



# **TOWN OF GULF STREAM, FLORIDA**



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

**FISCAL YEAR ENDED SEPTEMBER 30, 2020**

TOWN OF GULF STREAM, FLORIDA  
SEPTEMBER 30, 2020  
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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, each major fund, and the aggregate remaining fund information of the Town of Gulf Stream, Florida, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Gulf Stream, Florida'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, each major fund, and the aggregate remaining fund information of the Town of Gulf Stream, Florida, as of September 30, 2020, 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.

## ***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 4 through 13, the budgetary comparison information on pages 56 through 58, and the Schedule of Changes in Total OPEB Liability on page 59 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Gulf Stream, Florida's basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2021, 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 3, 2021

## Management's Discussion and Analysis

The Town of Gulf Stream's (the "Town") discussion and analysis is designed to:

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

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

### FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the Town of Gulf Stream exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year by \$15,164,515 (net position).
- The governmental activities revenues were \$5,960,454 at the close of fiscal year 2020.
- The business-type activities revenues were \$1,245,754 at the close of fiscal year 2020.
- The total cost of all Town programs was \$5,483,022 during the fiscal year 2020.
- At the end of the 2020 fiscal year, unassigned fund balance for the General Fund was increased by \$767,833 and ending Fiscal Year 2020 with a total of \$6,437,020 or 83% of total General Fund expenditures which totaled \$5,339,975 at the end of Fiscal Year 2020.

### USING THIS REPORT

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

MD&A	Management's Discussion & Analysis (Required supplemental information) (pages 4-13)
BASIC FINANCIAL STATEMENTS	Government-wide Financial Statements (pages 14-16) Fund Financial Statements (Pages 17-24) Notes to the Financial Statements (Pages 25-55)
REQUIRED SUPPLEMENTAL INFORMATION	Required supplementary information. (Other than MD&A) (Pages 56-59)

## **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:

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

### **Fund Financial Statements**

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

- 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.
- Proprietary Funds – Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The Town's enterprise fund (one type of proprietary fund)



## Management's Discussion and Analysis

is the same as its business type activities, but provides more detail and additional information, such as cash flows.

- **Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the City's programs. While fiduciary funds represent fiduciary responsibilities of the Town, these assets are restricted in purpose and do not represent discretionary assets of the government. The Town reports a single fiduciary fund, the Health Reimbursement Agency Fund.

### FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

#### Net Position

The Town's combined net position for the fiscal year ending 2020 is reported at \$15,164,515. Net position of the Town's governmental activities for the fiscal year ending 2020 is \$10,682,155. The net position of our business-type activities is reported at \$4,482,360 for the fiscal year ending 2020. Overall, the financial position of the total primary government increased \$1,723,186 during the current fiscal year. Net position for the governmental activities increased \$1,288,324 and net position for the business-type activities increased \$434,862.

#### Town of Gulf Stream Net Position September 30, 2019 and 2020

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>
Current and Other Assets	\$ 8,086,123	\$ 8,554,919	\$ 2,447,978	\$ 2,620,141	\$ 10,534,101	\$ 11,175,060
Capital Assets	2,623,829	3,269,122	1,641,867	2,805,023	4,265,696	6,074,145
<b>Total Assets</b>	<b>10,709,952</b>	<b>11,824,041</b>	<b>4,089,845</b>	<b>5,425,164</b>	<b>14,799,797</b>	<b>17,249,205</b>
 Deferred Outflows of Resources	 <b>14,481</b>	 <b>12,483</b>			 <b>14,481</b>	 <b>12,483</b>
 Current and Other Liabilities	 418,265	 537,233	 41,294	 38,269	 459,559	 575,502
Long Term Liabilities	888,233	596,552	1,053	1,095	889,286	597,647
<b>Total Liabilities</b>	<b>1,306,498</b>	<b>1,133,785</b>	<b>42,347</b>	<b>39,364</b>	<b>1,348,845</b>	<b>1,173,149</b>
 Deferred Inflows of Resources	 <b>24,104</b>	 <b>20,584</b>			 <b>24,104</b>	 <b>20,584</b>
 Net Investment in Capital Assets	 2,623,829	 2,980,620	 1,641,867	 1,901,583	 4,265,696	 4,882,203
Restricted - Dredging Projects	17,820	17,820			17,820	17,820
Restricted - Underground Utilities	371,464	375,792			371,464	375,792
Restricted - Infrastructure Projects	186,811	98,565			186,811	98,565
Restricted - Health reimbursement	57,000				57,000	
Restricted - Repairs & replacements			664,336	796,888	664,336	796,888
Unrestricted	6,136,907	7,209,358	1,741,295	1,783,889	7,878,202	8,993,247
<b>Total Net Position</b>	<b>\$ 9,393,831</b>	<b>\$ 10,682,155</b>	<b>\$ 4,047,498</b>	<b>\$ 4,482,360</b>	<b>\$ 13,441,329</b>	<b>\$ 15,164,515</b>

## **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).

- At the end of Fiscal Year 2020, there was an increase in the total net position from Fiscal Year 2020 for governmental activities which totaled \$1,288,324. The 2020 net position total for governmental activities, which includes the General Fund, Special Assessment Fund, and Infrastructure Surtax Fund, was \$10,682,155. Expenses of the governmental activities decreased \$355,415 from Fiscal Year 2019 to Fiscal Year 2020. The decrease in expenses was primarily the result of a pause in construction on the Undergrounding Project while negotiations between the Town and AT&T regarding change orders necessary to complete the Project were taking place.
- The increase in business-type net position was \$434,862 from Fiscal Year 2019 to Fiscal Year 2020. There was a significant decrease from Fiscal Year 2019 to Fiscal Year 2020, primarily in the purchase of water from the City of Delray Beach. There was a slight increase in revenue from 2019 to 2020 in investment earnings. The Town continues to collect what is known as a reserve fee which will be used for future infrastructure repair and replacement cost. During Fiscal Year 2019 the Town began the design and planning for the first major water infrastructure project of the 10 Year CIP (Capital Improvement Plan) which was approved by the Town Commission in Fiscal Year 2018. Construction on the A1A Watermain Phase II Project began in Fiscal Year 2020. This included increasing the size of the watermain along A1A from Golfview Dr. to Sea Road, Sea Road, North County Road, Bermuda Lane, and Little Club Road, as well as pavement repaving and improvements.

