Restricted – Dredging Projects	17,820	17,820			17,820	17,820
Restricted – Underground Utilities	5,169,145	5,298,496			5,169,145	5,298,496
Restricted – Repairs, replacements, and improvements				56,070		56,070
Unrestricted	<u>1,366,711</u>	<u>925,730</u>	<u>133,958</u>	<u>127,228</u>	<u>1,500,669</u>	<u>1,052,958</u>
TOTAL NET ASSETS	<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>\$10,584,446</u>

Management's Discussion and Analysis

Changes in Net Assets

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 assets for governmental activities totaled \$348,968. The decrease in net assets was primarily due to the balance of the paid premium of the special assessments.
- Ø The decrease in business-type net assets was \$17,595. The decrease in net assets was due in part to depreciation.

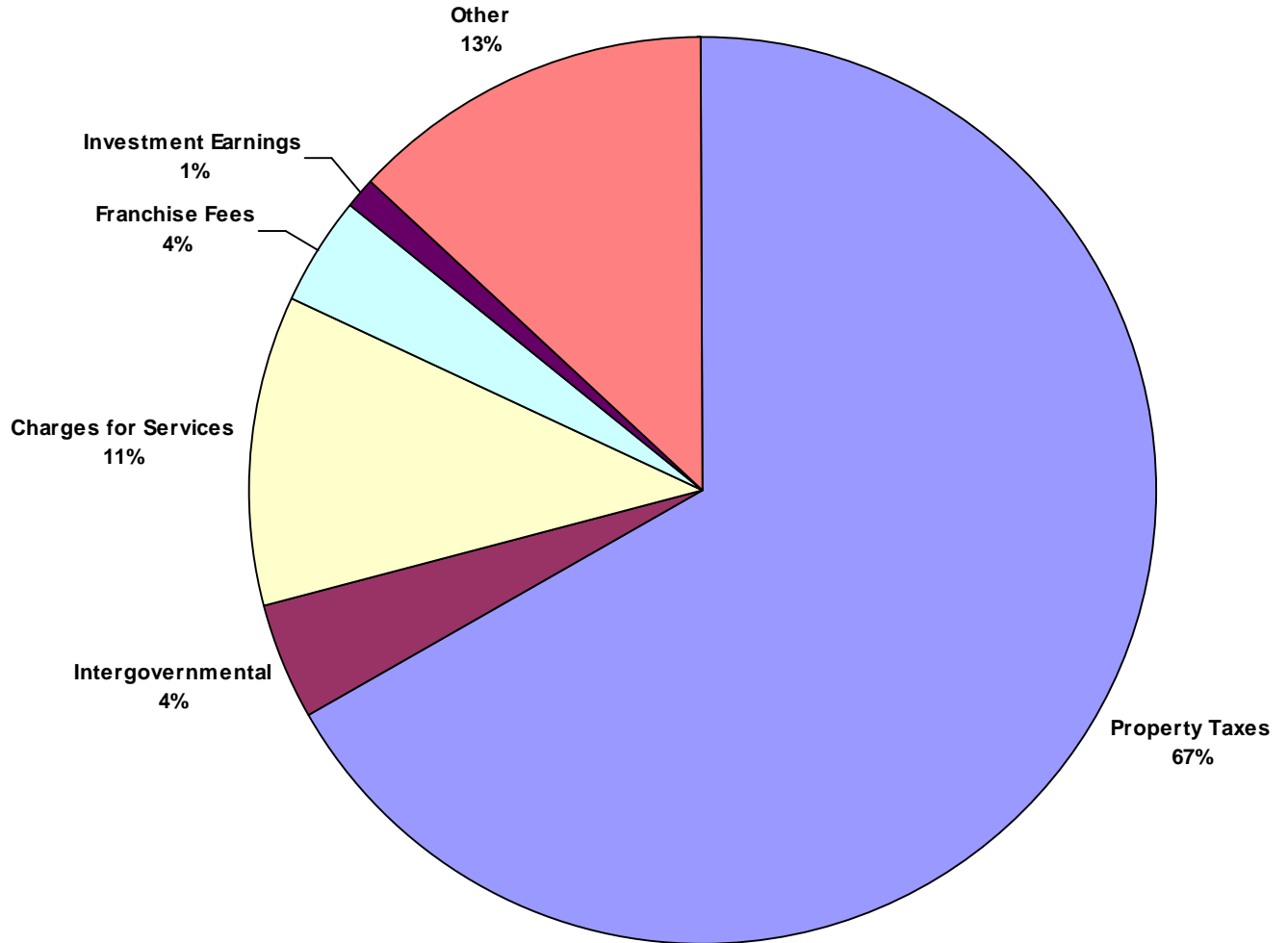
Town of Gulf Stream's Changes in Net Assets

