



TOWN OF GULF STREAM, FLORIDA



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

FISCAL YEAR ENDED SEPTEMBER 30, 2017

TOWN OF GULF STREAM, FLORIDA
SEPTEMBER 30, 2017

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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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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Gulf Stream, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions

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

Qualified Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and Enterprise Fund of the Town of Gulf Stream, Florida, as of September 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the Special Assessment Fund of the Town of Gulf Stream, Florida, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 4 through 13 and 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Schedule of Funding Progress for Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2018, on our consideration of the Town of Gulf Stream, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Gulf Stream, Florida's internal control over financial reporting and compliance.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
March 8, 2018

Management’s Discussion and Analysis

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

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

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

FINANCIAL HIGHLIGHTS

- Ø The assets plus deferred outflows of resources of the Town of Gulf Stream exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year by \$10,623,369 (net position).
- Ø The governmental activities revenues were \$5,965,785 at the close of fiscal year 2017.
- Ø The business-type activities revenues were \$1,303,537 at the close of fiscal year 2017.
- Ø The total cost of all Town programs was \$7,410,877 during the fiscal year 2017.
- Ø At the end of the 2017 fiscal year, unassigned fund balance for the General Fund was increased by \$1,211,382 and ending Fiscal Year 2017 with a total of \$3,783,058 or 81% of total General Fund expenditures which totaled \$4,666,712 at the end of Fiscal Year 2017.

USING THIS REPORT

As the Town of Gulf Stream strives for transparency in government, the following graphic is provided for your review to help you navigate this document.

MD&A	Management’s Discussion & Analysis (Required supplemental information) (pages 4-13)				
BASIC FINANCIAL STATEMENTS	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Government-wide Financial Statements (pages 14-16)</td> <td style="width: 50%;">Fund Financial Statements (Pages 17-23)</td> </tr> <tr> <td colspan="2" style="text-align: center;">Notes to the Financial Statements (Pages 24-47)</td> </tr> </table>	Government-wide Financial Statements (pages 14-16)	Fund Financial Statements (Pages 17-23)	Notes to the Financial Statements (Pages 24-47)	
Government-wide Financial Statements (pages 14-16)	Fund Financial Statements (Pages 17-23)				
Notes to the Financial Statements (Pages 24-47)					
REQUIRED SUPPLEMENTAL INFORMATION	Required supplementary information (Other than MD&A) (Pages 48-50)				

Management's Discussion and Analysis

The financial statement's focus is on both the Town as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government), and enhance the Town's accountability.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Gulf Stream's finances, in a manner similar to a private-sector business. The Statement of Net Position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

Our analysis of the Town's major funds begins on page 11. The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for a particular purpose.

- Ø Governmental Funds – Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can be readily converted to cash flow and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

Management's Discussion and Analysis

Ø Proprietary Funds – Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

§ The Town's enterprise fund (one type of proprietary fund) is the same as its business type activities, but provides more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position

The Town's combined net position for the fiscal year ending 2017 is reported at \$10,623,369. Net position of the Town's governmental activities for the fiscal year ending 2017 is \$7,118,386. The net position of our business-type activities is reported at \$3,504,983 for the fiscal year ending 2017. Overall the financial position of the total primary government decreased \$141,555 during the current fiscal year. Net position for the governmental activities decreased \$490,496 and net position for the business-type activities increased \$384,941.

Town of Gulf Stream Net Position September 30, 2016 and 2017

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and Other Assets	\$ 7,366,745	\$ 6,658,737	\$ 1,446,101	\$ 1,830,482	\$ 8,812,846	\$ 8,489,219
Capital Assets	2,098,515	2,317,865	1,755,043	1,690,172	3,853,558	4,008,037
Total Assets	9,465,260	8,976,602	3,201,144	3,520,654	12,666,404	12,497,256
Current and Other Liabilities	244,498	506,258	43,985	40,110	288,483	546,368
Long Term Liabilities	1,606,594	1,351,958	1,117	2,302	1,607,711	1,354,260
Total Liabilities	1,851,092	1,858,216	45,102	42,412	1,896,194	1,900,628
Deferred Inflows of Resources	5,286	-			5,286	-
Net Investment in Capital Assets	2,098,515	2,317,865	1,755,043	1,690,172	3,853,558	4,008,037
Restricted - Dredging Projects	17,820	17,820		-	17,820	17,820
Restricted - Underground Utilities	2,364,841	1,053,142			2,364,841	1,053,142
Restricted - Infrastructure Projects		43,546			-	43,546
Restricted - Repairs & replacements		-	370,379	392,185	370,379	392,185
Unrestricted	3,127,706	3,686,013	1,030,620	1,422,626	4,158,326	5,108,639
Total Net Position	\$ 7,608,882	\$ 7,118,386	\$ 3,156,042	\$ 3,504,983	\$ 10,764,924	\$ 10,623,369

Management's Discussion and Analysis

Changes in Net Position

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

- Ø At the end of Fiscal Year 2017, there was a decrease in the total net position from Fiscal Year 2016 for governmental activities which totaled \$490,496. The 2017 net position total for governmental activities, which includes the General Fund and the Special Assessment Fund, was \$7,118,386. Overall, the Town incurred an increase of \$2,126,055 in expenses for governmental activities from Fiscal Year 2016 to Fiscal Year 2017. The majority of this increase was due to Phase II of the Undergrounding Utilities project getting underway and committing funds that had been reserved in prior fiscal years to the contracts associated with Phase II. By the end of 2017, the majority of Phase II of the Undergrounding Utilities project financial obligations had been fulfilled. This increase in construction expense and use of designated undergrounding funds was the primary contributing factor for the decrease in net position.
- Ø The increase in business-type net position was \$348,941. The increase in net position was due to the slight increase in water consumption.

