

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**FINANCIAL STATEMENTS WITH INDEPENDENT**  
**AUDITOR'S REPORT THEREON**  
**SEPTEMBER 30, 2010**

TOWN OF LAKE CLARKE SHORES, FLORIDA  
 SEPTEMBER 30, 2010

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (required supplementary information)	3-10
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12-13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of the Governmental Funds to the Statement of Activities	17
Statement of Net Assets – Proprietary Fund	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund	19
Statement of Cash Flows – Proprietary Fund	20
Notes to the Financial Statements	21-43
Required Supplementary Information Other Than MD&A	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	44
Notes to the Budgetary Required Supplementary Information	45
Schedule of Funding Progress – Other Postemployment Benefits	46
Other Supplementary Information	
Schedule of Departmental Expenditures – Budget and Actual	47-50
Other Reports	
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>	51-52
Management Letter in Accordance With the Rules of the Auditor General of the State of Florida	53-56



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE  
215 FIFTH STREET, SUITE 200  
POST OFFICE BOX 347  
WEST PALM BEACH, FLORIDA 33402-0347  
TELEPHONE (561) 659-3060  
FAX (561) 835-0628  
WWW.NHMCOPA.COM

EVERETT B. NOWLEN (1930-1984), CPA  
EDWARD T. HOLT, CPA  
WILLIAM B. MINER, CPA  
ROBERT W. HENDRIX, JR., CPA  
JANET R. BARICEVICH, CPA

KATHLEEN A. MINER, CPA  
TERRY L. MORTON, JR., CPA  
N. RONALD BENNETT, CPA  
J. MICHAEL STEVENS, CPA  
ALEXIA G. VARGA, CPA  
BRIAN J. BRESCIA, CFP®, CPA  
KARA D. PETERSON, CPA  
EDWARD T. HOLT, JR., CPA

## INDEPENDENT AUDITOR'S REPORT

BELLE GLADE OFFICE  
333 S.E. 2nd STREET  
POST OFFICE BOX 338  
BELLE GLADE, FLORIDA 33430-0338  
TELEPHONE (561) 898-5612  
FAX (561) 898-8248

The Honorable Mayor and Members of the Town Council  
Town of Lake Clarke Shores, Florida

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 Lake Clarke Shores, Florida as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Lake Clarke Shores, Florida's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Lake Clarke Shores, Florida, as of September 30, 2010, and the respective changes in financial position and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2011 on our consideration of the Town of Lake Clarke Shores, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope

of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the budgetary comparison information on pages 44 and 45, and the Schedule of Funding Progress – Other Postemployment Benefits on page 46 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lake Clarke Shores, Florida's financial statements as a whole. The Schedule of Departmental Expenditures – Budget and Actual is presented for purposes of additional analysis and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Nowlen, Holt & Miner, P.A.*

West Palm Beach, Florida  
May 26, 2010

## Management’s Discussion and Analysis

The Town of Lake Clarke Shores (the “Town”) discussion and analysis is designed to:

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

Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current 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 of the Town of Lake Clarke Shores exceeded its liabilities at the close of the most recent fiscal year by \$14,253,604 (net assets). Of this amount, \$3,305,211 (unrestricted net assets) may be used to meet the government’s ongoing obligations to citizens and creditors.
- The government activities revenues were \$2,406,488 at the close of fiscal year 2010.
- The business-type activities revenues were \$2,814,200 at the close of fiscal year 2010.
- The total cost of all Town programs was \$4,760,741 during the fiscal year 2010.
- At the end of the 2010 fiscal year, unreserved fund balance for the general fund was \$1,086,827 or 45% of total general fund expenditures.

### USING THIS REPORT

In light of the fact that this is a very different presentation from the pre-GASB 34 Statements, the following graphic is provided for your review.

MD&A	Management’s Discussion & Analysis (Required supplemental information)				
BASIC FINANCIAL STATEMENTS	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; text-align: center;">Government-Wide Financial Statements (new)(pages 11-13)</td> <td style="width: 50%; text-align: center;">Fund Financial Statements (Refocused)(Pages 14-20)</td> </tr> <tr> <td colspan="2" style="text-align: center;">Notes to the Financial Statements (Expanded/ Restructured) (Pages 21-43)</td> </tr> </table>	Government-Wide Financial Statements (new)(pages 11-13)	Fund Financial Statements (Refocused)(Pages 14-20)	Notes to the Financial Statements (Expanded/ Restructured) (Pages 21-43)	
Government-Wide Financial Statements (new)(pages 11-13)	Fund Financial Statements (Refocused)(Pages 14-20)				
Notes to the Financial Statements (Expanded/ Restructured) (Pages 21-43)					
REQUIRED SUPPLEMENTAL INFORMATION	Required Supplementary Information (Other than MD&A) (Expanded) (Pages 44-46)				

## Management's Discussion and Analysis

The new financial statements' 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 Lake Clarke Shores' finances, in a manner similar to a private-sector business. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net assets and how they have changed. Net assets – the difference between the Town's assets and liabilities – are one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net assets are indicators of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

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

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

## Management's Discussion and Analysis

- Proprietary Funds – Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long and short-term financial information.
  - The Town's enterprise fund (one type of proprietary fund) is the same as its business type activities, but provides more detail and additional information, such as cash flows.

### FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

#### Net Assets

The Town's combined net assets for the fiscal year ending 2010 are reported at \$14,253,604. Net assets of the Town's governmental activities for the fiscal year ending 2010 are \$7,628,416. The net assets of our business-type activities are reported at \$6,625,188 for the fiscal year ending 2010. Overall the financial position of the total primary government is better than the prior year, with a increase of \$10,574 in net assets for the governmental activities and an increase of \$449,373 in net assets for the business-type activities.

#### Town of Lake Clarke Shores Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Current and other Assets	\$995,290	\$ 1,178,326	\$ 4,741,024	\$ 4,579,702	\$ 5,736,314	\$ 5,758,028
Capital Assets, net	<u>7,603,197</u>	<u>7,376,897</u>	<u>5,605,161</u>	<u>5,933,576</u>	<u>13,208,358</u>	<u>13,310,473</u>
<b>TOTAL ASSETS</b>	<b><u>8,598,487</u></b>	<b><u>8,555,223</u></b>	<b><u>10,346,185</u></b>	<b><u>10,513,278</u></b>	<b><u>18,944,672</u></b>	<b><u>19,068,501</u></b>
Current and Other Liabilities	104,514	103,847	390,072	476,351	494,586	580,198
Long term liabilities outstanding	<u>876,131</u>	<u>822,960</u>	<u>3,780,298</u>	<u>3,411,739</u>	<u>4,656,429</u>	<u>4,234,699</u>
<b>TOTAL LIABILITIES</b>	<b><u>980,645</u></b>	<b><u>926,807</u></b>	<b><u>4,170,370</u></b>	<b><u>3,888,090</u></b>	<b><u>5,151,015</u></b>	<b><u>4,814,897</u></b>
Net Assets:						
Invested in capital assets, net of Related debt	6,817,187	6,656,031	1,847,596	2,540,813	8,664,783	9,196,844
Restricted	17,476	3,043	1,736,319	1,748,506	1,753,795	1,751,549
Unrestricted	<u>783,179</u>	<u>969,342</u>	<u>2,591,900</u>	<u>2,335,869</u>	<u>3,375,079</u>	<u>3,305,211</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$7,617,842</u></b>	<b><u>\$7,628,416</u></b>	<b><u>\$6,175,815</u></b>	<b><u>\$6,625,188</u></b>	<b><u>\$13,793,657</u></b>	<b><u>\$14,253,604</u></b>

