



TOWN OF GULF STREAM, FLORIDA



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

FISCAL YEAR ENDED SEPTEMBER 30, 2021

TOWN OF GULF STREAM, FLORIDA
SEPTEMBER 30, 2021
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (required supplementary information)	3-12
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14-15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	19
Statement of Net Position – Proprietary Fund	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	21
Statement of Cash Flows – Proprietary Fund	22
Notes to the Financial Statements	23-53
Required Supplemental Information Other Than MD&A	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	54-55
Notes to the Budgetary Required Supplemental Information	56
Schedule of Changes in Total OPEB Liability	57
Other Reports	
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 <i>Government Auditing Standards</i>	58-59
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	60-62
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes	63



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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, 2021, 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, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, the Town adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, during the fiscal year ended September 30, 2021. The net position/fund balance of the governmental activities and the General Fund as of October 1, 2020 have been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, the budgetary comparison information on pages 54 through 56, and the Schedule of Changes in Total OPEB Liability on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022, 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, Helt & Miner, P.A.

West Palm Beach, Florida
June 27, 2022

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 \$16,214,856 (net position).
- The governmental activities revenues were \$6,448,302 at the close of fiscal year 2021.
- The business-type activities revenues were \$1,225,205 at the close of fiscal year 2021.
- The total cost of all Town programs was \$6,788,363 during the fiscal year 2021.
- At the end of the 2021 fiscal year, unassigned fund balance for the General Fund was increased by \$1,204,106 and ending Fiscal Year 2021 with a total of \$7,641,126 or 134% of total General Fund expenditures which totaled \$5,695,280 at the end of Fiscal Year 2021.

USING THIS REPORT

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

MD&A	Management's Discussion & Analysis (Required supplemental information) (pages 3-12)
BASIC FINANCIAL STATEMENTS	Government-wide Financial Statements (pages 13-15) Fund Financial Statements (Pages 16-22) Notes to the Financial Statements (Pages 23-53)
REQUIRED SUPPLEMENTAL INFORMATION	Required supplementary information. (Other than MD&A) (Pages 54-57)

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

- 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.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position

The Town's combined net position for the fiscal year ending 2021 is reported at \$16,214,856. Net position of the Town's governmental activities for the fiscal year ending 2021 is \$11,530,110. The net position of our business-type activities is reported at \$4,684,746 for the fiscal year ending 2021. Overall, the financial position of the total primary government increased \$885,144 during the current fiscal year. Net position for the governmental activities increased \$682,758 and net position for the business-type activities increased \$202,386.

Town of Gulf Stream Net Position September 30, 2020 and 2021

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
Current and Other Assets	\$ 8,720,116	\$ 8,823,725	\$ 2,620,141	\$ 1,897,856	\$ 11,340,257	\$ 10,721,581
Capital Assets	3,269,122	3,741,064	2,805,023	2,910,496	6,074,145	6,651,560
Total Assets	11,989,238	12,564,789	5,425,164	4,808,352	17,414,402	17,373,141
Deferred Outflows of Resources	12,483	10,230			12,483	10,230
Current and Other Liabilities	537,233	491,414	38,269	122,511	575,502	613,925
Long Term Liabilities	596,552	521,160	1,095	1,095	597,647	522,255
Total Liabilities	1,133,785	1,012,574	39,364	123,606	1,173,149	1,136,180
Deferred Inflows of Resources	20,584	32,335			20,584	32,335
Net Investment in Capital Assets	2,980,620	3,661,120	1,901,583	2,910,007	4,882,203	6,571,127
Restricted - Employee Benefits	165,197	177,328			165,197	177,328
Restricted - Dredging Projects	17,820	17,820			17,820	17,820
Restricted - Underground Utilities	378,792	16,540			378,792	16,540
Restricted - Infrastructure Projects	98,565	188,348			98,565	188,348
Restricted - Repairs & Replacements			796,888	933,596	796,888	933,596
Unrestricted	7,206,358	7,468,954	1,783,889	841,143	8,990,247	8,310,097
Total Net Position	\$ 10,847,352	\$ 11,530,110	\$ 4,482,360	\$ 4,684,746	\$ 15,329,712	\$ 16,214,856

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 2021, there was an increase in the total net position from Fiscal Year 2020 for governmental activities which totaled \$682,758. The 2021 net position total for governmental activities, which includes the General Fund, Special Assessment Fund, and Infrastructure Surtax Fund, was \$11,530,110. Expenses of the governmental activities increased \$1,054,987 from Fiscal Year 2020 to Fiscal Year 2021. The increase in expenses was the result in the Town Commission pursuing rising tides and correcting drainage issues in the Town's Core District. Widening of specific streets, outfall valve replacements and finishing the Phase II of the A1A Watermain Replacement Project were the highlights of the infrastructure repairs and improvements.

There was a significant increase in expenses for the Streets Department in Fiscal Year 2021. Part of Phase II of the A1A Watermain Replacement Project involved repaving/redesigning parts of the streets in the most northern district of the Town. Due to the Town's very narrow streets, a large portion of the watermain had to go underneath the street. These road repairs along with the drainage improvements resulted in the large increase from Fiscal Year 2020 to Fiscal Year 2021.

The increase in business-type net position was \$202,386 from Fiscal Year 2020 to Fiscal Year 2021. The Town received the first distribution of American Rescue Plan Act of 2021 funds allotted to the Town as the end of the fiscal year. The Town dedicated those funds to improving the Town's aging water infrastructure to ensure clean water distribution to the residents of the Town. The largest water infrastructure project for the Town is scheduled for design in 2022 and construction beginning Fiscal Year 2022-2023.

The Town also purchased and installed smart meters for all of the meters in Town. Smart meters, or digital meters, are much more accurate in the consumption calculation, assists residents and staff to identify water leaks more quickly and help the Town in determining if excessive water usage is related to overwatering. The meters were completely installed and operational for the last water billing in Fiscal Year 2020-2021. The staff immediately saw improvements in water consumption and reporting. The purchase and installation of the smart meters almost entirely accounts for the increase in spending from 2020 to 2021.