Management's Discussion and Analysis

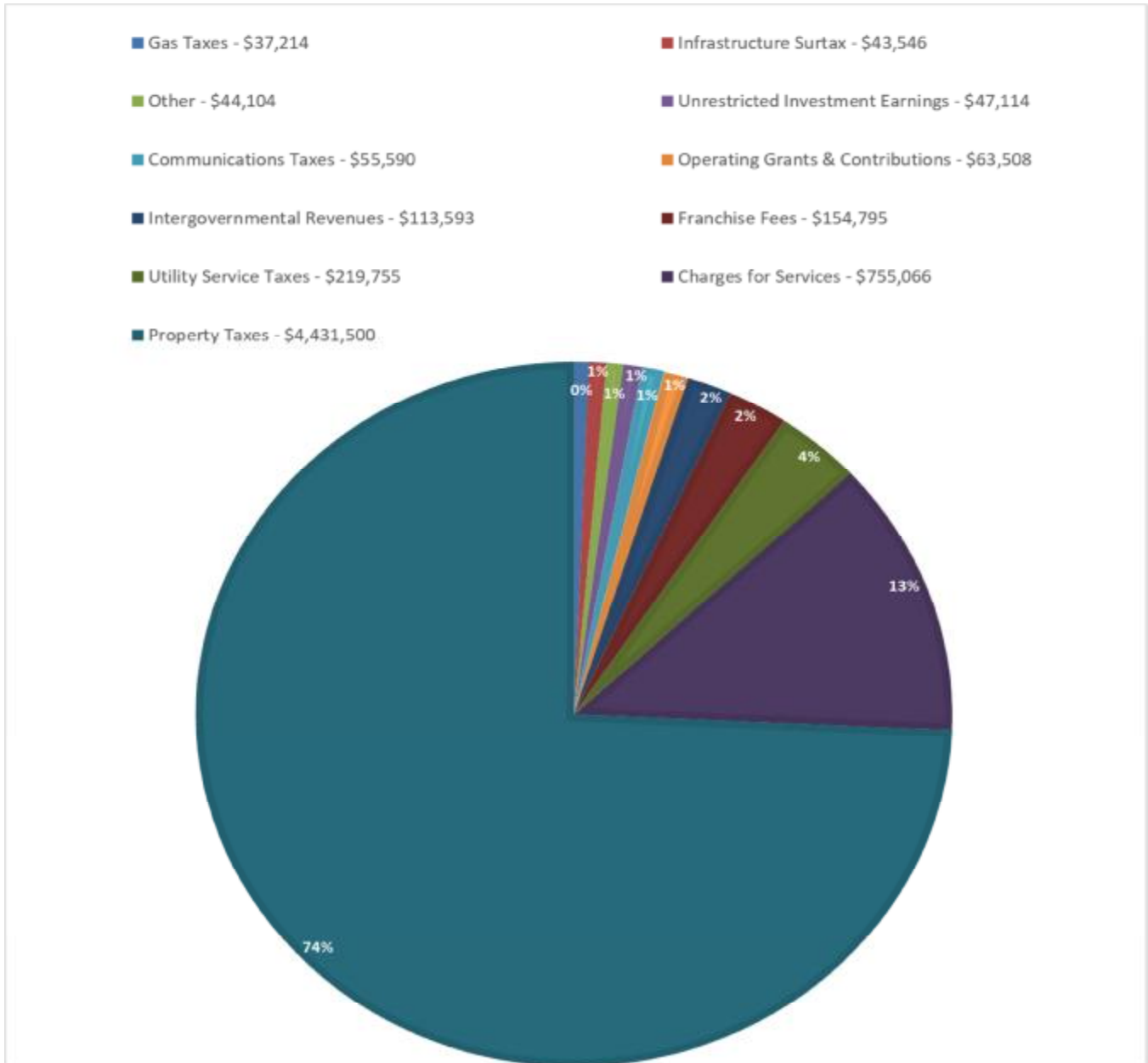
Town of Gulf Stream Changes in Net Position For the Fiscal Years Ended September 30, 2016 and 2017

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues						
Program Revenues						
Charges for Services	\$ 768,568	\$ 755,066	\$ 1,071,387	\$ 1,156,751	\$ 1,839,955	\$ 1,911,817
Operating Grants & Contributions	26,194	63,508			26,194	63,508
Capital Grants and Contributions			114,079	135,885	114,079.00	135,885.00
General Revenues						
Property Taxes	4,651,641	4,431,500			4,651,641	4,431,500
Infrastructure Surtax		43,546			-	43,546
Communications Taxes	56,632	55,590			56,632	55,590
Gas Taxes	35,531	37,214			35,531	37,214
Utility Service Taxes	212,626	219,755			212,626	219,755
Franchise Fees	142,398	154,795			142,398	154,795
Unrestricted Investment Earnings	46,321	47,114	2,151	10,901	48,472	58,015
Intergovernmental Revenues	112,114	113,593			112,114	113,593
Other	43,935	44,104			43,935	44,104
Total Revenues	6,095,960	5,965,785	1,187,617	1,303,537	7,283,577	7,269,322
Expenses						
Governmental Activities						
General Government	1,916,345	2,149,640			1,916,345	2,149,640
Police Department	1,477,923	1,453,134			1,477,923	1,453,134
Fire Protection	429,464	450,937			429,464	450,937
Streets	247,853	238,086			247,853	238,086
Sanitation	137,602	138,670			137,602	138,670
Physical Environment	87,085	1,996,876			87,085	1,996,876
Interest on Long-Term Debt	33,954	28,938			33,954	28,938
Business-Type Activities						
Water			901,751	954,596	901,751	954,596
Total Expenses	4,330,226	6,456,281	901,751	954,596	5,231,977	7,410,877
Change in Net Position	1,765,734	(490,496)	285,866	348,941	2,051,600	(141,555)
Net Position - Beginning	5,843,148	7,608,882	2,870,176	3,156,042	8,713,324	10,764,924
Net Position - Ending	\$ 7,608,882	\$ 7,118,386	\$ 3,156,042	\$ 3,504,983	\$ 10,764,924	\$ 10,623,369

Management's Discussion and Analysis

Ø Approximately three fourths of the Town's revenue comes from Property Taxes. Please see chart below.

