

TOWN OF LAKE CLARKE SHORES, FLORIDA
FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT THEREON
SEPTEMBER 30, 2011

TOWN OF LAKE CLARKE SHORES, FLORIDA
 SEPTEMBER 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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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, 2011, 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, 2011, 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 June 4, 2012 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 46 and 47, and the Schedule of Funding Progress – Other Postemployment Benefits on page 48 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 & Mimer, P.A.

West Palm Beach, Florida
June 4, 2012

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

- Ø The assets of the Town of Lake Clarke Shores exceeded its liabilities at the close of the most recent fiscal year by \$14,459,235 (net assets). Of this amount, \$3,601,895 (unrestricted net assets) may be used to meet the government’s ongoing obligations to citizens and creditors.
- Ø The government activities revenues were \$2,213,484 at the close of fiscal year 2011.
- Ø The business-type activities revenues were \$2,789,354 at the close of fiscal year 2011.
- Ø The total cost of all Town programs was \$4,797,207 during the fiscal year 2011.
- Ø At the end of the 2011 fiscal year, unassigned fund balance for the general fund was \$1,016,195 or 41% 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 border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Government-Wide Financial Statements (new)(pages 11-13)</td> <td style="width: 50%;">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 21-45)</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 21-45)	
Government-Wide Financial Statements (new)(pages 11-13)	Fund Financial Statements (Refocused)(Pages 14-20)				
Notes to the Financial Statements (Expanded/ Restructured) (Pages 21-45)					
REQUIRED SUPPLEMENTAL INFORMATION	Required Supplementary Information (Other than MD&A) (Expanded) (Pages 46-48)				

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:

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

Fund Financial Statements

Our analysis of the Town's major funds begins on page 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.

- Ø 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

Ø 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 2011 are reported at \$14,459,235. Net assets of the Town's governmental activities for the fiscal year ending 2011 are \$7,466,267. The net assets of our business-type activities are reported at \$6,992,968 for the fiscal year ending 2011. Overall the financial position of the total primary government is less than the prior year, with a decrease of \$162,149 in net assets for the governmental activities and an increase of \$367,780 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>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Current and Other Assets	\$1,178,326	\$1,086,984	\$ 4,579,702	\$ 4,125,236	\$ 5,758,028	\$ 5,212,220
Capital Assets, Net	<u>7,376,897</u>	<u>7,172,534</u>	<u>5,933,576</u>	<u>6,240,679</u>	<u>13,310,473</u>	<u>13,413,213</u>
TOTAL ASSETS	<u>8,555,223</u>	<u>8,259,518</u>	<u>10,513,278</u>	<u>10,365,915</u>	<u>19,068,501</u>	<u>18,625,433</u>
Current and Other Liabilities	103,847	74,057	476,351	340,488	580,198	414,545
Long Term liabilities Outstanding	<u>822,960</u>	<u>719,194</u>	<u>3,411,739</u>	<u>3,032,459</u>	<u>4,234,699</u>	<u>3,751,653</u>
TOTAL LIABILITIES	<u>926,807</u>	<u>793,251</u>	<u>3,888,090</u>	<u>3,372,947</u>	<u>4,814,897</u>	<u>4,166,198</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	6,656,031	6,519,421	2,540,813	3,228,623	9,196,844	9,748,044
Restricted	3,043	18,116	1,748,506	1,091,180	1,751,549	1,109,296
Unrestricted	<u>969,342</u>	<u>928,730</u>	<u>2,335,869</u>	<u>2,673,165</u>	<u>3,305,211</u>	<u>3,601,895</u>
TOTAL NET ASSETS	<u>\$7,628,416</u>	<u>\$7,466,267</u>	<u>\$6,625,188</u>	<u>\$6,992,968</u>	<u>\$14,253,604</u>	<u>\$14,459,235</u>

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).

- Ø The decrease in net assets for governmental activities totaled \$162,149.
- Ø The business-type net assets increased by \$367,780 during fiscal year 2011 due to an increase in operating revenues.