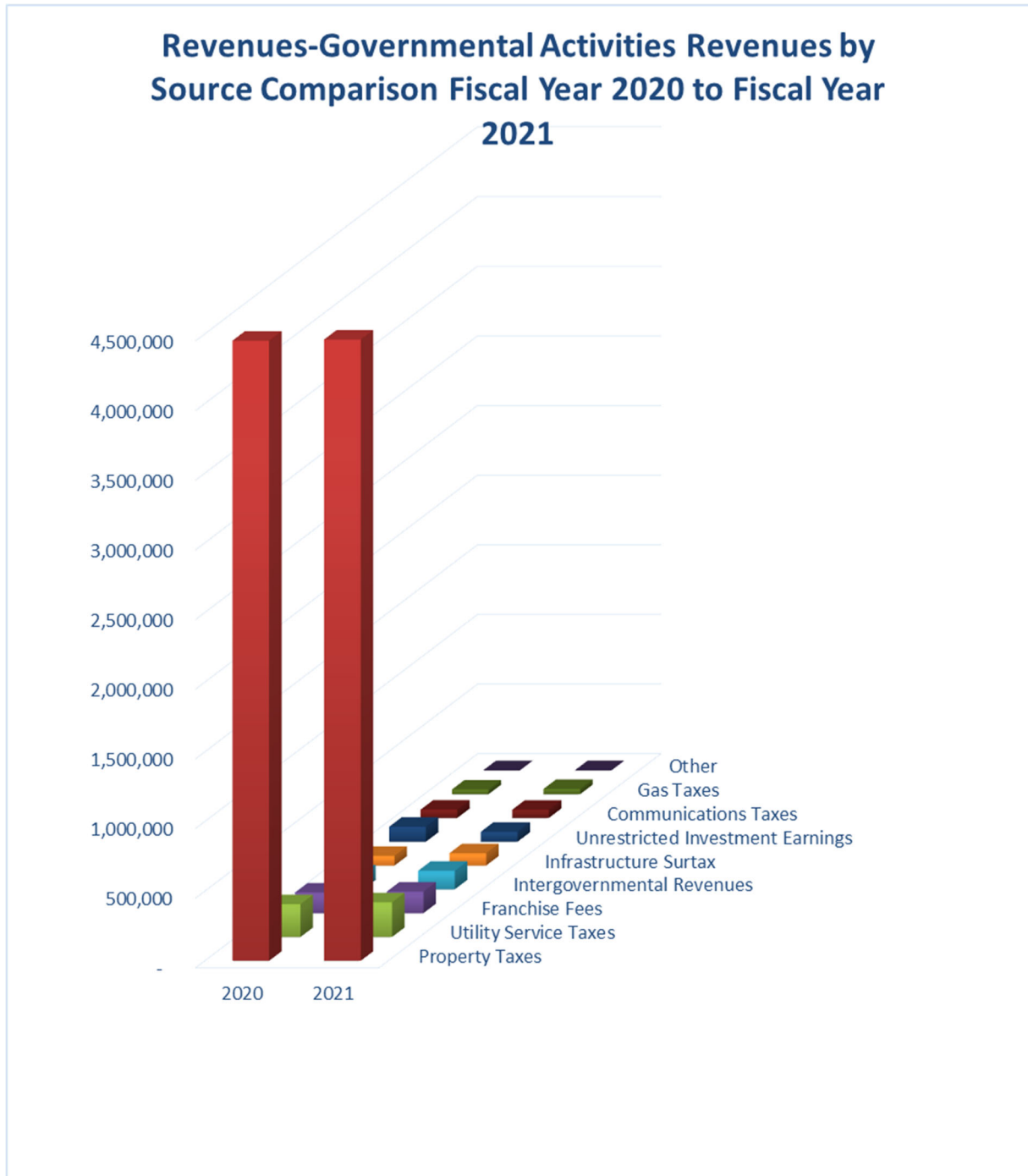
Management's Discussion and Analysis

Town of Gulf Stream Changes in Net Position For the Fiscal Years Ended September 30, 2020 and 2021

	Governmental Activities		Business-type Activities		Total	
	2020	2021	2020	2021	2020	2021
Revenues						
Program Revenues						
Charges for Services	\$ 717,155	\$ 1,170,157	\$ 1,080,141	\$ 1,067,886	\$ 1,797,296	\$ 2,238,043
Operating Grants & Contributions	31,933	24,549			31,933	24,549
Capital Grants and Contributions			132,552	138,298	132,552.00	138,298.00
General Revenues						
Property Taxes	4,451,048	4,459,374			4,451,048	4,459,374
Infrastructure Surtax	69,563	88,704			69,563	88,704
Communications Taxes	59,246	58,855			59,246	58,855
Gas Taxes	33,125	37,386			33,125	37,386
Utility Service Taxes	235,037	249,103			235,037	249,103
Franchise Fees	148,073	154,978			148,073	154,978
Unrestricted Investment Earnings	107,747	71,662	33,061	19,021	140,808	90,683
Intergovernmental Revenues	107,347	133,159			107,347	133,159
Other	180	375			180	375
Total Revenues	5,960,454	6,448,302	1,245,754	1,225,205	7,206,208	7,673,507
Expenses						
Governmental Activities						
General Government	2,010,742	2,214,659			2,010,742	2,214,659
Police Department	1,679,360	1,679,080			1,679,360	1,679,080
Fire Protection	522,015	548,610			522,015	548,610
Streets	311,954	776,528			311,954	776,528
Sanitation	157,745	162,738			157,745	162,738
Physical Environment	15,107	375,772			15,107	375,772
Interest on Long-Term Debt	13,634	8,157			13,634	8,157
Business-Type Activities						
Water			810,892	1,022,819	810,892	1,022,819
Total Expenses	4,710,557	5,765,544	810,892	1,022,819	5,521,449	6,788,363
Change in Net Position	1,249,897	682,758	434,862	202,386	1,684,759	885,144
Net Position - Beginning, as restated	9,597,455	10,847,352	4,047,498	4,482,360	13,644,953	15,329,712
Net Position - Ending	\$ 10,847,352	\$ 11,530,110	\$ 4,482,360	\$ 4,684,746	\$ 15,329,712	\$ 16,214,856