## Management's Discussion and Analysis

### Changes in Net Assets

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

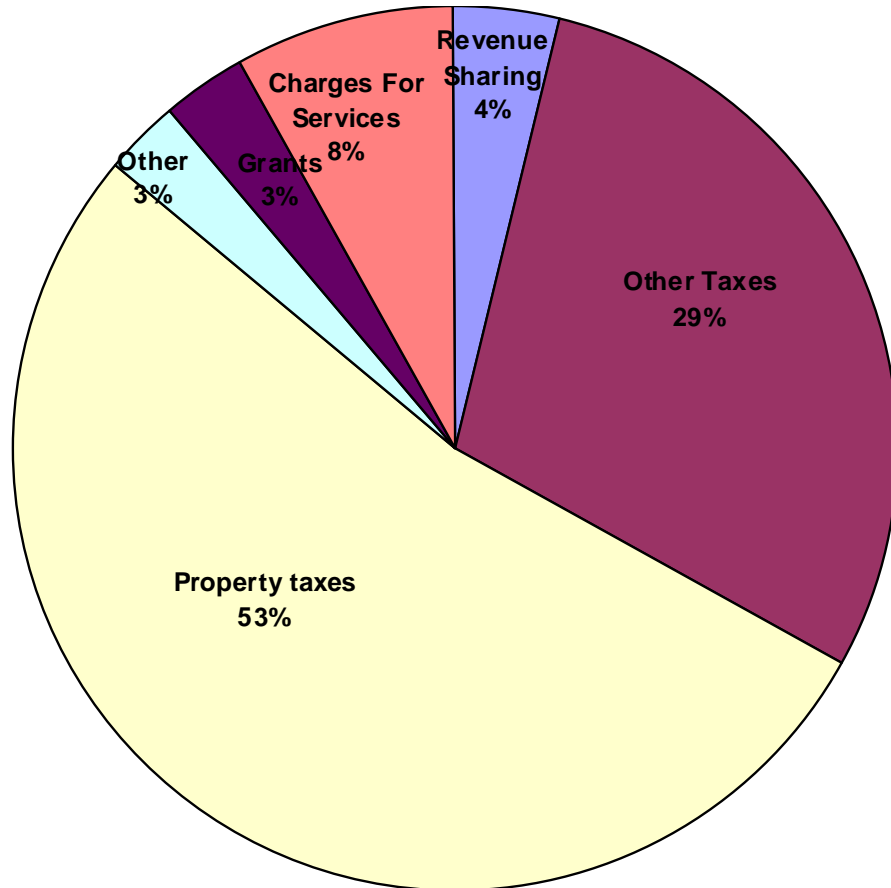
- The very small increase in net assets for governmental activities totaled \$10,574.
- The business-type net assets increased by \$449,373 during fiscal year 2010 due to an increase in operating revenues.

#### Town of Lake Clarke Shores Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
<u>Revenues:</u>						
<i>Program Revenues:</i>						
Charges for services	\$ 254,890	\$ 201,347	\$2,457,437	\$2,679,254	\$2,712,327	\$ 2,880,601
Operating grants	11,647	12,676			11,647	12,676
Capital grants/Special Assessments						
Culture and recreation	68,653	71,279			68,653	71,279
<i>General Revenues:</i>						
Taxes	1,959,361	1,948,848			1,959,361	1,948,848
State revenue sharing	94,649	94,627			94,649	94,627
Other	<u>60,360</u>	<u>77,711</u>	<u>126,039</u>	<u>134,946</u>	<u>186,399</u>	<u>212,657</u>
Total Revenues	<u>2,449,560</u>	<u>2,406,488</u>	<u>2,583,476</u>	<u>2,814,200</u>	<u>5,033,036</u>	<u>5,220,688</u>
<u>Expenses:</u>						
<i>Governmental Type Activities:</i>						
General government	577,559	534,171			577,559	534,171
Public safety	1,343,837	1,335,102			1,343,837	1,335,102
Culture and recreation	97,799	103,355			97,799	103,355
Highways and streets	231,800	228,543			231,800	228,543
Physical environment	366,303	355,872			366,303	355,872
Interest on long-term debt	32,325	28,871			32,325	28,871
<i>Business-Type Activities:</i>						
Purchased utilities			956,305	1,061,388	956,305	1,061,388
Personal and contractual services			581,649	540,779	581,649	540,779
Repair and maintenance			59,179	47,299	59,179	47,299
Utilities and supplies			53,150	48,059	53,150	48,059
Intragovernmental expense			35,000	35,000	35,000	35,000
Other charges			69,804	89,485	69,804	89,485
Interest and fiscal charges			182,547	166,416	182,547	166,416
Depreciation and amortization			<u>176,386</u>	<u>186,401</u>	<u>176,386</u>	<u>186,401</u>
Total Expenses	<u>2,649,623</u>	<u>2,585,914</u>	<u>2,114,020</u>	<u>2,174,827</u>	<u>4,763,643</u>	<u>4,760,741</u>
Excess (deficiency) Before Transfers	<u>(200,063)</u>	<u>(179,426)</u>	<u>469,456</u>	<u>639,373</u>	<u>269,393</u>	<u>459,947</u>
Transfers	<u>190,000</u>	<u>190,000</u>	<u>(190,000)</u>	<u>(190,000)</u>		
Change in Net Assets	<u>(10,063)</u>	<u>10,574</u>	<u>279,456</u>	<u>449,373</u>	<u>269,393</u>	<u>459,947</u>
Net Assets – Beginning	<u>7,627,905</u>	<u>7,617,842</u>	<u>5,896,359</u>	<u>6,175,815</u>	<u>13,524,264</u>	<u>13,793,657</u>
Net Assets – Ending	<u>\$ 7,617,842</u>	<u>\$ 7,628,416</u>	<u>\$ 6,175,815</u>	<u>\$6,625,188</u>	<u>\$13,793,657</u>	<u>\$14,253,604</u>

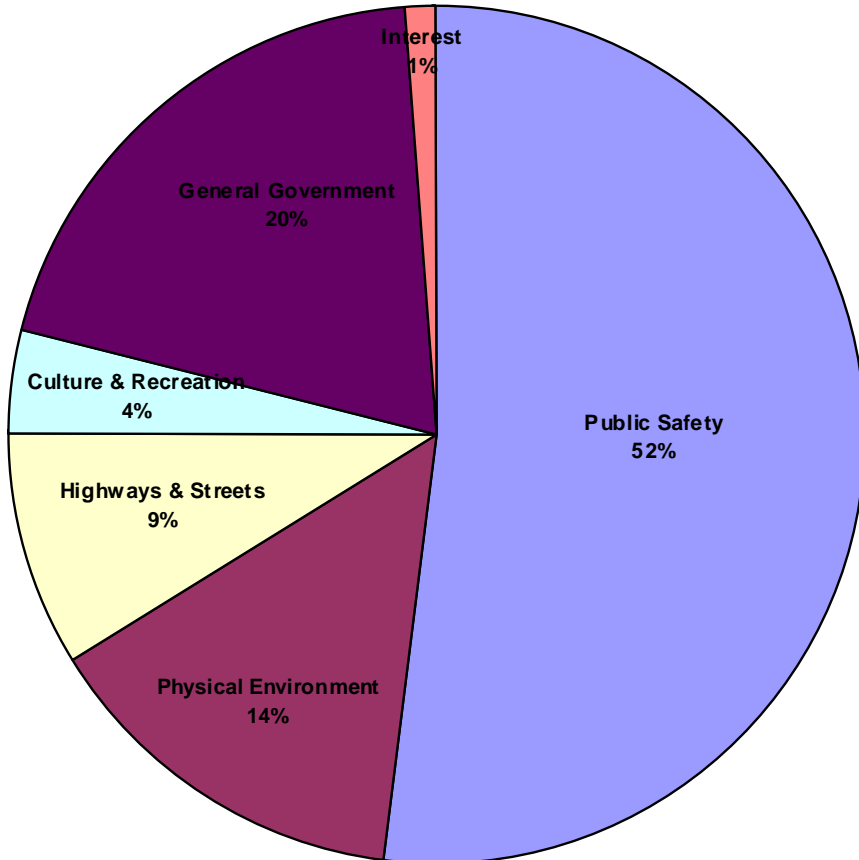
## Management's Discussion and Analysis

82% of the Town's governmental revenue comes from taxes such as property, franchise and sales use. Property taxes alone account for nearly 64% of the various types of taxes and 53% of all revenues. (Please see chart below.)



## Management's Discussion and Analysis

The Town's governmental expenses cover a range of services, with 52% relating to public safety. The Town completed construction of a new municipal complex that included a Town Hall and Police Station in 2009 creating an interest expense of only 1% of total governmental expenses. (Please see chart below.)



### Financial Analysis of the Governmental Fund on the Fund Basis

As the Town of Lake Clarke Shores completed the year, the general fund reported an unreserved fund balance of \$1,086,827, an increase of \$187,370 from the previous fiscal year. The increase was primarily due to reduction in capital expenditures.

## Management's Discussion and Analysis

### Financial Analysis of the Proprietary Fund

Unrestricted net assets of the water fund at the end of the fiscal year 2010 were \$2,335,869. This represents a reduction of \$256,031. The total net assets of the water fund were \$6,625,188 at the end of fiscal year 2010, an increase of \$449,373 from the prior year.

### General Fund Budgetary Highlights

The actual expenditures were \$267,191 less than the budget amounts. Revenues were \$193,979 more than the budget amounts.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2010 the Town had invested \$11,365,794, excluding intangible assets, in a broad range of capital assets including police equipment, buildings, infrastructure and water improvements. Additional information can be found in Note 5 of the notes to the financial statements.