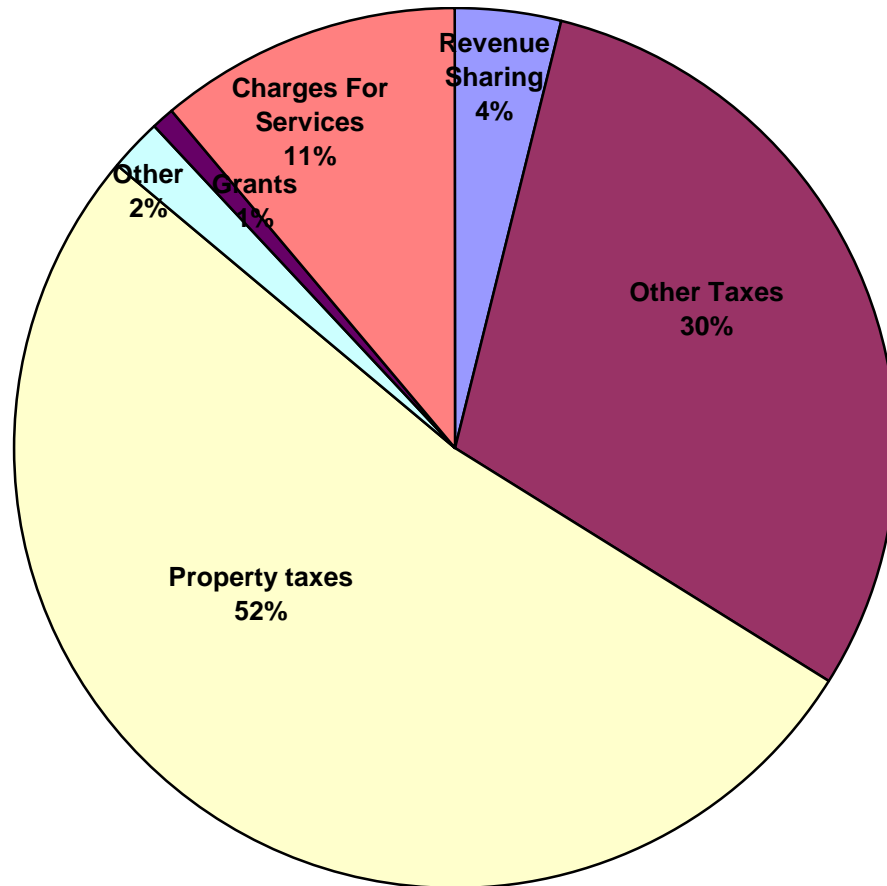
Town of Lake Clarke Shores Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
<u>Revenues:</u>						
<i>Program Revenues:</i>						
Charges for services	\$ 201,347	\$ 234,454	\$2,679,254	\$2,704,019	\$2,880,601	\$ 2,938,473
Operating grants	12,676	10,898			12,676	10,898
Capital grants						
Culture and recreation	71,279	9,637			71,279	9,637
<i>General Revenues:</i>						
Taxes	1,948,848	1,825,068			1,948,848	1,825,068
State revenue sharing	94,627	95,216			94,627	95,216
Other	<u>77,711</u>	<u>38,211</u>	<u>134,946</u>	<u>85,335</u>	<u>212,657</u>	<u>123,546</u>
Total Revenues	<u>2,406,488</u>	<u>2,213,484</u>	<u>2,814,200</u>	<u>2,789,354</u>	<u>5,220,688</u>	<u>5,002,838</u>
<u>Expenses:</u>						
<i>Governmental Type Activities:</i>						
General government	534,171	561,551			534,171	561,551
Public safety	1,335,102	1,330,061			1,335,102	1,330,061
Culture and recreation	103,355	92,807			103,355	92,807
Highways and streets	228,543	225,304			228,543	225,304
Physical environment	355,872	329,351			355,872	329,351
Interest on long-term debt	28,871	26,559			28,871	26,559
<i>Business-Type Activities:</i>						
Purchased utilities			1,061,388	1,120,286	1,061,388	1,120,286
Personal and contractual services			540,779	573,415	540,779	573,415
Repair and maintenance			47,299	60,046	47,299	60,046
Utilities and supplies			48,059	52,719	48,059	52,719
Intragovernmental expense			35,000	35,000	35,000	35,000
Other charges			89,485	79,221	89,485	79,221
Interest and fiscal charges			166,416	148,978	166,416	148,978
Depreciation and amortization			<u>186,401</u>	<u>161,909</u>	<u>186,401</u>	<u>161,909</u>
Total Expenses	<u>2,585,914</u>	<u>2,565,633</u>	<u>2,174,827</u>	<u>2,231,574</u>	<u>4,760,741</u>	<u>4,797,207</u>
Excess (deficiency) Before Transfers	<u>(179,426)</u>	<u>(352,149)</u>	<u>639,373</u>	<u>557,780</u>	<u>459,947</u>	<u>205,631</u>
Transfers	<u>190,000</u>	<u>190,000</u>	<u>(190,000)</u>	<u>(190,000)</u>		
Change in Net Assets	<u>10,574</u>	<u>(162,149)</u>	<u>449,373</u>	<u>367,780</u>	<u>459,947</u>	<u>205,631</u>
Net Assets – Beginning	<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>
Net Assets – Ending	<u>\$ 7,628,416</u>	<u>\$ 7,466,267</u>	<u>\$ 6,625,188</u>	<u>\$6,992,968</u>	<u>\$14,253,604</u>	<u>\$14,459,235</u>

Management's Discussion and Analysis

Governmental Activities – Revenues by Source

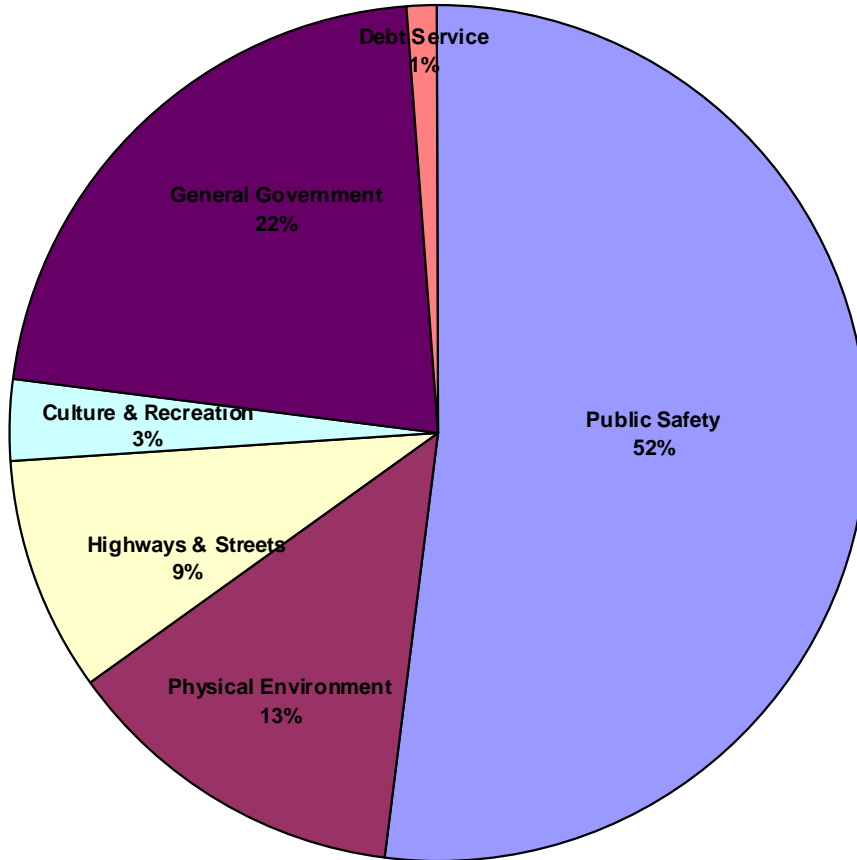
Approximately 82% of the Town's governmental revenue comes from taxes such as property, franchise and sales use. Property taxes alone account for nearly 63% of the various types of taxes and 52% of all revenues. (Please see chart below.)



