



TOWN OF GULF STREAM, FLORIDA



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

FISCAL YEAR ENDED SEPTEMBER 30, 2018

TOWN OF GULF STREAM, FLORIDA
SEPTEMBER 30, 2018

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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, 2018, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Gulf Stream, Florida, as of September 30, 2018, 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.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, the Town of Gulf Stream, Florida implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ended September 30, 2018. The net position of the Governmental Activities as of October 1, 2017 has been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, the budgetary comparison information on pages 52 through 54, and the Schedule of Changes in Total OPEB Liability on page 55 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Gulf Stream, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Gulf Stream, Florida's internal control over financial reporting and compliance.

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida
June 27, 2019

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 \$12,075,766 (net position).
- Ø The governmental activities revenues were \$6,185,782 at the close of fiscal year 2018.
- Ø The business-type activities revenues were \$1,175,251 at the close of fiscal year 2018.
- Ø The total cost of all Town programs was \$5,842,464 during the fiscal year 2018.
- Ø At the end of the 2018 fiscal year, unassigned fund balance for the General Fund was increased by \$1,164,735 and ending Fiscal Year 2018 with a total of \$4,947,793 or 103% of total General Fund expenditures which totaled \$4,812,289 at the end of Fiscal Year 2018.

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 3-12)				
BASIC FINANCIAL STATEMENTS	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Government-wide Financial Statements (pages 13-15)</td> <td style="width: 50%;">Fund Financial Statements (Pages 16-22)</td> </tr> <tr> <td colspan="2" style="text-align: center;">Notes to the Financial Statements (Pages 23-51)</td> </tr> </table>	Government-wide Financial Statements (pages 13-15)	Fund Financial Statements (Pages 16-22)	Notes to the Financial Statements (Pages 23-51)	
Government-wide Financial Statements (pages 13-15)	Fund Financial Statements (Pages 16-22)				
Notes to the Financial Statements (Pages 23-51)					
REQUIRED SUPPLEMENTAL INFORMATION	Required supplementary information (Other than MD&A) (Pages 52-55)				

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 10. The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for a particular purpose.

- 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.
- 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.

Management's Discussion and Analysis

§ 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 2018 is reported at \$12,075,766. Net position of the Town's governmental activities for the fiscal year ending 2018 is \$8,327,045. The net position of our business-type activities is reported at \$3,748,721 for the fiscal year ending 2018. Overall the financial position of the total primary government increased \$1,518,569 during the current fiscal year. Net position for the governmental activities increased \$1,274,831 and net position for the business-type activities increased \$243,738.

Town of Gulf Stream Net Position September 30, 2017 and 2018

	Governmental Activities		Business-type Activities		Total	
	2017 (1)	2018	2017	2018	2017	2018
Current and Other Assets	\$ 6,658,737	\$ 7,859,402	\$ 1,830,482	\$ 2,134,364	\$ 8,489,219	\$ 9,993,766
Capital Assets	2,317,865	2,666,376	1,690,172	1,654,159	4,008,037	4,320,535
Total Assets	8,976,602	10,525,778	3,520,654	3,788,523	12,497,256	14,314,301
Current and Other Liabilities	506,258	1,032,126	40,110	37,500	546,368	1,069,626
Long Term Liabilities	1,418,130	1,165,682	2,302	2,302	1,420,432	1,167,984
Total Liabilities	1,924,388	2,197,808	42,412	39,802	1,966,800	2,237,610
Deferred Inflows of Resources		925				925
Net Investment in Capital Assets	2,317,865	2,666,376	1,690,172	1,654,159	4,008,037	4,320,535
Restricted - Dredging Projects	17,820	17,820			17,820	17,820
Restricted - Underground Utilities	1,053,142	635,777			1,053,142	635,777
Restricted - Infrastructure Projects	43,546	116,783			43,546	116,783
Restricted - Repairs & replacements			392,185	528,252	392,185	528,252
Unrestricted	3,619,841	4,890,289	1,422,626	1,566,310	5,042,467	6,456,599
Total Net Position	\$ 7,052,214	\$ 8,327,045	\$ 3,504,983	\$ 3,748,721	\$ 10,557,197	\$ 12,075,766

(1) Restated for the implementation of GASB Statement No. 75

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 2018, there was an increase in the total net position from Fiscal Year 2017 for governmental activities which totaled \$1,274,831. The 2018 net position total for governmental activities, which includes the General Fund and the Special Assessment Fund, was \$8,327,045. Overall, the Town incurred a decrease of \$1,545,330 in expenses for governmental activities from Fiscal Year 2017 to Fiscal Year 2018. The majority of this decrease in expenses was directly related to expenditures for the physical environment which includes Phase II of the Undergrounding Project. During Fiscal Year 2018, there were delays in construction due to structural revision approvals by FPL which delayed final payment to the contractor responsible for the conduit and electrical installation. The increase in net position was also due partly in the decrease in general government expenses from Fiscal Year 2017 to Fiscal Year 2018.
- Ø The increase in business-type net position was \$243,738 from Fiscal Year 2017 to Fiscal Year 2018. Even though the Town continues to decrease water usage which results in less revenue than the previous fiscal year, the Town continues to also decrease annual expenditures as the Town Commission's intent is to increase the net position for the Enterprise Fund in preparation for the recently passed 10 Year Capital Improvement Plan (CIP). This 10 Year CIP will see the majority of the water line infrastructure replaced over the course of the next decade.

Management's Discussion and Analysis

Town of Gulf Stream Changes in Net Position For the Fiscal Years Ended September 30, 2017 and 2018