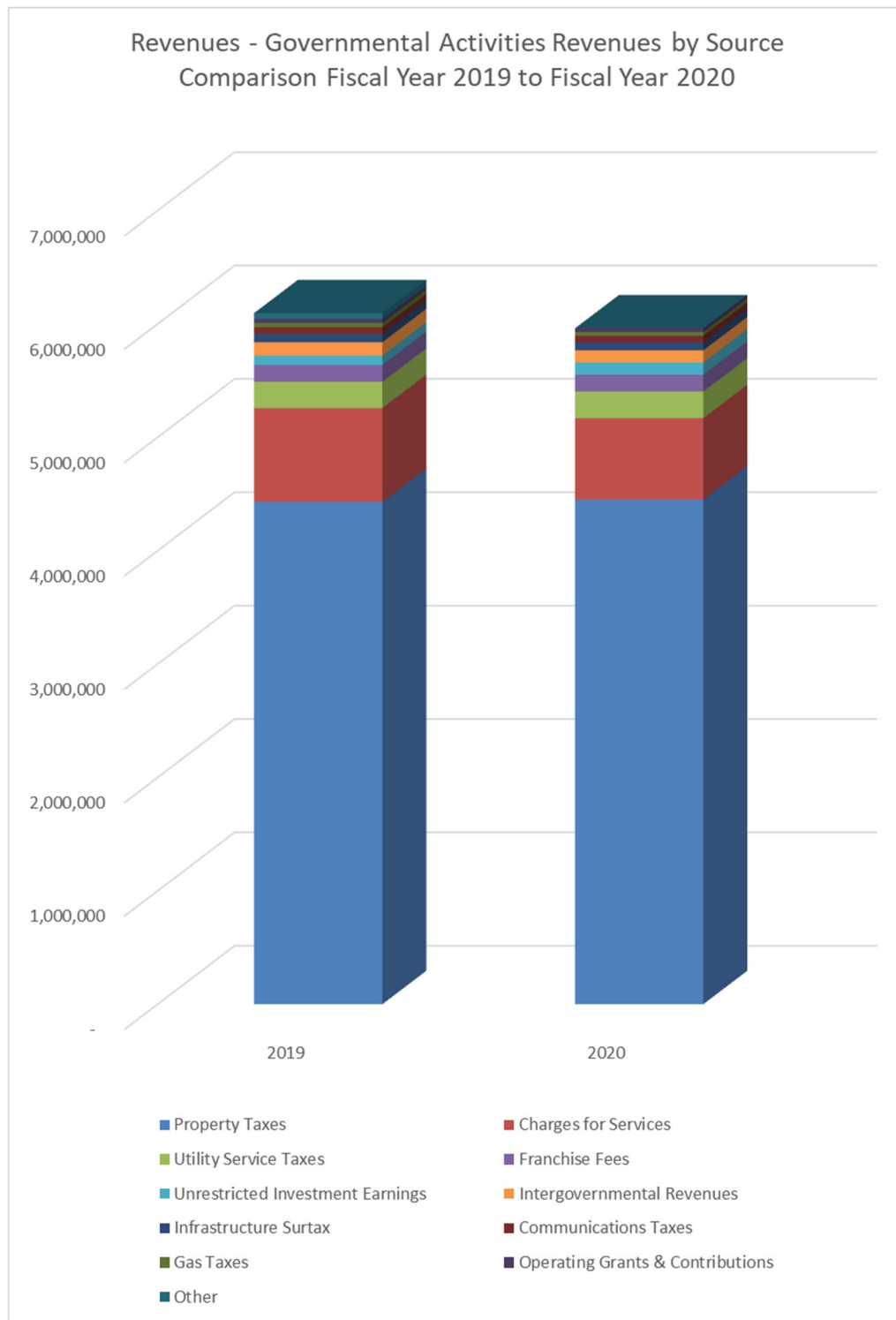
# Management's Discussion and Analysis

## Town of Gulf Stream Changes in Net Position For the Fiscal Years Ended September 30, 2019 and 2020

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Revenues						
Program Revenues						
Charges for Services	\$ 827,037	\$ 717,155	\$ 1,091,752	\$ 1,080,141	\$ 1,918,789	\$ 1,797,296
Operating Grants & Contributions	35,573	31,933			35,573	31,933
Capital Grants and Contributions			136,084	132,552	136,084.00	132,552.00
General Revenues						
Property Taxes	4,430,361	4,451,048			4,430,361	4,451,048
Infrastructure Surtax	73,489	69,563			73,489	69,563
Communications Taxes	58,432	59,246			58,432	59,246
Gas Taxes	37,134	33,125			37,134	33,125
Utility Service Taxes	232,024	235,037			232,024	235,037
Franchise Fees	147,907	148,073			147,907	148,073
Unrestricted Investment Earnings	83,721	107,747	20,710	33,061	104,431	140,808
Intergovernmental Revenues	117,370	107,347			117,370	107,347
Other	51,283	180			51,283	180
Total Revenues	6,094,331	5,960,454	1,248,546	1,245,754	7,342,877	7,206,208
Expenses						
Governmental Activities						
General Government	2,209,863	2,010,742			2,209,863	2,010,742
Police Department	1,568,359	1,640,933			1,568,359	1,640,933
Fire Protection	497,158	522,015			497,158	522,015
Streets	312,018	311,954			312,018	311,954
Sanitation	150,945	157,745			150,945	157,745
Physical Environment	270,410	15,107			270,410	15,107
Interest on Long-Term Debt	18,792	13,634			18,792	13,634
Business-Type Activities						
Water			949,769	810,892	949,769	810,892
Total Expenses	5,027,545	4,672,130	949,769	810,892	5,977,314	5,483,022
Change in Net Position	1,066,786	1,288,324	298,777	434,862	1,365,563	1,723,186
Net Position - Beginning	8,327,045	9,393,831	3,748,721	4,047,498	12,075,766	13,441,329
Net Position - Ending	\$ 9,393,831	\$ 10,682,155	\$ 4,047,498	\$ 4,482,360	\$ 13,441,329	\$ 15,164,515