Management's Discussion and Analysis

Governmental Activities – Expenses

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 a debt service expense of 1% 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 unassigned fund balance of \$1,016,195, a decrease of \$70,632 from the previous fiscal year. The decrease was primarily due to necessary 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 2011 were \$2,673,165. This represents an increase of \$337,296. The total net assets of the water fund were \$6,992,968 at the end of fiscal year 2011, an increase of \$367,780 from the prior year.

General Fund Budgetary Highlights

The actual expenditures were \$145,673 less than the budget amounts. Revenues were \$114,896 more than the budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011 the Town had invested \$13,413,213 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 6 to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Land	\$ 517,753	\$ 517,753	\$ 88,760	\$ 88,760	\$ 606,513	\$ 606,513
Buildings	3,005,953	2,941,852			3,005,953	2,941,852
Improvements other than buildings	1,539,892	1,521,571	3,369,278	4,154,548	4,909,170	5,676,119
Infrastructure	2,108,816	1,946,600			2,108,816	1,946,600
Equipment	204,483	244,758	16,042	56,779	220,525	301,537
Construction in progress			514,817		514,817	
Intangible assets			<u>1,944,679</u>	<u>1,940,592</u>	<u>1,944,679</u>	<u>1,940,592</u>
TOTALS	<u>\$7,376,897</u>	<u>\$7,172,534</u>	<u>\$5,933,576</u>	<u>\$6,240,679</u>	<u>\$13,310,473</u>	<u>\$13,413,213</u>

Management's Discussion and Analysis

Debt

As of September 30, 2011, the Town had \$1,059,218 in a Promissory Note Series 2004, \$2,031,837 in a Promissory Note Series 2005, \$653,113 in a Promissory Note Series 2007 and \$71,932 in long term compensated absences as shown in the following table: Additional information can be found in Note 8 to the financial statements.

Town of Lake Clarke Shores Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Promissory Note Series 2004	\$	\$	\$1,249,047	\$1,059,218	\$1,249,047	\$1,059,218
Promissory Note Series 2005			2,244,029	2,031,837	2,244,029	2,031,837
Less Deferred Amount on Refunding			(100,312)	(78,999)	(100,312)	(78,999)
Promissory Note Series 2007	720,866	653,113			720,866	653,113
Other Postemployment Benefits	4,941	10,910	1,642	3,642	6,583	14,552
Compensated Absences	<u>97,153</u>	<u>55,171</u>	<u>17,333</u>	<u>16,761</u>	<u>114,486</u>	<u>71,932</u>
TOTALS	<u>\$822,960</u>	<u>\$719,194</u>	<u>\$3,411,739</u>	<u>\$3,032,459</u>	<u>\$4,234,699</u>	<u>\$3,751,653</u>

Other Postemployment Benefits (OPEB)

As a result of GASB Statement No. 45 the Town's annual OPEB cost was \$10,334 and the net OPEB obligation as of September 30, 2011 was \$14,522

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2012 fiscal year, general fund revenue projections have been moderately reduced due legislative tax reform and property devaluation.

- Ø The budget is balanced.
- Ø Most user fee rates should increase for fiscal year 2012 due to an increase in the CPI and changes implemented as a result of a rate study.
- Ø The millage rate of 6.2798 was less than the calculated rolled-back rate of 6.5261.

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, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 288,676	\$ 545,063	\$ 833,739
Investments	684,668	1,152,257	1,836,925
Accounts receivable (net)	57,488	264,271	321,759
Due from other governments	37,156		37,156
Assessments receivable		703,631	703,631
Interest receivable		41,857	41,857
Inventories		36,124	36,124
Deferred charges		28,741	28,741
Restricted assets			
Cash and cash equivalents	18,996	1,339,139	1,358,135
Investments		14,153	14,153
Capital assets			
Non-depreciable			
Land	517,753	88,760	606,513
Depreciable			
Buildings	3,205,037		3,205,037
Improvements other than buildings	1,835,284	5,883,023	7,718,307
Equipment	950,587	466,182	1,416,769
Infrastructure	6,488,657		6,488,657
Less: accumulated depreciation	(5,824,784)	(2,137,878)	(7,962,662)
Intangible assets		2,033,924	2,033,924
Less: accumulated amortization		(93,332)	(93,332)
Total assets	<u>8,259,518</u>	<u>10,365,915</u>	<u>18,625,433</u>
Liabilities			
Accounts payable	24,144	75,774	99,918
Deferred revenue	20,806		20,806
Accrued liabilities	7,723	2,602	10,325
Accrued interest payable	21,384	45,477	66,861
Deposits payable from restricted assets		216,635	216,635
Non-current liabilities			
Due within one year	126,046	432,410	558,456
Due in more than one year	593,148	2,600,049	3,193,197
Total liabilities	<u>793,251</u>	<u>3,372,947</u>	<u>4,166,198</u>
Net Assets			
Invested in capital assets, net of related debt	6,519,421	3,228,623	9,748,044
Restricted for			
Debt service		591,180	591,180
Renewal and replacement		500,000	500,000
Law Enforcement	18,116		18,116
Unrestricted	928,730	2,673,165	3,601,895
Total net assets	<u>\$ 7,466,267</u>	<u>\$ 6,992,968</u>	<u>\$ 14,459,235</u>

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Activities
For the Year Ended September 30, 2011

Function/ Program Activities	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 561,551	\$ 127,032	\$ 10,898
Public safety	1,330,061	105,082	
Highways and streets	225,304		
Physical environment	329,351		
Culture and recreation	92,807	2,340	
Interest on long-term debt	26,559		
Total governmental activities	<u>2,565,633</u>	<u>234,454</u>	<u>10,898</u>
Business-type activities:			
Enterprise-water and sewer utility	<u>2,231,574</u>	<u>2,704,019</u>	
Total business-type activities	<u>2,231,574</u>	<u>2,704,019</u>	
Total government	<u>\$ 4,797,207</u>	<u>\$ 2,938,473</u>	<u>\$ 10,898</u>

General revenues:

- Property taxes
- Telecommunication service taxes
- Sales and use taxes
- Franchise taxes
- Intergovernmental not restricted to specific programs
- 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
\$	\$	\$	\$
1,000	(423,621)		(423,621)
	(1,223,979)		(1,223,979)
	(225,304)		(225,304)
	(329,351)		(329,351)
8,637	(81,830)		(81,830)
	(26,559)		(26,559)
<u>9,637</u>	<u>(2,310,644)</u>		<u>(2,310,644)</u>
		472,445	472,445
		472,445	472,445
<u>\$ 9,637</u>	<u>(2,310,644)</u>	<u>472,445</u>	<u>(1,838,199)</u>
	1,153,415		1,153,415
	162,621		162,621
	319,920		319,920
	189,112		189,112
	95,216		95,216
	17,107	78,435	95,542
	2,812	6,900	9,712
	18,292		18,292
	190,000	(190,000)	
	<u>2,148,495</u>	<u>(104,665)</u>	<u>2,043,830</u>
	(162,149)	367,780	205,631
	7,628,416	6,625,188	14,253,604
<u>\$ 7,466,267</u>	<u>\$ 6,992,968</u>	<u>\$ 6,992,968</u>	<u>\$ 14,459,235</u>

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2011

	General	Nonmajor Governmental Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 288,676	\$	\$ 288,676
Cash and cash equivalents - restricted		18,996	18,996
Investments	684,668		684,668
Accounts receivable (net)	57,488		57,488
Due from other governments	37,156		37,156
Total assets	\$ 1,067,988	\$ 18,996	\$ 1,086,984
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 23,264	\$ 880	\$ 24,144
Accrued liabilities	7,723		7,723
Deferred revenue	20,806		20,806
Total liabilities	51,793	880	52,673
Fund balances			
Restricted for:			
Public safety		18,116	18,116
Unassigned	1,016,195		1,016,195
Total fund balances	1,016,195	18,116	1,034,311
Total liabilities and fund balances	\$ 1,067,988	\$ 18,996	\$ 1,086,984

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Reconciliation of the Balance Sheet - Governmental Funds
To the Statement of Net Assets
Governmental Funds
September 30, 2011

Fund balances - total governmental funds		\$ 1,034,311
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	\$ 12,997,318	
Less accumulated depreciation	<u>(5,824,784)</u>	
		7,172,534
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		(653,113)
Accrued interest payable		(21,384)
Other postemployment benefits		(10,910)
Compensated absences		<u>(55,171)</u>
Net assets of governmental activities		<u><u>\$ 7,466,267</u></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, 2011

	General	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 1,349,485	\$	\$ 1,349,485
Licenses and permits	261,975		261,975
Intergovernmental	443,186		443,186
Fines and forfeitures	40,364	43,047	83,411
Interest income	17,107		17,107
Net increase in fair value of investments	2,812		2,812
Intragovernmental	35,000		35,000
Charges for services	23,959		23,959
Miscellaneous	39,780		39,780
Total revenues	2,213,668	43,047	2,256,715
Expenditures:			
Current			
General government	540,621		540,621
Public safety	1,278,420		1,278,420
Highways and streets	41,848		41,848
Physical environment	329,351		329,351
Culture and recreation	60,156		60,156
Capital outlay	127,354	27,974	155,328
Debt service			
Principal	67,753		67,753
Interest	28,797		28,797
Total expenditures	2,474,300	27,974	2,502,274
Excess (deficiency) of revenues over (under) expenditures	(260,632)	15,073	(245,559)
Other financing sources (uses):			
Transfers in	190,000		190,000
Total other financing sources (uses)	190,000		190,000
Net change in fund balance	(70,632)	15,073	(55,559)
Fund balances, beginning of year	1,086,827	3,043	1,089,870
Fund balances, end of year	\$ 1,016,195	\$ 18,116	\$ 1,034,311

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, 2011

Net change in fund balances - total governmental funds \$ (55,559)

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	\$ 142,550	
Less: current year depreciation	<u>(346,913)</u>	(204,363)

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	67,753
Decrease in accrued interest payable on long-term debt	2,238

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	(5,969)
Change in long-term compensated absences	<u>41,982</u>

Change in net assets	<u><u>\$ (162,149)</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, 2011

	<u>Enterprise</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 545,063
Investments	1,152,257
Accounts receivable (net)	264,271
Assessments receivable	703,631
Interest receivable	41,857
Deferred charges	28,741
Supplies inventory	36,124
Restricted assets	
Cash and cash equivalents	1,339,139
Investments	14,153
Total current assets	4,125,236
Non-current assets	
Capital assets	
Non depreciable	
Land	88,760
Depreciable	
Improvements other than buildings	5,883,023
Equipment	466,182
Less accumulated depreciation	(2,137,878)
Intangible assets	2,033,924
Less accumulated amortization	(93,332)
Total non-current assets	6,240,679
Total assets	10,365,915
Liabilities	
Current liabilities	
Accounts payable	75,774
Accrued Liabilities	2,602
Compensated absences payable	16,761
Notes payable - current portion	415,649
Payable from restricted assets	
Accrued interest payable	45,477
Deposits	216,635
Total current liabilities	772,898
Non-current liabilities	
Notes payable	2,596,407
Other postemployment benefits	3,642
Total non-current liabilities	2,600,049
Total liabilities	3,372,947
Net Assets	
Invested in capital assets, net of related debt	3,228,623
Restricted for	
Debt service	591,180
Renewal and replacement	500,000
Unrestricted	2,673,165
Total net assets	\$ 6,992,968

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, 2011

	Enterprise
Operating revenue	
Charges for services	\$ 2,704,019
Total operating revenues	2,704,019
Operating expenses	
Purchased utilities	1,120,286
Personal services	437,235
Contractual services	136,180
Supplies	34,013
Utilities and communications	18,706
Repairs and maintenance	60,046
Intragovernmental expense	35,000
Other charges	79,221
Depreciation	157,822
Amortization	4,087
Total operating expenses	2,082,596
Operating income	621,423
Nonoperating revenues (expenses)	
Investment earnings	78,435
Net increase in fair value of investments	6,900
Interest expense and fiscal charges	(148,978)
Total nonoperating revenues (expenses)	(63,643)
Net income before capital contributions and transfers	557,780
Transfers to other funds	(190,000)
Change in net assets	367,780
Net assets - beginning	6,625,188
Net assets - ending	\$ 6,992,968

