



**AGENDA REPORT**  
**July 10, 2018**

**Acknowledge Receipt of the Certified Audit Report for the Town of Palm Shores**

---

**SUBJECT:**

Acknowledge Receipt of Town of Palm Shores Certified Audit Report for year ending September 30, 2017.

**FISCAL IMPACT:**

N/A

**DEPT/OFFICE:**

Budget

**REQUESTED ACTION:**

It is requested that the Board acknowledge the receipt of the Town of Palm Shores Certified Annual Audit Report for year ending September 30, 2017.

**SUMMARY EXPLANATION and BACKGROUND:**

In accordance with Florida Statute 163.356(3) C, the Town of Palm Shores is providing the Brevard County Board of County Commissioners a copy of their 2017 Annual Audit. On July 11, 2017, the Town of Palm Shores CRA was rescinded by the City, and the Board of County Commissioners approved an Interlocal Agreement for the repayment of County TIF funds in the amount of \$101,902, which was received in FY 2016-2017. An additional \$99,399 was refunded in FY 2017-2018, which represented the balance in CRA funds.

**CLERK TO THE BOARD INSTRUCTIONS:**

Maintain necessary documents for records retention.

**ATTACHMENTS:**

**Description**

- **Town of Palm Shores**



Tammy Rowe, Clerk to the Board, 400 South Street • P.O. Box 999, Titusville, Florida 32781-0999

Telephone: (321) 637-2001  
Fax: (321) 264-6972  
Tammy.Rowe@brevardclerk.us

July 11, 2018

MEMORANDUM

TO: Jill Hayes, Budget Office Director

RE: Item F.29., Acknowledge Receipt of Town of Palm Shores Certified Audit Report for Year Ending September 30, 2017

The Board of County Commissioners, in regular session on July 10, 2018, acknowledged receipt of the Town of Palm Shores Certified Annual Audit Report for year ending September 30, 2017.

Your continued cooperation is greatly appreciated.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS  
SCOTT ELLIS, CLERK

*Tammy Rowe*

Tammy Rowe, Deputy Clerk

/ds

cc: Finance

# TOWN OF PALM SHORES



“The Little Town That Cares”

May 21, 2018

Economic and Financial Program  
Board of County Commissioners  
2725 Judge Fran Jamieson Way  
Viera, Florida 32940

Re: Town of Palm Shores

To Whom It May Concern:

Enclosed please find a copy of our certified audit report for year ending September 30, 2017. The report was presented to the Town Council on May 15, 2018 and was prepared by Berman, Hopkins, Wright and LaHam, Certified Public Accountants.

I trust this information meets your requirements. If I may be of further assistance, please do not hesitate to contact me.

Sincerely,

Mayor Carol M. McCormack  
Town of Palm Shores

Enc.

**RECEIVED**

JUN 01 2018

**BUDGET OFFICE**

---

5030 Paul Hurtt Lane ♦ Palm Shores, FL 32940  
Phone: 321-242-4555 ♦ Fax: 321-254-7883  
Visit us at: [www.townofpalmshores.org](http://www.townofpalmshores.org)

**TOWN OF  
PALM SHORES,  
FLORIDA**

**Basic  
Financial Statements and  
Supplementary  
Information**

**Year ended  
September 30, 2017**

# TOWN OF PALM SHORES, FLORIDA

## Official Directory

September 30, 2017

Carol McCormack	Mayor
Frank Falcone	Vice-Mayor
Chase Chambliss	Councilman
Paul Bonville	Councilman
Sharon Secord	Councilwoman

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	27
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Community Redevelopment Fund	28
Note to Required Supplementary Information	29

**TABLE OF CONTENTS (continued)**

	Page
<b>SUPPLEMENTAL COMBINING FUND FINANCIAL STATEMENTS</b>	
Nonmajor Governmental Funds	
Nonmajor Governmental Funds - Combining Balance Sheet	32
Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	33
Nonmajor Governmental Funds - Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	34
<b>COMPLIANCE SECTION</b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36
Management Letter	38
Independent Accountant's Report on Investment Compliance	41

# BERMAN HOPKINS WRIGHT & LAHAM

CPAS AND ASSOCIATES, LLP

[www.bermanhopkins.com](http://www.bermanhopkins.com)

8035 Spyglass Hill Rd.  
Melbourne, FL 32940  
Phone: 321-757-2020  
Fax: 321-242-4844

255 S. Orange Ave. • Suite 1545  
Orlando, FL 32801  
Phone: 407-841-8841  
Fax: 407-841-8849

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Town Council  
Town of Palm Shores, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Palm Shores, Florida, ("the Town") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Palm Shores, Florida as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplemental information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

May 9, 2018  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

**TOWN OF PALM SHORES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

As management of the Town of Palm Shores, Florida (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2017. Consideration should be given to the information presented here in conjunction with information that has been furnished in the basic financial statements and notes, on pages as listed on the table of contents.

**FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$2,819,096 (Net Position). Of this amount, \$932,669 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- During the fiscal year the Town's total net position decreased by \$52,548. The Town continues to monitor expenses closely.
- During the fiscal year 2017, the Town received \$113,560 in Community Redevelopment funds. Per the ordinance No. 2017-05 adopted on July 5, 2017, the Town has rescinded its exercise of the Community Redevelopment Agency (the "CRA") powers delegated to the Town by Brevard County Board of County Commissioners (the "County"). On July 11, 2017, the Town signed an interlocal agreement with the County to refund Community Redevelopment expenses that had been paid by the Community Redevelopment Fund to the Town to reimburse the Town for personnel services provided by the Town to the CRA. The sum was paid back to the County in July 2017. The remaining CRA funds were restricted for the purpose of the underground rewiring of FDOT lights. The Town returned the remaining funds to Brevard County Board of County Commissioners on May 3, 2018 (see Note I for details).
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,074,387, a decrease of \$26,303 from the previous fiscal year. Of this amount, \$938,244 is available for spending at the Town's discretion (unassigned).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**1) Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

- The statement of net position presents information on all of the Town's assets, deferred outflows, liabilities, deferred inflows, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

## OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

- The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, transportation, economic development, and culture and recreation. The Town has no business type activities.

The government-wide financial statements can be found on pages as listed on the table of content of this report.

**2) Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has only one category of funds - governmental funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Community Redevelopment Fund, both identified as major funds.

The basic governmental fund financial statements can be found on pages as listed on the table of contents of this report.

**3) Notes to the financial statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages as listed on the table of contents of this report.

## Government-wide Financial Analysis

Comparison of the condensed statement of net position is provided below.

### Town of Palm Shores Statement of Net Position

	Governmental Activities		
	2017	2016	Variance
<b>ASSETS</b>			
Current assets	\$ 1,111,349	\$ 1,135,806	\$ (24,457)
Capital assets	1,750,314	1,776,484	(26,170)
Total assets	<u>2,861,663</u>	<u>2,912,290</u>	<u>(50,627)</u>
<b>LIABILITIES</b>			
Current liabilities	36,962	35,116	1,846
Noncurrent liabilities	5,605	5,530	75
Total liabilities	<u>42,567</u>	<u>40,646</u>	<u>1,921</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,750,314	1,776,484	(26,170)
Restricted	136,113	95,898	40,215
Unrestricted	932,669	999,262	(66,593)
Total net position	<u>\$ 2,819,096</u>	<u>\$ 2,871,644</u>	<u>\$ (52,548)</u>

Current assets decreased by approximately \$24,000 due to timing related to cash inflows and outflows. The Town's capital assets decrease relates to current year depreciation expense of approximately \$78,000 offset by current year additions. Total liabilities remained in line with prior year.

The Town's investment in capital assets, e.g., land, buildings and improvements, improvements other than buildings, furniture and equipment, and infrastructure, net of related debt to acquire these assets, represents 62% of the Town's net position.

Approximately 5% of the Town's net position represents sources that are subject to restrictions on how they may be used. The Town's unrestricted resources decreased by 7% from the prior year.

Comparison of the Town's statement of activities for the years ended September 30 is provided below.

**Town of Palm Shores  
Statement of Activities**

	Governmental Activities		
	2017	2016	Variance
Program revenues:			
Charges for services	\$ 142,407	\$ 299,395	\$ (156,988)
Operating grants and contributions	113,560	103,885	9,675
Total program revenues	<u>255,967</u>	<u>403,280</u>	<u>(147,313)</u>
General revenues:			
Franchise fees	69,356	62,984	6,372
Utility and communication service taxes	83,754	83,446	308
Local option gas tax	24,816	21,434	3,382
State revenue sharing	77,800	72,800	5,000
Interest income	1,441	1,776	(335)
Other revenues	11,909	21,300	(9,391)
Loss on disposal	(1,539)	-	(1,539)
Total general revenues	<u>267,537</u>	<u>263,740</u>	<u>3,797</u>
Total revenues	<u>523,504</u>	<u>667,020</u>	<u>(143,516)</u>
Expenses:			
General government	507,940	344,226	163,714
Public facilities	-	1,049	(1,049)
Transportation	53,693	49,828	3,865
Economic development	12,382	66,003	(53,621)
Culture and recreation	2,037	1,929	108
Total expenses	<u>576,052</u>	<u>463,035</u>	<u>113,017</u>
Change in net position	(52,548)	203,985	(256,533)
Net position, beginning	<u>2,871,644</u>	<u>2,667,659</u>	<u>203,985</u>
Net position, ending	<u>\$ 2,819,096</u>	<u>\$ 2,871,644</u>	<u>\$ (52,548)</u>

Charges for services decreased by approximately \$157,000 mostly due to the issuance of fewer permits in the current year in comparison to the prior year, which had both, a new subdivision and Wawa service station construction.