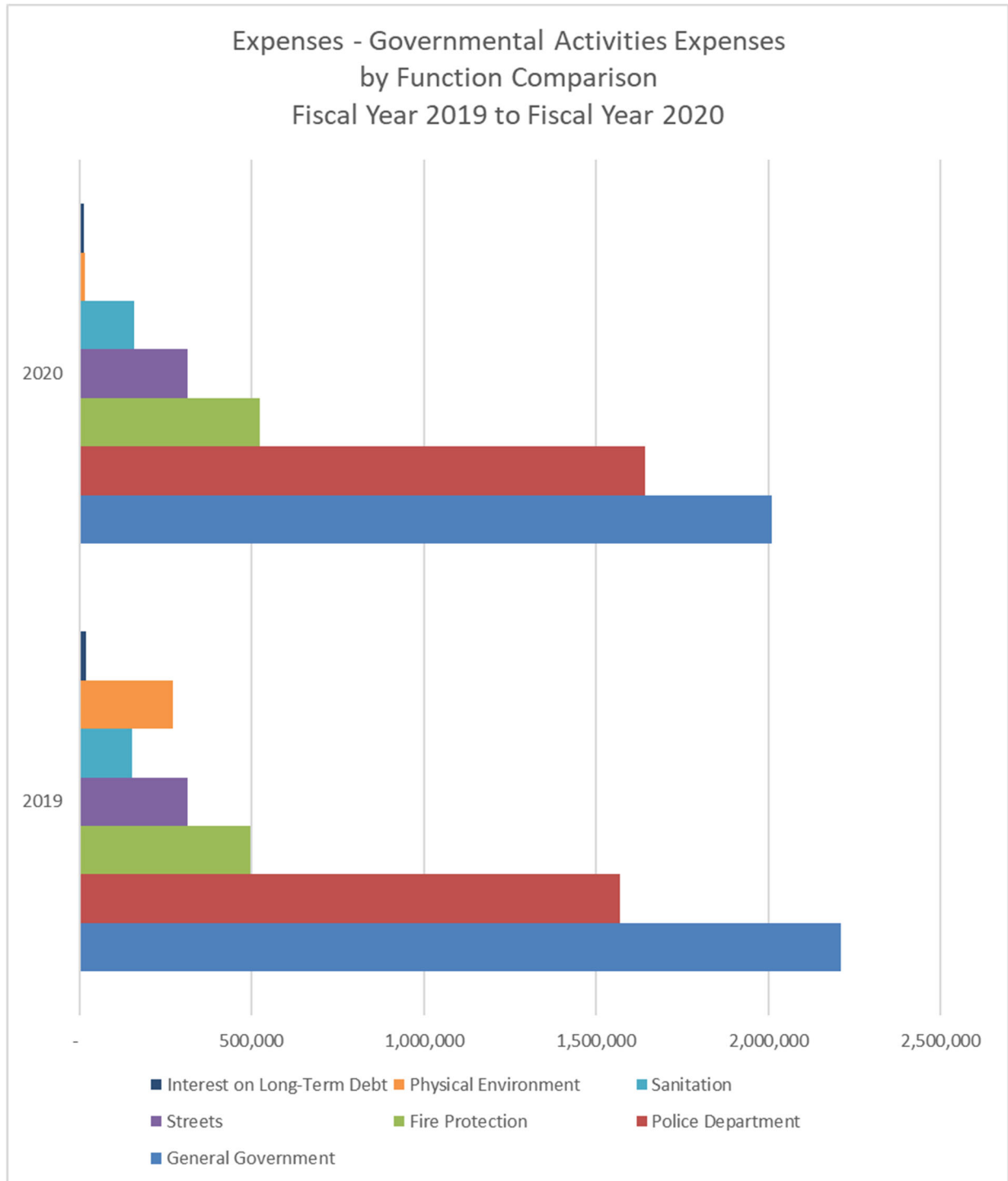
## Management's Discussion and Analysis

- The Town's primary source of revenue continues to come from Property Taxes as seen in the comparison of Fiscal Year Revenues from 2019 and 2020 in the chart below.



## Management's Discussion and Analysis

- The Town's expenses cover a range of services, and total expenses decreased from Fiscal Year 2019 to Fiscal Year 2020. The primary expense is for General Government which includes the administration, finance and legal functions.



## **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 \$7,059,925, an increase of \$515,256 from the previous fiscal year. The increase was due primarily timing of construction liabilities related to the Town's 10 Year Capital Improvement Plan. The General Fund ended the 2020 fiscal year with \$5,085 in non-spendable fund balance (which includes inventories and prepaid expenditures), \$617,820 in restricted fund balance, which consisted of \$17,820 reserved for dredging projects and \$600,000 for subsequent fiscal year's expenditures, with \$6,437,020 in unassigned fund balance. The intent of the Town Commission is to proceed with a dynamic 10 Year Capital Improvement Plan and use the 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 2020 was \$4,482,360. The net position of the water fund increased \$434,862 from the prior year. Water rates were not increased during Fiscal Year 2020. The Town has increased the net position of the Proprietary Fund, also known as the Water Fund, with a combination of increased water sales revenue 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 Capital Improvement Plan.

### **General Fund Budgetary Highlights**

The Town Commission increased by resolution the budget for revenues and expenditures one time by Resolution No. 20-12. This adjustment for \$35,592 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 also increased by resolution the budget for Legal Department expenditures and decreased the Administration Department expenditures one time by Resolution No. 20-12. This Budget Amendment was necessary due to unforeseen contracted legal expense incurred due to the ongoing negotiations with AT&T regarding the completion of the Undergrounding Project.

The Town Commission has made it a budget priority to increase the fund balance of the General Fund. The fund balance was severely depleted around 2014 due to ongoing legal battles. Since then, the Commission has deemed it proper and appropriate to take necessary measures to restore the fund balance. Now that the fund balance is at appropriate levels again, the Commission intends to use the fund balance to finance the adopted 10 Year Capital Improvement Plan. Items included in the 10 Year CIP are water infrastructure repairs and replacement, road repairs, smart meters, improved storm drainage and street lighting. It is the Town's wish to repair and replace the Town's infrastructure without the need of issuing debt.

## Management's Discussion and Analysis

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2020, the Town had invested \$5,473,633 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, 2019 and 2020**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>
Net Capital Assets						
Land	\$ 376,523	\$ 376,523	\$	\$	\$ 376,523	\$ 376,523
Construction in Progress	38,483	756,712	58,909	600,512	97,392	1,357,224
Buildings	426,454	393,741			426,454	393,741
Water system improvements			1,561,196	1,498,485	1,561,196	1,498,485
Equipment	166,201	251,616	21,762	105,514	187,963	357,130
Intangible Assets		7,678				7,678
Infrastructure	1,606,443	1,482,852			1,606,443	1,482,852
Total Net Capital Assets	<u>\$ 2,614,104</u>	<u>\$ 3,269,122</u>	<u>\$ 1,641,867</u>	<u>\$ 2,204,511</u>	<u>\$ 4,255,971</u>	<u>\$ 5,473,633</u>

#### Long-Term Liabilities

As of September 30, 2020, the Town had \$597,647 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, 2019 and 2020**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>
Promissory Note	\$ 774,903	\$ 521,986	\$	\$	\$ 774,903	\$ 521,986
OPEB	61,271	59,892			61,271	59,892
Compensated Absences	52,059	14,674	1,053	1,095	53,112	15,769
Total Long-Term Liabilities	<u>\$ 888,233</u>	<u>\$ 596,552</u>	<u>\$ 1,053</u>	<u>\$ 1,095</u>	<u>\$ 889,286</u>	<u>\$ 597,647</u>

## **Management's Discussion and Analysis**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The Town Commission voted during Fiscal Year 2020 to begin taking necessary steps to mitigate rising ocean levels and the impact of breached seawalls in the Gulf Stream Core District. After the completion of the Core Drainage Project, the Town Commission voted in FY 2021 to approve an environmental study on storm water drainage improvements.
- The Town Commission voted to delay the Town's 10 Year Capital Improvement Plan in Fiscal Year 2021 to allow time for the storm water drainage to be completed. Projects will be deferred one year. The recommendations of the study will be incorporated into the Town's 10 Year Capital Improvement Plan.
- The Town is estimated to receive \$413,919 in funds from the 2021 American Rescue Plan Act. At this time, the Town intends to use the funds for infrastructure repairs, replacement and maintenance.
- The Town purchases water from the City of Delray Beach and then resells it to the residents in Gulf Stream. The contract between The Town of Gulf Stream and the City of Delray Beach to allow Gulf Stream to purchase water from Delray Beach will expire on June 17, 2023 and negotiations have begun to renew the contract.
- During the 2019 COVID Pandemic, the Town accelerated the plan to update, upgrade and secure the technology processes and materials used to conduct business. The Town has taken steps to ensure that the ability to remotely access the Town's programs to ensure continuity of service to the residents during times of crisis or the inability to access the island due to weather events. This has had a financial impact on the Town as hardware maintenance and replacement has been partially changed to contracts for cloud based services.