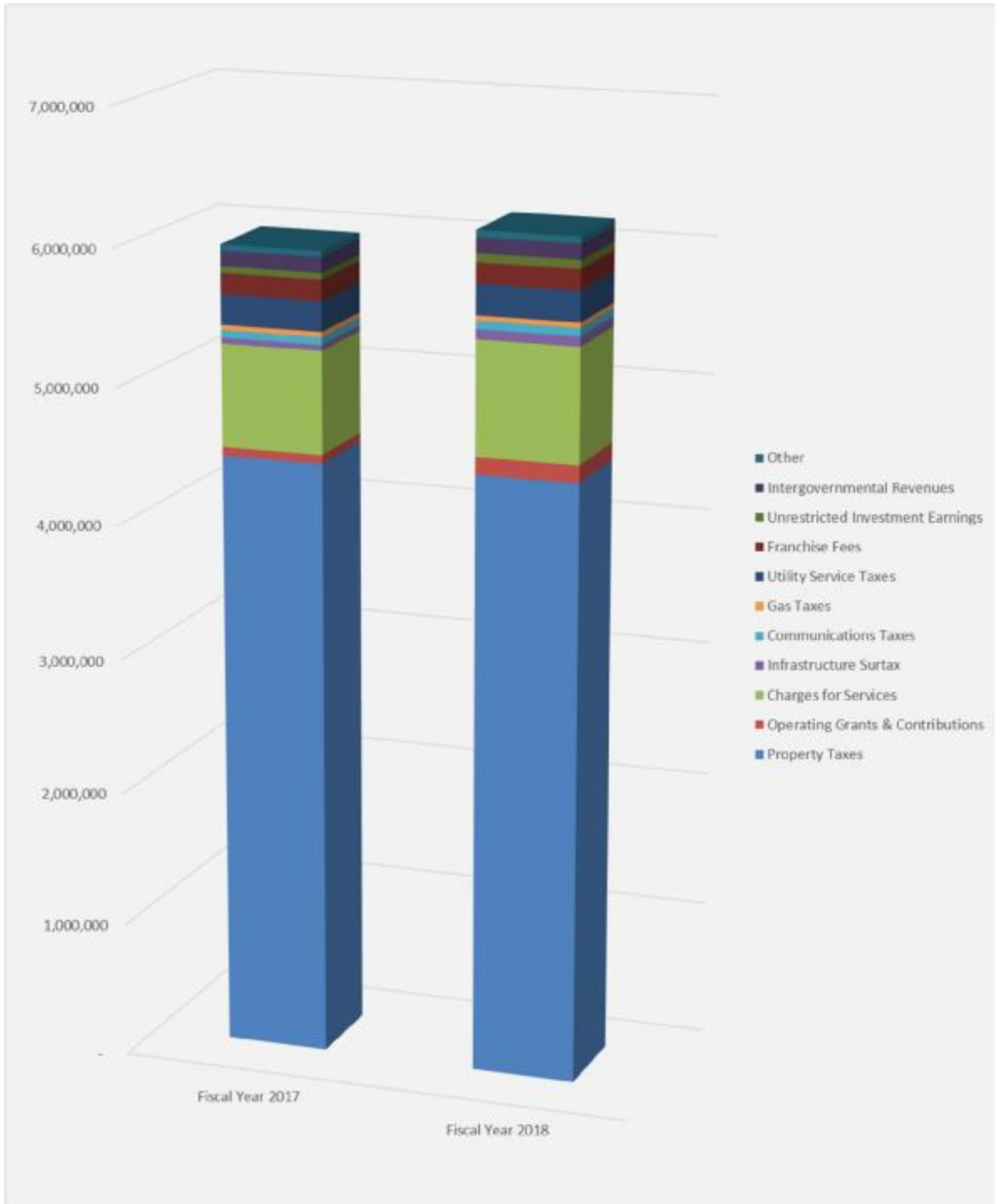
	Governmental Activities		Business-type Activities		Total	
	2017 (1)	2018	2017	2018	2017	2018
Revenues						
Program Revenues						
Charges for Services	\$ 755,066	\$ 841,035	\$ 1,156,751	\$ 1,020,383	\$ 1,911,817	\$ 1,861,418
Operating Grants & Contributions	63,508	127,763			63,508	127,763
Capital Grants and Contributions			135,885	138,717	135,885.00	138,717.00
General Revenues						
Property Taxes	4,431,500	4,446,477			4,431,500	4,446,477
Infrastructure Surtax	43,546	73,237			43,546	73,237
Communications Taxes	55,590	60,321			55,590	60,321
Gas Taxes	37,214	36,747			37,214	36,747
Utility Service Taxes	219,755	223,507			219,755	223,507
Franchise Fees	154,795	150,206			154,795	150,206
Unrestricted Investment Earnings	47,114	63,803	10,901	16,151	58,015	79,954
Intergovernmental Revenues	113,593	113,036			113,593	113,036
Other	44,104	49,650			44,104	49,650
Total Revenues	5,965,785	6,185,782	1,303,537	1,175,251	7,269,322	7,361,033
Expenses						
Governmental Activities						
General Government	2,149,640	1,996,475			2,149,640	1,996,475
Police Department	1,453,134	1,561,244			1,453,134	1,561,244
Fire Protection	450,937	473,484			450,937	473,484
Streets	238,086	282,897			238,086	282,897
Sanitation	138,670	140,865			138,670	140,865
Physical Environment	1,996,876	432,068			1,996,876	432,068
Interest on Long-Term Debt	28,938	23,918			28,938	23,918
Business-Type Activities						
Water			954,596	931,513	954,596	931,513
Total Expenses	6,456,281	4,910,951	954,596	931,513	7,410,877	5,842,464
Change in Net Position	(490,496)	1,274,831	348,941	243,738	(141,555)	1,518,569
Net Position - Beginning	7,542,710	7,052,214	3,156,042	3,504,983	10,698,752	10,557,197
Net Position - Ending	\$ 7,052,214	\$ 8,327,045	\$ 3,504,983	\$ 3,748,721	\$ 10,557,197	\$ 12,075,766

(1) Restated for the implementation of GAB Statement No. 75

Management's Discussion and Analysis

Ø The Town's primary source of revenue continues to come from Property Taxes as seen in the comparison of Fiscal Year Revenues from 2017 and 2018 in the chart below.