	Governmental Activities		Business-type Activities		TOTAL	
	2011	2012	2011	2012	2011	2012
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$5,586,070	\$ 272,564	\$967,684	\$ 874,573	\$ 6,553,754	\$ 1,147,137
Operating & Capital Grants	14,136	92,528			14,136	92,528
<i>General Revenues:</i>						
Property Taxes	1,838,039	1,850,192			1,838,039	1,850,192
Communications Taxes	63,219	60,207			63,219	60,207
Gas Taxes	29,424	30,845			29,424	30,845
Utility Service Taxes	139,486	154,653			139,486	154,653
Franchise Fees	118,374	124,499			118,374	124,499
Unrestricted Investment Earnings	6,252	3,606			6,252	3,606
Intergovernmental Revenues	73,948	96,298			73,948	96,298
Other	29,900	33,900			29,900	33,900
Total Revenues	<u>7,898,848</u>	<u>2,719,292</u>	<u>967,684</u>	<u>874,573</u>	<u>8,866,532</u>	<u>3,593,865</u>
Expenses						
<i>Governmental Activities:</i>						
General and Administrative	690,434	813,714			690,434	813,714
Police Department	1,366,538	1,436,588			1,366,538	1,436,588
Fire Protection	300,563	315,580			300,563	315,580
Streets	208,455	226,519			208,455	226,519
Sanitation	114,887	129,801			114,887	129,801
Physical Environment	169,502	144,166			169,502	144,166
Interest on long-term debt		1,892				1,892
<i>Business-type Activities:</i>						
Water			918,751	892,168	918,751	892,168
Total Expenses	<u>2,850,379</u>	<u>3,068,260</u>	<u>918,751</u>	<u>892,168</u>	<u>3,769,130</u>	<u>3,960,428</u>
Change in Net Assets	5,048,469	(348,968)	48,933	(17,595)	5,097,402	(366,563)
Net Assets - Beginning	<u>3,692,402</u>	<u>8,740,871</u>	<u>2,161,203</u>	<u>2,210,136</u>	<u>5,853,605</u>	<u>10,951,007</u>
Net Assets - Ending	<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>

Management's Discussion and Analysis

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

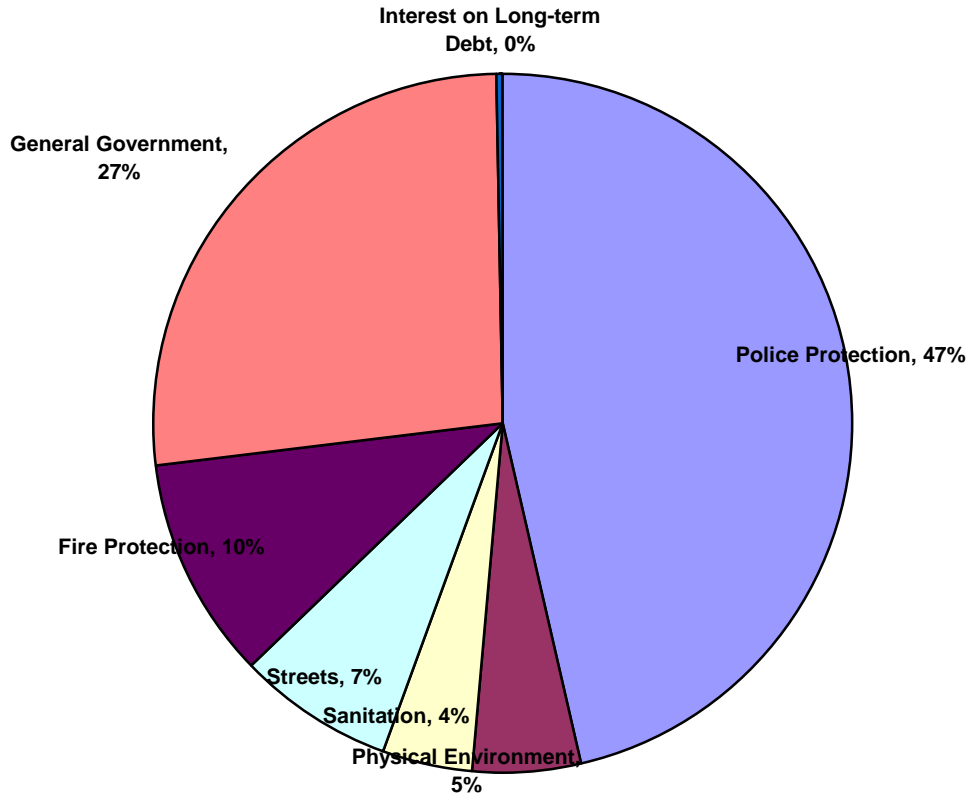
Revenues – Governmental Revenues by Source



Management's Discussion and Analysis

The Town's expenses cover a range of services, with 47% related to public safety. (Please see chart below.)