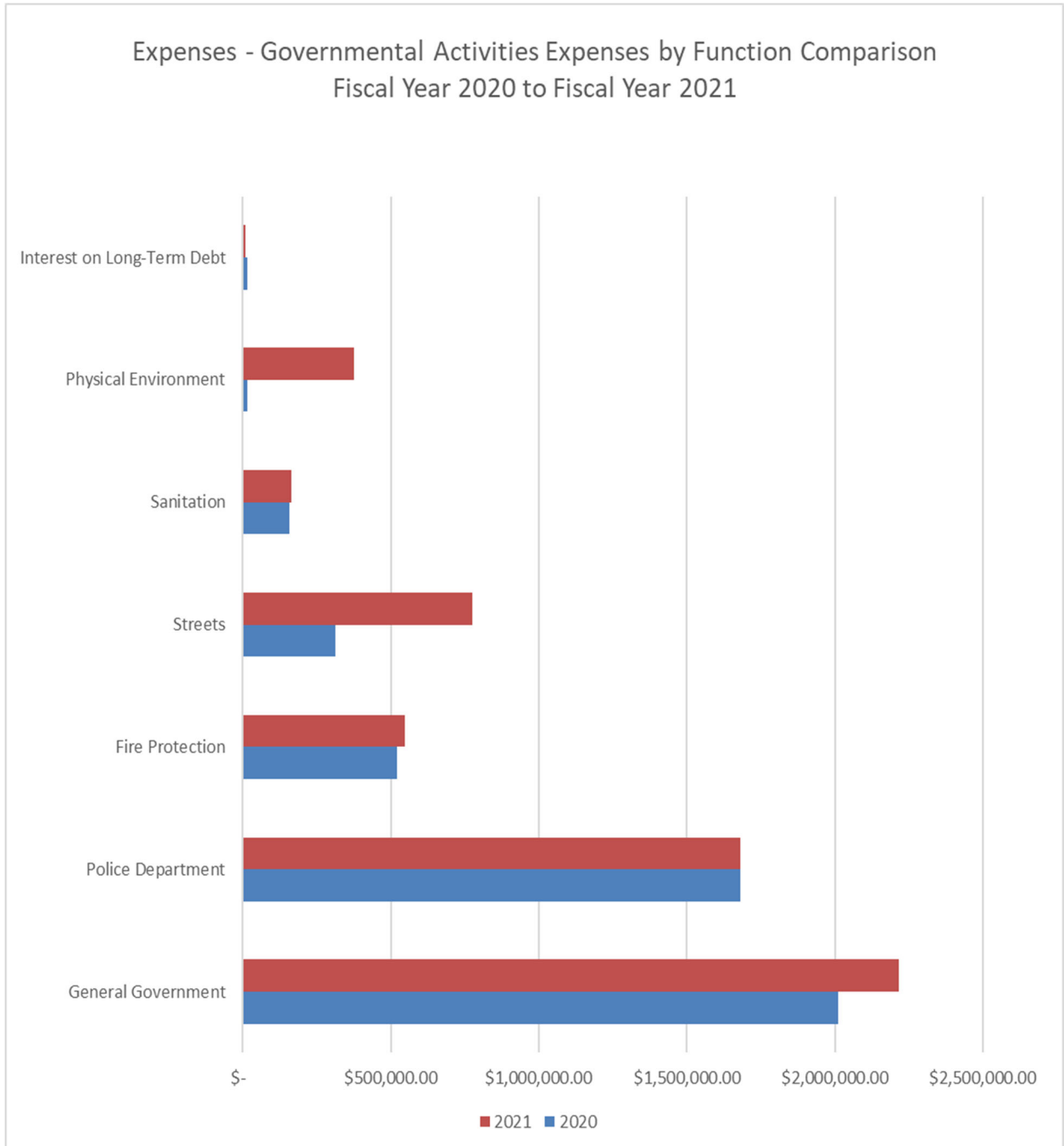
Management's Discussion and Analysis

- The Town's primary source of revenue continues to come from Property Taxes as seen in the comparison of Fiscal Year Revenues from 2020 and 2021 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 2020 to Fiscal Year 2021. 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 \$7,863,684, an increase of \$683,562 from the previous fiscal year. The increase was due primarily timing of construction liabilities related to the Town's 10 Year Capital Improvement Plan. Also, the Town received a distribution of ARPA funds that was not anticipated. The Town ended the fiscal year with \$27,410 in non-spendable fund balance (which includes inventories and prepaid expenditures), \$195,148 in restricted fund balance, which consisted of \$17,820 reserved for dredging projects and \$177,328 for employee benefits, with \$7,641,126 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 2021 was \$4,684,746. The net position of the water fund increased \$202,386 from the prior year. Water rates were not increased during Fiscal Year 2021. 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 continues to battle lawsuits regarding to public record requests from prior to 2015. The Town still is actively and aggressively defending itself in these multiple lawsuits. More information can be found in Note 12.

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. Though the Town did not anticipate inflation increasing as rapidly as it has during Fiscal Year 2022, the Town's prudent and conservative approach to spending and saving has been very beneficial during this period of economic instability. The Town paid the final payment on the Undergrounding Note in April of 2022. The Town has no outstanding debt and is prepared to continue the 10 Year CIP without delay.

There was a tremendous amount of turnover for the police department during Fiscal Year 2021 and it continued into Fiscal Year 2022. The police department voted to unionize. At the time of this publication, no contract had been agreed upon and negotiations will continue during the budget process for Fiscal Year 2023. The police department continues to have unfilled budgeted positions; however, this is a trend affecting multiple law enforcement jurisdictions.

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, the Town had invested \$6,651,560 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, 2020 and 2021**

	Governmental Activities		Business-type Activities		Total	
	2020	2021	2020	2021	2020	2021
Net Capital Assets						
Land	\$ 376,523	\$ 376,523	\$	\$	\$ 376,523	\$ 376,523
Construction in Progress	756,712		600,512		1,357,224	
Buildings	393,741	382,018			393,741	382,018
Water system improvements			1,498,485	2,479,511	1,498,485	2,479,511
Equipment	251,616	282,128	105,514	430,985	357,130	713,113
Intangible Assets	7,678	5,631			7,678.00	5,631
Infrastructure	1,482,852	2,694,764			1,482,852	2,694,764
Total Net Capital Assets	<u>\$ 3,269,122</u>	<u>\$ 3,741,064</u>	<u>\$ 2,204,511</u>	<u>\$ 2,910,496</u>	<u>\$ 5,473,633</u>	<u>\$ 6,651,560</u>

Long-Term Liabilities

As of September 30, 2021, the Town had \$327,255 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, 2020 and 2021**

	Governmental Activities		Business-type Activities		Total	
	2020	2021	2020	2021	2020	2021
Promissory Note	\$ 521,986	\$ 263,739	\$	\$	\$ 521,986	\$ 263,739
OPEB	59,892	45,306			59,892	45,306
Litigation Settlement	38,582	195,000			38,582	195,000
Compensated Absences	14,674	17,115	1,095	1,095	15,769	18,210
Total Long-Term Liabilities	<u>\$ 635,134</u>	<u>\$ 521,160</u>	<u>\$ 1,095</u>	<u>\$ 1,095</u>	<u>\$ 636,229</u>	<u>\$ 522,255</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. The Town has already received the first funds distribution and will hold the funds until construction on the Core District Infrastructure Project begins.
- 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. The Town was notified during Fiscal Year 2022 that the City of Delray Beach will increase their water rates over the next five Fiscal Years. The first increase will be 5.32% and will start in August of 2022. More information can be found at <https://www.delraybeachfl.gov/government/city-departments/utilities/water-rates>. As the Town purchases water from the City of Delray Beach, the Town will adjust their water rates accordingly beginning in Fiscal Year 2023.
- The Town of Gulf Stream has contracted the City of Delray Beach since 2012 to act in the capacity of the Town's Building Official and Florida Building Code permitting department. During Fiscal Year 2022, the City of Delray Beach notified the Town that the current contract was no longer sustainable for their city and would have to restructure the fees, services and procedures if the Town wanted to continue with the interlocal agreement. The Town is analyzing all options as to the best service for the Town residents.