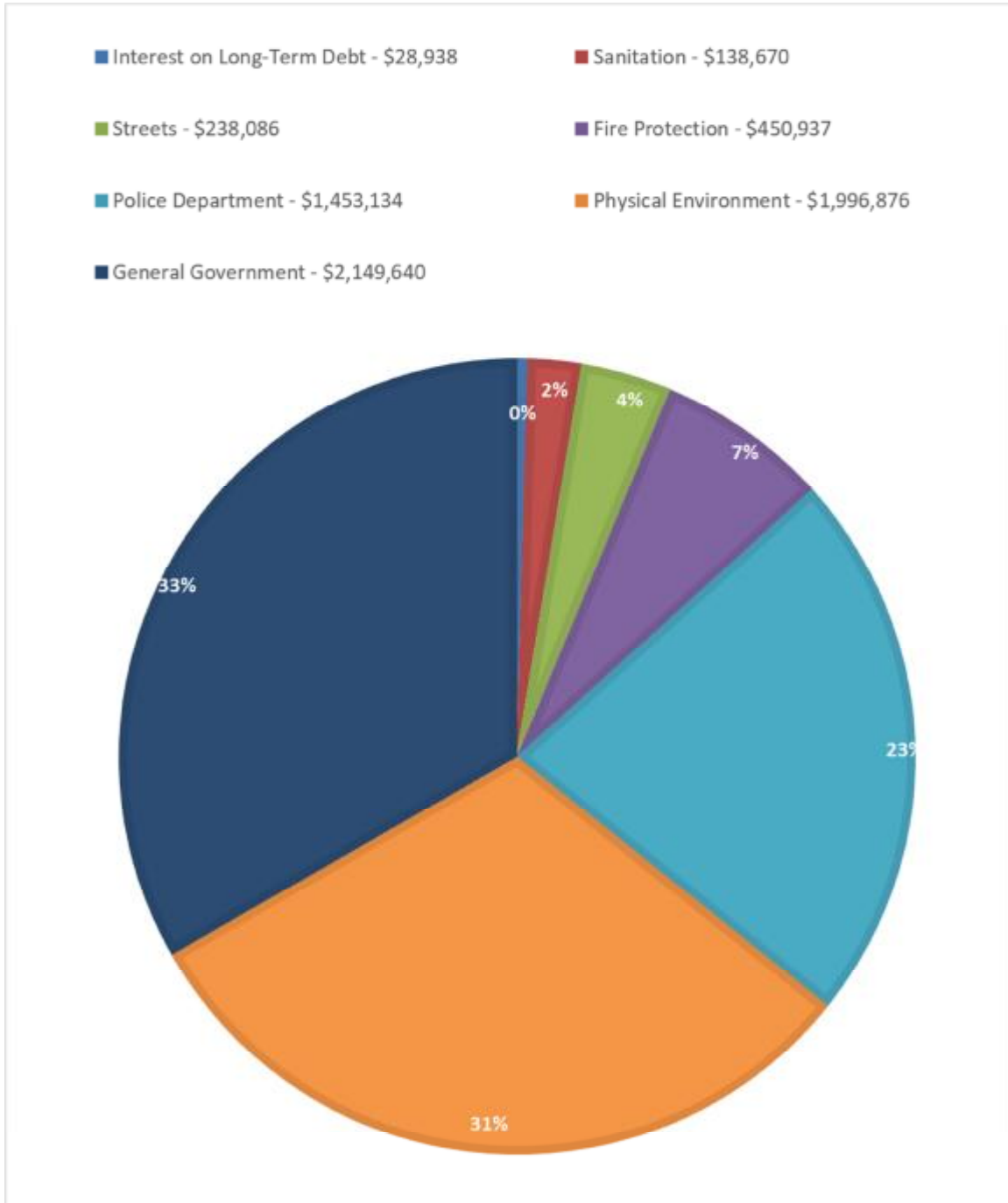
Revenues – Governmental Revenues by Source



Management's Discussion and Analysis

The Town's expenses cover a range of services, with 30% related to public safety. Please see chart on the next page.

Governmental Expenses by Function



Management's Discussion and Analysis

Financial Analysis of the Governmental Funds

As the Town of Gulf Stream completed the year, the General Fund reported a fund balance of \$3,847,128, an increase of \$582,480 from the previous fiscal year. The increase was due primarily to an intentional effort to increase the fund balance through budgeting to continue to restore the Town's fund balance. The General Fund ended the 2017 fiscal year with \$2,704 in non-spendable fund balance, \$61,366 in restricted fund balance, which consisted of \$17,820 reserved for dredging projects and \$43,546 for infrastructure projects, with \$3,783,058 in unassigned fund balance. Though the revenues exceeded the expenditures for the current fiscal year, the Town's financial reserves have been restored to the commission's desired level to help minimize the necessity of incurring long term debt for planned future infrastructure projects.

Financial Analysis of the Proprietary Fund

Total net position of the water fund at the end of the fiscal year 2017 was \$3,504,983. The net position of the water fund has increased slightly from last year. Water rates were not increased during Fiscal Year 2017, however water usage increased from the 2016 usage amounts. The Town also opened a new savings account for the reserve funds that accrued more interest than previous fiscal years.

General Fund Budgetary Highlights

At the beginning of Fiscal Year 2017, the Town Commission voted to create a staff attorney position and an internal legal department in an effort to improve efficiency and effectiveness of legal services as the Town continued to be embroiled in on-going litigation surrounding public records. Resolution 16-10 created the new legal department and budget by reallocating \$133,483 from budgeted administrative contractual legal expense.

The Town Commission increased by resolution the budget for revenues and expenditures one time by Resolution No. 17-013. This adjustment for \$96,134 was to account for the increase in building permit inspection revenue and expenditure with the City of Delray Beach which contractually performs the Town of Gulf Stream's building inspections.

The budgeted capital expenditures for Fiscal Year included \$757,500 for the Roads and Streets Department, at the end of 2017 only \$238,086 of the budgeted expense, a difference of \$519,414, for streets infrastructure had been spent due to construction delays. The Town had also budgeted \$338,602 for Contingency-Miscellaneous expenses in general administration, of which \$238,087 remained unspent at the end of Fiscal Year 2017. These monies were intentionally budgeted in a Contingency-Miscellaneous expense account in anticipation of additional contractual legal expense, but in hope of being able to add any unused allocated expense to the unreserved fund balance at the end of 2017. The Police Department also had a large variance of budgeted expense versus actual expenditures by the end of Fiscal Year 2017 totaling \$223,727. Two major factors contributed to this amount. There was a balance of unused budget funds for police salaries totaling \$71,466 due to the retirement of two senior police officers, one of which was the police chief. In addition, due to Hurricane Irma at the end of Fiscal Year 2017, the purchase of two police vehicles were delayed resulting in \$82,485 in police capital expenditures not being spent during the fiscal year. Collectively, the delay in infrastructure construction

Management's Discussion and Analysis

and other capital purchases, changes in personnel, and the lack of additional contractual legal expense contributed largely to the \$1,480,289 difference in budgeted expense and actual expense for 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the Town had invested \$4,008,037 in a broad range of capital assets including police equipment, buildings, and infrastructure and water improvements. Additional information can be found in Note 4 to the financial statements.

**Town of Gulf Stream
Capital Assets
(Net of Depreciation)
September 30, 2016 and 2017**

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Net Capital Assets						
Land	\$ 376,523	\$ 376,523	\$ -	\$ -	\$ 376,523	\$ 376,523
Construction in Progress	15,212	409,278			15,212	409,278
Buildings & Improvements	186,008	159,750	1,749,659	1,686,688	1,935,667	1,846,438
Equipment	215,929	158,700	5,384	3,484	221,313	162,184
Infrastructure	1,304,843	1,213,614			1,304,843	1,213,614
Total Net Capital Assets	\$ 2,098,515	\$ 2,317,865	\$ 1,755,043	\$ 1,690,172	\$ 3,853,558	\$ 4,008,037

Long-Term Liabilities

As of September 30, 2017 the Town had \$1,353,996 in long-term liabilities as shown in the following table. Additional information can be found in Note 5 to the financial statements.