Expenses – Governmental Expenses by Function



FINANCIAL ANALYSIS ON THE FUND BASIS

Financial Analysis of the General Fund

As the Town of Gulf Stream completed the year, the general fund reported a fund balance of \$981,176, a decrease of \$480,836 from the previous fiscal year. The decrease was due primarily to a transfer to the Special Assessment Fund.

The general fund ended the 2012 fiscal year with \$12,212 in nonspendable fund balance, \$17,820 in restricted fund balance, and \$951,144 in unassigned fund balance.

Management's Discussion and Analysis

Financial Analysis of the Proprietary Fund

Total net assets of the water fund at the end of the fiscal year 2012 were \$2,192,541. The net assets of the water fund have decreased 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 once. With these adjustments, actual expenditures were \$353,869 less than the final budget amounts. Revenues were \$65,536 more than the final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the Town had invested \$4,159,100 in a broad range of capital assets including police equipment, buildings, infrastructure and water improvements. Additional information can be found in Note 4 of the notes to the financial statements.

Town of Gulf Stream's Capital Assets (Net of Depreciation) As of September 30, 2012

	Governmental Activities		Business-type Activities		TOTAL	
	2011	2012	2011	2012	2011	2012
Land	\$ 376,523	\$ 376,523	\$	\$	\$ 376,523	\$ 376,523
Construction in Process	15,432				15,432	
Buildings & Improvements	257,796	216,427	2,066,183	2,002,855	2,323,979	2,219,282
Equipment	91,492	81,861	9,995	6,388	101,487	88,249
Infrastructure	<u>1,445,952</u>	<u>1,475,046</u>			<u>1,445,952</u>	<u>1,475,046</u>
TOTALS	<u>\$2,187,195</u>	<u>\$2,149,857</u>	<u>\$2,076,178</u>	<u>\$2,009,243</u>	<u>\$4,263,373</u>	<u>\$4,159,100</u>

Management's Discussion and Analysis

Debt

As of September 30, 2012 the Town had \$2,513,353 in long term debt as shown in the following table. Additional information can be found in Note 6 of the notes to the financial statements.

Town of Gulf Stream's Long-Term Liabilities As of September 30, 2012

	Governmental Activities		Business-type Activities		TOTAL	
	2011	2012	2011	2012	2011	2012
Promissory Note	\$	\$2,427,895	\$	\$	\$	\$2,427,895
Compensated Absences	<u>77,481</u>	<u>85,458</u>	<u> </u>	<u> </u>	<u>77,481</u>	<u>85,458</u>
TOTALS	<u><u>\$77,481</u></u>	<u><u>\$2,513,353</u></u>	<u><u>\$ </u></u>	<u><u>\$ </u></u>	<u><u>\$77,481</u></u>	<u><u>\$2,513,353</u></u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2013 fiscal year, general fund revenue projections are comparable to the previous year.

- Ø There is not a change in user rate fees for fiscal year 2013.
- Ø The millage rate was increased to 3.1000 mills, which is greater than the rolled-back rate by 7.12%.

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 Assets
September 30, 2012

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 2,960,883	\$	\$ 2,960,883
Investments	1,422,538		1,422,538
Accounts receivable	62,506	146,906	209,412
Assessments receivable	2,453,598		2,453,598
Inventories	12,212		12,212
Internal balances	(161,668)	161,668	
Prepaid expenses		5,928	5,928
Debt issue cost	24,021		24,021
Restricted investments	2,080,422		2,080,422
Capital assets			
Non-depreciable	376,523		376,523
Depreciable (net of depreciation)	1,773,334	2,009,243	3,782,577
Total assets	11,004,369	2,323,745	13,328,114
Liabilities			
Liabilities			
Accounts payable	42,112	70,704	112,816
Accrued liabilities	45,506		45,506
Accrued interest payable	1,892		1,892
Damage deposit bonds		60,500	60,500
Deferred revenue	9,603		9,603
Long-term debt			
Payable within one year	303,317		303,317
Payable after one year	2,210,036		2,210,036
Total liabilities	2,612,466	131,204	2,743,670
Net assets			
Invested in capital assets	2,149,857	2,009,243	4,159,100
Restricted for dredging projects	17,820		17,820
Restricted for underground utilities	5,298,496		5,298,496
Restricted for repairs, replacements and improvements		56,070	56,070
Unrestricted	925,730	127,228	1,052,958
Total net assets	\$ 8,391,903	\$ 2,192,541	\$ 10,584,444