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, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 533,647	\$ 938,720	\$ 1,472,367
Investments	7,411,906		7,411,906
Accounts receivable	92,357	214,781	307,138
Inventories	7,805		7,805
Internal balances	189,241	(189,241)	
Prepaid expenses	19,605		19,605
Restricted assets			
Cash and cash equivalents	187,338	910,412	1,097,750
Investments	102,964		102,964
Accounts receivable	16,027	23,184	39,211
Assessments receivable	262,835		262,835
Capital assets			
Non-depreciable	376,523		376,523
Depreciable (net of depreciation)	3,364,541	2,910,496	6,275,037
Total assets	12,564,789	4,808,352	17,373,141
Deferred outflows of resources			
OPEB items	10,230		10,230
Liabilities			
Accounts payable	51,578	113,494	165,072
Contracts and retainage payable	79,944	489	80,433
Accrued liabilities	29,162	1,053	30,215
Unearned revenue	248,013	7,475	255,488
Payable from restricted assets			
Accrued interest payable	2,717		2,717
Damage deposit bonds	80,000		80,000
Long-term liabilities			
Payable within one year	280,854	1,095	281,949
Payable after one year	240,306		240,306
Total liabilities	1,012,574	123,606	1,136,180
Deferred inflows of resources			
OPEB items	32,335		32,335
Net position			
Net investment in capital assets	3,661,120	2,910,007	6,571,127
Restricted for employee benefits	177,328		177,328
Restricted for dredging	17,820		17,820
Restricted for underground utilities	16,540		16,540
Restricted for infrastructure projects	188,348		188,348
Restricted for repairs, replacements and improvements		933,596	933,596
Unrestricted	7,468,954	841,143	8,310,097
Total net position	\$ 11,530,110	\$ 4,684,746	\$ 16,214,856

See notes to the financial statements

TOWN OF GULF STREAM, FLORIDA
Statement of Activities
For the Year Ended September 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Primary Government		
Governmental activities		
General government	\$ 2,214,659	\$ 970,939
Police department	1,679,080	24,365
Fire protection	548,610	
Streets	776,528	
Sanitation	162,738	161,396
Physical environment	375,772	13,457
Interest on long-term debt	8,157	
Total governmental activities	<u>5,765,544</u>	<u>1,170,157</u>
Business-type activities		
Water	<u>1,022,819</u>	<u>1,067,886</u>
Total primary government	<u>\$ 6,788,363</u>	<u>\$ 2,238,043</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
\$ 12,250	\$	\$ (1,231,470)	\$	\$ (1,231,470)
		(1,654,715)		(1,654,715)
		(548,610)		(548,610)
		(776,528)		(776,528)
		(1,342)		(1,342)
12,299		(350,016)		(350,016)
		(8,157)		(8,157)
<u>24,549</u>		<u>(4,570,838)</u>		<u>(4,570,838)</u>
	138,298		183,365	183,365
<u>\$ 24,549</u>	<u>\$ 138,298</u>	<u>(4,570,838)</u>	<u>183,365</u>	<u>(4,387,473)</u>
General revenues				
Property taxes		4,459,374		4,459,374
Infrastructure surtax		88,704		88,704
Communications services taxes		58,855		58,855
Gas taxes		37,386		37,386
Utility service tax		249,103		249,103
Franchise taxes		154,978		154,978
Intergovernmental shared revenues		133,159		133,159
Unrestricted investment earnings		71,662	19,021	90,683
Miscellaneous revenues		375		375
Total general revenues		<u>5,253,596</u>	<u>19,021</u>	<u>5,272,617</u>
Change in net position		682,758	202,386	885,144
Net position - beginning, as restated		10,847,352	4,482,360	15,329,712
Net position - ending		<u>\$ 11,530,110</u>	<u>\$ 4,684,746</u>	<u>\$ 16,214,856</u>

See notes to the financial statements.

TOWN OF GULF STREAM, FLORIDA
Balance Sheet - Governmental Funds
September 30, 2021

	General Fund	Special Assessment Fund	Nonmajor Governmental Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 533,647	\$ 13,620	\$ 173,718	\$ 720,985
Investments	7,509,726	5,144		7,514,870
Accounts receivable	92,357	1,397	14,630	108,384
Assessments receivable		262,835		262,835
Due from other funds	189,241			189,241
Inventories	7,805			7,805
Prepaid expenditures	19,605			19,605
Total assets	<u>\$ 8,352,381</u>	<u>\$ 282,996</u>	<u>\$ 188,348</u>	<u>\$ 8,823,725</u>
Liabilities, deferred inflows of resources, and fund equity				
Liabilities				
Accounts payable	\$ 51,578	\$	\$	\$ 51,578
Contracts and retainage payable	79,944			79,944
Accrued liabilities	29,162			29,162
Due to other funds				
Unearned revenue	248,013			248,013
Deposits payable	80,000			80,000
Total liabilities	<u>488,697</u>			<u>488,697</u>
Deferred inflows of resources				
Unearned revenue				
Unavailable revenue		262,835		262,835
Total deferred inflows of resources		<u>262,835</u>		<u>262,835</u>
Fund equity				
Nonspendable				
Inventories	7,805			7,805
Prepays	19,605			19,605
Restricted for				
Employee benefits	177,328			177,328
Dredging projects	17,820			17,820
Infrastructure projects			188,348	188,348
Underground utilities		20,161		20,161
Unassigned	7,641,126			7,641,126
Total fund equity	<u>7,863,684</u>	<u>20,161</u>	<u>188,348</u>	<u>8,072,193</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 8,352,381</u>	<u>\$ 282,996</u>	<u>\$ 188,348</u>	<u>\$ 8,823,725</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, 2021