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2011

	Enterprise
Cash flows from operating activities:	
Receipts from customers	\$ 2,706,383
Payments to suppliers for goods or services	(1,466,056)
Payments to employees for services	(434,506)
Payments for interfund services used	(35,000)
Net cash provided (used) by operating activities	770,821
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	30,160
Interest paid on debt	(128,066)
Principal paid on debt	(402,021)
Acquisition of capital assets	(578,164)
Net cash provided (used) by capital and related financing activities	(1,078,091)
Cash flows from investing activities:	
Sale of investments	733,788
Interest and dividends on investments	36,578
Net cash provided (used) by investing activities	770,366
Net increase (decrease) in cash and cash equivalents	273,096
Cash and cash equivalents at beginning of year	1,611,106
Cash and cash equivalents at end of year	\$ 1,884,202
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	\$ 621,423
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	157,822
Amortization	4,087
Change in assets and liabilities	
Increase in accounts receivable	(356)
Decrease in inventories	7,892
Decrease in accounts payable	(25,496)
Increase in accrued liabilities	3,301
Increase in deposits	2,720
Decrease in compensated absences	(572)
Total adjustments	149,398
Net cash provided by operating activities	\$ 770,821
Cash and cash equivalents:	
Unrestricted	\$ 545,063
Restricted	1,339,139
Total	\$ 1,884,202

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (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.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

The Town reports one 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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist primarily of amounts due from local businesses for franchise fees and amounts due from individuals for water and sewer services. Accounts receivable include billed and unbilled amounts and are reported net of an allowance for doubtful accounts.

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, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. 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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund Balance

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

1. Nonspendable fund balances – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

(restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

2. Restricted fund balance – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the Town’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action (an ordinance) it employed to previously commit those amounts.
4. Assigned fund balance – Includes amounts intended to be used by the Town for specific purposes, but are neither restricted or committed. Intent should be expressed by the Town Council or the Town Administrator to which the Town Council has delegated authority to assign amounts to be used for specific purposes. The authority form making an assignment is not required to be the Town’s highest level of decision making authority. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts classified as committed.
5. Unassigned fund balance – Includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

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

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Equity in the government-wide and enterprise fund statements are classified as net assets and displayed in following three components:

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

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 Fund and the Enterprise Fund. 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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

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

Budgetary Data (Continued)

- 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, 2010, upon which the 2010-2011 levy was based, was approximately \$184 million. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

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, 2011 was 6.2798 (\$6.2798 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, 2011, unpaid delinquent taxes are not material and have not been recorded by the Town.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

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, 2011, the Town's deposits included \$1,792,689 certificates of deposit with terms to maturity of greater than three months when purchased. These certificates of deposit are reported as investments.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

At September 30, 2011, 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, 2011 was 0.75683860. 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, 2011, was 38 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.

The weighted average life based on expected cash flows (WAL) of Fund B at September 30, 2011 was 4.82 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

As of September 30, 2011, the Town of Lake Clarke Shores had \$5,878 invested in Florida PRIME. The cost basis of Fund B as of September 30, 2011 was \$77,149 and the fair value and adjusted book value was \$58,389. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

As of September 30, 2011, 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 certificates of deposit are reported as investments.

	<u>Maturity</u>	<u>Fair Value</u>
State Board of Administration Investment Pool		
Florida PRIME	38 days	\$ 5,878
Fund B	4.82 years	<u>58,389</u>
		<u>\$ 64,267</u>
Certificate of Deposit	34 days	\$ 620,159
Certificate of Deposit	115 days	504,770
Certificate of Deposit	115 days	<u>667,760</u>
		<u>\$1,792,689</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

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, 2011, 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, 2011, consist of:

Debt Service – used to identify resources set aside for the purpose of paying principal and interest on long-term debt.	\$ 636,657
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>216,635</u>
	<u>\$1,353,292</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 5 – RECEIVABLES

Receivables as of September 30, 2011, are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>
Accounts receivable - billed	\$ 57,488	\$ 81,728
Accounts receivable - unbilled		184,543
Total receivables	<u>57,488</u>	<u>266,271</u>
Less allowance for uncollectible accounts		(2,000)
Net receivables	<u>\$ 57,488</u>	<u>\$ 264,271</u>

NOTE 6 – 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
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	1,798,718	36,566	-	1,835,284
Equipment	844,603	105,984	-	950,587
Infrastructure	<u>6,488,657</u>	<u>-</u>	<u>-</u>	<u>6,488,657</u>
Total capital assets being depreciated	<u>12,337,015</u>	<u>142,550</u>	<u>-</u>	<u>12,479,565</u>
Total at historical cost	<u>12,854,768</u>	<u>142,550</u>	<u>-</u>	<u>12,997,318</u>
Less accumulated depreciation for				
Buildings	199,084	64,101	-	263,185
Improvements-				
Other than buildings	258,826	54,887	-	313,713
Equipment	640,120	65,709	-	705,829
Infrastructure	<u>4,379,841</u>	<u>162,216</u>	<u>-</u>	<u>4,542,057</u>
Total accumulated depreciation	<u>5,477,871</u>	<u>346,913</u>	<u>-</u>	<u>5,824,784</u>
Governmental activities-				
Capital assets, net	<u>\$ 7,376,897</u>	<u>\$ (204,363)</u>	<u>\$ -</u>	<u>\$ 7,172,534</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 6 – 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>514,817</u>	<u>417,021</u>	<u>(931,838)</u>	<u>-</u>
Total capital assets not being depreciated/amortized	<u>603,577</u>	<u>417,021</u>	<u>(931,838)</u>	<u>88,760</u>
Capital assets being depreciated/amortized				
Improvements-				
Other than buildings	4,951,185	931,838	-	5,883,023
Equipment	414,191	51,991	-	466,182
Intangible asset	<u>2,033,924</u>	<u>-</u>	<u>-</u>	<u>2,033,924</u>
Total capital assets being depreciated/amortized	<u>7,399,300</u>	<u>983,829</u>	<u>-</u>	<u>8,383,129</u>
Total at historical cost	<u>8,002,877</u>	<u>1,400,850</u>	<u>(931,838)</u>	<u>8,471,889</u>
Less accumulated depreciation/amortization for				
Improvements-				
Other than buildings	1,581,907	146,568	-	1,728,475
Equipment	398,149	11,254	-	409,403
Intangible asset	<u>89,245</u>	<u>4,087</u>	<u>-</u>	<u>93,332</u>
Total accumulated depreciation/amortization	<u>2,069,301</u>	<u>161,909</u>	<u>-</u>	<u>2,231,210</u>
Business-type activities-				
Capital asset, net	<u>\$ 5,933,576</u>	<u>\$ 1,238,941</u>	<u>\$ (931,838)</u>	<u>\$ 6,240,679</u>