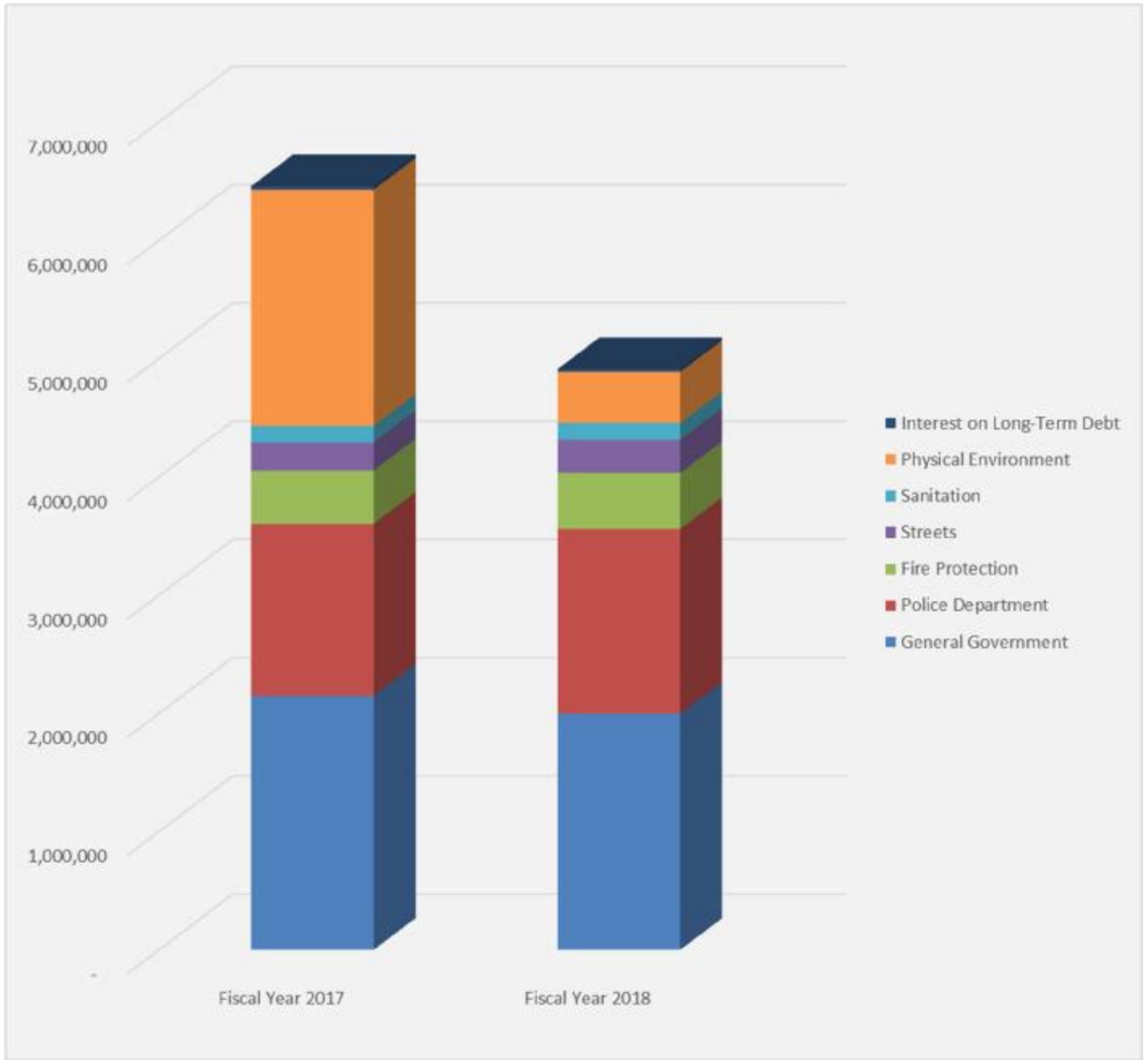
**Revenues – Governmental Revenues by Source Comparison
Fiscal Year 2017 to Fiscal Year 2018**



Management's Discussion and Analysis

- Ø The Town's expenses cover a range of services, and total expenditures decreased from Fiscal Year 2017 to Fiscal Year 2018.

**Governmental Expenses Comparison by Function
Fiscal Year 2017 to Fiscal Year 2018**



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 \$5,091,562, an increase of \$1,244,434 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 2018 fiscal year with \$9,166 in non-spendable fund balance (which includes inventories and prepaid expenditures), \$134,603 in restricted fund balance, which consisted of \$17,820 reserved for dredging projects and \$116,783 for infrastructure projects, with \$4,947,793 in unassigned fund balance. The increase in Fund Balance from 2017 is the desired outcome of the Town's budget process. It is the intent of the Town Commission to proceed with a dynamic 10 Year Capital Improvement Plan and use the accrued Fund Balance to avoid incurring future debt.

Financial Analysis of the Proprietary Fund

Total net position of the water fund at the end of the fiscal year 2018 was \$3,748,721. The net position of the water fund has increased slightly from last year. Water rates were not increased during Fiscal Year 2018, however water usage decreased from the 2017 usage amounts. The Town has increased the net position of the Enterprise Fund, also known as the Water Fund, with a combination of reduced expenditures and increased investment revenue. The net position of the Enterprise Fund will be used in conjunction with the fund balance of the General Fund to support the 10 Year CIP.

General Fund Budgetary Highlights

At the beginning of Fiscal Year 2018, the Town Commission voted to create a receptionist position from the contracted administrative position that had been filled full time for three years. This position has been instrumental in making the internal procedures more efficient and assisting in increasing the Town's internal controls.

The Town Commission increased by resolution the budget for revenues and expenditures one time by Resolution No. 18-015. This adjustment for \$215,972 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 Town Commission has made it a budget priority to increase the Fund Balance. After years of intensive legal battles over public record requests, the Town's Fund Balance was severely depleted around 2014. Since then, the Commission has deemed it proper and appropriate to take necessary measures to restore the Town's Fund Balance. Now that the Fund Balance is at appropriate levels again, the Commission intends to use the accrued funds to fund the adopted 10 Year Capital Improvement Plan. Items included in the 10 Year CIP are water infrastructure repairs and replacement, road repairs, smart meters and street lighting.

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the Town had invested \$4,320,535 in a broad range of capital assets including police equipment, buildings, and infrastructure and water improvements. Additional information can be found in Note 5 to the financial statements.

**Town of Gulf Stream
Capital Assets
(Net of Depreciation)
September 30, 2017 and 2018**

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Net Capital Assets						
Land	\$ 376,523	\$ 376,523	\$	\$	\$ 376,523	\$ 376,523
Construction in Progress	409,278	518,090			409,278	518,090
Buildings & Improvements	159,750	455,928	1,686,688	1,623,942	1,846,438	2,079,870
Equipment	158,700	158,216	3,484	30,217	162,184	188,433
Infrastructure	1,213,614	1,157,619			1,213,614	1,157,619
Total Net Capital Assets	<u>\$ 2,317,865</u>	<u>\$ 2,666,376</u>	<u>\$ 1,690,172</u>	<u>\$ 1,654,159</u>	<u>\$ 4,008,037</u>	<u>\$ 4,320,535</u>

Long-Term Liabilities

As of September 30, 2018, the Town had \$1,167,984 in long-term liabilities as shown in the following table. Additional information can be found in Note 6 to the financial statements.