Fund balance of governmental funds	\$	8,072,193
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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	\$ 7,162,639	
Less accumulated depreciation	<u>(3,421,575)</u>	3,741,064

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	262,835
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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	(263,739)	
Accrued interest payable	(2,717)	
	(195,000)	
Compensated absences	(17,115)	
Total other postemployment benefits liability	(45,306)	(523,877)

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	10,230	
Other postemployment plan related deferred inflows	<u>(32,335)</u>	

Net position of governmental activities	\$	<u><u>11,530,110</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, 2021

	General Fund	Special Assessment Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues				
Taxes	\$ 4,804,718	\$	\$ 88,704	\$ 4,893,422
Intergovernmental revenue	133,159			133,159
Licenses and permits	733,663			733,663
Charges for services	173,028			173,028
Fines and forfeits	24,365			24,365
Investment earnings	71,662	11,219	1,079	83,960
Special assessments		258,250		258,250
Miscellaneous	393,247	13,458		406,705
Total revenues	<u>6,333,842</u>	<u>282,927</u>	<u>89,783</u>	<u>6,706,552</u>
Expenditures				
Current				
General and administrative	2,033,202			2,033,202
Police department	1,604,392			1,604,392
Fire protection	548,610			548,610
Streets	595,658			595,658
Sanitation	162,738			162,738
Physical environment		375,772		375,772
Capital outlay	750,680			750,680
Debt service				
Principal		258,247		258,247
Interest		10,910		10,910
Total expenditures	<u>5,695,280</u>	<u>644,929</u>	<u></u>	<u>6,340,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>638,562</u>	<u>(362,002)</u>	<u>89,783</u>	<u>366,343</u>
Net change in fund balance	638,562	(362,002)	89,783	366,343
Fund balance - beginning of the year, as restated	<u>7,225,122</u>	<u>382,163</u>	<u>98,565</u>	<u>7,705,850</u>
Fund balance - end of the year	<u><u>\$ 7,863,684</u></u>	<u><u>\$ 20,161</u></u>	<u><u>\$ 188,348</u></u>	<u><u>\$ 8,072,193</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, 2021

Net change in fund balance of governmental funds	\$	366,343
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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	\$ 754,277	
Less current year depreciation	<u>(279,361)</u>	474,916

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

Net book value of fixed asset disposals	(2,974)
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Governmental funds include revenues collected within 60 days of year end as deferred revenue. Government-wide reporting recognizes revenues when they are earned, regardless of when they are collected.

Special assessments	(258,250)
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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	258,247
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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	(156,418)	
Change in accrued interest payable	2,753	
Change in long-term compensated absences	(2,441)	
Change in other postemployment liability and related deferred amounts	<u>582</u>	

Change in net position of governmental activities	\$	<u>682,758</u>
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See notes to the financial statements

TOWN OF GULF STREAM, FLORIDA
Statement of Net Position
Proprietary Fund
September 30, 2021

	<u>Enterprise Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 938,720
Accounts receivable, net	214,781
Restricted assets	
Cash and cash equivalents	910,412
Accounts receivable	23,184
Total current assets	<u>2,087,097</u>
Noncurrent assets	
Depreciable capital assets	4,268,418
Less accumulated depreciation	(1,357,922)
Total noncurrent assets	<u>2,910,496</u>
Total assets	<u>4,997,593</u>
Liabilities	
Current liabilities	
Accounts payable	113,494
Contracts and retainage payable	489
Accrued liabilities	1,053
Compensated absences payable	1,095
Due to other funds	189,241
Unearned revenue	7,475
Total current liabilities	<u>312,847</u>
Total liabilities	<u>312,847</u>
Net position	
Net investment in capital assets	2,910,007
Restricted for repairs, replacements and improvements	933,596
Unrestricted	841,143
Total net position	<u><u>\$ 4,684,746</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, 2021

	Enterprise Fund
Operating revenues	
Charges for services	\$ 1,067,886
Total operating revenues	<u>1,067,886</u>
Operating expenses	
Personnel	84,560
Water purchases	751,126
Repairs and maintenance	17,789
Depreciation expense	102,277
Other expenses	67,067
Total operating expenses	<u>1,022,819</u>
Operating income	<u>45,067</u>
Nonoperating revenues	
Interest income	19,021
Total nonoperating revenues	<u>19,021</u>
Income before capital contributions	64,088
Capital contributions	
Connection fees	1,590
Reserve fees	136,708
Total capital contributions	<u>138,298</u>
Change in net position	202,386
Net position - beginning of the year	<u>4,482,360</u>
Net position - end of the year	<u><u>\$ 4,684,746</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, 2021

	Enterprise Fund
Cash flows from operating activities:	
Receipts from customers	\$ 1,037,916
Payments to employees	(88,490)
Payments to suppliers	(754,514)
Internal activity - payments to other funds	83,332
Net cash provided by operating activities	<u>278,244</u>
Cash flows from capital financing activities:	
Reserve fees received	138,079
Connection fees received	1,590
Acquisition and construction of fixed assets	(1,110,701)
Net cash used by capital financing activities	<u>(971,032)</u>
Cash flows from investing activities:	
Interest and dividends on investments	19,021
Net cash provided by investing activities	<u>19,021</u>
Net increase in cash and cash equivalents	(673,767)
Cash and cash equivalents - beginning of the year	<u>2,522,899</u>
Cash and cash equivalents - end of the year	<u><u>\$ 1,849,132</u></u>
Cash flows from operating activities:	
Operating income	\$ 45,067
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	102,277
Changes in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(33,185)
Increase (decrease) in:	
Accounts payable	81,468
Accrued liabilities	(930)
Due to other funds	83,332
Unearned revenue	3,215
Total adjustments	<u>236,177</u>
Net cash provided by operating activities	<u><u>\$ 281,244</u></u>

See notes to the financial statements

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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 not capitalized in accordance with Governmental Accounting Boards Statement No. 89.

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, 2021

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, 2021

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, 2021

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, 2021

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 1st following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

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

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

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.

Implementation of Accounting Pronouncements

The Town implemented the following Governmental Accounting Standards Board Statements during the current fiscal year.

GASB Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB 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. The Town implemented the provisions of this statement related to GASB Statements No. 14 and No. 84 in the current fiscal year. The provisions related to Section 457 deferred compensation plans will be implement for the fiscal year ending September 30, 2022.

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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

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 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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

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.