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

Governmental activities	
General government	\$ 52,229
Public safety	78,577
Highways and streets	183,456
Culture and recreation	<u>32,651</u>
Total depreciation expense for governmental activities	<u>\$ 346,913</u>
Business-type activities	
Municipal water and sewer	<u>\$ 161,909</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 7 – 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>(93,332)</u>
Total intangible assets, net	<u>\$ 1,940,592</u>

NOTE 8 – LONG-TERM LIABILITIES

Governmental Activities

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, 2011

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (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>
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	82,722	13,828	96,550
2017-2019	<u>269,693</u>	<u>21,410</u>	<u>291,103</u>
Total	<u>\$653,113</u>	<u>\$120,740</u>	<u>\$773,853</u>

Business-type Activities

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>
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>\$1,059,218</u>	<u>\$ 119,753</u>	<u>\$1,178,971</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Business Type Activities (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>
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	256,456	37,107	293,563
2017-2019	<u>838,845</u>	<u>48,940</u>	<u>887,785</u>
Total	<u>\$2,031,837</u>	<u>\$ 327,824</u>	<u>\$2,359,661</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

During the year ended September 30, 2011, the following changes occurred in long-term liabilities:

	Balance October 1, 2010	Additions	Deletions	Balance September 30, 2011	Due Within One Year
Governmental activities					
Promissory Note, Series 2007	\$ 720,866	\$	\$ (67,753)	\$ 653,113	\$ 70,875
Other postemployment benefits	4,941	5,969		10,910	
Compensated absences	97,153		(41,982)	55,171	55,171
Total governmental activities	<u>\$ 822,960</u>	<u>\$ 5,969</u>	<u>\$ (109,735)</u>	<u>\$ 719,194</u>	<u>\$ 126,046</u>
Business-type activities					
Promissory Note, Series 2004	\$1,249,047	\$	\$(189,829)	\$ 1,059,218	\$ 196,815
Promissory Note, Series 2005	2,244,029		(212,192)	2,031,837	218,834
Less deferred loss on refunding	(100,312)		21,313	(78,999)	
Total bonds payable	3,392,764		(380,708)	3,012,056	415,649
Other postemployment benefits	1,642	2,000		3,642	
Compensated absences	17,333		(572)	16,761	16,761
Total business-type activities	<u>\$3,411,739</u>	<u>\$ 2,000</u>	<u>\$ (381,280)</u>	<u>\$ 3,032,459</u>	<u>\$ 432,410</u>

Interest Expense

The total interest costs incurred and paid on all Town debt for the year ended September 30, 2011, were \$170,702 and \$156,794, 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, 2011

NOTE 9 – 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 10 – COMMITMENTS

Waste Collection Services

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, 2011, the Town was charged \$233,699 for waste collection.

Village of Palm Springs Interlocal Agreement to Purchase Bulk Water

On November 10, 1988, the Town entered into an open-ended interlocal agreement with the Village of Palm Springs, Florida (the Village) for the purchase and sale of bulk potable water. 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, 2011, the Town was charged \$198,171 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 \$454,735 for sewage disposal services for the year ended September 30, 2011.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 10 – COMMITMENTS (Continued)

City of Lake Worth Interlocal Agreement to Purchase Bulk Water

On October 13, 1993, the Town entered into an interlocal agreement with the City of Lake Worth, Florida (the City) for the purchase and sale of bulk potable water for the Seminole Manor Service Area for a period of ten 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. In October 2002, the Town paid for an additional 82 equivalent residential units to serve the Hypoluxo Village Service Area. The agreement expired on October 13, 2008.

On February 15, 2011, the Town entered into a new interlocal agreement with the City of Lake Worth for the purchase and sale of bulk potable water to serve residents living within the Hypoluxo Village Service Area for a period of ten years, renewable for successive periods of five years each, upon the same terms and conditions, by written agreement of both parties to the agreement prior to expiration of the initial term or any renewal thereof. Bulk potable water purchases and sales for the Seminole Manor Service Area were discontinued under the agreement. The City agreed to provide water service at a bulk service rate of \$0.303 cents per hundred gallons. Future rate changes will be allowed only at the time of the City's water system rate increases. The new rate to be charged will be equal to the current rate plus the monetary change in the rate of the lowest tier residential water rate placed into effect at the time of the new rate change. The Town is billed on a monthly basis for actual metered water service delivered by the City, based upon a reserve capacity of 200,000 gallons per day. A 25% surcharge shall be added for all usage exceeding the reserve capacity in any month. For the year ended September 30, 2011, the Town was charged \$108,169 for water purchased from the City.