#### Town of Lake Clarke Shores Capital Assets (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Land	\$ 517,753	\$ 517,753	\$ 88,760	\$ 88,760	\$ 606,513	\$ 606,513
Buildings	3,070,054	3,005,953			3,070,054	3,005,953
Other improvements						
Other than buildings	1,549,232	1,539,892	3,534,283	3,369,278	5,083,515	4,909,170
Infrastructure	2,271,032	2,108,816			2,271,032	2,108,816
Equipment	195,126	204,483	33,351	16,042	228,477	220,525
Construction in progress				514,817		514,817
Intangible assets			<u>1,948,767</u>	<u>1,944,679</u>	<u>1,948,767</u>	<u>1,944,679</u>
<b>TOTALS</b>	<u>\$7,603,197</u>	<u>\$7,376,897</u>	<u>\$5,605,161</u>	<u>\$5,933,576</u>	<u>\$13,208,358</u>	<u>\$13,310,473</u>

## Management's Discussion and Analysis

### Debt

As of September 30, 2010 the Town had \$1,249,047 in a Promissory Note Series 2004, \$2,244,029 in a Promissory Note Series 2005, \$720,866 in a Promissory Note Series 2007 and \$114,486 in long term compensated absences as shown in the following table: Additional information can be found in Note 7 of the notes to the financial statements.

#### Town of Lake Clarke Shores Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Promissory Note Series 2004	\$	\$	\$1,432,139	\$1,249,047	\$1,432,139	\$1,249,047
Promissory Note Series 2005			2,449,271	2,244,029	2,449,271	2,244,029
Less Deferred Amount on Refunding			(123,845)	(100,312)	(123,845)	(100,312)
Promissory Note Series 2007	786,010	720,866			786,010	720,866
Other Postemployment Benefits		4,941		1,642		6,583
Compensated Absences	<u>90,121</u>	<u>97,153</u>	<u>22,733</u>	<u>17,333</u>	<u>112,854</u>	<u>114,486</u>
<b>TOTALS</b>	<u>\$876,131</u>	<u>\$ 822,960</u>	<u>\$3,780,298</u>	<u>\$3,411,739</u>	<u>\$4,656,429</u>	<u>\$4,234,699</u>

### Other Postemployment Benefits (OPEB)

As a result of GASB Statement No. 45 the Town's annual OPEB cost was \$9,856 and the net OPEB obligation as of September 30, 2010 was \$6,583

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

For the 2011 fiscal year, general fund revenue projections have been moderately reduced due legislative tax reform and property devaluation.

- The budget is balanced.
- Most user fee rates should increase for fiscal year 2011 due to an increase in the CPI and changes implemented as a result of a rate study.
- The millage rate of 6.2798 was less than the calculated rolled-back rate of 6.8034.

### 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 to demonstrate 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 Lake Clarke Shores, 1701 Barbados Road, Lake Clarke Shores, FL 33406.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Net Assets**  
**September 30, 2010**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 388,027	\$ 348,268	\$ 736,295
Investments	678,306	1,143,002	1,821,308
Accounts receivable (net)	48,978	263,915	312,893
Due from other governments	59,972		59,972
Assessments receivable		733,791	733,791
Inventories		44,016	44,016
Deferred charges		33,576	33,576
Restricted assets			
Cash and cash equivalents	3,043	1,262,838	1,265,881
Investments		750,296	750,296
Capital assets			
Non-depreciable			
Land	517,753	88,760	606,513
Construction in progress		514,817	514,817
Depreciable			
Buildings	3,205,037		3,205,037
Improvements other than buildings	1,798,718	4,951,185	6,749,903
Equipment	844,603	414,191	1,258,794
Infrastructure	6,488,657		6,488,657
Less: accumulated depreciation	(5,477,871)	(1,980,056)	(7,457,927)
Intangible assets		2,033,924	2,033,924
Less: accumulated amortization		(89,245)	(89,245)
Total assets	<u>8,555,223</u>	<u>10,513,278</u>	<u>19,068,501</u>
<b>Liabilities</b>			
Accounts payable	46,422	101,270	147,692
Contracts payable		109,152	109,152
Deferred revenue	28,050		28,050
Accrued liabilities	5,753	1,301	7,054
Accrued interest payable	23,622	50,713	74,335
Deposits payable from restricted assets		213,915	213,915
Non-current liabilities			
Due within one year	165,341	419,354	584,695
Due in more than one year	657,619	2,992,385	3,650,004
Total liabilities	<u>926,807</u>	<u>3,888,090</u>	<u>4,814,897</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,656,031	2,540,813	9,196,844
Restricted for			
Debt service		1,248,506	1,248,506
Renewal and replacement		500,000	500,000
Special projects	3,043		3,043
Unrestricted	969,342	2,335,869	3,305,211
Total net assets	<u>\$ 7,628,416</u>	<u>\$ 6,625,188</u>	<u>\$ 14,253,604</u>

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Activities**  
**For the Year Ended September 30, 2010**

Function/ Program Activities	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 534,171	\$ 145,824	\$ 10,396
Public safety	1,335,102	55,004	2,280
Highways and streets	228,543		
Physical environment	355,872		
Culture and recreation	103,355	519	
Interest on long-term debt	28,871		
Total governmental activities	<u>2,585,914</u>	<u>201,347</u>	<u>12,676</u>
Business-type activities:			
Enterprise-water and sewer utility	<u>2,174,827</u>	<u>2,679,254</u>	
Total business-type activities	<u>2,174,827</u>	<u>2,679,254</u>	
Total government	<u>\$ 4,760,741</u>	<u>\$ 2,880,601</u>	<u>\$ 12,676</u>

General revenues:  
Property taxes  
Utility service taxes  
Sales and use taxes  
Franchise fees  
State revenue sharing  
Investment earnings  
Net increase in fair value of investments  
Miscellaneous  
Transfers  
Total general revenues and transfers

Change in net assets

Net assets, beginning of year  
Net assets, end of year

Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$	\$ (377,951)	\$	\$ (377,951)
	(1,277,818)		(1,277,818)
	(228,543)		(228,543)
	(355,872)		(355,872)
71,279	(31,557)		(31,557)
	(28,871)		(28,871)
<u>71,279</u>	<u>(2,300,612)</u>		<u>(2,300,612)</u>
		<u>504,427</u>	<u>504,427</u>
		<u>504,427</u>	<u>504,427</u>
<u>\$ 71,279</u>	<u>(2,300,612)</u>	<u>504,427</u>	<u>(1,796,185)</u>
	1,251,229		1,251,229
	173,964		173,964
	310,674		310,674
	212,981		212,981
	94,627		94,627
	25,269	114,933	140,202
	8,157	20,013	28,170
	44,285		44,285
	190,000	(190,000)	
	<u>2,311,186</u>	<u>(55,054)</u>	<u>2,256,132</u>
	10,574	449,373	459,947
	<u>7,617,842</u>	<u>6,175,815</u>	<u>13,793,657</u>
<u>\$ 7,628,416</u>	<u>\$ 6,625,188</u>	<u>\$ 6,625,188</u>	<u>\$ 14,253,604</u>

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2010**

	General	Nonmajor Governmental Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 388,027	\$	\$ 388,027
Cash and cash equivalents - restricted		3,043	3,043
Investments	678,306		678,306
Accounts receivable (net)	48,978		48,978
Due from other governments	59,972		59,972
Total assets	\$ 1,175,283	\$ 3,043	\$ 1,178,326
 <b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 46,422	\$	\$ 46,422
Accrued liabilities	5,753		5,753
Deferred revenue	36,281		36,281
Total liabilities	88,456		88,456
 <b>Fund balances</b>			
Unreserved, undesignated, reported in:			
General fund	1,086,827		1,086,827
Special revenue fund		3,043	3,043
Total fund balances	1,086,827	3,043	1,089,870
Total liabilities and fund balances	\$ 1,175,283	\$ 3,043	\$ 1,178,326

See notes to the financial statement

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**to the Statement of Net Assets**  
**Governmental Funds**  
**September 30, 2010**

Fund balances - total governmental funds		\$ 1,089,870
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 funds.		
Governmental capital assets	\$ 12,854,768	
Less accumulated depreciation	<u>(5,477,871)</u>	
		7,376,897
Governmental funds do not include revenues collected after 60 days of year end and are therefore deferred. Government-wide reporting recognizes revenues when they are earned, regardless of when they are collected.		
Palm Beach County Parks and Recreation Grant		8,231
Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities at year end consist of:		
Note payable		(720,866)
Accrued interest payable		(23,622)
Other postemployment benefits		(4,941)
Compensated absences		<u>(97,153)</u>
Net assets of governmental activities		<u>\$ 7,628,416</u>