**Town of Gulf Stream
Long-Term Liabilities
September 30, 2017 and 2018**

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Promissory Note	\$ 1,265,396	\$ 1,022,686	\$	\$	\$ 1,265,396	\$ 1,022,686
OPEB (1)	66,172	69,996			66,172	69,996
Compensated Absences	86,562	73,000	2,302	2,302	88,864	75,302
Total Long-Term Liabilities	<u>\$ 1,418,130</u>	<u>\$ 1,165,682</u>	<u>\$ 2,302</u>	<u>\$ 2,302</u>	<u>\$ 1,420,432</u>	<u>\$ 1,167,984</u>

(1) Restated for the implementation of GASB Statement No. 75

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Ø The millage rate was decreased to 4.050 mills from the Fiscal Year 2018 millage rate of 4.360 mills, which is less than the rolled-back rate by 0.24%.

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, 2018

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 491,339	\$ 1,498,495	\$ 1,989,834
Investments	4,683,950		4,683,950
Accounts receivable	171,406	194,783	366,189
Inventories	7,156		7,156
Internal balances	87,166	(87,166)	
Prepaid expenses	2,010		2,010
Restricted assets			
Cash and cash equivalents	169,544	502,794	672,338
Investments	1,216,909		1,216,909
Accounts receivable	8,091	25,458	33,549
Assessments receivable	1,021,831		1,021,831
Capital assets			
Non-depreciable	894,613		894,613
Depreciable (net of depreciation)	1,771,763	1,654,159	3,425,922
Total assets	10,525,778	3,788,523	14,314,301
Liabilities			
Accounts payable	137,153	30,869	168,022
Contracts payable	777,881		777,881
Accrued liabilities	76,434	2,371	78,805
Accrued interest payable	10,658		10,658
Damage deposit bonds	30,000		30,000
Unearned revenue		4,260	4,260
Long-term liabilities			
Payable within one year	295,370	1,151	296,521
Payable after one year	870,312	1,151	871,463
Total liabilities	2,197,808	39,802	2,237,610
Deferred inflows of resources			
OPEB items	925		925
Net position			
Net investment in capital assets	2,666,376	1,654,159	4,320,535
Restricted for dredging	17,820		17,820
Restricted for underground utilities	635,777		635,777
Restricted for infrastructure projects	116,783		116,783
Restricted for repairs, replacements and improvements		528,252	528,252
Unrestricted	4,890,289	1,566,310	6,456,599
Total net position	\$ 8,327,045	\$ 3,748,721	\$ 12,075,766

See notes to the financial statements

TOWN OF GULF STREAM, FLORIDA
Statement of Activities
For the Year Ended September 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Primary Government		
Governmental activities		
General government	\$ 1,996,475	\$ 683,726
Police department	1,561,244	1,709
Fire protection	473,484	
Streets	282,897	
Sanitation	140,865	142,089
Physical environment	432,068	13,511
Interest on long-term debt	23,918	
Total governmental activities	<u>4,910,951</u>	<u>841,035</u>
Business-type activities		
Water	<u>931,513</u>	<u>1,020,383</u>
Total primary government	<u>\$ 5,842,464</u>	<u>\$ 1,861,418</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
\$ 100,124	\$	\$ (1,212,625)	\$	\$ (1,212,625)
		(1,559,535)		(1,559,535)
		(473,484)		(473,484)
		(282,897)		(282,897)
		1,224		1,224
27,639		(390,918)		(390,918)
		(23,918)		(23,918)
<u>127,763</u>		<u>(3,942,153)</u>		<u>(3,942,153)</u>
	138,717		227,587	227,587
<u>\$ 127,763</u>	<u>\$ 138,717</u>	<u>(3,942,153)</u>	<u>227,587</u>	<u>(3,714,566)</u>
General revenues				
Property taxes		4,446,477		4,446,477
Infrastructure surtax		73,237		73,237
Communications services taxes		60,321		60,321
Gas taxes		36,747		36,747
Utility service tax		223,507		223,507
Franchise taxes		150,206		150,206
Intergovernmental shared revenues		113,036		113,036
Unrestricted investment earnings		63,803	16,151	79,954
Miscellaneous revenues		49,650		49,650
Total general revenues		<u>5,216,984</u>	<u>16,151</u>	<u>5,233,135</u>
Change in net position		1,274,831	243,738	1,518,569
Net position - beginning, as restated		7,052,214	3,504,983	10,557,197
Net position - ending		<u>\$ 8,327,045</u>	<u>\$ 3,748,721</u>	<u>\$ 12,075,766</u>

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Balance Sheet - Governmental Funds
September 30, 2018

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 491,339	\$ 169,544	\$ 660,883
Investments	4,683,950	1,052,306	5,736,256
Accounts receivable	171,406	1,602	173,008
Assessments receivable		1,021,831	1,021,831
Due from other funds	87,166		87,166
Inventories	7,156		7,156
Prepaid expenditures	2,010		2,010
Restricted assets			
Investments	164,603		164,603
Accounts receivable	6,489		6,489
Total assets	<u><u>\$ 5,614,119</u></u>	<u><u>\$ 2,245,283</u></u>	<u><u>\$ 7,859,402</u></u>
Liabilities, deferred inflows of resources, and fund equity			
Liabilities			
Accounts payable	\$ 137,153	\$	\$ 137,153
Contracts payable	191,061	586,820	777,881
Accrued liabilities	76,434		76,434
Deposits payable	30,000		30,000
Total liabilities	<u>434,648</u>	<u>586,820</u>	<u>1,021,468</u>
Deferred inflows of resources			
Unavailable revenue	87,909	1,021,831	1,109,740
Total deferred inflows of resources	<u>87,909</u>	<u>1,021,831</u>	<u>1,109,740</u>
Fund equity			
Nonspendable			
Inventories	7,156		7,156
Prepays	2,010		2,010
Restricted for			
Dredging projects	17,820		17,820
Infrastructure projects	116,783		116,783
Underground utilities		636,632	636,632
Unassigned	4,947,793		4,947,793
Total fund equity	<u>5,091,562</u>	<u>636,632</u>	<u>5,728,194</u>
Total liabilities, deferred inflows of resources, and fund equity	<u><u>\$ 5,614,119</u></u>	<u><u>\$ 2,245,283</u></u>	<u><u>\$ 7,859,402</u></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, 2018

Fund balance of governmental funds		\$ 5,728,194
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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	\$ 5,526,962	
Less accumulated depreciation	<u>(2,860,586)</u>	2,666,376

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	1,109,740
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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	(1,022,686)	
Accrued interest payable	(10,658)	
Compensated absences	(73,000)	
Total other postemployment benefits liability	(69,996)	(1,176,340)

Deferred outflows of resources and deferred inflows of resources related to other postemployment benefit plans are applicable to future periods and are not reported in the governmental funds.