Palm Beach County Interlocal Agreement to Purchase Bulk Water

On February 2, 2010, the Town entered into an interlocal agreement with Palm Beach County, Florida (the County) for the purchase and sale of bulk potable water for a period of thirty years, renewable for successive periods of five years each, upon the same terms and conditions, by written agreement of both parties prior to expiration of the initial term or any renewal thereof. The Town pays the County a full cost recovery commodity fee based upon a reserve capacity of 400,000 gallons per day. The initial fee was \$2.43 per thousand gallons. Beginning October 1, 2010, and for each year thereafter, the fee shall be adjusted upward or downward by an amount equal to three-fourths (3/4) of the change in the prior year's (measured July to July) Consumer Price Index all Urban Consumers, Water and Sewerage Maintenance, published by the U.S. Department of Labor, Bureau of Labor Statistics (CPI) or some other mutually agreed-upon index if the CPI is discontinued. The Town is obligated to take or pay the County a minimum amount of three-fourths of the capacity reserved under the agreement, calculated on an annual basis, regardless of actual usage. For the year ended September 30, 2011, the Town incurred charges of \$359,211 under the agreement.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 11 – 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, 2011, 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, 2011, was \$1,280,241. The Town’s contribution requirement, representing 8% of the covered payroll of \$1,102,813, amounted to \$88,225.

NOTE 12 – INTRAGOVERNMENTAL ADMINISTRATIVE FEE

During the year ended September 30, 2011, 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 13 – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2011, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 190,000	\$
Enterprise Fund		<u>190,000</u>
Totals	<u>\$ 190,000</u>	<u>\$ 190,000</u>

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

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.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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 rate - employer	Pay-as-you-go
Required contribution rate - plan members	N/A
Annual required contribution	\$ 10,441
Interest on net OPEB obligation	296
Adjustment to annual required contribution	<u>(393)</u>
Annual OPEB cost (expense)	10,334
Estimated net contributions made	<u>(2,375)</u>
Increase in net OPEB obligation	7,969
Net OPEB obligation October 1, 2010	<u>6,583</u>
Net OPEB obligation September 30, 2011	<u><u>\$ 14,522</u></u>

Trend Information

<u>Three-Year Trend Information</u>			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/09	N/A	N/A	N/A
09/30/10	\$ 9,856	33.2%	\$ 6,583
09/30/11	\$10,344	23.0%	\$14,552

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 14 – 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	October 1, 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	3.6%

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	October 1, 2009
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Amortization period	30 year closed period
Asset valuation method	Unfunded
Actuarial assumptions:	
Discount rate	4.5%
Healthcare cost trend	7% for 2010 decreasing to 5.0% in 2012

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 15 – ACCOUNTING CHANGE

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Town implemented this standard during the fiscal year ended September 30, 2011. Changes to fund balance reporting of governmental funds are reflected in the financial statements and schedules. Related disclosures are included in Note 1.

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, 2011

	General Fund			Variance With Final Budget Positive (Negative)
	Original Adopted Budget	Final Revised Budget	Actual	
Revenues:				
Taxes	\$ 1,346,090	\$ 1,322,090	\$ 1,349,485	\$ 27,395
Licenses and permits	283,600	235,600	261,975	26,375
Intergovernmental	418,082	408,082	443,186	35,104
Fines and forfeitures	40,100	28,000	40,364	12,364
Interest income	39,000	17,000	17,107	107
Net increase in fair value of investments			2,812	2,812
Intragovernmental	35,000	35,000	35,000	
Charges for services	33,100	21,500	23,959	2,459
Miscellaneous	48,500	31,500	39,780	8,280
Total revenues	<u>2,243,472</u>	<u>2,098,772</u>	<u>2,213,668</u>	<u>114,896</u>
Expenditures:				
Current:				
General government	649,709	722,709	672,006	50,703
Public safety	1,325,665	1,394,166	1,335,277	58,889
Highways and streets	47,900	72,900	64,517	8,383
Physical environment	338,998	345,998	329,351	16,647
Culture and recreation	71,200	84,200	73,149	11,051
Total expenditures	<u>2,433,472</u>	<u>2,619,973</u>	<u>2,474,300</u>	<u>145,673</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(190,000)</u>	<u>(521,201)</u>	<u>(260,632)</u>	<u>260,569</u>
Other financing sources:				
Operating transfer in	<u>190,000</u>	<u>190,000</u>	<u>190,000</u>	
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>\$ (331,201)</u>	<u>(70,632)</u>	<u>\$ 260,569</u>
Fund balance, beginning of year			<u>1,086,827</u>	
Fund balance, end of year			<u>\$ 1,016,195</u>	

TOWN OF LAKE CLARKE SHORES, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2011

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 28. 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, 2011, 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, 2011

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)
October 1, 2009	\$	\$ 42,780	\$ 42,780	0.0%	\$ 1,173,174	3.6%

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. The Town implemented GASB Statement No. 45 during the fiscal year ended September 30, 2010, and elected to apply the statement prospectively. Consequently, there are no disclosures for prior years. The Town is required to have an actuarial valuation every three years. The next valuation is scheduled for October 1, 2012. In future years, required trend data will be presented. The Town has not contributed assets to the plan at this time.

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget to Actual
General Fund
For the Year Ended September 30, 2011

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures:			
General government:			
Mayor and council:			
Personal services:			
Executive salaries	\$ 6,000	\$ 6,000	\$
FICA	397	372	25
Medicare	137	87	50
Operating:			
Travel and per diem	600	459	141
Other current charges	350		350
Operating supplies	4,175	3,880	295
Books, dues, and education	2,700	2,650	50
Total mayor and council	14,359	13,448	911
Finance:			
Operating:			
Consulting	9,000	8,951	49
Accounting and auditing	13,150	13,150	
Total finance	22,150	22,101	49
Administration and clerk:			
Personal services:			
Regular salaries	212,336	209,901	2,435
Elections	2,000	1,025	975
Overtime	2,000		2,000
Car allowance	3,300	1,925	1,375
FICA	12,939	12,663	276
Medicare	3,109	2,961	148
Pension contributions	15,548	14,082	1,466
Employee insurance	30,800	30,694	106
Operating:			
Travel and per diem	500	143	357
Communications	1,000	893	107
Postage and freight	700	231	469
Repairs and maintenance	4,500	3,843	657
Printing and binding	400		400
Other current charges	500	240	260
Advertising	5,000	3,477	1,523
Office supplies	1,100	414	686
Operating supplies	2,900	2,522	378
Books, dues, and education	2,200	1,926	274
Capital outlay:			
Machinery and equipment	2,600	1,807	793
Debt service			
Principal	68,188	67,753	435
Interest	29,062	28,797	265
Total administration	400,682	385,297	15,385