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Statement of Activities
For the Year Ended September 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Primary Government		
Governmental activities		
General government	\$ 813,714	\$ 138,210
Police department	1,436,588	1,385
Fire protection	315,580	
Streets	226,519	
Sanitation	129,801	132,969
Physical environment	144,166	
Interest on long-term debt	1,892	
Total governmental activities	<u>3,068,260</u>	<u>272,564</u>
Business-type activities		
Water	<u>892,168</u>	<u>874,573</u>
Total primary government	<u>\$ 3,960,428</u>	<u>\$ 1,147,137</u>

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Primary Government		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental activities	Business-type activities	Total
\$ 17,588	\$ 74,940	\$ (582,976)	\$	\$ (582,976)
		(1,435,203)		(1,435,203)
		(315,580)		(315,580)
		(226,519)		(226,519)
		3,168		3,168
		(144,166)		(144,166)
		(1,892)		(1,892)
<u>17,588</u>	<u>74,940</u>	<u>(2,703,168)</u>		<u>(2,703,168)</u>
			(17,595)	(17,595)
<u>\$ 17,588</u>	<u>\$ 74,940</u>	<u>(2,703,168)</u>	<u>(17,595)</u>	<u>(2,720,763)</u>
General revenues				
Property taxes		1,850,192		1,850,192
Communications services taxes		60,207		60,207
Gas taxes		30,845		30,845
Utility service tax		154,653		154,653
Franchise taxes		124,499		124,499
Intergovernmental shared revenues		96,298		96,298
Unrestricted investment earnings		3,606		3,606
Miscellaneous revenues		33,900		33,900
Total general revenues		<u>2,354,200</u>		<u>2,354,200</u>
Change in net assets		(348,968)	(17,595)	(366,563)
Net assets - beginning		8,740,871	2,210,136	10,951,007
Net assets - ending		<u>\$ 8,391,903</u>	<u>\$ 2,192,541</u>	<u>\$ 10,584,444</u>

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Balance Sheet - Governmental Funds
September 30, 2012

	General Fund	Special Assessment Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 63,080	\$ 2,897,803	\$ 2,960,883
Investments	1,422,538		1,422,538
Accounts receivable	62,506		62,506
Assessments receivable		2,453,598	2,453,598
Due from other funds		2,403,663	2,403,663
Inventories	12,212		12,212
Restricted investments	2,080,422		2,080,422
	<u>\$ 3,640,758</u>	<u>\$ 7,755,064</u>	<u>\$ 11,395,822</u>
Total assets			
Liabilities and fund equity			
Liabilities			
Accounts payable	\$ 39,142	\$ 2,970	\$ 42,112
Accrued liabilities	45,506		45,506
Due to other funds	2,565,331		2,565,331
Deferred revenue	9,603	2,453,598	2,463,201
	<u>2,659,582</u>	<u>2,456,568</u>	<u>5,116,150</u>
Total liabilities			
Fund equity			
Nonspendable			
Inventories	12,212		12,212
Restricted for			
Dredging projects	17,820		17,820
Underground utilities		5,298,496	5,298,496
Unassigned	951,144		951,144
	<u>981,176</u>	<u>5,298,496</u>	<u>6,279,672</u>
Total fund equity			
Total liabilities and fund equity			
	<u>\$ 3,640,758</u>	<u>\$ 7,755,064</u>	<u>\$ 11,395,822</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 Assets
September 30, 2012

Fund balance of governmental funds		\$ 6,279,672
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Governmental capital assets	\$ 4,189,745	
Less accumulated depreciation	<u>(2,039,888)</u>	2,149,857

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

Deferred revenue	2,453,598
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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.

Unamortized debt issue cost	24,021
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Long-term liabilities, including accrued interest payable, are not due and payable in the current period and therefore, are not reported in governmental funds.