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2010**

	General	Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 1,448,614	\$	\$ 1,448,614
Licenses and permits	316,460		316,460
Intergovernmental	478,422		478,422
Fines and forfeitures	34,890	1,258	36,148
Interest income	25,269		25,269
Net increase in fair value of investments	8,157		8,157
Intragovernmental	35,000		35,000
Charges for services	17,837		17,837
Miscellaneous	67,350		67,350
<b>Total revenues</b>	<u>2,431,999</u>	<u>1,258</u>	<u>2,433,257</u>
<b>Expenditures:</b>			
<b>Current</b>			
General government	511,007		511,007
Public safety	1,255,095		1,255,095
Highways and streets	45,762		45,762
Physical environment	355,872		355,872
Culture and recreation	71,602		71,602
Capital outlay	98,741	15,691	114,432
Debt service			
Principal	65,144		65,144
Interest	31,406		31,406
<b>Total expenditures</b>	<u>2,434,629</u>	<u>15,691</u>	<u>2,450,320</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,630)</u>	<u>(14,433)</u>	<u>(17,063)</u>
<b>Other financing sources (uses):</b>			
Transfers in	190,000		190,000
<b>Total other financing sources (uses)</b>	<u>190,000</u>		<u>190,000</u>
Net change in fund balance	187,370	(14,433)	172,937
Fund balances, beginning of year	899,457	17,476	916,933
Fund balances, end of year	<u>\$ 1,086,827</u>	<u>\$ 3,043</u>	<u>\$ 1,089,870</u>

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of the Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2010**

Net change in fund balances - total governmental funds \$ 172,937

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 capital assets is allocated over their estimated useful lives and reported as depreciation expense:

Expenditures for capital assets	\$ 112,932	
Less: current year depreciation	<u>(339,232)</u>	
		(226,300)

The repayment of the principal on long-term debt consumes current financial resources of governmental funds, but does not have any effect on the changes in net assets of governmental activities and are not recorded in the Statement of Activities

Principal payments on debt	65,144
Decrease in accrued interest payable on long-term debt	2,535

Governmental funds report revenues when earned and available. However, in the Statement of Activities, revenues are recognized when earned, regardless of availability.

Palm Beach County Parks and Recreation Grant	8,231
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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 in governmental funds.

Change in other postemployment benefits	(4,941)
Change in long-term compensated absences	<u>(7,032)</u>

Change in net assets	<u><u>\$ 10,574</u></u>
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See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Net Assets**  
**Proprietary Fund**  
**September 30, 2010**

	<u>Enterprise</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 348,268
Investments	1,143,002
Accounts receivable (net)	263,915
Assessments receivable	733,791
Deferred charges	33,576
Supplies inventory	44,016
Restricted assets	
Cash and cash equivalents	1,262,838
Investments	750,296
Total current assets	<u>4,579,702</u>
Non-current assets	
Capital assets	
Non depreciable	
Land	88,760
Construction in progress	514,817
Depreciable	
Improvements other than buildings	4,951,185
Equipment	414,191
Less accumulated depreciation	(1,980,056)
Intangible assets	2,033,924
Less accumulated amortization	(89,245)
Total non-current assets	<u>5,933,576</u>
Total assets	<u>10,513,278</u>
Liabilities	
Current liabilities	
Accounts payable	101,270
Contracts payable	109,152
Accrued Liabilities	1,301
Compensated absences payable	17,333
Notes payable - current portion	402,021
Payable from restricted assets	
Accrued interest payable	50,713
Deposits	213,915
Total current liabilities	<u>895,705</u>
Non-current liabilities	
Notes payable	2,990,743
Other postemployment benefits	1,642
Total non-current liabilities	<u>2,992,385</u>
Total liabilities	<u>3,888,090</u>
Net Assets	
Invested in capital assets, net of related debt	2,540,813
Restricted for	
Debt service	1,248,506
Renewal and replacement	500,000
Unrestricted	2,335,869
Total net assets	<u>\$ 6,625,188</u>

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the Year Ended September 30, 2010**

	Enterprise
Operating revenue	
Charges for services	\$ 2,679,254
Total operating revenues	2,679,254
Operating expenses	
Purchased utilities	1,061,388
Personal services	415,398
Contractual services	125,381
Supplies	31,044
Utilities and communications	17,015
Repairs and maintenance	47,299
Intragovernmental expense	35,000
Other charges	89,485
Depreciation	182,314
Amortization	4,087
Total operating expenses	2,008,411
Operating income	670,843
Nonoperating revenues (expenses)	
Investment earnings	114,933
Net increase in fair value of investments	20,013
Interest expense and fiscal charges	(166,416)
Total nonoperating revenues (expenses)	(31,470)
Net income before capital contributions and transfers	639,373
Transfers to other funds	(190,000)
Change in net assets	449,373
Net assets - beginning	6,175,815
Net assets - ending	\$ 6,625,188

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended September 30, 2010**

	<u>Enterprise</u>
Cash flows from operating activities:	
Receipts from customers	\$ 2,659,534
Payments to suppliers for goods or services	(1,390,236)
Payments to employees for services	(417,855)
Payments for interfund services used	(35,000)
Net cash provided (used) by operating activities	816,443
Cash flows from non-capital financing activities:	
Transfers from (to) other funds	(190,000)
Net cash provided (used) by non-capital financing activities	(190,000)
Cash flows from capital and related financing activities:	
Special assessments	94,162
Interest paid on debt	(142,853)
Principal paid on debt	(388,334)
Acquisition of capital assets	(405,665)
Net cash provided (used) by capital and related financing activities	(842,690)
Cash flows from investing activities:	
Purchase of investments	(19,140)
Interest and dividends on investments	114,933
Net cash provided (used) by investing activities	95,793
Net increase (decrease) in cash and cash equivalents	(120,454)
Cash and cash equivalents at beginning of year	1,731,560
Cash and cash equivalents at end of year	\$ 1,611,106
Reconciliation of operating income (loss)	
to net cash provided by operating activities:	
Operating income	\$ 670,843
Adjustments to reconcile operating income (loss)	
to net cash provided by operating activities:	
Depreciation	182,314
Amortization	4,087
Change in assets and liabilities	
Increase in accounts receivable	(34,864)
Decrease in inventories	4,810
Decrease in prepaid expenses	11,079
Decrease in accounts payable	(23,434)
Increase in accrued liabilities	2,943
Increase in deposits	4,065
Decrease in compensated absences	(5,400)
Total adjustments	145,600
Net cash provided by operating activities	\$ 816,443
Cash and cash equivalents:	
Unrestricted	\$ 348,268
Restricted	1,262,838
Total	\$ 1,611,106

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Lake Clarke Shores, Florida (the “Town”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 Lake Clarke Shores, Florida, was incorporated in 1957 pursuant to Chapter 57-1478, Laws of Florida. The Town is governed by an elected Mayor, Vice Mayor, President Pro-Tem, and the Town Council, which appoints a Town Administrator. The Town’s major operations include public safety (police and building inspection), water and sewer systems, sanitation, streets and roads, culture and recreation, and general administrative services.

As required by generally accepted accounting principles, these general purpose financial statements present the government and its component units. Component units are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Town’s financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization’s governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization’s governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that no component units exist which would require inclusion in this report. Further, the Town is not aware of any entity which would consider the Town to be a component unit.

*Government-wide and Fund Financial Statements*

The basic financial statements include both government-wide and fund financial statements. The previous financial reporting model emphasized fund types. The new reporting model focuses on either the Town as a whole, or major individual funds (within the fund financial statements).

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

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

*Government-wide and Fund Financial Statements – GASB Statement #34* (Continued)

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 are recorded when a liability is incurred, regardless of the timing of the related cash flows. The Town does not accrue property tax revenues since the collection of these taxes coincides with the fiscal year in which they are 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.

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 LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

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

*Governmental Funds*

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

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

The Town reports the following major governmental fund:

The General Fund is used to account for all financial resources applicable to the general operations of the Town government except those required to be accounted for in another fund.

*Proprietary Funds*

Proprietary funds are used to account for operations (1) 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 (2) 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 LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

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

*Proprietary Funds* (Continued)

The Town reports the following proprietary fund:

The Enterprise Fund is used to account for operations that provide services on a user charge basis to the public and for activities where periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes. Proprietary fund activities and basis of accounting are similar to those often found in the private sector. The Town's proprietary activities consist of a water treatment and distribution system and a sewage collection system.

The Town has elected to not apply FASB Statements and Interpretations issued after November 30, 1989, as permitted by Statement No. 20 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

*Cash and Cash Equivalents*

Cash and cash equivalents include amounts on deposit in demand accounts and money market accounts. For the purposes of the statement of cash flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Investments*

Investments are reported at fair value, which is determined by using various third party pricing sources. The Local Government Surplus Funds Trust Fund, administered by the Florida State Board of Administration is a "2A-7 like" pool and, thus, these investments are valued using the pooled share price.

*Inventories*

Inventories are valued at cost determined on a first-in, first-out basis. Inventories in the Enterprise Fund consist of expendable parts and supplies held for consumption. The initial cost is recorded as an asset at the time the individual inventory items are purchased and is charged against operations in the period when used.