Other postemployment plan related deferred inflows	<u>(925)</u>
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Net position of governmental activities	<u><u>\$ 8,327,045</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, 2018

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 4,840,289	\$	\$ 4,840,289
Intergovernmental revenue	152,736		152,736
Licenses and permits	816,843		816,843
Charges for services	143,799		143,799
Fines and forfeits	1,709		1,709
Investment earnings	63,803	27,639	91,442
Special assessments		243,659	243,659
Miscellaneous	37,544	13,511	51,055
Total revenues	<u>6,056,723</u>	<u>284,809</u>	<u>6,341,532</u>
Expenditures			
Current			
General and administrative	1,940,902		1,940,902
Police department	1,500,789		1,500,789
Fire protection	473,484		473,484
Streets	201,591		201,591
Sanitation	140,865		140,865
Physical environment		432,068	432,068
Capital outlay	554,658		554,658
Debt service			
Principal		242,710	242,710
Interest		26,447	26,447
Total expenditures	<u>4,812,289</u>	<u>701,225</u>	<u>5,513,514</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,244,434</u>	<u>(416,416)</u>	<u>828,018</u>
Net change in fund balance	1,244,434	(416,416)	828,018
Fund balance - beginning of the year	<u>3,847,128</u>	<u>1,053,048</u>	<u>4,900,176</u>
Fund balance - end of the year	<u>\$ 5,091,562</u>	<u>\$ 636,632</u>	<u>\$ 5,728,194</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, 2018

Net change in fund balance of governmental funds \$ 828,018

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	\$ 554,658	
Less current year depreciation	<u>(201,260)</u>	353,398

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

Net book value of fixed asset disposals	(4,887)
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Governmental funds include revenues collected within 60 days of year end as deferred revenue. Government-wide reporting recognizes revenues when they are earned, regardless of when they are collected.

Grants	87,909
Special assessments	(243,659)

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	242,710
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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	2,529
Change in long-term compensated absences	13,562
Change in other postemployment liability and related deferred amounts	<u>(4,749)</u>

Change in net position of governmental activities	<u><u>\$ 1,274,831</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, 2018

	<u>Enterprise Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 1,498,495
Accounts receivable, net	194,783
Restricted assets	
Cash and cash equivalents	502,794
Accounts receivable	25,458
Total current assets	<u>2,221,530</u>
Noncurrent assets	
Depreciable capital assets	2,764,660
Less accumulated depreciation	<u>(1,110,501)</u>
Total noncurrent assets	<u>1,654,159</u>
Total assets	<u>3,875,689</u>
Liabilities	
Current liabilities	
Accounts payable	30,869
Accrued liabilities	2,371
Compensated absences payable	1,151
Due to other funds	87,166
Unearned revenue	4,260
Total current liabilities	<u>125,817</u>
Noncurrent liabilities	
Compensated absences payable	<u>1,151</u>
Total noncurrent liabilities	<u>1,151</u>
Total liabilities	<u>126,968</u>
Net position	
Net investment in capital assets	1,654,159
Restricted for repairs, replacements and improvements	528,252
Unrestricted	<u>1,566,310</u>
Total net position	<u>\$ 3,748,721</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, 2018

	Enterprise Fund
Operating revenues	
Charges for services	\$ 1,020,383
Total operating revenues	1,020,383
Operating expenses	
Personnel	83,716
Water purchases	564,321
Repairs and maintenance	35,801
Management fees	90,000
Depreciation expense	70,373
Payment in lieu of taxes	39,700
Other expenses	47,602
Total operating expenses	931,513
Operating income	88,870
Nonoperating revenues	
Interest income	16,151
Total nonoperating revenues	16,151
Income before capital contributions	105,021
Capital contributions	
Connection fees	2,650
Reserve fees	136,067
Total capital contributions	138,717
Change in net position	243,738
Net position - beginning of the year	3,504,983
Net position - end of the year	\$ 3,748,721

See notes to the financial statements

TOWN OF GULF STREAM, FLORIDA
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2018

	Enterprise Fund
Cash flows from operating activities:	
Receipts from customers	\$ 1,053,342
Payments to employees	(83,270)
Payments to suppliers	(642,801)
Internal activity - payments to other funds	(42,534)
	284,737
Cash flows from capital financing activities:	
Reserve fees received	137,350
Connection fees received	2,650
Acquisition and construction of fixed assets	(34,360)
	105,640
Cash flows from investing activities:	
Interest and dividends on investments	16,151
Sale of investments	381,709
	397,860
Net cash used by investing activities	397,860
Net increase in cash and cash equivalents	788,237
Cash and cash equivalents - beginning of the year	1,213,052
Cash and cash equivalents - end of the year	\$ 2,001,289
Cash flows from operating activities:	
Operating income	\$ 88,870
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	70,373
Changes in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	34,470
Prepaid expenses	3,372
Inventory	3,096
Increase (decrease) in:	
Accounts payable	(1,545)
Accrued liabilities	446
Due to other funds	87,166
Unearned revenue	(1,511)
	195,867
Total adjustments	195,867
Net cash provided by operating activities	\$ 284,737

See notes to the financial statements

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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 300 hours 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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018:

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 financial support for OPEB that is provided by other entities.

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. Implementation of the Statement did not impact the Town's financial statements.

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).

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements (Continued)

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. Implementation of the Statement did not impact the Town’s financial statements.

In June 2018 the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. Implementation of the 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 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 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 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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In March 2018 the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve the including direct borrowings and direct placements. It will also clarify which liabilities governments should include when disclosing information related to debt. This Statement is effective for the fiscal year ending September 30, 2019.