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.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements. The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective for upon issuance (fiscal year ending September 30, 2022).
- The requirements related to leases, public-private and public-public partnerships, and subscription-based information technology arrangements are effective for fiscal years ending September 30, 2023, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years ending September 30, 2024, and all reporting periods thereafter.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years ending September 30, 2024, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. The requirements of this Statement are effective for fiscal years ending September 30, 2025, and all reporting periods thereafter. Earlier application is encouraged.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2021, the carrying amount of the Town's deposits was \$10,084,787, and the bank balances totaled \$10,097,903. 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.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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.

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

Certificates of deposit are exempt from reporting under the fair value hierarchy, and their fair value is measured at cost. As of September 30, 2021, the Town held the following certificates of deposit:

<u>Description</u>	<u>Cost</u>	<u>Days to Maturity</u>
Flagler Bank CD	\$ 278,153	183
Legacy Bank CD	289,883	230
Synovus Bank CD	251,451	66
	<u>\$ 819,487</u>	

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

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, 2021, 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	\$ 34,439	\$	\$ 14,630	\$
Accounts - billed	26,685			247,965
Due from other governments	31,233	1,397		
Special assessments	92,357	262,835		
	<u>92,357</u>	<u>264,232</u>	<u>14,630</u>	<u>247,965</u>
Allowance for uncollectibles				(10,000)
Net receivables	<u>\$ 92,357</u>	<u>\$ 264,232</u>	<u>\$ 14,630</u>	<u>\$ 237,965</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables at September 30, 2021, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$189,241

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, 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	756,712	624,422	(1,381,134)	
Total not being depreciated	<u>1,133,235</u>	<u>624,422</u>	<u>(1,381,134)</u>	<u>376,523</u>
Assets being depreciated				
Buildings	1,240,621	14,963	(4,235)	1,251,349
Equipment	829,369	105,038	(73,385)	861,022
Intangible assets	10,237			10,237
Infrastructure	3,272,520	1,390,988		4,663,508
Total being depreciated	<u>5,352,747</u>	<u>1,510,989</u>	<u>(77,620)</u>	<u>6,786,116</u>
Total at historical cost	<u>6,485,982</u>	<u>2,135,411</u>	<u>(1,458,754)</u>	<u>7,162,639</u>
Accumulated depreciation				
Buildings	(846,880)	(26,686)	4,235	(869,331)
Equipment	(577,753)	(71,552)	70,411	(578,894)
Intangible assets	(2,559)	(2,047)		(4,606)
Infrastructure	(1,789,668)	(179,076)		(1,968,744)
Total accumulated depreciation	<u>(3,216,860)</u>	<u>(279,361)</u>	<u>74,646</u>	<u>(3,421,575)</u>
Governmental activities, net	<u>\$3,269,122</u>	<u>\$1,856,050</u>	<u>\$(1,384,108)</u>	<u>\$3,741,064</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

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	\$ 600,512	\$766,087	\$(1,366,599)	\$
Total not being depreciated	<u>600,512</u>	<u>766,087</u>	<u>(1,366,599)</u>	
Assets being depreciated				
Water system improvements	2,658,922	1,068,506		3,727,428
Equipment	<u>200,722</u>	<u>340,268</u>		<u>540,990</u>
Total being depreciated	<u>2,859,644</u>	<u>1,408,774</u>		<u>4,268,418</u>
Total at historical cost	<u>3,460,156</u>	<u>2,174,861</u>	<u>(1,366,599)</u>	<u>4,268,418</u>
Accumulated depreciation				
Water system improvements	(1,160,437)	(87,480)		(1,247,917)
Equipment	<u>(95,208)</u>	<u>(14,797)</u>		<u>(110,005)</u>
Total accumulated depreciation	<u>(1,255,645)</u>	<u>(102,277)</u>		<u>(1,357,922)</u>
Business-type activities, net	<u>\$2,204,511</u>	<u>\$2,072,584</u>	<u>\$(1,366,599)</u>	<u>\$2,910,496</u>

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

Governmental activities:	
Streets	\$181,058
Police department	69,360
General government	<u>28,943</u>
Total governmental activities	<u>\$279,361</u>
Business-type activities:	
Municipal water	<u>\$102,277</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

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, 2021 principal and interest to maturity on April 1, 2022 to be paid from pledged funds totaled \$269,157. Principal and interest paid for the current fiscal year was \$269,157 and pledged special assessments were \$258,250.

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>
2022	<u>\$263,739</u>	<u>\$5,418</u>	<u>\$269,157</u>
	<u><u>\$263,739</u></u>	<u><u>\$5,418</u></u>	<u><u>\$269,157</u></u>

Interest Expense

The total interest cost incurred on all Town debt for the year ended September 30, 2021, was \$8,157 and total interest paid during the year was \$10,910. No interest was capitalized in the Enterprise Fund during the year.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Changes in the Town's long-term liabilities for the year ended September 30, 2021 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	\$521,986	\$	\$(258,247)	\$263,739	\$263,739
OPEB	59,892	5,318	(19,904)	45,306	
Litigation settlement	38,582	195,000	(38,582)	195,000	
Compensated absences	14,674	93,112	(90,671)	17,115	17,115
Total Governmental Activities	<u>\$635,134</u>	<u>\$293,430</u>	<u>\$(407,404)</u>	<u>\$521,160</u>	<u>\$280,854</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>\$1,095</u>	<u>\$1,095</u>	<u>\$(1,095)</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 employment before satisfying the vesting requirement are used to reduce the Town's current-period contribution requirement.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

NOTE 7 – DEFINED CONTRIBUTION EMPLOYEE RETIREMENT PLAN (Continued)

For the fiscal year ended September 30, 2021, the Town recognized pension expense of \$332,467 for the Plan, and as of the fiscal year end, the Town reported no payables for outstanding contributions to the Plan. There were \$12,655 of forfeitures during the current fiscal year, and the balance of forfeitures was \$64,340 as of September 30, 2021.