Note payable	(2,427,895)	
Accrued interest payable	(1,892)	
Compensated absences	<u>(85,458)</u>	

Net assets of governmental activities	<u>\$ 8,391,903</u>
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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, 2012

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 2,114,604	\$	\$ 2,114,604
Intergovernmental revenue	130,198		130,198
Licenses and permits	224,141		224,141
Charges for services	139,346		139,346
Fines and forfeits	1,385		1,385
Investment earnings	3,606		3,606
Miscellaneous	106,012		106,012
	<u>2,719,292</u>		<u>2,719,292</u>
Total revenues			
Expenditures			
Current			
General and administrative	756,450		756,450
Police department	1,373,321		1,373,321
Fire protection	315,580		315,580
Streets	147,754		147,754
Sanitation	129,801		129,801
Physical environment		143,955	143,955
Capital outlay	153,981		153,981
Debt service			
Debt issue cost		24,232	24,232
	<u>2,876,887</u>	<u>168,187</u>	<u>3,045,074</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(157,595)</u>	<u>(168,187)</u>	<u>(325,782)</u>
Other financing sources (uses):			
Debt proceeds		2,427,895	2,427,895
Transfers in		323,241	323,241
Transfers out	(323,241)		(323,241)
Total other financing sources (uses)	<u>(323,241)</u>	<u>2,751,136</u>	<u>2,427,895</u>
Net change in fund balance	(480,836)	2,582,949	2,102,113
Fund balance - beginning of the year	<u>1,462,012</u>	<u>2,715,547</u>	<u>4,177,559</u>
Fund balance - end of the year	<u>\$ 981,176</u>	<u>\$ 5,298,496</u>	<u>\$ 6,279,672</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, 2012

Net change in fund balance of governmental funds \$ 2,102,113

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	\$ 125,468	
Less current year depreciation	<u>(154,761)</u>	(29,293)

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	(8,045)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net assets of governmental activities.

Debt proceeds	(2,427,895)
Debt issue cost	24,232

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	(211)
Change in accrued interest payable	(1,892)
Change in long-term compensated absences	<u>(7,977)</u>

Change in net assets of governmental activities	<u>\$ (348,968)</u>
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See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Statement of Net Assets
Proprietary Fund
September 30, 2012

	Enterprise Fund
Assets	
Current assets	
Accounts receivable, net	\$ 146,906
Due from other funds	161,668
Prepaid expenses	5,928
Total current assets	314,502
Noncurrent assets	
Depreciable capital assets	2,720,800
Less accumulated depreciation	(711,557)
Total noncurrent assets	2,009,243
Total assets	2,323,745
Liabilities	
Current liabilities	
Accounts payable	70,704
Deposits payable	60,500
Total current liabilities	131,204
Total liabilities	131,204
Net assets	
Invested in capital assets	2,009,243
Restricted for repairs, replacements and improvements	56,070
Unrestricted	127,228
Total net assets	\$ 2,192,541

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Statement of Revenues, Expenses and Changes
in Net Assets
Proprietary Fund
For the Year Ended September 30, 2012

	Enterprise Fund
Operating revenues	
Charges for services	\$ 818,503
Total operating revenues	818,503
Operating expenses	
Water purchases	476,619
Repairs and maintenance	150,969
Management fees	65,000
Depreciation expense	66,935
Payment in lieu of taxes	39,900
Other expenses	90,095
Field visit service	2,650
Total operating expenses	892,168
Operating income	(73,665)
Capital contributions	
Reserve fees	56,070
Total capital contributions	56,070
Change in net assets	(17,595)
Net assets - beginning of the year	2,210,136
Net assets - end of the year	\$ 2,192,541

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2012

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Receipts from customers	\$ 839,387
Payments to suppliers	(730,250)
Internal activity - payments to other funds	<u>(65,000)</u>
Net cash provided by operating activities	<u>44,137</u>
Cash flows from non-capital financing activities	
Internal activity - payments to other funds	<u>(88,162)</u>
Net cash provided by non-capital financing activities	<u>(88,162)</u>
Cash flows from capital financing activities:	
Reserve fees received	<u>44,025</u>
Net cash used by capital financing activities	<u>44,025</u>
Net increase (decrease) in cash and cash equivalents	
Cash and cash equivalents - beginning of the year	<u> </u>
Cash and cash equivalents - end of the year	<u><u>\$ </u></u>
Cash flows from operating activities:	
Operating income	\$ (73,665)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	66,935
Changes in assets and liabilities:	
Increase (decrease) in:	
Accounts payable	26,113
Deposits	2,500
Decrease (increase) in:	
Accounts receivable	24,974
Prepaid expenditures	<u>(2,720)</u>
Total adjustments	<u>117,802</u>
Net cash provided by operating activities	<u><u>\$ 44,137</u></u>

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

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.