**Town of Gulf Stream
Long-Term Liabilities
September 30, 2016 and 2017**

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Promissory Note	\$ 1,503,137	\$ 1,265,396	\$ -	\$ -	\$ 1,503,137	\$ 1,265,396
Compensated Absences	103,457	86,562	1,117	2,302	104,574	88,864
Total Long-Term Liabilities	\$ 1,606,594	\$ 1,351,958	\$ 1,117	\$ 2,302	\$ 1,607,711	\$ 1,354,260

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2018 fiscal year, General Fund revenue projections are decreased.

- Ø The millage rate was decreased to 4.360 mills from 4.490 mills, which is less than the rolled-back rate by 0.30%.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents and creditors with a general overview of the Town's finances and demonstrates the Town's accountability for the money it receives and disburses. If you have any questions about this report or need additional information, please contact the Town of Gulf Stream, 100 Sea Road, Gulf Stream, FL 33483.

TOWN OF GULF STREAM, FLORIDA
Statement of Net Position
September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 219,471	\$ 1,213,052	\$ 1,432,523
Investments	1,191,237		1,191,237
Equity in pooled investments	3,833,105	16,265	3,849,370
Accounts receivable	81,730	229,253	310,983
Assessments receivable	1,265,490		1,265,490
Inventories	2,062	3,096	5,158
Prepaid expenses	642	3,372	4,014
Restricted assets			
Equity in pooled investments	65,000	365,444	430,444
Accounts receivable		26,741	26,741
Capital assets			
Non-depreciable	785,801		785,801
Depreciable (net of depreciation)	1,532,064	1,690,172	3,222,236
Total assets	<u>8,976,602</u>	<u>3,547,395</u>	<u>12,523,997</u>
Liabilities			
Accounts payable	140,616	32,414	173,030
Contracts payable	219,695		219,695
Accrued liabilities	67,760	1,925	69,685
Accrued interest payable	13,187		13,187
Payable from restricted assets			
Damage deposit bonds	65,000		65,000
Unearned revenue		5,771	5,771
Long-term liabilities			
Payable within one year	258,093	1,151	259,244
Payable after one year	1,093,865	1,151	1,095,016
Total liabilities	<u>1,858,216</u>	<u>42,412</u>	<u>1,900,628</u>
Net position			
Net investment in capital assets	2,317,865	1,690,172	4,008,037
Restricted for dredging	17,820		17,820
Restricted for underground utilities	1,053,142		1,053,142
Restricted for infrastructure projects	43,546		43,546
Restricted for repairs, replacements and improvements		392,185	392,185
Unrestricted	3,686,013	1,422,626	5,108,639
Total net position	<u>\$ 7,118,386</u>	<u>\$ 3,504,983</u>	<u>\$ 10,623,369</u>

See notes to the financial statements

TOWN OF GULF STREAM, FLORIDA
Statement of Activities
For the Year Ended September 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Primary Government		
Governmental activities		
General government	\$ 2,106,299	\$ 597,975
Police department	1,496,475	2,419
Fire protection	450,937	
Streets	238,086	
Sanitation	138,670	141,268
Physical environment	1,996,876	13,404
Interest on long-term debt	28,938	
Total governmental activities	<u>6,456,281</u>	<u>755,066</u>
Business-type activities		
Water	<u>954,596</u>	<u>1,156,751</u>
Total primary government	<u>\$ 7,410,877</u>	<u>\$ 1,911,817</u>

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental activities	Business-type activities	Total
\$ 12,166	\$	\$ (1,496,158)	\$	\$ (1,496,158)
19,153		(1,474,903)		(1,474,903)
		(450,937)		(450,937)
		(238,086)		(238,086)
		2,598		2,598
32,189		(1,951,283)		(1,951,283)
		(28,938)		(28,938)
<u>63,508</u>		<u>(5,637,707)</u>		<u>(5,637,707)</u>
	135,885		338,040	338,040
<u>\$ 63,508</u>	<u>\$ 135,885</u>	<u>(5,637,707)</u>	<u>338,040</u>	<u>(5,299,667)</u>
General revenues				
Property taxes		4,431,500		4,431,500
Infrastructure surtax		43,546		43,546
Communications services taxes		55,590		55,590
Gas taxes		37,214		37,214
Utility service tax		219,755		219,755
Franchise taxes		154,795		154,795
Intergovernmental shared revenues		113,593		113,593
Unrestricted investment earnings		47,114	10,901	58,015
Miscellaneous revenues		44,104		44,104
Total general revenues		<u>5,147,211</u>	<u>10,901</u>	<u>5,158,112</u>
Change in net position		(490,496)	348,941	(141,555)
Net position - beginning		7,608,882	3,156,042	10,764,924
Net position - ending		<u>\$ 7,118,386</u>	<u>\$ 3,504,983</u>	<u>\$ 10,623,369</u>

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Balance Sheet - Governmental Funds
September 30, 2017

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 173,910	\$ 45,561	\$ 219,471
Investments		1,191,237	1,191,237
Equity in pooled investments	3,833,105		3,833,105
Accounts receivable	80,104	1,626	81,730
Assessments receivable		1,265,490	1,265,490
Inventories	2,062		2,062
Prepaid expenditures	642		642
Restricted assets			
Equity in pooled investments	65,000		65,000
Total assets	<u>\$ 4,154,823</u>	<u>\$ 2,503,914</u>	<u>\$ 6,658,737</u>
Liabilities, deferred inflows of resources, and fund equity			
Liabilities			
Accounts payable	\$ 140,616	\$	\$ 140,616
Contracts payable	34,319	185,376	219,695
Accrued liabilities	67,760		67,760
Payable from restricted assets			
Deposits payable	65,000		65,000
Total liabilities	<u>307,695</u>	<u>185,376</u>	<u>493,071</u>
Deferred inflows of resources			
Unavailable revenue		1,265,490	1,265,490
Total deferred inflows of resources		<u>1,265,490</u>	<u>1,265,490</u>
Fund equity			
Nonspendable			
Inventories	2,062		2,062
Prepays	642		642
Restricted for			
Dredging projects	17,820		17,820
Infrastructure projects	43,546		43,546
Underground utilities		1,053,048	1,053,048
Unassigned	3,783,058		3,783,058
Total fund equity	<u>3,847,128</u>	<u>1,053,048</u>	<u>4,900,176</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 4,154,823</u>	<u>\$ 2,503,914</u>	<u>\$ 6,658,737</u>