*Deferred Charges*

The costs of issuance of the revenue bonds are amortized over the life of the bonds using the straight-line method.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

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

*Capital Assets*

Capital assets, which include plant, property, 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. Capital assets are defined by the government as assets with an initial cost of more than \$750. Such assets are recorded at cost or the fair market value of the assets at the time of purchase or contribution. The Town is a Phase 3 government under GASB 34, but the Town has elected 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	25 years
Improvements other than buildings	10-30 years
Infrastructure	25-40 years
Equipment	5-26 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

*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, proprietary, and fiduciary 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.

The Town's employees are granted compensated absence pay for vacation and sick leave in varying amounts based on length of service.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

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

*Reserved Fund Balance*

Fund balance reserves are used to indicate that a portion of the fund balance is not appropriable for expenditure or is legally segregated for a specific future use.

*Restricted Net Assets*

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.

*Interfund Transactions*

During the course of normal operations, it is necessary for the Town to enter into transactions among its various funds. These transactions consist of one or more of the following types:

Transactions for services rendered or facilities provided are recorded as revenue in the receiving fund and expenditures or expenses in the disbursing fund.

Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them are recorded as operating transfers in and out.

All other outstanding balances between funds are reported as "due to/from other funds."

*Estimates*

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure, of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, and useful lives and impairment of tangible and intangible assets. Accordingly, actual results could differ from those estimates.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Budgetary Data*

State of Florida statutes require that all municipal governments establish budgetary systems and approve balanced annual operating budgets. The Town Council annually adopts an operating budget and appropriates funds for the general and Enterprise Funds. The procedures for establishing budgetary data are as follows:

- Prior to August 1, the Town Administrator submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Upon completion of the public hearings, and prior to October 1, a final operating budget is legally enacted through passage of a resolution. Estimated beginning fund balances are considered in the budgetary process.
- All budgetary revisions equal to or in excess of \$2,500 or between departments must be approved by the Town Council. The Town Administrator is authorized to make budget transfers within a department in amounts less than \$2,500.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- Appropriations along with encumbrances lapse on September 30.

The adopted budgets are prepared in accordance with generally accepted accounting principles, with the exception that depreciation and amortization are not budgeted in the Enterprise Fund.

*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, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment roll meets all of the appropriate requirements of State law. The assessed value of property within the corporate limits of the Town at January 1, 2009, upon which the 2009-2010 levy was based, was approximately \$230 million. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

*Property Taxes* (Continued)

The tax levy of the Town is established by the Town Council prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, County School Board and Special District tax requirements. The millage rate assessed by the Town for the year ended September 30, 2010 was 6.4921 (\$6.4921 for each \$1,000 of assessed valuation).

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are offered for sale, for all delinquent taxes on real property.

After sale, tax certificates bear interest at 18% per year or at 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. Unsold certificates are held by the County. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations. At September 30, 2009 unpaid delinquent taxes are not material and have not been recorded by the Town.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

*Deposits*

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit eligible collateral with the Treasurer or another banking institution. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Town's deposits at year end are considered insured for custodial credit risk purposes. As of September 30, 2010, the Town's deposits included \$2,502,020 certificates of deposit with terms to maturity of greater than three months when purchased. These certificates of deposit are reported as investments.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

*Investments*

The Town has adopted an investment policy which authorizes the Town to invest any surplus public funds in the Local Government Surplus Funds Trust Fund, administered by the State Board of Administration, negotiable direct obligations of the United States Government, interest bearing time deposits or savings accounts, provided that any such deposits are secured by collateral as prescribed by law, obligations of the federal farm credit banks, obligations of the Federal National Mortgage Association, and securities of, or other interests in, any open-end or closed-end management type investment company or investment trust.

The State Board of Administration is part of the Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A, (Local Government Surplus Funds Trust Fund Investment Pool) consisted of all money market appropriate assets. Pool B, (Surplus Funds Trust Fund) consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B. On August 3, 2009 the SBA announced “Florida PRIME” as the highly enhanced version of the SBA’s prior Local Government Investment Pool.

At September 30, 2010, Florida PRIME was rated AAAM by Standard and Poor’s. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balances should be considered its fair value. Fund B is not rated by any national rating agency.

Fund B is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2010 was 0.707058094. The factor should be multiplied by the account balance in order to calculate the fair value of the investment in Fund B.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2010 was 52 days. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

*Investments* (Continued)

The weighted average life based on expected cash flows (WAL) of Fund B at September 30, 2010 was 7.49 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life

As of September 30, 2010, the Town of Lake Clarke Shores had \$12,880 invested in Florida PRIME. The cost basis of Fund B as of September 30, 2010 was \$97,140 and the fair value and adjusted book value was \$68,684. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

As of September 30, 2010, the Town had the following investments. The investment in the State Board of Administration Investment Florida PRIME pool is reported as cash and cash equivalents in the balance sheet. The investment in the Fund B and the mutual funds are reported as investments.

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
State Board of Administration Investment Pool		
Florida PRIME	52 days	\$ 12,880
Fund B	7.49 years	<u>68,684</u>
		<u>\$ 81,564</u>
	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	49 days	\$ 613,149
Certificate of Deposit	115 days	658,417
Certificate of Deposit	115 days	497,707
Certificate of Deposit	116 days	<u>733,647</u>
		<u>\$2,502,020</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

*Credit Risk*

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Town's investment policies limit its investments to high quality investments to control credit risk. As of September 30, 2010, the SBA Florida PRIME was rated AAAM by Standard and Poor's Rating Service. Fund B is not rated by any national rating agency.

*Interest Rate Risk*

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

**NOTE 4 - RESTRICTED ASSETS**

Certain proceeds from the Enterprise Fund Series 2004 note are classified as restricted assets because their use is limited by applicable loan covenants. Certain resources set aside for the repayment of Enterprise Fund Series 2005 promissory note are classified as restricted assets on the balance sheet because their use is limited by applicable loan covenants. Other restricted assets include amounts collected as customer deposits. Restricted assets for the business-type activities at September 30, 2010, consist of:

Debt Service – used to identify resources set aside for the purpose of paying principal and interest on long-term debt.	\$1,299,219
Renewal and Replacement Account - used to identify resources set aside for the purpose of paying the cost of extensions or improvements to the water supply system and wastewater collection system.	500,000
Customer Deposits - used to segregate deposits received from customers to insure against non-payment of billings.	<u>213,915</u>
	<u>\$2,013,134</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 5 – CAPITAL ASSETS**

The following is a summary of changes in the entity-wide financial statements during the fiscal year.

Governmental activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 517,753	\$ -	\$ -	\$ 517,753
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>517,753</u>	<u>-</u>	<u>-</u>	<u>517,753</u>
Capital assets being depreciated				
Buildings	3,205,037	-	-	3,205,037
Improvements-				
Other than buildings	1,753,495	45,223	-	1,798,718
Equipment	776,894	67,709	-	844,603
Infrastructure	<u>6,488,657</u>	<u>-</u>	<u>-</u>	<u>6,488,657</u>
Total capital assets being depreciated	<u>12,224,083</u>	<u>112,932</u>	<u>-</u>	<u>12,337,015</u>
Total at historical cost	<u>12,741,836</u>	<u>112,932</u>	<u>-</u>	<u>12,854,768</u>
Less accumulated depreciation for				
Buildings	134,983	64,101	-	199,084
Improvements-				
Other than buildings	204,263	54,563	-	258,826
Equipment	581,768	58,352	-	640,120
Infrastructure	<u>4,217,625</u>	<u>162,216</u>	<u>-</u>	<u>4,379,841</u>
Total accumulated depreciation	<u>5,138,639</u>	<u>339,232</u>	<u>-</u>	<u>5,477,871</u>
Governmental activities-				
Capital asset, net	<u>\$ 7,603,197</u>	<u>\$ (226,300)</u>	<u>\$ -</u>	<u>\$ 7,376,897</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 5 – CAPITAL ASSETS** (Continued)

Business-type activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 88,760	\$ -	\$ -	\$ 88,760
Construction in progress	<u>-</u>	<u>514,817</u>	<u>-</u>	<u>514,817</u>
Total capital assets not being depreciated	<u>88,760</u>	<u>514,817</u>	<u>-</u>	<u>603,577</u>
Capital assets being depreciated				
Improvements- Other than buildings	4,951,185	-	-	4,951,185
Equipment	<u>414,191</u>	<u>-</u>	<u>-</u>	<u>414,191</u>
Total capital assets being depreciated	<u>5,365,376</u>	<u>-</u>	<u>-</u>	<u>5,365,376</u>
Total at historical cost	<u>5,454,136</u>	<u>514,817</u>	<u>-</u>	<u>5,968,953</u>
Less accumulated depreciation for				
Improvements- Other than buildings	1,416,902	165,005	-	1,581,907
Equipment	<u>380,840</u>	<u>17,309</u>	<u>-</u>	<u>398,149</u>
Total accumulated depreciation	<u>1,797,742</u>	<u>182,314</u>	<u>-</u>	<u>1,980,056</u>
Business-type activities- Capital asset, net	<u>\$ 3,656,394</u>	<u>\$ 332,503</u>	<u>\$ -</u>	<u>\$ 3,988,897</u>

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

Governmental activities	
General government	\$ 53,455
Public safety	71,243
Highways and streets	182,781
Culture and recreation	<u>31,753</u>
Total depreciation expense for governmental activities	<u>\$ 339,232</u>
Business-type activities	
Municipal water and sewer	<u>\$ 182,314</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 6 - INTANGIBLE ASSETS**

Intangible assets consist of goodwill arising from the purchase of assets from Florida Water Service, Inc. and water distribution rights resulting from agreements with the City of Lake Worth and the Village of Palm Springs.