### **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, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 8,320	\$ 1,750,566	\$ 1,758,886
Investments	7,282,065		7,282,065
Accounts receivable	75,907	181,596	257,503
Inventories	3,716		3,716
Internal balances	108,909	(108,909)	
Prepaid expenses	1,369		1,369
Restricted assets			
Cash and cash equivalents	203,099	772,333	975,432
Investments	342,127		342,127
Accounts receivable	8,322	24,555	32,877
Assessments receivable	521,085		521,085
Capital assets			
Non-depreciable	1,133,235	600,512	1,733,747
Depreciable (net of depreciation)	2,135,887	2,204,511	4,340,398
<b>Total assets</b>	<b>11,824,041</b>	<b>5,425,164</b>	<b>17,249,205</b>
<b>Deferred outflows of resources</b>			
OPEB items	12,483		12,483
<b>Liabilities</b>			
Accounts payable	124,989	32,026	157,015
Contracts and retainage payable	288,502	302,928	591,430
Accrued liabilities	24,690	1,983	26,673
Litigation settlement payable	38,582		38,582
Unearned revenue		4,260	4,260
Payable from restricted assets			
Accrued interest payable	5,470		5,470
Damage deposit bonds	55,000		55,000
Long-term liabilities			
Payable within one year	272,060	1,095	273,155
Payable after one year	324,492		324,492
<b>Total liabilities</b>	<b>1,133,785</b>	<b>342,292</b>	<b>1,476,077</b>
<b>Deferred inflows of resources</b>			
OPEB items	20,584		20,584
<b>Net position</b>			
Net investment in capital assets	2,980,620	1,901,583	4,882,203
Restricted for dredging	17,820		17,820
Restricted for underground utilities	375,792		375,792
Restricted for infrastructure projects	98,565		98,565
Restricted for repairs, replacements and improvements		796,888	796,888
Unrestricted	7,209,358	1,783,889	8,993,247
<b>Total net position</b>	<b>\$ 10,682,155</b>	<b>\$ 4,482,360</b>	<b>\$ 15,164,515</b>

See notes to the financial statements

**TOWN OF GULF STREAM, FLORIDA**  
**Statement of Activities**  
**For the Year Ended September 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Primary Government		
Governmental activities		
General government	\$ 2,010,742	\$ 419,319
Police department	1,640,933	128,345
Fire protection	522,015	
Streets	311,954	
Sanitation	157,745	153,222
Physical environment	15,107	16,269
Interest on long-term debt	13,634	
Total governmental activities	<u>4,672,130</u>	<u>717,155</u>
Business-type activities		
Water	<u>810,892</u>	<u>1,080,141</u>
Total primary government	<u>\$ 5,483,022</u>	<u>\$ 1,797,296</u>

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental activities	Business-type activities	Total
\$ 12,543	\$	\$ (1,578,880)	\$	\$ (1,578,880)
		(1,512,588)		(1,512,588)
		(522,015)		(522,015)
		(311,954)		(311,954)
		(4,523)		(4,523)
19,390		20,552		20,552
		(13,634)		(13,634)
<u>31,933</u>		<u>(3,923,042)</u>		<u>(3,923,042)</u>
	<u>132,552</u>		<u>401,801</u>	<u>401,801</u>
<u>\$ 31,933</u>	<u>\$ 132,552</u>	<u>(3,923,042)</u>	<u>401,801</u>	<u>(3,521,241)</u>
General revenues				
Property taxes		4,451,048		4,451,048
Infrastructure surtax		69,563		69,563
Communications services taxes		59,246		59,246
Gas taxes		33,125		33,125
Utility service tax		235,037		235,037
Franchise taxes		148,073		148,073
Intergovernmental shared revenues		107,347		107,347
Unrestricted investment earnings		107,747	33,061	140,808
Miscellaneous revenues		180		180
Total general revenues		<u>5,211,366</u>	<u>33,061</u>	<u>5,244,427</u>
Change in net position		1,288,324	434,862	1,723,186
Net position - beginning		9,393,831	4,047,498	13,441,329
Net position - ending		<u>\$ 10,682,155</u>	<u>\$ 4,482,360</u>	<u>\$ 15,164,515</u>

See notes to the financial statements.

**TOWN OF GULF STREAM, FLORIDA**  
**Balance Sheet - Governmental Funds**  
**September 30, 2020**

	General Fund	Special Assessment Fund	Nonmajor Governmental Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 8,320	\$ 111,173	\$ 91,926	\$ 211,419
Investments	7,354,885	269,307		7,624,192
Accounts receivable	75,907	1,683	6,639	84,229
Assessments receivable		521,085		521,085
Due from other funds	108,909			108,909
Inventories	3,716			3,716
Prepaid expenditures	1,369			1,369
Total assets	<u>\$ 7,553,106</u>	<u>\$ 903,248</u>	<u>\$ 98,565</u>	<u>\$ 8,554,919</u>
Liabilities, deferred inflows of resources, and fund equity				
Liabilities				
Accounts payable	\$ 124,989	\$	\$	\$ 124,989
Contracts and retainage payable	288,502			288,502
Accrued liabilities	24,690			24,690
Deposits payable	55,000			55,000
Total liabilities	<u>493,181</u>			<u>493,181</u>
Deferred inflows of resources				
Unavailable revenue		521,085		521,085
Total deferred inflows of resources		<u>521,085</u>		<u>521,085</u>
Fund equity				
Nonspendable				
Inventories	3,716			3,716
Prepays	1,369			1,369
Restricted for				
Dredging projects	17,820			17,820
Infrastructure projects			98,565	98,565
Underground utilities		382,163		382,163
Assigned to				
Subsequent year's expenditures	600,000			600,000
Unassigned	6,437,020			6,437,020
Total fund equity	<u>7,059,925</u>	<u>382,163</u>	<u>98,565</u>	<u>7,540,653</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 7,553,106</u>	<u>\$ 903,248</u>	<u>\$ 98,565</u>	<u>\$ 8,554,919</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, 2020**

Fund balance of governmental funds	\$	7,540,653
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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	\$ 6,485,982	
Less accumulated depreciation	<u>(3,216,860)</u>	3,269,122

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	521,085
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Litigation settlements not due and payable in the current period are not reported in the governmental funds	(38,582)
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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	(521,986)	
Accrued interest payable	(5,470)	
Compensated absences	(14,674)	
Total other postemployment benefits liability	(59,892)	(602,022)

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 outflows	12,483	
Other postemployment plan related deferred inflows	<u>(20,584)</u>	

Net position of governmental activities	\$	<u><u>10,682,155</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, 2020**

	General Fund	Special Assessment Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues				
Taxes	\$ 4,778,456	\$	\$ 69,564	\$ 4,848,020
Intergovernmental revenue	107,650			107,650
Licenses and permits	561,950			561,950
Charges for services	158,664			158,664
Fines and forfeits	128,345			128,345
Investment earnings	107,747	16,800	2,590	127,137
Special assessments		252,962		252,962
Miscellaneous	12,419	16,269		28,688
Total revenues	<u>5,855,231</u>	<u>286,031</u>	<u>72,154</u>	<u>6,213,416</u>
Expenditures				
Current				
General and administrative	2,141,751			2,141,751
Police department	1,618,043			1,618,043
Fire protection	522,015			522,015
Streets	192,159			192,159
Sanitation	157,745			157,745
Physical environment		15,107		15,107
Capital outlay	708,262		160,400	868,662
Debt service				
Principal		252,917		252,917
Interest		16,240		16,240
Total expenditures	<u>5,339,975</u>	<u>284,264</u>	<u>160,400</u>	<u>5,784,639</u>
Excess (deficiency) of revenues over (under) expenditures	<u>515,256</u>	<u>1,767</u>	<u>(88,246)</u>	<u>428,777</u>
Net change in fund balance	515,256	1,767	(88,246)	428,777
Fund balance - beginning of the year	<u>6,544,669</u>	<u>380,396</u>	<u>186,811</u>	<u>7,111,876</u>
Fund balance - end of the year	<u><u>\$ 7,059,925</u></u>	<u><u>\$ 382,163</u></u>	<u><u>\$ 98,565</u></u>	<u><u>\$ 7,540,653</u></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, 2020**

Net change in fund balance of governmental funds	\$	428,777
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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	\$ 868,662	
Less current year depreciation	<u>(223,369)</u>	645,293