See notes to the financial statements

TOWN OF GULF STREAM, FLORIDA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2017

Fund balance of governmental funds		\$ 4,900,176
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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	\$ 5,076,854	
Less accumulated depreciation	<u>(2,758,989)</u>	2,317,865

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

Unavailable revenue	1,265,490
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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	(1,265,396)
Accrued interest payable	(13,187)
Compensated absences	<u>(86,562)</u>

Net position of governmental activities	<u><u>\$ 7,118,386</u></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, 2017

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 4,800,946	\$	\$ 4,800,946
Intergovernmental revenue	172,446		172,446
Licenses and permits	722,688		722,688
Charges for services	143,078		143,078
Fines and forfeits	2,419		2,419
Investment earnings	47,114	32,189	79,303
Special assessments		236,795	236,795
Miscellaneous	31,501	13,404	44,905
	<u>5,920,192</u>	<u>282,388</u>	<u>6,202,580</u>
Total revenues			
Expenditures			
Current			
General and administrative	2,043,941		2,043,941
Police department	1,472,367		1,472,367
Fire protection	450,937		450,937
Streets	157,885		157,885
Sanitation	138,670		138,670
Physical environment		1,996,876	1,996,876
Capital outlay	402,912		402,912
Debt service			
Principal		237,741	237,741
Interest		31,416	31,416
	<u>4,666,712</u>	<u>2,266,033</u>	<u>6,932,745</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>1,253,480</u>	<u>(1,983,645)</u>	<u>(730,165)</u>
Other financing sources (uses):			
Transfers in		671,000	671,000
Transfers out	(671,000)		(671,000)
Total other financing sources (uses)	<u>(671,000)</u>	<u>671,000</u>	<u></u>
Net change in fund balance	582,480	(1,312,645)	(730,165)
Fund balance - beginning of the year	<u>3,264,648</u>	<u>2,365,693</u>	<u>5,630,341</u>
Fund balance - end of the year	<u>\$ 3,847,128</u>	<u>\$ 1,053,048</u>	<u>\$ 4,900,176</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, 2017

Net change in fund balance of governmental funds \$ (730,165)

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	\$ 402,912	
Less current year depreciation	<u>(183,562)</u>	219,350

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

Special assessments		(236,795)
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The repayment of the principal of long term debt consumes financial resources of governmental funds, but it does not have any effect on net position

Principal payments on debt		237,741
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures of governmental funds.

Change in accrued interest payable		2,478
Change in long-term compensated absences	<u>16,895</u>	

Change in net position of governmental activities		<u><u>\$ (490,496)</u></u>
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See notes to the financial statements

TOWN OF GULF STREAM, FLORIDA
Statement of Net Position
Proprietary Fund
September 30, 2017

	<u>Enterprise Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 1,213,052
Equity in pooled investments	16,265
Accounts receivable, net	229,253
Prepaid expenses	3,372
Inventories	3,096
Restricted assets	
Equity in pooled investments	365,444
Accounts receivable	26,741
Total current assets	<u>1,857,223</u>
Noncurrent assets	
Depreciable capital assets	2,730,300
Less accumulated depreciation	<u>(1,040,128)</u>
Total noncurrent assets	<u>1,690,172</u>
Total assets	<u>3,547,395</u>
Liabilities	
Current liabilities	
Accounts payable	32,414
Accrued liabilities	1,925
Compensated absences payable	1,151
Unearned revenue	5,771
Total current liabilities	<u>41,261</u>
Noncurrent liabilities	
Compensated absences payable	<u>1,151</u>
Total noncurrent liabilities	<u>1,151</u>
Total liabilities	<u>42,412</u>
Net position	
Net investment in capital assets	1,690,172
Restricted for repairs, replacements and improvements	392,185
Unrestricted	<u>1,422,626</u>
Total net position	<u>\$ 3,504,983</u>

See notes to the financial statements

TOWN OF GULF STREAM, FLORIDA
Statement of Revenues, Expenses, and Changes
in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2017

	<u>Enterprise Fund</u>
Operating revenues	
Charges for services	<u>\$ 1,156,751</u>
Total operating revenues	<u>1,156,751</u>
Operating expenses	
Personnel	83,405
Water purchases	608,631
Repairs and maintenance	15,945
Management fees	90,000
Depreciation expense	64,871
Payment in lieu of taxes	39,700
Other expenses	<u>52,044</u>
Total operating expenses	<u>954,596</u>
Operating income	<u>202,155</u>
Nonoperating revenues	
Interest income	<u>10,901</u>
Total nonoperating revenues	<u>10,901</u>
Income before capital contributions	213,056
Capital contributions	
Connection fees	530
Reserve fees	<u>135,355</u>
Total capital contributions	<u>135,885</u>
Change in net position	348,941
Net position - beginning of the year	<u>3,156,042</u>
Net position - end of the year	<u><u>\$ 3,504,983</u></u>

See notes to the financial statements

TOWN OF GULF STREAM, FLORIDA
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2017

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Receipts from customers	\$ 1,126,990
Payments to employees	(82,530)
Payments to suppliers	(680,185)
Internal activity - payments to other funds	<u>(129,700)</u>
Net cash provided by operating activities	<u>234,575</u>
Cash flows from capital financing activities:	
Reserve fees received	132,708
Connection fees received	<u>530</u>
Net cash provided by capital financing activities	<u>133,238</u>
Cash flows from investing activities:	
Interest and dividends on investments	10,901
Sale of investments	<u>82,187</u>
Net cash used by investing activities	<u>93,088</u>
Net increase in cash and cash equivalents	460,901
Cash and cash equivalents - beginning of the year	<u>752,151</u>
Cash and cash equivalents - end of the year	<u><u>\$ 1,213,052</u></u>
Cash flows from operating activities:	
Operating income	\$ 202,155
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	64,871
Changes in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(29,761)
Increase (decrease) in:	
Accounts payable	(3,565)
Accrued liabilities	<u>875</u>
Total adjustments	<u>32,420</u>
Net cash provided by operating activities	<u><u>\$ 234,575</u></u>

See notes to the financial statements

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. The Town considers revenues collected within 60 days of the year end to be available to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

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

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

Proprietary Funds

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

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

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of fair value measurement in both cases is the same, that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The Town categorizes investments reported at fair value in accordance with the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*.