The underlying concept of the governmental financial reporting entity is that governmental organizations are responsible to elected governing officials; therefore, financial reporting should report the elected officials' accountability for those organizations. Furthermore, the financial statements of the reporting entity should allow users to distinguish between the primary governments and its component units if any, by communicating information about the component units and their relationships with the primary government. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Determining factors of financial accountability include appointment of a voting majority, imposition of will, financial benefit or burden on a primary government, or fiscal dependency. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based upon application of these criteria, the Town of Gulf Stream has determined that there are no additional governmental departments, agencies, institutions, commissions, public authorities or other governmental organizations operating within the jurisdiction of the Town that would be required to be included in the Town’s financial statements.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net assets 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 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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 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 following 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 Special Revenue Fund is used to account for financial resources relating to the underground utility project.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 following major proprietary fund:

The Municipal Water Fund was established to account for the provision of water services to Town residents.

Government Accounting Standards Board (GASB) Statement #20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Funds*, provides proprietary activities with a choice of authoritative guidance issued after November 30, 1989. The Town of Gulf Stream, Florida has elected to follow GASB pronouncements exclusively after that date.

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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-

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions (Continued)

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 assets, proprietary statement of net assets, 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:

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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

2. Restricted fund balance – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the Town's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action (an ordinance) it employed to previously commit those amounts.
4. Assigned fund balance – Includes amounts intended to be used by the Town for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Town Commission or the Town Manager to which the Town Commission has delegated authority to assign amounts to be used for specific purposes. The authority for making an assignment is not required to be the Town's highest level of decision making authority. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts classified as committed.
5. Unassigned fund balance – Includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Equity in the government-wide and enterprise fund statements are classified as net assets and displayed in following three components:

1. Invested in capital assets, net of related debt – 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 assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

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.

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

Use of Estimates

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 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. This statement is effective for the fiscal year ending September 30, 2013. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 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. This statement is effective for the fiscal year ending September 30, 2013. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 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. This statement is effective for the fiscal year ending September 30, 2013. 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. 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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

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.

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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2012, the carrying amount of the Town's deposits was \$6,461,014 and the bank balances totaled \$6,503,157. 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 two money market accounts with a total bank balance and carrying amount of \$2,941,374. The certificates of deposit and money market accounts are reported as investments in the balance sheet.

As of September 30, 2012, the Town held the following certificates of deposit:

<u>Days to Maturity</u>	<u>Fair Value</u>
266	\$255,654
297	262,798
233	<u>40,505</u>
	<u>\$558,957</u>

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another 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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

At September 30, 2012, 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, 2012, was 39 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, 2012, was 4.08 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, 2012. 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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2012, the Town held the following investments:

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
State Board of Administration Investment Pool		
Florida PRIME	39 days	\$ 1,362
Fund B	4.08 years	<u>1,267</u>
		<u>\$ 2,629</u>

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

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, 2012, 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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 3 RECEIVABLES

As of September 30, 2012, 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	\$ 23,531	\$	\$	\$ 23,531
Accounts - unbilled	22,442		144,842	167,284
Accounts - billed	2,967		8,654	11,621
Due from other governments	13,566			13,566
Special assessments		2,453,598		2,453,598
Subtotal	<u>62,506</u>	<u>2,453,598</u>	<u>153,496</u>	<u>2,669,600</u>
Allowance for uncollectibles			(6,590)	(6,590)
Net receivables	<u>\$ 62,506</u>	<u>\$ 2,453,598</u>	<u>\$ 146,906</u>	<u>\$ 2,663,010</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, 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	15,432		(15,432)	
Capital assets being depreciated:				
Buildings	856,995			856,995
Infrastructure	2,394,167	106,656		2,500,823
Equipment	<u>446,904</u>	<u>34,244</u>	<u>(25,744)</u>	<u>455,404</u>
Total at historical cost	<u>4,090,021</u>	<u>140,900</u>	<u>(41,176)</u>	<u>4,189,745</u>
Less accumulated depreciation for:				
Buildings	599,199	41,369		640,568
Infrastructure	948,215	77,562		1,025,777
Equipment	<u>355,412</u>	<u>35,830</u>	<u>(17,699)</u>	<u>373,543</u>
Total accumulated depreciation	<u>1,902,826</u>	<u>154,761</u>	<u>(17,699)</u>	<u>2,039,888</u>
Governmental activities capital assets, net	<u>\$ 2,187,195</u>	<u>\$ (13,861)</u>	<u>\$(23,477)</u>	<u>\$2,149,857</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 4 – CAPITAL ASSETS (Continued)