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

Special assessments	(252,962)
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The repayment of the principal of long term debt consumes financial resources of governmental funds, but it does not have any effect on net position

Principal payments on debt	252,917
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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 litigation settlements payable	171,407
Change in accrued interest payable	2,606
Change in long-term compensated absences	37,385
Change in other postemployment liability and related deferred amounts	<u>2,901</u>

Change in net position of governmental activities	<u><u>\$ 1,288,324</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, 2020**

	<u>Enterprise Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 1,750,566
Accounts receivable, net	181,596
Restricted assets	
Cash and cash equivalents	772,333
Accounts receivable	24,555
Total current assets	<u>2,729,050</u>
Noncurrent assets	
Depreciable capital assets	3,460,156
Less accumulated depreciation	(1,255,645)
Total noncurrent assets	<u>2,204,511</u>
Total assets	<u>4,933,561</u>
Liabilities	
Current liabilities	
Accounts payable	32,026
Contracts and retainage payable	302,928
Accrued liabilities	1,983
Compensated absences payable	1,095
Due to other funds	108,909
Unearned revenue	4,260
Total current liabilities	<u>451,201</u>
Total liabilities	<u>451,201</u>
Net position	
Net investment in capital assets	1,901,583
Restricted for repairs, replacements and improvements	796,888
Unrestricted	1,783,889
Total net position	<u><u>\$ 4,482,360</u></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, 2020**

	<u>Enterprise Fund</u>
Operating revenues	
Charges for services	\$ 1,080,141
Total operating revenues	<u>1,080,141</u>
Operating expenses	
Personnel	87,364
Water purchases	561,253
Repairs and maintenance	21,290
Depreciation expense	73,943
Other expenses	<u>67,042</u>
Total operating expenses	<u>810,892</u>
Operating income	<u>269,249</u>
Nonoperating revenues	
Interest income	<u>33,061</u>
Total nonoperating revenues	<u>33,061</u>
Income before capital contributions	302,310
Capital contributions	
Reserve fees	<u>132,552</u>
Total capital contributions	<u>132,552</u>
Change in net position	434,862
Net position - beginning of the year	<u>4,047,498</u>
Net position - end of the year	<u><u>\$ 4,482,360</u></u>

See notes to the financial statements

**TOWN OF GULF STREAM, FLORIDA**  
**Statement of Cash Flows - Proprietary Fund**  
**For the Year Ended September 30, 2020**

	Enterprise Fund
Cash flows from operating activities:	
Receipts from customers	\$ 1,074,308
Payments to employees	(85,591)
Payments to suppliers	(654,341)
Internal activity - payments to other funds	200,660
Net cash provided by operating activities	<u>535,036</u>
Cash flows from capital financing activities:	
Reserve fees received	131,949
Acquisition and construction of fixed assets	(333,659)
Net cash used by capital financing activities	<u>(201,710)</u>
Cash flows from investing activities:	
Interest and dividends on investments	<u>33,061</u>
Net cash provided by investing activities	<u>33,061</u>
Net increase in cash and cash equivalents	366,387
Cash and cash equivalents - beginning of the year	<u>2,156,512</u>
Cash and cash equivalents - end of the year	<u><u>\$ 2,522,899</u></u>
Cash flows from operating activities:	
Operating income	\$ 269,249
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	73,943
Changes in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(5,833)
Increase (decrease) in:	
Accounts payable	(4,756)
Accrued liabilities	1,773
Due to other funds	200,660
Total adjustments	<u>265,787</u>
Net cash provided by operating activities	<u><u>\$ 535,036</u></u>

See notes to the financial statements

**TOWN OF GULF STREAM, FLORIDA**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Fund**  
**September 30, 2020**

	<u>Health Reimbursement Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$        165,197</u>
Total assets	<u><u>\$        165,197</u></u>
Liabilities	
Due to employees	<u>\$        165,197</u>
Total liabilities	<u><u>\$        165,197</u></u>

See notes to the financial statements

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**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, 2020**

**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 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, 2020**

**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. The Town also reports the Infrastructure Surtax Special Revenue Fund as a nonmajor governmental fund.

*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, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Proprietary Funds* (Continued)

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

*Fiduciary Funds*

Fiduciary funds are used to account for assets held in trust for others. Because these assets are being held for the benefit of third parties and cannot be used to finance activities or obligations of the government, they are not included in the government-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The Town reports the Health Reimbursement Agency Fund to account for funds held on behalf of the Town's employees.

*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, 2020**

**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
Intangible Assets	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
Intangible Assets	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, 2020**

**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 40 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 is 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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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 emended 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 millage into the total tax levy, which includes Palm Beach County and Palm Beach County School Board tax requirements.

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

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1<sup>st</sup> 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, 2020**

**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 collectability 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.

*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 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, 2021.

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, 2022.

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, 2021.

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Recently Issued Accounting Pronouncements** (Continued)

In May 2019 the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This Statement is effective for the fiscal year ending September 30, 2023.

In January 2020 the GASB issued Statement No. 92, *Omnibus 2020*. This Statement will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics. The requirements of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements are effective for the fiscal year ending September 30, 2022.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement addresses the accounting and financial reporting effects that result from the replacement of interbank offered rates with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. This Statement is effective for the fiscal year ending September 30, 2022.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement will improve financial reporting by addressing issues related to public-private and public-public arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. This Statement is effective for the fiscal year ending September 30, 2023.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement is effective for the fiscal year ending September 30, 2023.

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Recently Issued Accounting Pronouncements* (Continued)

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. This Statement is effective for the fiscal year ending September 30, 2022.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

*Deposits*

As of September 30, 2020, the carrying amount of the Town's deposits was \$10,523,507, and the bank balances totaled \$10,872,394. The Town also had cash on hand of \$200. Town's deposits include checking accounts, money market checking accounts, and certificates of deposit. The certificates of deposit and money market accounts are reported as investments in the balance sheet and statement of net position.

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

*Investments*

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



**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 2 – DEPOSITS AND INVESTMENTS** (Continued)

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.

**Investments**

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, 2020, the Town held the following certificates of deposit:

<u>Description</u>	<u>Cost</u>	<u>Days to Maturity</u>
Flagler Bank CD	\$ 274,455	548
Legacy Bank CD	286,787	200
Synovus Bank CD	251,451	66
Bank United CD	261,066	65
	<u>\$ 1,073,759</u>	

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**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, 2020, the Town's receivables for the individual major funds, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Special Assessment Fund	Nonmajor Governmental Fund	Water Fund
Taxes	\$ 33,726	\$	\$ 6,639	\$
Accounts - billed	28,223	1,683		223,015
Accounts - unbilled				8,136
Other	18			
Due from other governments	13,940			
Special assessments	75,907	521,085	6,639	231,151
Allowance for uncollectibles		522,768		(25,000)
Net receivables	<u>\$ 75,907</u>	<u>\$ 522,768</u>	<u>\$ 6,639</u>	<u>\$ 206,151</u>

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivables and payables at September 30, 2020, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$108,909