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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Capital assets are defined by the Town as assets with an estimated life in excess of one year and an initial value in excess of the capitalization thresholds presented below. Purchased capital assets are recorded at fair value on the acquisition date. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

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. The Town is a Phase 3 government under GASB 34 and has elected not to report major general infrastructure assets retroactively. Depreciation has been provided over the useful lives using the straight line method. The estimated useful lives are as follows:

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

Inventory

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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-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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenues

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

Unavailable Revenue

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Long-Term Liabilities

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

Fund Balance

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

1. Nonspendable fund balances – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.
2. Restricted fund balance – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the Town’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action (an ordinance) it employed to previously commit those amounts.
4. Assigned fund balance – Includes amounts intended to be used by the Town for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Town Commission or the Town Manager to which the Town Commission has delegated authority to assign amounts to be used for specific purposes. The authority for making an assignment is not required to be the Town’s highest level of decision making authority. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts classified as committed.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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

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

Net Position

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

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data

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

Property Taxes

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

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

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

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

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Implementation of Governmental Accounting Standards Board Statements

The Town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended September 30, 2017:

In August 2015 the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The implementation of this statement did not impact the Town's financial statements.

In December 2015 the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The implementation of this statement did not impact the Town's financial statements.

Recently Issued Accounting Pronouncements

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

In June 2015 the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

financial support for OPEB that is provided by other entities. This Statement is effective for the fiscal year ending September 30, 2018.

In March 2016 the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreement*. This Statement will improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for the fiscal year ending September 30, 2018.

In November 2016 the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for an asset retirement obligation. This Statement is effective for the fiscal year ending September 30, 2019.

In January 2017 the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for the fiscal year ending September 30, 2020.

In March 2017 the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This Statement is effective for the fiscal year ending September 30, 2018.

In May 2017 the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement will improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is effective for the fiscal year ending September 30, 2018.

In May 2017 the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2021.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2017, the carrying amount of the Town's deposits was \$6,903,374 and the bank balances totaled \$7,044,612. The Town also had cash on hand of \$200. Town's deposits include checking accounts, money market checking accounts, and certificates of deposit. The certificates of deposit and money market accounts are reported as investments in the balance sheet and statement of net position.

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

Investments

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Fair Value Hierarchy

GASB Statement No. 72, *Fair Value Measurement and Application*, requires governments to disclose the fair value hierarchy for each type of asset or liability measured at fair value in the notes to the financial statements. The standard also requires governments to disclose a description of the valuation techniques used in the fair value measurement and any significant changes in valuation techniques. GASB 72 establishes a three-tier fair value hierarchy. The hierarchy is based on valuation inputs used to measure the fair value as follows:

- Level 1: Inputs are directly observable, quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs are other than quoted prices included within Level 1 that are for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.
- Level 3: Inputs are unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.

Certificates of deposit are exempt from reporting under the fair value hierarchy, and their fair value is measured at cost. As of September 30, 2017, the Town held the following certificates of deposit:

Description	Cost	Days to Maturity
Flagler Bank CD	\$ 259,785	183
Legacy Bank CD	270,307	353
	\$ 530,092	

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill their obligations. The Town's investment policies limit its investments to high quality investments to control credit risk.

Interest Rate Risk

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

NOTE 3 – RECEIVABLES

As of September 30, 2017, the Town's receivables for the individual major funds, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Special Assessment Fund	Water Fund	Total
Taxes	\$ 28,549	\$	\$	\$ 28,549
Accounts - billed	29,844		280,994	310,838
Other		1,626		1,626
Due from other governments	21,711			21,711
Special assessments		1,265,490		1,265,490
Subtotal	<u>80,104</u>	<u>1,267,116</u>	<u>280,994</u>	<u>1,628,214</u>
Allowance for uncollectibles			(25,000)	(25,000)
Net receivables	<u>\$ 80,104</u>	<u>\$ 1,267,116</u>	<u>\$ 255,994</u>	<u>\$ 1,603,214</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Assets not being depreciated				
Land	\$ 376,523	\$	\$	\$ 376,523
Construction in progress	15,212	394,066		409,278
Total not being depreciated	<u>391,735</u>	<u>394,066</u>		<u>785,801</u>
Assets being depreciated				
Buildings	933,480			933,480
Equipment	668,088	8,846		676,934
Infrastructure	2,680,639			2,680,639
Total being depreciated	<u>4,282,207</u>	<u>8,846</u>		<u>4,291,053</u>
Total at historical cost	<u>4,673,942</u>	<u>402,912</u>		<u>5,076,854</u>
Accumulated depreciation				
Buildings	747,472	26,258		773,730
Equipment	452,159	66,075		518,234
Infrastructure	1,375,796	91,229		1,467,025
Total accumulated depreciation	<u>2,575,427</u>	<u>183,562</u>		<u>2,758,989</u>
Governmental activities, net	<u>\$2,098,515</u>	<u>\$ 219,350</u>	<u>\$</u>	<u>\$2,317,865</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 4 – CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Assets being depreciated				
Water system improvements	\$2,658,922	\$	\$	\$2,658,922
Equipment	71,378			71,378
Total at historical cost	<u>2,730,300</u>			<u>2,730,300</u>
Accumulated depreciation				
Water system improvements	909,263	62,971		972,234
Equipment	65,994	1,900		67,894
Total accumulated depreciation	<u>975,257</u>	<u>64,871</u>		<u>1,040,128</u>
Business-type activities, net	<u>\$1,755,043</u>	<u>\$(64,871)</u>	<u>\$</u>	<u>\$1,690,172</u>

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

Governmental activities:	
General government	\$ 62,396
Police department	40,965
Streets	<u>80,201</u>
Total governmental activities	<u>\$ 183,562</u>
Business-type activities:	
Municipal water	<u>\$ 64,871</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 5 – LONG-TERM LIABILITIES

Governmental Activities

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

Principal and interest payments on the Note are due in annual installments commencing on April 1, 2013 and on each April 1 thereafter until final maturity on April 1, 2022. The Note bears interest at the rate of 2.09%. At September 30, 2017, principal and interest to maturity on April 1, 2022 to be paid from pledged funds totaled \$1,345,720. Principal and interest paid for the current fiscal year was \$269,157 and pledged special assessments were \$236,795.