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, 2021

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, 2020, the latest valuation date:

Active plan members	17
Inactive plan members or beneficiaries currently receiving benefits	
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	<u>17</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, 2021, the rate was 2.43% based on the S&P Municipal Bond 20-year High Grade Index at September 30, 2021. 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 2.14%.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

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, 2021, the Town reported a total OPEB liability of \$45,306. For the fiscal year ended September 30, 2021, the Town recognized an OPEB expense of \$1,246. As of September 30, 2021, 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	\$ 185	\$ 20,428
Demographic experience	<u>10,045</u>	<u>11,907</u>
	<u>\$ 10,230</u>	<u>\$ 32,335</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>
2022	\$ (4,072)
2023	(4,072)
2024	(4,007)
2025	(3,907)
2026	(3,271)
Thereafter	<u>(2,776)</u>
	<u>\$ (22,105)</u>

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Valuation date:	October 1, 2020
Measurement date:	September 30, 2021
Actuarial cost method:	Entry Age Cost Method
Discount rate:	2.43%
Cost-of-living increases:	Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates.
Healthcare cost trend rates:	Increases in healthcare costs are assumed to be 8.50% for the 2020/21 fiscal year graded down by 0.50% per year to 5.00% for the 2027/28 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 \$225.00 for each of the retiree and the retiree's spouse has been assumed at age 60 for the 2020/21 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 under the PPO plan 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 increased from 2.14% per annum to 2.43% per annum; the healthcare cost trend rates were increased from 6.00% for the 2020/21 fiscal year graded down to 5.00% to 8.50% for the 2020/21 fiscal year graded down to 5.00%; the implied monthly subsidy at age 60 for the 2020/21 fiscal year was decreased from \$266.25 to \$225.00.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The components of the total OPEB liability as of September 30, 2021 were as follows:

Description	Total OPEB Liability
Balance September 30, 2020	\$ 59,892
Changes for the year:	
Service cost	3,793
Expected interest growth	1,525
Demographic experience	(13,647)
Benefit payments & refunds	(1,828)
Assumptions changes	(4,429)
Net change	(14,586)
Balance September 30, 2021	<u>\$ 45,306</u>
Covered-employee payroll	\$ 1,737,443
Total OPEB liability as a percentage of covered-employee payroll	2.61%

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

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 2.43% 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 1.43%</u>	<u>Discount Rate 2.43%</u>	<u>1% Increase 3.43%</u>
Total OPEB Liability	\$ 48,141	\$ 45,306	\$ 42,725

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

The following table presents the total OPEB liability of the Town calculated using the assumed trend rates (8.50% 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 7.50% - 4.00%</u>	<u>Healthcare Cost Trend Rate 8.50% - 5.00%</u>	<u>1% Increase 9.50% - 6.00%</u>
Total OPEB Liability	\$ 41,640	\$ 45,306	\$ 49,534

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

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, 2021, the Town paid an annual service fee in the amount of \$548,116. 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.

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, 2021, the Town paid \$60,243 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, 2021, the Town paid \$751,126 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, 2021

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, 2021, the Town paid \$446,666 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, 2021, the Town made payments of \$162,738 pursuant to the agreement.

NOTE 12 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which the Town carries commercial insurance. The Town purchases commercial insurance to cover the various risks. Retention of risks is limited to those risks that are uninsurable and deductibles ranging from \$250 to \$2,500 per occurrence. The Town has not significantly reduced insurance coverage during the past three fiscal years. Certain settled claims exceed insurance coverage during the fiscal years ended September 30, 2019, 2020, and 2021.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

NOTE 12 – RISK MANAGEMENT (Continued)

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

The Town is involved in various litigation and claims arising in the course of operations. The Town is a defendant in five remaining lawsuits alleging violations by the Town of the State of Florida's Public Records Law. Two cases remain pending before the trial court for a fee award. The first case stalled when the Plaintiff entity filed for bankruptcy. Prior to that, Plaintiff's expert testified that a reasonable fee award would be approximately \$37,000. However, a fee award for this case cannot be reasonably determined at this time. For the second case, the Town will argue that a proper fee award is in the \$130,000 range, that costs should be limited to approximately \$25,000, and that interest should be denied or limited to the \$40,000 range. As a result, the Town will attempt to limit its exposure to approximately \$195,000. A liability and expense in this amount are reported in the government-wide financial statements of the Governmental Activities.

Three other cases alleging violations of the Public Records Law by the Town were still pending on appeal limited to the issue of the amount of fees, which have already been paid. The Court rejected each of Plaintiff's claims in each appeal, except for approximately \$6,000 in attorney's fees on a specific, limited issue in one case.

Nonetheless, the Plaintiff has not yet exhausted his appellate remedies in these three cases. He filed motions in three different cases in June of 2022, seeking a certification that would permit a higher level of review by the Florida Supreme Court on the issue of whether he is entitled to an additional fee award for litigating the amount of his claim for attorney's fees. While an adverse outcome is unlikely, in the event of an adverse outcome before the Florida Supreme Court, potential awards of additional attorney's fees and costs under section 119.12, Florida Statutes, would become available to the Plaintiff and would fall outside the scope of the Town's liability coverage. As a result, these cases still pose a risk of financial exposure to the Town. The amount of additional exposure is currently unknown and will require additional discovery. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements.

TOWN OF GULF STREAM, FLORIDA
Notes to the Financial Statements
September 30, 2021

NOTE 13 – OPERATING LEASE

In July 2021, the Town entered into an operating lease for two copiers. The lease is for a term of 36 months and requires minimum monthly payments \$503 that commenced in July 2021. For the year ended September 30, 2021, the Town made payments of \$2,368 pursuant to the lease.

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

<u>Year Ended September 30</u>	<u>Minimum Lease Payments</u>
2022	\$6,036
2023	6,036
2024	4,527
	<u>\$16,599</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.

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
Notes to the Financial Statements
September 30, 2021

NOTE 15 – HEALTH REIMBURSEMENT ARRANGEMENT

The Town provides a Section 105 Health Reimbursement Arrangement Plan (HRA) to full time employees covered by the Town's group medical plan. The plan will reimburse participants for in-network and out-of-network medical, dental, vision, prescription and other medical expenses under Section 213(d) of the Internal Revenue Code that they are required to pay under the group health plan. Eligible expenses cannot also be reimbursed by another plan nor paid pre-tax by another health plan coverage or program. Participants will be reimbursed for up to \$3,000 for eligible expenses for each plan year. This amount will be prorated for mid-year new hires. Unused amounts remaining in a participant's account at the end of the coverage period will carry forward into the next coverage period to be used for future eligible expenses. The plan will cover the participant, spouse, and dependents who are also covered under the participant's group medical plan. Dependents include natural and adopted children, stepchildren, and foster children. The plan permits a participant to elect out of the plan annually.