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020, 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	38,483	718,229		756,712
Total not being depreciated	<u>415,006</u>	<u>718,229</u>		<u>1,133,235</u>
Assets being depreciated				
Buildings	1,240,621			1,240,621
Equipment	733,605	150,433	(54,669)	829,369
Intangible assets	10,237			10,237
Infrastructure	3,272,520			3,272,520
Total being depreciated	<u>5,256,983</u>	<u>150,433</u>	<u>(54,669)</u>	<u>5,352,747</u>
Total at historical cost	<u>5,671,989</u>	<u>868,662</u>	<u>(54,669)</u>	<u>6,485,982</u>
Accumulated depreciation				
Buildings	(814,167)	(32,713)		846,880
Equipment	(567,404)	(65,018)	54,669	577,753
Intangible assets	(512)	(2,047)		2,559
Infrastructure	(1,666,077)	(123,591)		1,789,668
Total accumulated depreciation	<u>(3,048,160)</u>	<u>(223,369)</u>	<u>54,669</u>	<u>3,216,860</u>
Governmental activities, net	<u>\$2,623,829</u>	<u>\$ 645,293</u>	<u>\$</u>	<u>\$3,269,122</u>

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**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 not being depreciated				
Construction in progress	\$ 58,909	\$600,512	\$(58,909)	\$ 600,512
Total not being depreciated	58,909	600,512	(58,909)	600,512
Assets being depreciated				
Water system improvements	2,658,922			2,658,922
Equipment	105,738	94,984		200,722
Total being depreciated	2,764,660	94,984		2,859,644
Total at historical cost	2,823,569	695,496	(58,909)	3,460,156
Accumulated depreciation				
Water system improvements	(1,097,726)	(62,711)		(1,160,437)
Equipment	(83,976)	(11,232)		(95,208)
Total accumulated depreciation	(1,181,702)	(73,943)		(1,255,645)
Business-type activities, net	\$1,641,867	\$621,553	\$(58,909)	\$2,204,511

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

Governmental activities:	
General government	\$ 42,501
Police department	61,005
Streets	119,863
Total governmental activities	\$223,369
Business-type activities:	
Municipal water	\$ 73,943

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**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 revenues 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 revenues means the revenue received by the Town from the imposition and collection of the special assessments imposed by the Town pursuant to Resolution No. 011-12. The loan agreement includes a provision that upon the occurrence of any event of default the bank may declare all obligations under the Note to be immediately due and payable and upon such declaration the Note and the accrued interest thereon shall become immediately due and payable.

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, 2020 principal and interest to maturity on April 1, 2022 to be paid from pledged funds totaled \$538,314. Principal and interest paid for the current fiscal year was \$269,157 and pledged special assessments were \$252,962.

Annual debt service requirements to maturity for the Note from direct borrowings are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2021	\$258,247	\$10,910	\$269,157
2022	263,739	5,418	269,157
	<u>\$521,986</u>	<u>\$16,328</u>	<u>\$538,314</u>

*Interest Expense*

The total interest cost incurred on all Town debt for the year ended September 30, 2020, was \$13,634 and total interest paid during the year was \$16,240. No interest was capitalized in the Enterprise Fund during the year.

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 6 – LONG-TERM LIABILITIES** (Continued)

Changes in the Town's long-term liabilities for the year ended September 30, 2020 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>
Note from direct borrowings	\$774,903	\$	\$(252,917)	\$521,986	\$258,247
OPEB	61,271	3,520	(4,899)	59,892	
Compensated absences	52,059	91,492	(128,877)	14,674	13,813
Total Governmental Activities	<u>\$888,233</u>	<u>\$95,012</u>	<u>\$(386,693)</u>	<u>\$596,552</u>	<u>\$272,060</u>

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$1,053</u>	<u>\$3,505</u>	<u>\$(3,463)</u>	<u>\$1,095</u>	<u>\$1,095</u>

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

**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, 2020**

**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, 2020, the Town recognized pension expense of \$318,153 for the Plan, and as of the fiscal year end, the Town reported a payable in the amount of \$4,299 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. A trust has not been established to fund 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, 2020**

**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, 2019, the latest valuation date:

Active plan members	17
Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	<u>18</u>

*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, 2020, the rate was 2.14% based on the S&P Municipal Bond 20-year High Grade Index at September 30, 2020. 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 3.58%.



**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**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, 2020, the Town reported a total OPEB liability of \$59,892. For the fiscal year ended September 30, 2020, the Town recognized OPEB revenue of \$2,901. As of September 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Assumption changes	\$ 255	\$ 20,329
Demographic experience	<u>12,228</u>	<u>\$ 255</u>
	<u>\$ 12,483</u>	<u>\$ 20,584</u>

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

<u>Fiscal Year Ending September 30</u>	<u>Amortization</u>
2021	(1,522)
2022	(1,522)
2023	(1,522)
2024	(1,457)
2025	(1,357)
Thereafter	<u>(721)</u>
	<u>\$ (8,101)</u>

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

*Actuarial Methods and Assumptions*

Significant methods and assumptions were as follows:

Valuation date:	October 1, 2019
Measurement date:	September 30, 2020
Actuarial cost method:	Entry Age Cost Method
Discount rate:	2.14%
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 6.50% for the 2019/20 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 \$250.00 for each of the retiree and the retiree's spouse has been assumed at age 60 for the 2019/20 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 PUB-2010 Mortality Table (without income adjustment) for general and public safety employees, with full generational improvements in mortality using Scale MP-2020.
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.
Changes:	Since the prior measurement date, the discount rate was decreased from 3.58% per annum to 2.14% per annum and the mortality basis was changed from the PUB-2010 Mortality Table with generational improvements in mortality using Scale MP-2017 to the PUB-2010 Mortality Table with generational improvements in mortality using Scale MP-2020.

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

*Total OPEB Liability*

The components of the total OPEB liability as of September 30, 2020 were as follows:

Description	Total OPEB Liability
Balance September 30, 2019	\$ 61,271
Changes for the year:	
Service cost	4,294
Expected interest growth	1,329
Demographic experience	255
Benefit payments & refunds	(7,002)
Assumptions changes	(255)
Net change	<u>(1,379)</u>
Balance September 30, 2020	<u>\$ 59,892</u>
Covered-employee payroll	\$ 1,721,402
Total OPEB liability as a percentage of covered-employee payroll	3.48%

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

*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 2.14% 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.

<u>Discount Rate Sensitivity</u>	<u>1% Decrease 1.14%</u>	<u>Discount Rate 2.14%</u>	<u>1% Increase 3.14%</u>
Total OPEB Liability	\$ 63,159	\$ 59,892	\$ 56,910

*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 (7.00% 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 4.00% - 5.50%</u>	<u>Healthcare Cost Trend Rate 5.00% - 6.50</u>	<u>1% Increase 6.00% - 7.50%</u>
Total OPEB Liability	\$ 55,734	\$ 59,892	\$ 64,648

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**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 May 10, 2019, the Town Commission approved a 5-year extension of the agreement at the same conditions as the prior agreement. For the fiscal year ended September 30, 2020, the Town paid an annual service fee in the amount of \$522,015. 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, 2021 will be \$548,116.

*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, 2020, the Town paid \$58,496 pursuant to the agreement.

*Interlocal Agreement for Water Purchase - City of Delray Beach*

In June 1998, the Town entered into an agreement with the City of Delray Beach for the purchase of treated, potable water. The term of the agreement is for a period of twenty-five years. Under the terms of the agreement, the Town is to pay the City the prevailing water rate charged by the City to non-residential users plus a surcharge of 25%. For the year ended September 20, 2019, the Town paid \$561,253 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

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 10 – INTERLOCAL AGREEMENTS** (Continued)

*Interlocal Agreement for Permitting and Inspection Services - City of Delray Beach* (Continued)

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, 2020, the Town paid \$335,592 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 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, 2020, the Town made payments of \$157,755 pursuant to the agreement.