In August 2018 the GASB issued Statement No. 90, *Major Equity Interests*. This Statement will improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for the fiscal year ending September 30, 2020.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2018, the carrying amount of the Town's deposits was \$8,312,831 and the bank balances totaled \$8,383,990. The Town also had cash on hand of \$200. Cash and cash equivalents included a cashier's check of \$250,000, which was used to purchase a certificate of deposit effective October 2, 2018. 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 Treasure requires all Florida qualified public depositories to deposit with the Treasure 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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

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, 2018, the Town held the following certificates of deposit:

Description	Cost	Days to Maturity
Flagler Bank CD	\$ 263,847	549
Florida Community Bank CD	243,186	431
Legacy Bank CD	273,954	535
	\$ 780,987	

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

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, 2018, 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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Taxes	\$ 28,116	\$	\$	\$ 28,116
Accounts - billed	26,127		245,241	271,368
Other		1,602		1,602
Due from other governments	123,652			123,652
Special assessments		1,021,831		1,021,831
Subtotal	<u>177,895</u>	<u>1,023,433</u>	<u>245,241</u>	<u>1,446,569</u>
Allowance for uncollectibles			(25,000)	(25,000)
Net receivables	<u>\$ 177,895</u>	<u>\$ 1,023,433</u>	<u>\$ 220,241</u>	<u>\$ 1,421,569</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables at September 30, 2018, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 87,166

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, 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	409,278	485,645	(376,833)	518,090
Total not being depreciated	<u>785,801</u>	<u>485,645</u>	<u>(376,833)</u>	<u>894,613</u>
Assets being depreciated				
Buildings	933,480	325,279	(26,588)	1,232,171
Equipment	676,934	84,527	(77,962)	683,499
Infrastructure	2,680,639	36,040		2,716,679
Total being depreciated	<u>4,291,053</u>	<u>445,846</u>	<u>(104,550)</u>	<u>4,632,349</u>
Total at historical cost	<u>5,076,854</u>	<u>931,491</u>	<u>(481,383)</u>	<u>5,526,962</u>
Accumulated depreciation				
Buildings	773,730	29,101	(26,588)	776,243
Equipment	518,234	80,124	(73,075)	525,283
Infrastructure	1,467,025	92,035		1,559,060
Total accumulated depreciation	<u>2,758,989</u>	<u>201,260</u>	<u>(99,663)</u>	<u>2,860,586</u>
Governmental activities, net	<u>\$2,317,865</u>	<u>\$ 730,231</u>	<u>\$ (381,720)</u>	<u>\$2,666,376</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 5 – 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	34,360		105,738
Total at historical cost	<u>2,730,300</u>	<u>34,360</u>		<u>2,764,660</u>
Accumulated depreciation				
Water system improvements	972,234	62,746		1,034,980
Equipment	67,894	7,627		75,521
Total accumulated depreciation	<u>1,040,128</u>	<u>70,373</u>		<u>1,110,501</u>
Business-type activities, net	<u>\$1,690,172</u>	<u>\$(36,013)</u>	<u>\$</u>	<u>\$1,654,159</u>

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

Governmental activities:	
General government	\$ 66,490
Police department	53,763
Streets	<u>81,007</u>
Total governmental activities	<u>\$ 201,260</u>
Business-type activities:	
Municipal water	<u>\$ 70,373</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 6 – LONG-TERM LIABILITIES

Governmental Activities

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

Principal and interest payments on the Note are due in annual installments commencing on April 1, 2013 and on each April 1 thereafter until final maturity on April 1, 2022. The Note bears interest at the rate of 2.09%. At September 30, 2018, principal and interest to maturity on April 1, 2022 to be paid from pledged funds totaled \$1,076,563. Principal and interest paid for the current fiscal year was \$269,157 and pledged special assessments were \$243,659.

Annual debt service requirements to maturity are as follows:

Year Ended September 30	Principal	Interest	Payment
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>\$ 1,022,686</u>	<u>\$ 53,877</u>	<u>\$ 1,076,563</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Changes in the Town’s long-term liabilities for the year ended September 30, 2018 are summarized as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Promissory Note	\$1,265,396	\$	\$242,710	\$1,022,686	\$247,783
OPEB (1)	66,172	8,401	4,577	69,996	
Compensated absences	86,562	112,177	125,739	73,000	47,587
Total Governmental Activities	<u>\$1,418,130</u>	<u>\$120,578</u>	<u>\$373,026</u>	<u>\$1,165,682</u>	<u>\$295,370</u>

(1) Restated for the implementation of GASB Statement No. 75

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 2,302</u>	<u>\$ 3,683</u>	<u>\$ 3,683</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, 2018, was \$23,918 and total interest paid during the year was \$26,447. No interest was capitalized in the Enterprise Fund during the year.

NOTE 7 – DEFINED CONTRIBUTION EMPLOYEE RETIREMENT PLAN

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 7 – DEFINED CONTRIBUTION EMPLOYEE RETIREMENT PLAN (Continued)

employment before satisfying the vesting requirement are used to reduce the Town's current-period contribution requirement.

For the fiscal year ended September 30, 2018, the Town recognized pension expense of \$299,328 for the Plan, and as of the fiscal year end, the Town reported a payable in the amount of \$12,695 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 8 – DEFERRED COMPENSATION PLAN

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

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

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Town provides a single employer defined benefit other postemployment benefit plan (OPEB) to all of its employees. The plan allows its employees and their beneficiaries to continue to obtain healthcare benefits upon retirement. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions

The Town does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Town for active employees by its healthcare insurance provider. However, the Town’s actuaries in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Town or its active employees for coverage of the retirees and their dependents for the year net of the retiree’s own payments for the year.

Plan Membership

The following table provides a summary of the participants in the plan as of October 1, 2016, the latest valuation date:

Active plan members	14
Inactive plan members or beneficiaries currently receiving benefits	
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	<hr style="width: 100%;"/>
	<hr style="width: 100%;"/>
	<hr style="width: 100%;"/>

Discount Rate

The Town does not have a dedicated trust to pay retiree healthcare benefits. For plans that do not have assets held in a dedicated trust, the discount rate should equal the tax-exempt municipal bond rate based on the S&P Municipal Bond 20-year High Grade Index as of the measurement date. As of the measurement date of September 30, 2018, the rate was 3.64% based on the S&P Municipal Bond 20-year High Grade Index at September 30, 2018. The S&P Municipal Bond 20-year High Grade Index consists of 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) on the Standard & Poor’s Corporation’s and Moody’s Investors Service’s rating scales. The discount rate as of the beginning of the measurement year was 3.35%.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2018, the Town reported a total OPEB liability of \$69,996. For the fiscal year ended September 30, 2018, the Town recognized OPEB expense of \$4,749. As of September 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption changes	\$	\$ (925)
	\$	\$ (925)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30	Amortization
2019	\$ (165)
2020	(165)
2021	(165)
2022	(165)
2023	(165)
2024	(100)
	\$ (925)