Operating grants and contributions reflects an increase over the prior year of approximately \$9,500 which is due to higher funding in the current year. Total general revenues increased slightly by approximately \$4,000. The increase is due mostly to the higher receipts for utility and communication services taxes and state shared revenues. The Town also renewed an agreement with a nearby diner to lease parking spaces. This agreement is generating approximately \$1,800 per year.

General government expenses increased by approximately \$164,000 primarily due to the repayment to the County for Community Redevelopment Fund expenses that had been paid by the Community Redevelopment Fund to the Town to reimburse the Town for personnel services provided by the Town to the Community Redevelopment Fund. In July of 2017 the Community Redevelopment Agency was discontinued. Increased expenses were also incurred due to Hurricane Irma which occurred in early September 2017.

## Fund Financial Statements

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds.* The focus of the Town of Palm Shores, Florida's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Palm Shores, Florida's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined fund balances of \$1,074,387, a decrease of \$26,303 in comparison with the prior year. The combined fund balance amount is comprised of non-spendable funds of \$30, restricted funds of \$136,113 and unassigned funds of \$938,244 which is available for spending at the Town's discretion. At the year end, there were no outstanding contracts or purchase orders.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, total fund balance of the General Fund was \$938,274, of which \$30 is non-spendable fund balance, and \$938,244 is unassigned fund balance.

## General Fund Budgetary Highlights

The following information is presented to assist the reader in comparing actual results with budgetary amounts. The general fund budgetary highlights can be found as listed on the table of contents of this report.

The actual revenues exceeded budgeted revenues by \$70,180. The actual expenditures were less than budgeted expenditures by \$24,702. The Council passed a budget amendment and appropriated \$161,400 from reserves to cover additional necessary expenditures mainly related to returning approximately \$102,000 to Brevard County, as a result of the interlocal agreement dated July 11, 2017.

## Capital Assets and Debt Administration

- Capital Assets: The Town's total capital assets for its governmental activities as of September 30, 2017, amounts to \$1,750,314 (net of accumulated depreciation). The Town purchased capital assets in 2017 for \$53,512, which relates to the acquisition of new playground equipment for the Town's park and a new generator. This investment in capital assets includes land, buildings and improvements, improvements other than buildings, furniture and equipment, and infrastructure.
- At the end of the current fiscal year, the Town had no outstanding debt.

Additional information on the Town's capital assets can be found in Note C to the financial statements.

## Economic Factors and Next Year's Budgets and Rates

- The Town does not assess property tax.
- The Town has budgeted for \$376,511 in expenditures for fiscal year ending September 30, 2018.

Request for information

This financial report is designed to provide a general overview of the Town of Palm Shores, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the management staff of the Town of Palm Shores, 5030 Paul Hurtt Lane, Palm Shores, FL 32940.

**Town of Palm Shores, Florida**  
**STATEMENT OF NET POSITION**  
**September 30, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,111,319
Prepaid expenses	30
Total current assets	<u>1,111,349</u>
Capital assets, not being depreciated	
Land	881,602
Capital assets, net of accumulated depreciation	
Buildings and improvements	334,046
Improvements other than buildings	142,615
Furniture and equipment	63,167
Infrastructure	<u>328,884</u>
Total capital assets	<u>1,750,314</u>
Total assets	<u><u>2,861,663</u></u>
<b>LIABILITIES</b>	
Accounts payable	14,984
Accrued wages payable	10,377
Unearned revenue	11,601
Noncurrent liabilities	
Due in more than one year - compensated absences	<u>5,605</u>
Total liabilities	<u><u>42,567</u></u>
<b>NET POSITION</b>	
Net investment in capital assets	1,750,314
Restricted for:	
Community redevelopment	99,398
Public facilities	11,371
Culture and recreation	25,344
Unrestricted	<u>932,669</u>
Total net position	<u><u>\$ 2,819,096</u></u>

The accompanying notes are an integral part of this financial statement.

Town of Palm Shores, Florida

STATEMENT OF ACTIVITIES

Year ended September 30, 2017

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
General government	\$ 507,940	\$ 58,629	\$ -	\$ -	\$ (449,311)
Public safety	-	47,076	-	-	47,076
Transportation	53,693	36,702	-	-	(16,991)
Economic development	12,382	-	113,560	-	101,178
Culture and recreation	2,037	-	-	-	(2,037)
Total	<u>\$ 576,052</u>	<u>\$ 142,407</u>	<u>\$ 113,560</u>	<u>\$ -</u>	<u>(320,085)</u>
General revenues:					
Taxes:					
					69,356
					83,754
					24,816
					77,800
					1,441
					11,909
					(1,539)
					<u>267,537</u>
					(52,548)
					<u>2,871,644</u>
					<u>\$ 2,819,096</u>

The accompanying notes are an integral part of this financial statement.