Annual debt service requirements to maturity are as follows:

Year Ended September 30	Principal	Interest	Payment
2018	\$ 242,710	\$ 26,447	\$ 269,157
2019	247,783	21,374	269,157
2020	252,961	16,196	269,157
2021	258,248	10,909	269,157
2022	263,694	5,398	269,092
	<u>\$ 1,265,396</u>	<u>\$ 80,324</u>	<u>\$ 1,345,720</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Changes in the Town’s long-term liabilities for the year ended September 30, 2017 are summarized as follows:

<u>Governmental Activities</u>	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Promissory Note	\$1,503,137	\$	\$237,741	\$1,265,396	\$242,710
Compensated absences	103,457	92,317	109,212	86,562	15,383
Total Governmental Activities	<u>\$1,606,594</u>	<u>\$92,317</u>	<u>\$346,953</u>	<u>\$1,351,958</u>	<u>\$258,093</u>

<u>Business-type Activities</u>	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	<u>\$1,117</u>	<u>\$3,223</u>	<u>\$2,038</u>	<u>\$2,302</u>	<u>\$1,151</u>

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

Interest Expense

The total interest cost incurred on all Town debt for the year ended September 30, 2017, was \$28,938 and total interest paid during the year was \$31,416. No interest was capitalized in the Enterprise Fund during the year.

NOTE 6 – DEFINED CONTRIBUTION EMPLOYEE RETIREMENT PLAN

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 6 – DEFINED CONTRIBUTION EMPLOYEE RETIREMENT PLAN (Continued)

For the fiscal year ended September 30, 2017, the Town recognized pension expense of \$272,621 for the Plan, and as of the fiscal year end, the Town reported a payable in the amount of \$9,693 for outstanding contributions to the Plan. There were no forfeitures for the fiscal year.

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

NOTE 7 – DEFERRED COMPENSATION PLAN

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

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

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 9 – INTERLOCAL AGREEMENTS

Interlocal Agreement for Fire and EMS Service - City of Delray Beach

On July 14, 2009, the Town entered into an agreement with the City of Delray Beach whereby the City will provide the Town with fire and emergency medical services. The term of the agreement is for 10 years beginning on October 1, 2009, and extending through September 30, 2019. On October 4, 2011, the agreement was amended to increase the service fee for additional areas annexed into the Town. The Town paid an annual service fee of \$450,937 for the fiscal year ended September 30, 2017. The annual service fees for future years will be the current year fee adjusted annually based on the “All Urban Customers – United States April Consumer Price Index” or an increase of five percent (5.0%), whichever is greater. The annual service for the fiscal year ending September 30, 2018 will be \$473,484.

Interlocal Agreement for Dispatch Service - City of Delray Beach

On October 1, 2012, the Town entered into an agreement with the City of Delray Beach for dispatch services. The basic service fee under the agreement was \$54,036 for the initial contract year. Each year thereafter the basic service fee was adjusted from the previous year in an amount based upon the All Urban Consumers-United States Consumer Price Index for April. For the year ended September 30, 2017, the Town paid \$55,101 pursuant to the agreement. The agreement expired on September 30, 2017.

On October 30, 2017, the Town entered into a new agreement with the City of Delray Beach for dispatch services. The term of the agreement is for five years beginning October 1, 2017 and ending September 30, 2022. Under the terms of the agreement the service fee for the fiscal year ending September 30, 2018 will be \$55,961. Each year thereafter the basic service fee shall be adjusted from the previous year in an amount based upon the All Urban Consumers-United States Consumer Price Index for April.

Interlocal Agreement for Water Purchase - City of Delray Beach

In June 1998, the Town entered into an agreement with the City of Delray Beach for the purchase of treated, potable water. The term of the agreement is for a period of twenty-five years. Under the terms of the agreement, the Town is to pay the City the prevailing water rate charged by the City to non-residential users plus a surcharge of 25%. For the year ended September 20, 2017, the Town paid \$608,631 pursuant to the agreement.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 9 – INTERLOCAL AGREEMENTS (Continued)

Interlocal Agreement for Permitting and Inspection Services - City of Delray Beach

In November 2009, the Town entered into an agreement with the City of Delray Beach to provide the Town with the expertise and assistance of the City of Delray Beach Community Improvement Department (the “Department”) for the inspection and permitting of certain construction projects within the Town’s limits for compliance with the Florida Building Code (the “Code”). Under the terms of the agreement the Department shall review and process all plans, checking for compliance with the Code and to determine the subsidiary permits necessary and the amount of fees. For processing and the inspection service, the City shall receive one hundred percent of the permit fee. The fees shall be collected by the City. The agreement shall be of a continuing nature unless cancelled by either party for any reason and without penalty, on not less than sixty days written notice. In March 2010, the agreement was amended to add that the City shall collect the appropriate County impact fees for Town permits issued by the City. The City shall retain a 3.4% administrative fee for all Town impact fee assessments. For the year ended September 30, 2017, the Town paid \$493,133 pursuant to the agreement.

NOTE 10 – COMMITMENTS

Solid Waste and Recycling Collection Franchise Agreement

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

WMI bills the Town monthly for these services at the then current rate as adjusted from time to time by the terms and conditions of the agreement. For the year ended September 30, 2017, the Town made payments of \$138,670 pursuant to the agreement.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 10 – COMMITMENTS (Continued)

Construction Commitments

<u>Project</u>	<u>Authorized Amount</u>	<u>Amount Completed at 09/30/17</u>	<u>Balance to Complete at 09/30/17</u>
Undergrounding – Phase II, Wilco	\$2,890,597	\$1,853,764	\$1,036,833
Undergrounding – Phase II, Comcast	160,312	80,156	80,156
Undergrounding – Phase II, AT&T	420,582	25,000	395,582
Project Management and Support	408,206	406,581	1,625
Town Hall Addition	224,900		224,900
Paving Repairs	24,140		24,140
	<u>\$4,128,737</u>	<u>\$2,365,501</u>	<u>\$1,763,236</u>

NOTE 11 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which the Town carries commercial insurance. The Town purchases commercial insurance to cover the various risks. Retention of risks is limited to those risks that are uninsurable and deductibles ranging from \$250 to \$2,500 per occurrence. The Town has not significantly reduced insurance coverage during the past three fiscal years. There were no settled claims which exceeded insurance coverage during the fiscal years ended September 30, 2015, 2016, and 2017.

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

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2017

NOTE 12 – OPERATING LEASE

On May 31, 2013, the Town entered into an operating lease for a copier for use in Town Hall. The lease is for a term of 60 months and requires minimum monthly payments of \$501 that commenced in July 2013. For the year ended September 30, 2017, the Town made payments of \$10,640 pursuant to the lease.