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Valuation date:	October 1, 2016
Measurement date:	September 30, 2018
Actuarial cost method:	Entry Age Cost Method
Discount rate:	3.64%
Cost-of-living increases:	Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates.
Healthcare cost trend rates:	Increases in healthcare costs are assumed to be 8.00% for the 2016/17 fiscal year graded down by 0.50% per year to 5.00% for the 2022/23 and later fiscal years.
Age-related morbidity:	Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.
Implied health subsidy:	Because the insurance carrier charges the same monthly rate for health insurance regardless of age, an implied monthly subsidy of \$300.00 for each of the retiree and the retiree's spouse has been assumed at age 60 for the 2016/17 fiscal year; at other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates.
Mortality basis:	Sex-distinct rates set forth in the RP-2000 Combined Mortality Table (general employees) or RP-2000 Blue Collar Mortality Table (police officers), both with full generational improvements in mortality using Scale BB.
Retirement:	With respect to general employees, retirement is assumed to occur at age 62 with six years of service or at any age with 30 years of service; with respect to police officers, retirement is assumed to occur at age 55 with 10 years of service or at age 52 with 25 years of service.
Other decrements:	Assumed employment termination is based on the Scale 155 table; assumed disability is based on the Wyatt 1985 Disability Study (Class 1 rates were used for general employees and Class 4 rates were used for police officers).
Health coverage election:	25% of employees are assumed to elect medical coverage until age 65 upon retirement or disability; of those electing coverage for themselves, 50% are also assumed to elect coverage for their spouse.
Spouses and dependents:	Husbands are assumed to be three years older than wives; retirees are not assumed to have any dependent children.
COBRA:	Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Assumptions

The discount rate was changed from 3.35% as of the beginning of the measurement period to 3.64% as of September 30, 2018. This change is reflected in the schedule of changes in total OPEB liability. There were no benefit changes during the year.

Total OPEB Liability

The components of the total OPEB liability as of September 30, 2018 were as follows:

Description	Total OPEB Liability
Balance September 30, 2017, as restated	\$ 66,172
Changes for the year:	
Service cost	5,843
Expected interest growth	2,558
Benefit payments & refunds	(3,487)
Assumptions changes	(1,090)
Net change	3,824
Balance September 30, 2018	\$ 69,996

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the Town calculated using the single discount rate of 3.64% as well as what the Town's total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current rate.

Discount Rate Sensitivity	1% Decrease 2.64%	Discount Rate 3.64%	1% Increase 4.64%
Total OPEB Liability	\$ 73,871	\$ 69,996	\$ 66,448

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates

The following table presents the total OPEB liability of the Town calculated using the assumed trend rates (8.00% decreasing to 5.00%) as well as what the Town’s total OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the assumed trend rates.

<u>Healthcare Trend Rate Sensitivity</u>	<u>1% Decrease</u> 4.00% - 7.00%	<u>Healthcare Cost Trend Rate</u> 5.00% - 8.00%	<u>1% Increase</u> 6.00% - 9.00%
Total OPEB Liability	\$ 64,775	\$ 69,996	\$ 75,851

NOTE 10 – 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 \$473,484 for the fiscal year ended September 30, 2018. 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, 2019 will be \$497,158.

Interlocal Agreement for Dispatch Service - City of Delray Beach

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. The basic service fee under the agreement was \$55,961 for the initial contract year. Each year thereafter the basic service fee shall be adjusted from the previous year in an amount based upon the All Urban Consumers-United States Consumer Price Index for April. For the year ended September 30, 2018, the Town paid \$55,961 pursuant to the agreement.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 10 – INTERLOCAL AGREEMENTS (Continued)

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 30, 2018, the Town paid \$564,321 pursuant to the agreement.

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, 2018, the Town paid \$565,972 pursuant to the agreement.

NOTE 11 – COMMITMENTS

Solid Waste and Recycling Collection Franchise Agreement

On September 13, 2013, the Town made the fourth amendment the solid waste and recycling collection franchise agreement with Waste Management Inc. of Florida (WMI). The fourth 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. On September 14, 2018, the Town made the fifth amendment to the agreement that extended the term of the agreement until March 30, 2019. On March 29, 2019, the Town made the sixth amendment the agreement to extend the term of the agreement until March 31, 2024. The sixth amendment also

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 11 – COMMITMENTS (Continued)

Solid Waste and Recycling Collection Franchise Agreement (Continued)

changed the index for use in making annual rate adjustments, and provide new rates for services commencing April 1, 2019.

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, 2018, the Town made payments of \$140,865 pursuant to the agreement.

Construction Commitments

<u>Project</u>	<u>Authorized Amount</u>	<u>Amount Completed at 09/30/18</u>	<u>Balance to Complete at 09/30/18</u>
Undergrounding – Phase II, Wilco	\$2,890,597	\$2,128,594	\$762,003
Undergrounding – Phase II, Comcast	160,312	80,156	80,156
Undergrounding – Phase II, AT&T	420,582	395,582	25,000
	<u>\$3,471,491</u>	<u>\$2,604,332</u>	<u>\$867,159</u>

NOTE 12 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which the Town carries commercial insurance. The Town purchases commercial insurance to cover the various risks. Retention of risks is limited to those risks that are uninsurable and deductibles ranging from \$250 to \$2,500 per occurrence. The Town has not significantly reduced insurance coverage during the past three fiscal years. There were no settled claims which exceeded insurance coverage during the fiscal years ended September 30, 2016, 2017, and 2018.

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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 12 – RISK MANAGEMENT (Continued)

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 December 2018, the Town entered into a Settlement Agreement with a Town resident and business entities affiliated with him relative to a number of these cases. The Agreement resulted in the voluntary dismissal of six cases and the Town paying the plaintiff \$15,000 and the Town consenting to judgment in four cases. The only remaining issue in these four cases is the amount the Town must pay to the plaintiff as reasonable costs, including attorney’s fees. No award will be covered by the Town’s liability coverage. The amounts of any costs and fees award cannot be reasonably determined at this time and will be the subject of evidentiary hearings before the trial court, absent settlement. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements

Other cases alleging violation of the Public Records Law by the Town are still pending. In the event of success in these cases, plaintiffs would be entitled to attorney’s fees. The likelihood of unfavorable outcomes and the amounts of potential losses cannot be reasonably determined at this time. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements.