	<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	592,739	63,328		656,067
Equipment	<u>51,883</u>	<u>3,607</u>	<u> </u>	<u>55,490</u>
Total accumulated depreciation	<u>644,622</u>	<u>66,935</u>	<u> </u>	<u>711,557</u>
Business-type activities capital assets, net	<u>\$2,076,178</u>	<u>\$ (66,935)</u>	<u>\$ </u>	<u>\$2,009,243</u>

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

Governmental activities:	
General government	\$ 51,095
Police department	36,666
Streets	<u>67,000</u>
 Total governmental activities	 <u>\$ 154,761</u>
 Business-type activities:	
Municipal water	<u>\$ 66,935</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Individual interfund receivables and payables at September 30, 2012, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Assessment	General Fund	\$ 2,403,663
Water Fund	General Fund	<u>161,668</u>
		<u>\$ 2,565,331</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.

Interfund transfers for the year ended September 30, 2012, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$	\$ 323,241
Special Assessment Fund	<u>323,241</u>	<u> </u>
	<u>\$ 323,241</u>	<u>\$ 323,241</u>

The transfer moved loan proceeds from the fund that originally received them to the fund where they will be expended.

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

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, 2012, principal and interest to maturity on April 1, 2022 to be paid from pledged funds totaled \$2,691,569. No principal or interest was paid for the current fiscal year.

Annual debt service requirements to maturity are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2013	\$ 240,379	\$ 28,778	\$ 269,157
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
2018-2022	1,265,353	80,431	1,345,784
	<u>\$ 2,427,895</u>	<u>\$ 263,674</u>	<u>\$ 2,691,569</u>

Changes in Long-Term Liabilities

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Promissory Note,					
Underground project	\$	\$2,427,895	\$	\$2,427,895	\$ 240,379
Compensated absences	77,481	70,413	(62,436)	85,458	62,938
Total Governmental Activities	<u>\$ 77,481</u>	<u>\$2,498,308</u>	<u>\$(62,436)</u>	<u>\$2,513,353</u>	<u>\$ 303,317</u>

Compensated absences are liquidated by the General Fund.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Interest Expense

The total interest cost incurred on all Town debt for the year ended September 30, 2012, was \$1,892, and no interest was paid during the year. No interest was capitalized in the Enterprise Fund during the year.

NOTE 7 – DEFERRED COMPENSATION PLAN

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

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

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

NOTE 8 – 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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 8 – 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.

The Town's total payroll for the fiscal year ended September 30, 2012, was \$1,203,474, with covered payroll of \$1,130,134. The Town's required and actual contribution for the year was \$236,424 equaling 20.92% of covered payroll. The employees' contribution for the year was \$90,411 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.

NOTE 9 – INTERLOCAL AGREEMENTS

Interlocal 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 of Delray Beach will provide the Town with emergency medical services. The term of the agreement was for 10 years beginning on October 1, 2009, and extending through September 30, 2019. The annual service fee the Town paid under the agreement was \$315,580 in the current fiscal year. The annual service fees for future years will be the current year fee of \$315,580, 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.

Interlocal Dispatch Service Agreement with the City of Delray Beach

On October 1, 2007, the Town entered into an agreement with the City of Delray Beach for dispatch services. The agreement terminated on September 30, 2012. The annual service fee the Town paid under the agreement was \$54,389 for the fiscal year ended September 30, 2012.

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 \$53,782 for the fiscal year ended September 30, 2013. The service fees for subsequent years shall be adjusted from the previous year based on the "All Urban Consumers – United States April Consumer Price Index".

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 10 – OPERATING LEASE

On July 24, 2008, the Town entered into an operating lease for a copier for use in the Town Hall. The lease is for 60 months and requires monthly payments of \$531 that commenced in August 2008. For the year ended September 30, 2012, the Town made payments of \$6,372 pursuant to the lease.

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

<u>Year Ended</u> <u>September 30</u>	<u>Minimum</u> <u>Lease Payments</u>
2013	\$ 5,310

NOTE 11 – COMMITMENTS

On August 18, 2008, the Town amended the solid waste and recycling collection franchise agreement with Waste Management Inc. of Florida (WMI). The agreement terminates on September 30, 2013. 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, 2012, the Town made payments of \$129,801 pursuant to the agreement.

NOTE 12 – 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 post employment benefits under GASB 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 post employment benefits required by standards.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 13 – 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 from the prior year, and there were no settled claims which exceeded insurance coverage during the past three fiscal years.