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets of the acquired utility system and is being amortized on a straight line basis over the period of the expected benefit of 40 years.

Water distribution rights represent the cost to construct the various improvements required as part of the agreements with the City of Lake Worth and the Village of Palm Springs. The rights have indefinite useful lives and are not being amortized.

Goodwill	\$ 163,500
Water distribution rights:	
City of Lake Worth	1,726,971
Village of Palm Springs	<u>143,453</u>
Total intangible assets	2,033,924
Accumulated amortization - goodwill	<u>(89,245)</u>
Total intangible assets, net	<u>\$ 1,944,679</u>

**NOTE 7 - LONG-TERM LIABILITIES**

*Governmental*

On December 18, 2007, the town issued its Promissory Note, Series 2007 in the principal amount of \$850,000 to provide funds for a portion of the design, engineering, and construction of the Town's municipal complex. Principal and interest payments on the Note are due in annual installments commencing on December 1, 2008 and on each December 1 thereafter until final maturity on December 1, 2018. The Note bears interest at the rate of 3.94%.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 7 - LONG-TERM LIABILITIES** (Continued)

*Governmental* (Continued)

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 68,188	\$ 28,362	\$ 96,550
2012	70,875	25,675	96,550
2013	73,667	22,883	96,550
2014	76,570	19,980	96,550
2015	79,586	16,964	96,550
2016-2019	<u>351,980</u>	<u>35,238</u>	<u>387,218</u>
Total	<u>\$720,866</u>	<u>\$149,102</u>	<u>\$869,968</u>

*Enterprise Fund*

On November 17, 2004, the Town issued its Promissory Note, Series 2004 in the principal amount of \$1,943,336 to provide funds for the construction of a potable water distribution system for Hypoluxo Village. Interest payments on the Note are due in semiannual installments commencing February 1, 2005 and on each February 1, and August 1, thereafter through August 1, 2016. The Note bears interest at the rate of 3.68%. Principal payments on the Note are due in annual installments from August 1, 2007 through August 1, 2016.

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 189,829	\$ 45,965	\$ 235,794
2012	196,815	38,979	235,794
2013	204,058	31,736	235,794
2014	211,567	24,227	235,794
2015	219,353	16,441	235,794
2016	<u>227,425</u>	<u>8,370</u>	<u>235,795</u>
Total	<u>\$1,249,047</u>	<u>\$ 165,718</u>	<u>\$1,414,765</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 7 - LONG-TERM LIABILITIES** (Continued)

*Enterprise Fund* (Continued)

On April 20, 2005, the Town issued its Promissory Note, Series 2005 in the principal amount of \$3,020,778 to refinance the outstanding Utility System Revenue Refunding and Improvement Bonds, Series 1994. Principal payments on the Note are due in annual installments from October 1, 2006 through October 1, 2018. Interest payments on the Note are due in semiannual installments commencing October 1, 2005 and on each April 1, and October 1, thereafter until final maturity on October 1, 2018. The Note bears interest at the rate of 3.837%.

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 212,192	\$ 82,032	\$ 294,224
2012	218,834	73,763	292,597
2013	230,155	65,149	295,304
2014	241,049	56,109	297,158
2015	246,498	46,756	293,254
2016-2019	<u>1,095,301</u>	<u>86,048</u>	<u>1,181,349</u>
Total	<u>\$2,244,029</u>	<u>\$ 409,857</u>	<u>\$2,653,886</u>

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 7 - LONG-TERM LIABILITIES** (Continued)

*Changes in Long-Term Liabilities*

During the year ended September 30, 2010, the following changes occurred in long-term liabilities:

	Balance October 1, 2009	Additions	Deletions	Balance September 30, 2010	Due Within One Year
Governmental activities					
Promissory Note, Series 2007	\$ 786,010	\$	\$ (65,144)	\$ 720,866	\$ 68,188
Other postemployment benefits		4,941		4,941	
Compensated absences	90,121	7,032		97,153	97,153
Total governmental activities	<u>\$ 876,131</u>	<u>\$ 11,973</u>	<u>\$ (65,144)</u>	<u>\$ 822,960</u>	<u>\$ 165,341</u>
Business-type activities					
Promissory Note, Series 2004	\$1,432,139	\$	\$(183,092)	\$ 1,249,047	\$ 189,829
Promissory Note, Series 2005	2,449,271		(205,242)	2,244,029	212,192
Less deferred loss on refunding	(123,845)		23,533	(100,312)	
Total bonds payable	3,757,565		(364,801)	3,392,764	402,021
Other postemployment benefits		1,642		1,642	
Compensated absences	22,733		(5,400)	17,333	17,333
Total business-type activities	<u>\$3,780,298</u>	<u>\$ 1,642</u>	<u>\$ (370,201)</u>	<u>\$ 3,411,739</u>	<u>\$ 419,354</u>

*Interest Expense*

The total interest costs incurred and paid on all City debt for the year ended September 30, 2010, were \$190,452 and \$174,259, respectively. No interest was capitalized in the Enterprise Fund during the year.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 8 - 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; and natural disasters for which the Town carries commercial insurance. The Town is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$100,000/\$200,000 for all claims relating to the same accident. There were no changes in insurance coverage from the prior year. There were no settled claims which exceeded insurance coverage during the past three fiscal years.

Effective September 30, 2008, the Town withdrew from the Southeast Risk Management Association (SERMA), a quasi-governmental agency created by an interlocal agreement, as authorized by Florida Statute 163. SERMA administered the property and casualty coverage for the Town. In accordance with the interlocal agreement, if a member withdraws, the member continues to be fully responsible and obligated for their portion of covered claims and expenses for covered claims that were incurred during the term of their membership. A withdrawn member may be entitled to a return of surplus, as if it were still a member of SERMA.

**NOTE 9 - COMMITMENTS**

*General Fund*

On July 22, 2008, the Town extended the agreement with Waste Management of Florida, Inc. for waste collection, through September 30, 2013. The rates to be paid by the Town depend on the number of units served and are adjusted annually based on changes in the consumer price index. For the year ended September 30, 2010, the Town was charged \$270,088 for waste collection.

*Enterprise Fund*

On November 10, 1988, the Town entered into an open-ended agreement with the Village of Palm Springs, Florida (the Village) to purchase water for the Town's water system. Rates for water service are based on the Village's large user rates. The Town is billed monthly on an average 400,000 gallons per day contracted minimum. For the year ended September 30, 2010, the Town was charged \$199,735 for purchased water.

On November 23, 1988, the Town entered into an open-ended agreement with the City of Lake Worth, Florida (the City) to provide sewer treatment services to the Town's sewer system. Charges for treatment of sewage disposal are billed to the Town monthly and are based on the City's rates for actual and capital costs per 1,000 gallons of sewage disposed. The Town was charged 444,976 for sewage disposal services for the year ended September 30, 2010.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 9 – COMMITMENTS** (Continued)

An interlocal agreement with the City of Lake Worth for Bulk Water Service was signed on October 13, 1993. The City agreed to provide water service to the Seminole Manor Service area for a period of 10 years, renewable for successive periods of five years at the option of the City. The City agreed to provide bulk water service at a rate of 65 cents per thousand gallons for a minimum of three years. Thereafter, future rate changes will be allowed only at the time of general rate increases for the City. The Town was charged \$416,677 for purchased water for the year ended September 30, 2010.

**Construction Contracts**

The Town has entered into the following construction contract as of September 30, 2010.