NOTE 13 – OPERATING LEASE

On June 11, 2018, the Town entered into an operation lease for a copier for use in Town Hall. The lease is for a term of 36 months and requires minimum monthly payments of \$457 that commenced in July 2018. For the year ended September 30, 2018, the Town made payments of \$1,380 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>
2019	\$5,484
2020	5,484
2021	4,113
	<u>\$15,081</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 14 – SPECIAL ASSESSMENT

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

Property owners were given the option to pay the entire amount of the assessment in advance of the Town obtaining financing for the project. The special assessments are subject to prepayment only on or before November 1, 2011. Assessments that are not prepaid shall be payable in not less than 10 and not more than 20 yearly installments. The special assessments shall bear interest not exceeding 10% per annum over the term of the financing obtained by the Town and will include annual costs related to administration and collection not to exceed 5%. The total assessable cost was \$5,518,144, and the Town received prepayments in the amount of \$2,885,049. See Note 6 for a discussion of the related financing for the project.

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 1, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, during the current fiscal year. This Statement requires employers participating in a single employer defined benefit other postemployment benefit plan (OPEB) to report the total OPEB liability and related OPEB amounts of the plan. The cumulative effect of applying this Statement has been reported as a restatement of the beginning net position of the Governmental Activities on the entity-wide financial statements. A reconciliation of the prior period ending net position to the current period beginning net position is as follows:

Balance at September 30, 2017, as reported	\$ 7,118,386
Adjustment for adoption of GASB 75	<u>(66,172)</u>
Balance at September 30, 2017, as restated	<u><u>\$ 7,052,214</u></u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Ad valorem taxes	\$ 4,420,871	\$ 4,420,871	\$ 4,446,477	\$ 25,606
Infrastructure surtax	30,000	30,000	73,237	43,237
Local option fuel taxes	34,500	34,500	36,747	2,247
Utility service taxes	190,600	190,600	223,507	32,907
Communications services taxes	47,700	47,700	60,321	12,621
Total taxes	<u>4,723,671</u>	<u>4,723,671</u>	<u>4,840,289</u>	<u>116,618</u>
Licenses and permits				
Inspection Fees	63,700	63,700	100,665	36,965
Franchise fees	128,300	128,300	150,206	21,906
Building permits	350,000	565,972	565,972	
Total licenses and permits	<u>542,000</u>	<u>757,972</u>	<u>816,843</u>	<u>58,871</u>
Intergovernmental revenue				
State revenue sharing proceeds	95,000	95,000	106,943	11,943
Shared revenue from other local units	1,500	1,500	6,093	4,593
Payment in lieu of taxes	29,700	29,700	39,700	10,000
Total intergovernmental revenue	<u>126,200</u>	<u>126,200</u>	<u>152,736</u>	<u>26,536</u>
Charges for services				
Solid waste collection fees	141,200	141,200	142,089	889
Other	15,000	15,000	1,710	(13,290)
Total charges for services	<u>156,200</u>	<u>156,200</u>	<u>143,799</u>	<u>(12,401)</u>
Judgments, fines and forfeits				
Judgments and fines	1,800	1,800	1,094	(706)
Violation of local ordinances			615	615
Total judgments, fines, and forfeits	<u>1,800</u>	<u>1,800</u>	<u>1,709</u>	<u>(91)</u>
Investment earnings	<u>4,000</u>	<u>4,000</u>	<u>63,803</u>	<u>59,803</u>
Miscellaneous revenues				
Contributions			12,215	12,215
Other	15,400	15,400	25,329	9,929
Total miscellaneous revenues	<u>15,400</u>	<u>15,400</u>	<u>37,544</u>	<u>22,144</u>
Total revenues	<u>5,569,271</u>	<u>5,785,243</u>	<u>6,056,723</u>	<u>271,480</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Administration	2,370,203	2,586,175	2,102,830	483,345
Legal	153,739	153,739	149,973	3,766
Police	1,742,588	1,742,588	1,560,924	181,664
Fire Rescue	474,500	474,500	473,484	1,016
Streets	679,241	679,241	384,213	295,028
Sanitation	149,000	149,000	140,865	8,135
Total expenditures	<u>5,569,271</u>	<u>5,785,243</u>	<u>4,812,289</u>	<u>972,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$</u>	<u>\$</u>	1,244,434	<u>\$ 1,244,434</u>
Fund balance, beginning of year			<u>3,847,128</u>	
Fund balance, end of year			<u>\$ 5,091,562</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, 2018

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, 2018, no departments had an excess of expenditures over appropriations.

TOWN OF OCEAN RIDGE, FLORIDA
Required Supplementary Information (RSI)
Schedule of Changes in Total OPEB Liability
For the Fiscal Year Year Ended September 30, 2018

	2018
Total OPEB liability - beginning, as restated	\$ 66,172
Changes for the year:	
Service cost	5,843
Expected interest growth	2,558
Benefit payments & refunds	(3,487)
Assumption changes	(1,090)
Net change in total OPEB liability	3,824
Total OPEB liability - ending	\$ 69,996

Change in Assumptions

Since the prior measurement date, the discount rate was increased from 3.35% per annum to 3.64% per annum.

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.



NOWLEN, HOLT & MINER, P.A.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Gulf Stream, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Gulf Stream, Florida’s basic financial statements and have issued our report thereon dated June 27, 2019.

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 and accounts payable 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 and accounts payable general ledger accounts to the subsidiary ledgers on a monthly basis.

Management Response: We agree with the auditor's comments regarding reconciliation of the general ledger accounts for accounts receivable and accounts payable 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 receivable and accounts payable, a new procedure has been added to our monthly reconciliation processes. We will produce the adjustments report from the utility software and reconcile the corresponding general ledger accounts accordingly. We have also added the procedure of keeping all utility account adjustments separated from the utility billing and payment records, allowing more accessible and reconcilable documentation. 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
June 27, 2019



NOWLEN, HOLT & MINER, P.A.

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

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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, 2018, and have issued our report thereon dated June 27, 2019.

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 June 27, 2019, 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.

The Finding 2017-1 was included in the audit report for the prior year. The Town has made progress in addressing the issues in this finding, but portions of the finding still apply.

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.b. 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.

Special District Component Units

Section 10.554(1)(i)5.c, 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, 2018, 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 & Mimer, P.A.

West Palm Beach, Florida
June 27, 2019



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, 2018. 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, 2018.

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
June 27, 2019