The Town will make contributions of \$3,000 annually to an HRA account for each participant, prorated for mid-year new hires. For the year ended September 30, 2021, the Town made contributions of \$58,000 to the HRA account, and participants were reimbursed \$45,869 for eligible expenses they paid. As of September 30, 2021, the balance in the HRA account was \$177,328.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 1, the Town implemented GASB Statement No. 84, *Fiduciary Activities*, during the current fiscal year. In the prior fiscal year, the Health Reimbursement Arrangement discussed in Note 15 was accounted for in an agency fund. GASB Statement No. 84 eliminated the use of agency funds. The HRA is now accounted for in the General Fund. The cumulative effect of applying this statement has been reported as a restatement of the beginning net position of the governmental activities on the entity-wide financial statements and the fund balance of the General Fund on the fund financial statements. A reconciliation of the prior period ending net position and fund balance to the current year beginning net position and fund balance are as follows.

	Governmental Activities	General Fund
Balance at September 30, 2020, as reported	\$ 10,682,155	\$ 7,059,925
Adjustment for adoption of GASB 84	165,197	165,197
Balance at September 30, 2020, as restated	<u>\$ 10,847,352</u>	<u>\$ 7,225,122</u>

TOWN OF GULF STREAM, FLORIDA
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Taxes				
Ad valorem taxes	\$ 4,456,805	\$ 4,456,805	\$ 4,459,374	\$ 2,569
Local option fuel taxes	29,000	29,000	37,386	8,386
Utility service taxes	218,000	218,000	249,103	31,103
Communications services taxes	57,000	57,000	58,855	1,855
Total taxes	<u>4,760,805</u>	<u>4,760,805</u>	<u>4,804,718</u>	<u>43,913</u>
Licenses and permits				
Inspection Fees	70,000	70,000	132,019	62,019
Franchise fees	121,800	121,800	154,978	33,178
Building permits	300,000	425,437	446,666	21,229
Total licenses and permits	<u>491,800</u>	<u>617,237</u>	<u>733,663</u>	<u>116,426</u>
Intergovernmental revenue				
State revenue sharing proceeds	92,700	92,700	126,939	34,239
Shared revenue from other local units	1,650	1,650	6,220	4,570
Grants				
Total intergovernmental revenue	<u>94,350</u>	<u>94,350</u>	<u>133,159</u>	<u>38,809</u>
Charges for services				
Solid waste collection fees	156,000	156,000	161,396	5,396
Other	3,200	3,200	11,632	8,432
Total charges for services	<u>159,200</u>	<u>159,200</u>	<u>173,028</u>	<u>13,828</u>
Judgments, fines and forfeits				
Judgments and fines	1,200	1,200	20,436	19,236
Violation of local ordinances	2,500	2,500	3,929	1,429
Total judgments, fines, and forfeits	<u>3,700</u>	<u>3,700</u>	<u>24,365</u>	<u>20,665</u>
Investment earnings	<u>51,500</u>	<u>51,500</u>	<u>71,662</u>	<u>20,162</u>
Miscellaneous revenues				
Contributions	12,000	12,000	12,250	250
Other	15,200	15,200	380,997	365,797
Total miscellaneous revenues	<u>27,200</u>	<u>27,200</u>	<u>393,247</u>	<u>366,047</u>
Total revenues	<u>5,588,555</u>	<u>5,713,992</u>	<u>6,333,842</u>	<u>619,850</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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Expenditures				
Administration	1,680,213	1,805,650	1,612,020	193,630
Legal	1,324,245	524,245	485,275	38,970
Police	1,944,470	1,944,470	1,670,154	274,316
Fire Rescue	549,126	549,126	548,611	515
Streets	521,157	1,261,866	1,216,482	45,384
Sanitation	169,344	169,344	162,738	6,606
Total expenditures	6,188,555	6,254,701	5,695,280	559,421
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (600,000)</u>	<u>\$ (540,709)</u>	638,562	<u>\$ 1,179,271</u>
Other financing sources (uses)				
Transfers out		(59,291)		59,291
Total other financing sources (uses)		<u>(59,291)</u>		<u>59,291</u>
Net change in fund balance	<u>\$ (600,000)</u>	<u>\$ (600,000)</u>	638,562	<u>\$ 1,238,562</u>
Fund balance, beginning of year - as restated			<u>7,225,122</u>	
Fund balance, end of year			<u>\$ 7,863,684</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, 2021

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, 2021, 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, 2021

Actuarial Valuation Date	10/01/2016	10/01/2018	10/01/2019	10/01/2020
Measurement Date of Total OPEB Liability	09/30/2018	09/30/2019	09/30/2020	09/30/2021
Employer's Reporting Date	09/30/2018	09/30/2019	09/30/2020	09/30/2021
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB liability - beginning	\$ 66,172	\$ 69,996	\$ 61,271	\$ 59,892
Changes for the year:				
Service cost	5,843	4,139	4,294	3,793
Expected interest growth	2,558	2,562	1,329	1,525
Demographic experience		16,699	255	(13,647)
Benefit payments & refunds	(3,487)	(5,206)	(7,002)	(1,828)
Assumption changes	(1,090)	(26,919)	(255)	(4,429)
Net change in total OPEB liability	<u>3,824</u>	<u>(8,725)</u>	<u>(1,379)</u>	<u>(14,586)</u>
Total OPEB liability - ending	<u>\$ 69,996</u>	<u>\$ 61,271</u>	<u>\$ 59,892</u>	<u>\$ 45,306</u>
Covered-employee payroll	\$ 1,533,673	\$ 1,616,938	\$ 1,721,402	\$ 1,737,443
Total OPEB liability as a percentage of covered-employee payroll	4.56%	3.79%	3.48%	2.61%

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%
September 30, 2021 measurement date	2.43%

Since the prior measurement date, the discount rate was increased from 2.14% per annum to 2.43% per annum; the healthcare cost trend rates were increased from 6.00% for the 2020/21 fiscal year graded down to 5.00% to 8.50% for the 2020/21 fiscal year graded down to 5.00%; the implied monthly subsidy at age 60 for the 2020/21 fiscal year was decreased from \$266.25 to \$225.00.

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.



NOWLEN, HOLT & MINER, P.A.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Gulf Stream, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Gulf Stream, Florida's basic financial statements and have issued our report thereon dated June 27, 2022.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

West Palm Beach, Florida
June 27, 2022



NOWLEN, HOLT & MINER, P.A.

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

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

Report on the Financial Statements

We have audited the financial statements of the Town of Gulf Stream, Florida, as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 27, 2022.

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 27, 2022, 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, 2021 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 & Miner, P.A.

West Palm Beach, Florida
June 27, 2022



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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We have examined the Town of Gulf Stream, Florida's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2021. 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 AICPA. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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, 2021.

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 of Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 27, 2022