*Construction Commitments*

<u>Project</u>	<u>Balance to Complete</u>
Undergrounding Utilities Project – Phase II	\$ 925,000
A1A Water Main Improvement Project	846,953
Core Drainage Improvement Project	298,614
	<u>\$2,070,567</u>

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**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 year ended September 30, 2018. As discussed below, certain settled claims exceeded insurance coverage during the fiscal years ended September 30, 2019 and 2020.

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

The Town is involved in various litigation and claims arising in the course of operations. The Town is a defendant in several lawsuits alleging violation by the Town of the State of Florida's Public Records Law.

In December 2018, the Town entered into a Settlement Agreement with a Town resident and business entities affiliated with the resident relative to a number of these cases. The Agreement resulted in the voluntary dismissal of six cases, the Town paying the plaintiff \$15,000, the Town consenting to judgment in four cases, and the parties continue to litigate one case. The only issue that remained for determination in the four consent judgment 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. In August 2019, the Town agreed to pay the plaintiff \$6,000 to fully and finally resolve all claims for one of the four cases, leaving three cases pending.

In July 2019, the Court entered its order awarding costs of enforcement in a case alleging violation of the Public Records Law by the Town. That order resulted in a payment of \$76,329 to the plaintiff to cover all monies owed as part of this case. The Town has paid this amount in full.

In November 2019, the Court entered its order awarding costs of enforcement in a case alleging violation of the Public Records Law by the Town. That order resulted in a payment of \$133,660 to the plaintiff to cover all monies owed as part of this case. The Town has paid this amount in full. The Town also paid the plaintiff \$15,240 for time spent by its expert witness as a taxable cost. The plaintiff nevertheless claimed it was entitled to additional expert witness costs for work by associates of its expert witness. The Court held an evidentiary hearing and in January 2021 found the plaintiff was entitled to no more than the \$15,240 already paid by the Town. In February 2021,

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 12 – RISK MANAGEMENT** (Continued)

the plaintiff appealed the Court's orders on the reasonable costs of enforcement including expert witness costs.

The amounts of any costs and fees award for the two remaining cases 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.

In March 2021, the Court issued an order awarding the plaintiff \$38,582 in attorney's fees and costs in a case alleging violations of the Public Records Law by the Town. A liability and expense in this amount are reported in the government-wide financial statements of the Governmental Activities. After the Town paid the entirety of the award, the plaintiff filed a motion to amend the order and to add prejudgment interest, which the Court denied on April 8, 2021. The plaintiff is pursuing an appeal with potential awards of appellate attorney's fees and costs available to the plaintiff in the event the appeal is successful. Such awards would fall outside the scope of the Town's liability coverage. The amount of these costs cannot be reasonably determined at this time. 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 on appeal limited to the issue of the amount of fees, which have already been paid. In the event of success in these cases, plaintiffs would be entitled to attorney's fees for the appeal and any additional fees as part of that success. 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.

The Town is a defendant in a lawsuit alleging breach of contract, fraud in the inducement, and breach of fiduciary duty related to a 2013 settlement agreement. This matter is being handled by the Town's insurance carrier which is providing a defense through its attorneys. In the event of an adverse outcome, the damages associated with the alleged contractual breach do not fall within the scope of the Town's liability insurance coverage. The likelihood of an unfavorable outcome and the amount of potential loss cannot be reasonably determined at this time. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements.

The Town filed suit against a telecommunications company seeking specific performance of a special construction agreement to complete the undergrounding of the Town's overhead utilities. The defendant provided a preliminary cost estimate of \$420,582 for the work and later asserted that its costs had increased by approximately one million dollars. The defendant counterclaimed for declaratory relief and asserted that the Town had breached the agreement, which it asserted



**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 12 – RISK MANAGEMENT** (Continued)

was an actual cost contract. In January 2021, the parties entered into a Mediated Settlement Agreement. By that Agreement, the Town agreed to pay \$695,000 to complete the undergrounding project, and the contractor agreed that it would work to complete all remaining work within designated time periods. The Town agreed to make its Settlement Payment within five business days of receiving confirmation that all work has been completed. The parties will thereafter file a Joint Stipulation of Dismissal and Proposed Order of Dismissal, voluntarily dismissing all claims and counterclaims with prejudice. The parties agree to pay their own fees and costs. The lawsuit filed by the town remains pending but has been administratively closed without prejudice to the parties to file a stipulation of dismissal by June 11, 2021.

**NOTE 13 – OPERATING LEASE**

On June 11, 2018, the Town entered into an operating 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, 2020, the Town made payments of \$7,752 pursuant to the lease.

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

<u>Year Ended</u> <u>September 30</u>	<u>Minimum</u> <u>Lease</u> <u>Payments</u>
2021	<u><u>\$4,113</u></u>

**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.

**TOWN OF GULF STREAM, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 14 – SPECIAL ASSESSMENT** (Continued)

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

**TOWN OF GULF STREAM, FLORIDA**  
**Required Supplemental Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Taxes				
Ad valorem taxes	\$ 4,453,484	\$ 4,453,484	\$ 4,451,048	\$ (2,436)
Local option fuel taxes	34,000	34,000	33,125	(875)
Utility service taxes	218,000	218,000	235,037	17,037
Communications services taxes	60,000	60,000	59,246	(754)
Total taxes	<u>4,765,484</u>	<u>4,765,484</u>	<u>4,778,456</u>	<u>12,972</u>
Licenses and permits				
Inspection Fees	80,000	80,000	78,285	(1,715)
Franchise fees	119,500	119,500	148,073	28,573
Building permits	300,000	335,592	335,592	
Total licenses and permits	<u>499,500</u>	<u>535,092</u>	<u>561,950</u>	<u>26,858</u>
Intergovernmental revenue				
State revenue sharing proceeds	98,700	98,700	100,902	2,202
Shared revenue from other local units	2,700	2,700	6,445	3,745
Grants			303	303
Total intergovernmental revenue	<u>101,400</u>	<u>101,400</u>	<u>107,650</u>	<u>6,250</u>
Charges for services				
Solid waste collection fees	156,000	156,000	153,222	(2,778)
Other	4,200	4,200	5,442	1,242
Total charges for services	<u>160,200</u>	<u>160,200</u>	<u>158,664</u>	<u>(1,536)</u>
Judgments, fines and forfeits				
Judgments and fines	1,200	1,200	125,448	124,248
Violation of local ordinances	400	400	2,897	2,497
Total judgments, fines, and forfeits	<u>1,600</u>	<u>1,600</u>	<u>128,345</u>	<u>126,745</u>
Investment earnings	<u>47,500</u>	<u>47,500</u>	<u>107,747</u>	<u>60,247</u>
Miscellaneous revenues				
Contributions	12,000	12,000	12,239	239
Other	16,000	16,000	180	(15,820)
Total miscellaneous revenues	<u>28,000</u>	<u>28,000</u>	<u>12,419</u>	<u>(15,581)</u>
Total revenues	<u>5,603,684</u>	<u>5,639,276</u>	<u>5,855,231</u>	<u>215,955</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, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Expenditures				
Administration	1,705,502	1,705,502	1,385,321	320,181
Legal	721,007	757,192	756,275	917
Police	1,813,001	1,813,001	1,721,145	91,856
Fire Rescue	526,000	526,000	522,015	3,985
Streets	1,134,374	1,134,374	797,474	336,900
Sanitation	163,800	163,800	157,745	6,055
Total expenditures	6,063,684	6,099,869	5,339,975	759,894
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (460,000)</u>	<u>\$ (460,593)</u>	515,256	<u>\$ 975,849</u>
Other financing sources (uses)				
Transfers out	(330,000)	(330,000)		330,000
Total other financing sources (uses)	<u>(330,000)</u>	<u>(330,000)</u>		<u>330,000</u>
Net change in fund balance	<u>\$ (790,000)</u>	<u>\$ (790,593)</u>	515,256	<u>\$ 1,305,849</u>
Fund balance, beginning of year			6,544,669	
Fund balance, end of year			<u>\$ 7,059,925</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, 2020**

**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, 2020, no departments had an excess of expenditures over appropriations.