<u>Project</u>	<u>Total Project Authorization</u>	<u>Expended at September 30, 2010</u>	<u>Balance to Complete</u>
Wastewater System Improvements	\$554,333	\$461,525	\$92,808

**NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN**

The Town of Lake Clarke Shores, Florida's Money Purchase Plan is a defined contribution pension plan established by the Town and administered by Nationwide Life Insurance Company to provide benefits at retirement to the employees of the Town. All full-time employees are eligible to participate on attainment of age 21 and completion of six months of service, with hours of service being determined on the basis of actual hours for which an employee is paid or entitled to payment. For the year ended September 30, 2010, the Town contributed an amount equal to 8% of covered payroll. Participants are required to contribute a minimum of 2% under the plan. A participant is fully vested after six years of service. Town contributions for, and interest forfeited by, employees who leave before six years of service are used to reduce the Town's current period contribution requirement.

The Town's total payroll for the fiscal year ended September 30, 2010, was \$1,240,926. The Town's contribution requirement, representing 8% of the covered payroll of \$1,154,938, amounted to \$92,395.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 11 - INTRAFUND ADMINISTRATIVE FEE**

During the year ended September 30, 2010, the Enterprise Fund remitted \$35,000 to the General Fund for use of office space. This amount is reflected as intragovernmental revenue in the General Fund and as intragovernmental expense in the Enterprise Fund.

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS**

The Town implemented Governmental Accounting Standards Board Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective October 1, 2009. The Town elected to implement prospectively, and the change in accounting principle had no effect on changes in net assets/fund equity for prior periods. Retirees of the Town pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. This implied subsidy constitutes other postemployment benefits (OPEB) under GASB 45.

Plan Description

The Town provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries to continue to obtain health and dental benefits upon retirement. The normal retirement age for Town employees is age 60. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

Funding Policy

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 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.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Town’s annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The Town has elected to calculate the ARC and related information using the alternative method permitted under GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The annual OPEB cost and the net OPEB obligation for the Town for the current year and the related information are as follows:

Required contribution rates:		
Employer		Pay-as-you-go
Plan members		N/A
Normal cost		\$ 9,856
Amortization of unfunded actuarial accrued liability (UAAL)		<u>          </u>
Annual OPEB cost		9,856
Contributions made		<u>(3,273)</u>
Increase in net OPEB obligation		6,583
Net OPEB obligation October 1, 2009		<u>          </u>
Net OPEB obligation September 30, 2010		<u>\$ 6,583</u>

Trend Information

<u>Three-Year Trend Information</u>			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/08	N/A	N/A	N/A
09/30/09	N/A	N/A	N/A
09/30/10	\$9,856	33.2%	\$6,583

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

Funded Status

The funded status of the plan as of most recent actuarial valuation date was as follows:

Actuarial valuation date	10/01/2009
Actuarial accrued liability	\$ 42,780
Actuarial value of plan assets	\$
Unfunded actuarial accrued liability (UAAL)	\$ 42,780
Funded ratio	0.0%
Covered payroll	\$1,173,174
UAAL as a percentage of covered payroll	3.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are comparable with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the fiscal year ended September 30, 2010 was the year of implementation of GASB 45 and the Town elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	10/01/2009
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Amortization period	30 year closed period
Asset valuation method	Unfunded
Actual assumptions:	
Discount rate	4.5%
Healthcare cost trend	8% for 2010 decreasing to 5.0% in 2012

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2010**

**NOTE 13 – NEW PRONOUNCEMENTS**

The Town is required to implement Governmental Accounting Standards Board Statement 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions* for the fiscal year ending September 30, 2011. The objective of this new pronouncement is to increase the usefulness, including understandability of governmental fund balance information. The impact of the implementation of GASB 54 has not yet been determined.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2010**

	General Fund			Variance With Final Budget Positive (Negative)
	Original Adopted Budget	Final Revised Budget	Actual	
<b>Revenues:</b>				
Taxes	\$ 1,439,244	\$ 1,439,244	\$ 1,448,614	\$ 9,370
Licenses and permits	283,600	263,600	316,460	52,860
Intergovernmental	401,776	395,276	478,422	83,146
Fines and forfeitures	57,100	32,600	34,890	2,290
Interest income	42,000	25,000	25,269	269
Net increase in fair value of investments			8,157	8,157
Intragovernmental	35,000	35,000	35,000	
Charges for services	33,100	17,300	17,837	537
Miscellaneous	30,000	30,000	67,350	37,350
Total revenues	<u>2,321,820</u>	<u>2,238,020</u>	<u>2,431,999</u>	<u>193,979</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	577,160	659,661	607,557	52,104
Public safety	1,384,386	1,436,885	1,308,613	128,272
Highways and streets	93,274	97,774	45,762	52,012
Physical environment	379,000	378,500	355,872	22,628
Culture and recreation	78,000	129,000	116,825	12,175
Total expenditures	<u>2,511,820</u>	<u>2,701,820</u>	<u>2,434,629</u>	<u>267,191</u>
Excess (deficiency) of revenues over (under) expenditures	(190,000)	(463,800)	(2,630)	461,170
<b>Other financing sources:</b>				
Operating transfer in	190,000	190,000	190,000	
Total other financing sources	<u>190,000</u>	<u>190,000</u>	<u>190,000</u>	
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$</u>	<u>\$ (273,800)</u>	187,370	<u>\$ 461,170</u>
Fund balance, beginning of year			899,457	
Fund balance, end of year			<u>\$ 1,086,827</u>	

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Notes to the Budgetary**  
**Required Supplementary Information (RSI)**  
**General Fund**  
**September 30, 2010**

**Note 1 - Budgets and Budgetary Accounting**

As required by GASB Statement No. 34, a budgetary comparison schedule is presented for the General Fund. The procedures for establishing budgetary data reflected in the budgetary comparison schedule are described in Note 2 to the financial statements on page 27. Budgets are adopted on a basis consistent with generally accepted accounting principles. Formal budgetary integration is employed within the accounting system as a management control device. Appropriations are legally controlled at the departmental level and expenditures may not legally exceed budgeted appropriations at that level. For the year ended September 30, 2010, there were no departments that had an excess of expenditures over appropriations.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Required Supplemental Information**  
**Schedule of Funding Progress**  
**Other Postemployment Benefits**  
**For the Year Year Ended September 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age(1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/10	\$	\$ 42,780	\$ 42,780	0.0%	\$ 1,173,174	3.7%

The schedule of funding progress presented above will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the fiscal year ended September 30, 2010 was the year of implementation of GASB 45 and the Town elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented.

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Schedule of Departmental Expenditures Budget to Actual**  
**General Fund**  
**For the Year Ended September 30, 2010**

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures:			
General government:			
Mayor and council:			
Personal services:			
Executive salaries	\$ 6,000	\$ 6,000	\$
FICA	372	372	
Medicare	87	87	
Operating:			
Other current charges	400	32	368
Operating supplies	2,500	1,287	1,213
Books, dues, and education	2,500	1,313	1,187
Total mayor and council	11,859	9,091	2,768
Finance:			
Operating:			
Consulting	8,900	8,884	16
Accounting and auditing	13,408	11,550	1,858
Total finance	22,308	20,434	1,874
Administration and clerk:			
Personal services:			
Regular salaries	204,783	202,851	1,932
Elections	3,900		3,900
Overtime	1,400		1,400
Car allowance	3,300	3,300	
FICA	13,297	12,459	838
Medicare	3,008	2,914	94
Pension contributions	16,888	16,523	365
Employee insurance	27,100	26,028	1,072
Operating:			
Travel and per diem	500	30	470
Communications	1,000	643	357
Postage and freight	700	482	218
Repairs and maintenance	4,550	4,304	246
Printing and binding	400		400
Other current charges	500	27	473
Advertising	5,000	2,881	2,119
Office supplies	1,100	480	620
Operating supplies	1,900	1,785	115
Books, dues, and education	1,700	805	895
Debt service			
Principal	65,603	65,144	459
Interest	31,547	31,406	141
Total administration	388,176	372,062	16,114

(continued)

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Schedule of Departmental Expenditures Budget to Actual**  
**General Fund**  
**For the Year Ended September 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Legal:			
Operating:			
Professional fees	\$ 80,000	\$ 69,397	\$ 10,603
Other general government:			
Operating:			
Professional fees	10,000	9,536	464
Other contractual services	5,518	5	5,513
Communications	11,000	6,646	4,354
Postage and freight	2,000	1,473	527
Electric	23,500	22,329	1,171
Water and sewer	8,000	7,085	915
Rentals and leases	3,000	2,551	449
General insurance	57,000	55,003	1,997
Repairs and maintenance	25,500	24,288	1,212
Other current charges	1,900	1,874	26
Office supplies	900	382	518
Operating supplies	4,500	4,325	175
Gas and oil	1,500	726	774
Books, dues, and education	3,000	350	2,650
Total other general government	<u>157,318</u>	<u>136,573</u>	<u>20,745</u>
Total general government	<u>659,661</u>	<u>607,557</u>	<u>52,104</u>
Public safety:			
Law enforcement:			
Personal services:			
Regular salaries	594,022	585,354	8,668
PD special details	27,600	13,932	13,668
Overtime	36,500	35,552	948
State incentive pay	5,940	5,515	425
FICA	42,558	41,519	1,039
Medicare	10,134	9,983	151
Pension contributions	49,284	46,049	3,235
Employee insurance	105,600	99,701	5,899
Unemployment compensation	2,500		2,500