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

<u>Year Ended September 30</u>	<u>Minimum Lease Payments</u>
2018	<u>\$4,509</u>
	<u>\$4,509</u>

NOTE 13 – SPECIAL ASSESSMENT

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

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

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Ad valorem taxes	\$ 4,422,064	\$ 4,422,064	\$ 4,431,500	\$ 9,436
Infrastructure surtax			43,546	43,546
Local option fuel taxes	34,500	34,500	37,214	2,714
Utility service taxes	213,000	213,000	219,755	6,755
Communications services taxes	59,568	59,568	55,590	(3,978)
Local business tax	19,114	19,114	13,341	(5,773)
Total taxes	<u>4,748,246</u>	<u>4,748,246</u>	<u>4,800,946</u>	<u>52,700</u>
Licenses and permits				
Inspection Fees	90,000	90,000	71,760	(18,240)
Franchise fees	138,000	138,000	154,795	16,795
Building permits	400,000	496,134	496,133	(1)
Total licenses and permits	<u>628,000</u>	<u>724,134</u>	<u>722,688</u>	<u>(1,446)</u>
Intergovernmental revenue				
State revenue sharing proceeds	107,610	107,610	105,246	(2,364)
Shared revenue from other local units	7,886	7,886	8,347	461
Payment in lieu of taxes	39,700	39,700	39,700	
Grants			19,153	19,153
Total intergovernmental revenue	<u>155,196</u>	<u>155,196</u>	<u>172,446</u>	<u>17,250</u>
Charges for services				
Solid waste collection fees	148,000	148,000	141,268	(6,732)
Other	15,000	15,000	1,810	(13,190)
Total charges for services	<u>163,000</u>	<u>163,000</u>	<u>143,078</u>	<u>(19,922)</u>
Judgments, fines and forfeits				
Judgments and fines	1,800	1,800	2,419	619
Total judgments, fines, and forfeits	<u>1,800</u>	<u>1,800</u>	<u>2,419</u>	<u>619</u>
Investment earnings	<u>4,000</u>	<u>4,000</u>	<u>47,114</u>	<u>43,114</u>
Miscellaneous revenues				
Contributions			12,166	12,166
Other			19,335	19,335
Total miscellaneous revenues			<u>31,501</u>	<u>31,501</u>
Total revenues	<u>5,700,242</u>	<u>5,796,376</u>	<u>5,920,192</u>	<u>123,816</u>

continued

See notes to the budgetary comparison schedule

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
General and administrative	2,472,065	2,568,199	2,075,043	493,156
Police	1,704,017	1,704,017	1,487,881	216,136
Fire	451,937	451,937	450,937	1,000
Streets	923,223	923,223	514,181	409,042
Sanitation	149,000	149,000	138,670	10,330
Total expenditures	<u>5,700,242</u>	<u>5,796,376</u>	<u>4,666,712</u>	<u>1,129,664</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$</u>	<u>\$</u>	1,253,480	<u>\$ 1,253,480</u>
Other financing sources (uses)				
Transfers out	(671,000)	(671,000)	(671,000)	
Total other financing sources (uses)	<u>(671,000)</u>	<u>(671,000)</u>	<u>(671,000)</u>	
Excess (deficiency) or revenues and other financing sources over (under) expenditures	<u>\$ (671,000)</u>	<u>\$ (671,000)</u>	582,480	<u>\$ 1,253,480</u>
Fund balance, beginning of year			<u>3,264,648</u>	
Fund balance, end of year			<u>\$ 3,847,128</u>	

See notes to the budgetary comparison schedule

TOWN OF GULF STREAM, FLORIDA
Notes to the Budgetary
Required Supplemental Information (RSI)
General Fund
September 30, 2017

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

A budget is legally adopted for the General 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 a resolution.
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, 2017, no departments had an excess of expenditures over appropriations.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Gulf Stream, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Gulf Stream's basic financial statements and have issued our report thereon dated March 8, 2018. The opinions on the governmental activities, business-type activities, and Enterprise Fund were qualified because the Town has not recognized the other postemployment benefits (OPEB) expense and obligation which is required in accordance with U.S. generally accepted accounting principles as provided in Governmental Accounting Standards Board Statement No. 45.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

Finding 2017-1

Condition: The Town did not reconcile the general ledger accounts for accounts receivable, accounts payable, and payroll liabilities to the subsidiary ledgers on a monthly basis.

Criteria: Asset and liability accounts should be reconciled monthly.

Effect: Because monthly reconciliations were not performed for all asset and liability accounts, significant differences between the general ledger and subsidiary ledgers were not detected and corrected on a timely basis.

Recommendation: We recommend that the Town reconcile the accounts receivable, accounts payable, and payroll liabilities general ledger accounts to the subsidiary ledgers on a monthly basis.

Management Response: We agree with the auditors' comments regarding reconciliation of the general ledger accounts for accounts receivable, accounts payable and payroll liabilities to the subsidiary ledgers. The following actions have been added to improve our internal procedures. To ensure we have an accurate representation of our utility aged accounts receivables, a new procedure has been added to our monthly reconciliation processes. We will produce the aged accounts receivable report in our utility billing software on the final day of the fiscal period and reconcile to the general ledger. A new step to payroll processing was added in response to an unusual situation that arose during Fiscal Year 2017 that impacted the fiscal period allocation of payroll liabilities and the associated accounts payable liability transactions. Prior to posting the payroll liabilities and the associated payroll accounts payable liabilities to the general ledger, we now create a validation report as part of our biweekly payroll procedures to ensure all data has been entered correctly. The staff will be advised of all revisions and additions to internal procedures.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Gulf Stream, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do

not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Gulf Stream, Florida's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
March 8, 2018



NOWLEN, HOLT & MINER, P.A.

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

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

Report on the Financial Statements

We have audited the financial statements of the Town of Gulf Stream, Florida, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 8, 2018. The opinions on the governmental activities, the business-type activities, and the Enterprise Fund were qualified because the Town has not recognized the other postemployment benefits (OPEB) expense and obligation 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.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 8, 2018, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements. There are no component units included in the Town of Gulf Stream, Florida's financial statements.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town of Gulf Stream, Florida. 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 review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Town of Gulf Stream, Florida for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

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

Single Audits

The Town of Gulf Stream, Florida expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance for the fiscal year ended September 30, 2017, and was not required to have a federal single audit or a state single audit.

Purpose of this Letter

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Town Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida
March 8, 2018



NOWLEN, HOLT & MINER, P.A.

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

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

We have examined the Town of Gulf Stream, Florida’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2017. Management of the Town of Gulf Stream, Florida is responsible for the Town of Gulf Stream, Florida’s compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Gulf Stream, Florida’s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town of Gulf Stream, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town of Gulf Stream, Florida complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Town of Gulf Stream, Florida’s compliance with the specified requirements.

In our opinion, the Town of Gulf Stream, Florida complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2017.

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
March 8, 2018