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget to Actual
General Fund
For the Year Ended September 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Legal:			
Operating:			
Professional fees	\$ 90,000	\$ 73,166	\$ 16,834
Other general government:			
Operating:			
Professional fees	25,000	23,070	1,930
Other contractual services	1,000		1,000
Communications	11,000	8,737	2,263
Postage and freight	1,000	304	696
Electric	22,000	20,674	1,326
Water and sewer	7,400	7,104	296
Rentals and leases	3,000	1,121	1,879
General insurance	48,361	50,259	(1,898)
Repairs and maintenance	26,057	25,840	217
Printing and binding	3,200	146	3,054
Other current charges	1,900	435	1,465
Office supplies	900	232	668
Operating supplies	5,200	4,955	245
Gas and oil	1,500	839	661
Books, dues, and education	3,000	1,250	1,750
Capital outlay:			
Machinery and equipment	35,000	33,028	1,972
Total other general government	<u>195,518</u>	<u>177,994</u>	<u>17,524</u>
Total general government	<u>722,709</u>	<u>672,006</u>	<u>50,703</u>
Public safety:			
Law enforcement:			
Personal services:			
Regular salaries	623,172	622,175	997
PD special details	27,500	17,566	9,934
Overtime	33,000	31,026	1,974
State incentive pay	5,940	5,649	291
FICA	40,897	40,687	210
Medicare	9,654	9,516	138
Pension contributions	47,173	45,353	1,820
Employee insurance	104,000	102,918	1,082
Unemployment compensation	14,500	13,750	750

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget to Actual (continued)
General Fund
For the Year Ended September 30, 2011

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Operating:			
Dispatch services	\$ 37,653	\$ 37,600	\$ 53
Travel and per diem	1,500	752	748
Communications	25,900	25,605	295
Postage and freight	1,100	287	813
Rentals and leases	5,200	114	5,086
Police vehicle leases	5,529	4,800	729
Repairs and maintenance	34,500	33,249	1,251
Repairs and maintenance - vehicles	32,000	21,649	10,351
Printing and binding	200	172	28
Other current charges	300	63.00	237
Crime prevention	500	100	400
Office supplies	1,900	1,789	111
Operating supplies	25,100	24,738	362
Gas and oil	38,174	37,938	236
Uniforms	9,500	9,318	182
Books, dues, and education	5,500	5,211	289
Capital outlay:			
Machinery and equipment	48,000	56,857	(8,857)
Total law enforcement	<u>1,178,392</u>	<u>1,148,882</u>	<u>29,510</u>
Protective inspections and code enforcement:			
Personal services:			
Regular salaries	74,540	71,150	3,390
Overtime	2,000	143	1,857
FICA	4,745	4,343	402
Medicare	1,110	1,016	94
Pension contributions	5,804	4,256	1,548
Employee insurance	19,200	15,114	4,086
Operating:			
Other contractual services	92,000	79,485	12,515
Travel and per diem	700	107	593
Communications	700	70	630
Postage and freight	1,500	705	795
Rentals and leases	1,000		1,000
Repairs and maintenance	7,500	5,939	1,561
Office supplies	675	356	319
Operating supplies	4,000	3,543	457
Books, dues, and education	300	168	132
Total protective inspections and code enforcement	<u>215,774</u>	<u>186,395</u>	<u>29,379</u>
Total public safety	<u>1,394,166</u>	<u>1,335,277</u>	<u>58,889</u>

(continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
Schedule of Departmental Expenditures Budget to Actual (continued)
General Fund
For the Year Ended September 30, 2011

	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Highways and streets:			
Operating:			
Professional fees	\$ 8,000	\$ 7,071	\$ 929
NPDES agreement	5,500	4,885	615
Electric	25,000	24,808	192
Repairs and maintenance	4,900	3,455	1,445
Operating supplies	3,500	1,479	2,021
Road materials and supplies	1,000	150	850
Capital outlay:			
Improvements other than building	18,500	16,742	1,758
Storm drainage	6,500	5,927	573
Total highways and streets	<u>72,900</u>	<u>64,517</u>	<u>8,383</u>
Physical environment:			
Operating:			
Lawn services	78,500	77,088	1,412
Garbage collection service	248,498	233,699	14,799
Weed control	19,000	18,564	436
Total physical environment	<u>345,998</u>	<u>329,351</u>	<u>16,647</u>
Culture and recreation:			
Parks and recreation			
Operating:			
Professional fees	7,500	7,147	353
Electric	2,900	2,389	511
Water and sewer	1,000	823	177
Repairs and maintenance	11,000	10,657	343
Operating supplies	3,800	3,634	166
Beautification landscape	12,000	11,463	537
Capital outlay:			
Machinery and equipment	700		700
Improvements other than building	13,000	12,993	7
Total parks and recreation	<u>51,900</u>	<u>49,106</u>	<u>2,794</u>
Special events			
Operating:			
Postage and freight	2,000	405	1,595
Printing and binding	3,000	1,344	1,656
Promotional activities	4,700		4,700
Other current charges	300		300
Operating supplies	22,300	22,294	6
Total special events	<u>32,300</u>	<u>24,043</u>	<u>8,257</u>
Total culture and recreation	<u>84,200</u>	<u>73,149</u>	<u>11,051</u>
Total expenditures	<u>\$ 2,619,973</u>	<u>\$ 2,474,300</u>	<u>\$ 145,673</u>



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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, 2011, which collectively comprise the Town of Lake Clarke Shores, Florida's basic financial statements and have issued our report thereon dated June 4, 2012. 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 June 4, 2012.

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 & Mims, P.A.

West Palm Beach, Florida
June 4, 2012



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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333 S.E. 2nd STREET
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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, 2011, and have issued our report thereon dated June 4, 2012.

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 June 4, 2012, 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.

There were no items in the preceding annual financial audit report that required corrective actions.

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, 2011 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, 2011. 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 as of the fiscal year end. 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, 2011, 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, 2011. 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 & Miner, P.A.

West Palm Beach, Florida
June 4, 2012