(continued)

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Schedule of Departmental Expenditures Budget to Actual (continued)**  
**General Fund**  
**For the Year Ended September 30, 2010**

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Operating:			
Dispatch services	\$ 36,523	\$ 36,511	\$ 12
Travel and per diem	1,500	852	648
Communications	25,000	24,459	541
Postage and freight	1,100	849	251
Rentals and leases	12,500	485	12,015
Police vehicle leases	5,529	4,800	729
Repairs and maintenance	29,000	27,928	1,072
Repairs and maintenance - vehicles	26,600	26,470	130
Printing and binding	1,000	876	124
Other current charges	300		300
Crime prevention	500	143	357
Office supplies	1,250	1,222	28
Operating supplies	25,000	24,733	267
Gas and oil	43,900	32,443	11,457
Uniforms	8,500	8,407	93
Books, dues, and education	4,400	4,350	50
Capital outlay:			
Machinery and equipment	55,000	53,518	1,482
Total law enforcement	<u>1,151,740</u>	<u>1,085,651</u>	<u>66,089</u>
Protective inspections and code enforcement:			
Personal services:			
Regular salaries	121,913	84,859	37,054
Overtime	3,950	26	3,924
FICA	7,804	5,130	2,674
Medicare	1,825	1,200	625
Pension contributions	8,978	5,541	3,437
Employee insurance	28,800	21,522	7,278
Operating:			
Other contractual services	95,500	94,928	572
Travel and per diem	700	110	590
Communications	700	77	623
Postage and freight	1,500	1,328	172
Rentals and leases	900		900
Repairs and maintenance	7,500	6,324	1,176
Office supplies	675	438	237
Operating supplies	4,100	1,364	2,736
Books, dues, and education	300	115	185
Total protective inspections and code enforcement	<u>285,145</u>	<u>222,962</u>	<u>62,183</u>
Total public safety	<u>1,436,885</u>	<u>1,308,613</u>	<u>128,272</u>

(continued)

**TOWN OF LAKE CLARKE SHORES, FLORIDA**  
**Schedule of Departmental Expenditures Budget to Actual (continued)**  
**General Fund**  
**For the Year Ended September 30, 2010**

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Highways and streets:			
Operating:			
Professional fees	\$ 13,500	\$ 4,140	\$ 9,360
NPDES agreement	5,500	5,224	276
Electric	27,500	26,594	906
Repairs and maintenance	6,400	6,343	57
Operating supplies	3,500	2,781	719
Road materials and supplies	1,000	680	320
Capital outlay:			
Storm drainage	40,374		40,374
Total highways and streets	<u>97,774</u>	<u>45,762</u>	<u>52,012</u>
Physical environment:			
Operating:			
Lawn services	67,800	67,760	40
Garbage collection service	292,600	270,088	22,512
Weed control	18,100	18,024	76
Total physical environment	<u>378,500</u>	<u>355,872</u>	<u>22,628</u>
Culture and recreation:			
Parks and recreation			
Operating:			
Professional fees	10,100	10,069	31
Electric	2,700	2,241	459
Water and sewer	700	625	75
Repairs and maintenance	12,000	11,855	145
Operating supplies	3,300	3,248	52
Beautification landscape	11,400	11,017	383
Capital outlay:			
Improvements other than building	50,000	45,223	4,777
Total parks and recreation	<u>90,200</u>	<u>84,278</u>	<u>5,922</u>
Special events			
Operating:			
Postage and freight	3,500	3,370	130
Printing and binding	10,000	9,157	843
Promotional activities	7,500	2,665	4,835
Other current charges	300	25	275
Operating supplies	17,500	17,330	170
Total special events	<u>38,800</u>	<u>32,547</u>	<u>6,253</u>
Total culture and recreation	<u>129,000</u>	<u>116,825</u>	<u>12,175</u>
Total expenditures	<u>\$ 2,701,820</u>	<u>\$ 2,434,629</u>	<u>\$ 267,191</u>



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE  
215 FIFTH STREET, SUITE 200  
POST OFFICE BOX 347  
WEST PALM BEACH, FLORIDA 33402-0347  
TELEPHONE (561) 659-3060  
FAX (561) 835-0628  
WWW.NHMCOPA.COM

EVERETT B. NOWLEN (1930-1984), CPA  
EDWARD T. HOLT, CPA  
WILLIAM B. MINER, CPA  
ROBERT W. HENDRIX, JR., CPA  
JANET R. BARICEVICH, CPA

KATHLEEN A. MINER, CPA  
TERRY L. MORTON, JR., CPA  
N. RONALD BENNETT, CPA  
J. MICHAEL STEVENS, CPA  
ALEXIA G. VARGA, CPA  
BRIAN J. BRESCIA, CFP®, CPA  
KARA D. PETERSON, CPA  
EDWARD T. HOLT, JR., CPA

## 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*

BELLE GLADE OFFICE  
333 S.E. 2nd STREET  
POST OFFICE BOX 338  
BELLE GLADE, FLORIDA 33430-0338  
TELEPHONE (561) 986-5612  
FAX (561) 986-8248

The Honorable Mayor and Members of the Town Council  
Town of Lake Clarke Shores, Florida

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Clarke Shores, Florida, as of and for the year ended September 30, 2030, which collectively comprise the Town of Lake Clarke Shores, Florida's basic financial statements and have issued our report thereon dated May 26, 2011. We conducted our audit in accordance auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Lake Clarke Shores, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lake Clarke Shores, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Lake Clarke Shores, Florida's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lake Clarke Shores, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Town of Lake Clarke Shores, Florida in the accompanying Management Letter dated May 26, 2011.

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

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
May 26, 2011



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE  
215 FIFTH STREET, SUITE 200  
POST OFFICE BOX 347  
WEST PALM BEACH, FLORIDA 33402-0347  
TELEPHONE (561) 659-3060  
FAX (561) 835-0628  
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## MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

BELLE GLADE OFFICE  
333 S.E. 2nd STREET  
POST OFFICE BOX 338  
BELLE GLADE, FLORIDA 33430-0338  
TELEPHONE (561) 996-5612  
FAX (561) 996-8248

The Honorable Mayor and Members of the Town Council  
Town of Lake Clarke Shores, Florida

We have audited the financial statements of the Town of Lake Clarke Shores, Florida, as of and for the year ended September 30, 2010, and have issued our report thereon dated May 26, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated May 26, 2011, should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

### **PRIOR YEAR COMMENTS**

Rules of the Auditor General require that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.

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

## **CURRENT YEAR COMMENTS**

### *Investment of Public Funds*

Rules of the Auditor General require our audit to include a review of the Town's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

### *Current Year Recommendations*

Rules of the Auditor General require that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we did not have any recommendations that are required to be reported in this letter.

### *Violations of Laws, Regulations, Contracts and Grant Provisions or Abuse*

Rules of the Auditor General require that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

### *Matters Inconsequential to the Financial Statements*

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

### *Oversight Unit and Component Units*

Rules of the Auditor General require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements, but has been repeated here. The Town of Lake Clarke Shores, Florida is a municipal corporation organized pursuant to Chapter 31276, Laws of Florida, 1955. Based upon the application of criteria defined in publications cited in Chapter 10.553, Rules of the Auditor General, the Town has determined that there are no component units related to the Town.

### Consideration of Financial Emergency Criteria

Rules of the Auditor General require a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town of Lake Clarke Shores, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

### Annual Financial Report

Rules of the Auditor General require that we determine whether the annual financial report for the Town of Lake Clarke Shores, Florida for the fiscal year ended September 30, 2010 filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we noted that the two reports were in substantial agreement.

### Financial Condition Assessment Procedures

Pursuant to Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Lake Clarke Shores, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provide by management. The results of our procedures did not disclose any matters that are required to be reported.

### Excess of Expenditures Over Appropriations

As indicated in Note 1 to the Budgetary Required Supplementary Information for the year ended September 30, 2010, there were no departments that had expenditures in excess of appropriations.

### Single Audits

The Town expended less than \$500,000 of federal awards and less than \$500,000 of state financial assistance for the year ended September 30, 2010. The Town was not required to have a federal single audit or a state single audit.

### Response to Management Letter

There were no items that required a response by management.

Pursuant to Chapter 119, Florida Statutes, this Management Letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Town Commission, others within the entity, the Florida Auditor General, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
May 26, 2011