**TOWN OF GULF STREAM, FLORIDA**  
**Required Supplementary Information (RSI)**  
**Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability**  
**For the Fiscal Year Year Ended September 30, 2020**

Actuarial Valuation Date	10/01/2016	10/01/2018	10/01/2019
Measurement Date of Total OPEB Liability	09/30/2018	09/30/2019	09/30/2020
Employer's Reporting Date	09/30/2018	09/30/2019	09/30/2020
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability - beginning	\$ 66,172	\$ 69,996	\$ 61,271
Changes for the year:			
Service cost	5,843	4,139	4,294
Expected interest growth	2,558	2,562	1,329
Demographic experience		16,699	255
Benefit payments & refunds	(3,487)	(5,206)	(7,002)
Assumption changes	(1,090)	(26,919)	(255)
Net change in total OPEB liability	<u>3,824</u>	<u>(8,725)</u>	<u>(1,379)</u>
Total OPEB liability - ending	<u>\$ 69,996</u>	<u>\$ 61,271</u>	<u>\$ 59,892</u>
Covered-employee payroll	\$ 1,533,673	\$ 1,616,938	\$ 1,721,402
Total OPEB liability as a percentage of covered-employee payroll	4.56%	3.79%	3.48%

Changes in Assumptions

The discount rate changed as follows:

September 30, 2017 measurement date	3.35%
September 30, 2018 measurement date	3.64%
September 30, 2019 measurement date	3.58%
September 30, 2020 measurement date	2.14%

The mortality basis was changed from the RP-2000 Mortality Table with generational improvements in mortality using Scale BB to the PUB-2010 Mortality Table with generational improvements in mortality using Scale MP-2017 for the September 30, 2019 measurement date. For the September 30, 2020 measurement date, the mortality basis was changed to the PUB-2010 Mortality Table with generational improvements in mortality using Scale MP-2020.

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. No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay related benefits.

**TOWN OF GULF STREAM, FLORIDA**  
**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended September 30, 2020**

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
Assets				
Cash and cash equivalents	\$ -	\$ 203,624	\$ (38,427)	\$ 165,197
Total assets	<u>\$ -</u>	<u>\$ 203,624</u>	<u>\$ (38,427)</u>	<u>\$ 165,197</u>
Liabilities				
Due to employees	\$ -	\$ 203,624	\$ (38,427)	\$ 165,197
Total liabilities	<u>\$ -</u>	<u>\$ 203,624</u>	<u>\$ (38,427)</u>	<u>\$ 165,197</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Gulf Stream, Florida, as of and for the year ended September 30, 2020, 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 3, 2021.

#### 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) as a basis for designing 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 have not been identified. We did identify a deficiency in internal control that we consider to be a material weakness, as described below.

#### **Finding 2020-1**

*Condition:* The Town did not reconcile the general ledger accounts for accounts receivable to the subsidiary ledgers monthly.

*Criteria:* Accounts receivable accounts should be reconciled monthly.

*Effect:* 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 general ledger accounts to the subsidiary ledger monthly.

*Management Response:* The Town has increased internal controls to reconcile credits and adjustments to utility accounts to the general ledger. Procedures and staff used for billing, adjusting and reconciliation have been increased in effort to increase internal controls. After considerable efforts to map financial adjustments in the utility billing software to corresponding adjustments to the general ledger, it was determined that uncollectable balances on inactive accounts should be written off. Discussions with management and the commission resulted in a decision that after reasonable efforts to collect outstanding debt on closed accounts were unsuccessful, the staff may write off outstanding balances on inactive accounts as bad debt. Staff believes that this, with the increased internal controls and reconciliation of adjustments in the utility software and the financial software will result in a significant decrease in any differences in the utility software accounts and the general ledger.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Gulf Stream, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 & Mims, P.A.*

West Palm Beach, Florida  
June 3, 2021



## NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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RYAN M. SHORE, CFP®, CPA  
WEI PAN, CPA  
WILLIAM C. KISKER, CPA  
RICHARD E. BOTTS, CPA

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

BELLE GLADE OFFICE  
333 S.E. 2nd STREET  
POST OFFICE BOX 338  
BELLE GLADE, FLORIDA 33430-0338  
TELEPHONE (561) 996-5612  
FAX (561) 996-6248

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, 2020, and have issued our report thereon dated June 3, 2021.

#### 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 the 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 3, 2021, 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.

Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

### **Official Title and Legal Authority**

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

### **Financial Condition and Management**

Sections 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 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 recommendations 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, 2020 and was not required to have a federal single audit or a state single audit.

### **Purpose of this Letter**

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

*Nowlen Holt & Mimes, P.A.*

West Palm Beach, Florida  
June 3, 2021



## NOWLEN, HOLT & MINER, P.A.

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

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

BELLE GLADE OFFICE  
333 S.E. 2nd STREET  
POST OFFICE BOX 338  
BELLE GLADE, FLORIDA 33430-0338  
TELEPHONE (561) 996-5612  
FAX (561) 996-6248

We have examined the Town of Gulf Stream, Florida's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2020. 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, 2020.

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 3, 2021

## IMPACT FEE AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Rebecca Tew, Chief Financial Officer of the Town of Gulf Stream, who being duly sworn, deposes and says on oath that:

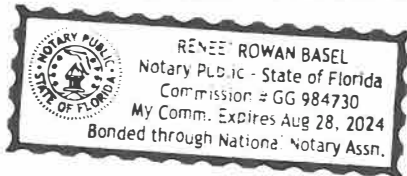
1. I am the Chief Financial Officer of the Town of Gulf Stream which is a local governmental entity of the State of Florida;
2. The governing body of the Town of Gulf Stream adopted Ordinance No. 94-3 implementing an impact fee; and
3. The Town of Gulf Stream has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

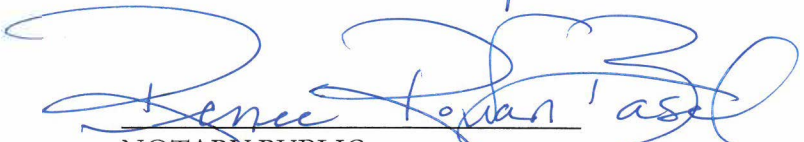
FURTHER AFFIANT SAYETH NAUGHT.

  
\_\_\_\_\_  
Rebecca Tew, Chief Financial Officer

STATE OF FLORIDA  
COUNTY OF PALM BEACH

SWORN TO AND SUBSCRIBED before me this 26 day of MAY, 2021.



  
\_\_\_\_\_  
NOTARY PUBLIC  
Print Name Renee Rowan Basel

Personally known X or produced identification \_\_\_\_\_

Type of identification produced: \_\_\_\_\_

My Commission Expires:

8/28/2024