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

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Ad valorem taxes	\$ 1,853,385	\$ 1,853,385	\$ 1,850,192	\$ (3,193)
Local option fuel taxes	29,836	29,836	30,845	1,009
Utility service taxes	152,000	152,000	154,653	2,653
Communications services taxes	69,000	69,000	60,207	(8,793)
Local business tax	15,000	15,000	18,707	3,707
Total taxes	<u>2,119,221</u>	<u>2,119,221</u>	<u>2,114,604</u>	<u>(4,617)</u>
Licenses and permits				
Building permits	50,000	50,000	99,642	49,642
Franchise fees	148,000	148,000	124,499	(23,501)
Total licenses and permits	<u>198,000</u>	<u>198,000</u>	<u>224,141</u>	<u>26,141</u>
Intergovernmental revenue				
State revenue sharing proceeds	79,158	79,158	83,452	4,294
Shared revenue from other local units	6,000	6,000	12,846	6,846
Payment in lieu of taxes	41,000	41,000	33,900	(7,100)
Total intergovernmental revenue	<u>126,158</u>	<u>126,158</u>	<u>130,198</u>	<u>4,040</u>
Charges for services				
Solid waste collection fees	130,000	130,000	132,969	2,969
Other	70,377	70,377	6,377	(64,000)
Total charges for services	<u>200,377</u>	<u>200,377</u>	<u>139,346</u>	<u>(61,031)</u>
Judgments, fines and forfeits				
Judgments and fines	3,000	3,000	1,050	(1,950)
Violation of local ordinances			335	335
Total judgments, fines, and forfeits	<u>3,000</u>	<u>3,000</u>	<u>1,385</u>	<u>(1,615)</u>
Investment earnings	<u>7,000</u>	<u>7,000</u>	<u>3,606</u>	<u>(3,394)</u>
Miscellaneous revenues				
Contributions			92,528	92,528
Other			13,484	13,484
Total miscellaneous revenues			<u>106,012</u>	<u>106,012</u>
Total revenues	<u>2,653,756</u>	<u>2,653,756</u>	<u>2,719,292</u>	<u>65,536</u>
Expenditures				
General and administrative	1,084,600	1,092,600	766,791	325,809
Police	1,357,562	1,416,562	1,413,972	2,590
Fire	318,350	318,350	315,580	2,770
Streets	191,924	251,924	250,743	1,181
Sanitation	131,320	131,320	129,801	1,519
Contingency	20,000	20,000		20,000
Total expenditures	<u>3,103,756</u>	<u>3,230,756</u>	<u>2,876,887</u>	<u>353,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(450,000)</u>	<u>(577,000)</u>	<u>(157,595)</u>	<u>419,405</u>
Other financing sources (uses)				
Transfers out			(323,241)	(323,241)
Total other financing sources (uses)			<u>(323,241)</u>	<u>(323,241)</u>
Excess (deficiency) or revenues and other financing sources over (under) expenditures	<u>\$ (450,000)</u>	<u>\$ (577,000)</u>	<u>(480,836)</u>	<u>\$ 96,164</u>
Fund balance, beginning of year			<u>1,462,012</u>	
Fund balance, end of year			<u>\$ 981,176</u>	

TOWN OF GULF STREAM, FLORIDA
Notes to the Budgetary
Required Supplemental Information (RSI)
General Fund
September 30, 2012

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, 2012, no departments had an excess of expenditures over appropriations.



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

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

We have audited 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, 2012, which collectively comprise the Town of Gulf Stream's basic financial statements and have issued our report thereon dated April 9, 2013. The report on the governmental activities was 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. 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.

Internal Control Over Financial Reporting

Management of the Town of Gulf Stream, Florida is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Gulf Stream, Florida's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Gulf Stream, Florida's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Gulf Stream, Florida's financial statements are free of 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*.

We noted certain matters that we reported to management of the Town of Gulf Stream, Florida in the accompanying Management Letter in Accordance with the Rules of the Auditor General dated April 9, 2013.

This report is intended solely for the information and use of management, the Town Commission, others within the entity, the Florida Auditor General, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mims, P.A.

West Palm Beach, Florida
April 9, 2013



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2012, and have issued our report thereon dated April 9, 2013.

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 April 9, 2013, 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. Corrective actions have been taken to address all findings and recommendations in the preceding annual financial audit report.

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, Fraud, Illegal Acts, or Abuse

Rules of the Auditor General require that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Matters Inconsequential to the Financial Statements

Rules of the Auditor General provide that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. 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, 2012, 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, 2012. 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.

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, 2012. 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 information and use of the Legislative Auditing

Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, management, the Town Commission, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
April 9, 2013