Town of Palm Shores, Florida

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2017

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,111,319	\$ -	\$ -	\$ 1,111,319
Prepaid expenses	30	-	-	30
Due from other funds	-	99,398	36,715	136,113
<b>Total assets</b>	<b>\$ 1,111,349</b>	<b>\$ 99,398</b>	<b>\$ 36,715</b>	<b>\$ 1,247,462</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 14,984	\$ -	\$ -	\$ 14,984
Accrued wages payable	10,377	-	-	10,377
Unearned revenue	11,601	-	-	11,601
Due to other funds	136,113	-	-	136,113
<b>Total liabilities</b>	<b>173,075</b>	<b>-</b>	<b>-</b>	<b>173,075</b>
Fund balances				
Non-spendable				
Prepaid expenses	30	-	-	30
Restricted				
FDOT underground rewiring project	-	99,398	-	99,398
Special revenue funds	-	-	36,715	36,715
Unassigned	938,244	-	-	938,244
<b>Total fund balances</b>	<b>938,274</b>	<b>99,398</b>	<b>36,715</b>	<b>1,074,387</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,111,349</b>	<b>\$ 99,398</b>	<b>\$ 36,715</b>	<b>\$ 1,247,462</b>

The accompanying notes are an integral part of this financial statement.

Town of Palm Shores, Florida

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION

September 30, 2017

Fund balances - total governmental funds		\$ 1,074,387
The net position reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Land	\$ 881,602	
Buildings and improvements, net	334,046	
Improvements other than buildings, net	142,615	
Furniture and equipment, net	63,167	
Infrastructure, net	<u>328,884</u>	
		1,750,314
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences		<u>(5,605)</u>
Total net position of governmental activities		<u>\$ 2,819,096</u>

The accompanying notes are an integral part of this financial statement.

Town of Palm Shores, Florida

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended September 30, 2017

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 177,926	\$ -	\$ -	\$ 177,926
Licenses and permits	54,819	-	-	54,819
Intergovernmental	77,800	113,560	-	191,360
Charges for services	46,571	-	4,603	51,174
Transportation	36,702	-	-	36,702
Interest income	1,441	-	-	1,441
Miscellaneous	11,621	-	-	11,621
Total revenues	<u>406,880</u>	<u>113,560</u>	<u>4,603</u>	<u>525,043</u>
<b>EXPENDITURES</b>				
Current				
General government	423,216	6,506	-	429,722
Transportation	41,057	11,329	1,307	53,693
Economic development	226	12,156	-	12,382
Culture and recreation	-	227	1,810	2,037
Capital outlay	8,899	26,529	18,084	53,512
Total expenditures	<u>473,398</u>	<u>56,747</u>	<u>21,201</u>	<u>551,346</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(66,518)	56,813	(16,598)	(26,303)
Fund balances at October 1, 2016	<u>1,004,792</u>	<u>42,585</u>	<u>53,313</u>	<u>1,100,690</u>
Fund balances at September 30, 2017	<u>\$ 938,274</u>	<u>\$ 99,398</u>	<u>\$ 36,715</u>	<u>\$ 1,074,387</u>

The accompanying notes are an integral part of this financial statement.

Town of Palm Shores, Florida

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended September 30, 2017

Net change in fund balances - total governmental funds \$ (26,303)

The change in net position reported for governmental activities  
in the statement of activities is different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets are allocated over their estimated useful lives and  
reported as depreciation expense:

Capital outlay	\$ 53,512	
Depreciation expense	<u>(78,143)</u>	(24,631)

In the statement of activities, only the loss on the sale of capital  
assets is reported. However, in the governmental funds, the  
proceeds from the sale increase financial resources. Thus, the  
change in net position differs from the change in fund balance.

Loss on disposal of capital assets (1,539)

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. These  
expenses consist of:

Compensated absences	<u>(75)</u>
----------------------	-------------

Change in net position of governmental activities \$ (52,548)

The accompanying notes are an integral part of this financial statement.

**Town of Palm Shores, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Palm Shores, Florida (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described below.

1. Reporting entity

The Town was incorporated and organized by a special act of the Florida legislator in 1959 as a municipality with a Mayor and a four-member Council. Both the Mayor and Council are elected by the registered voters of the Town. The Council elects a Vice-Mayor from among its members annually. The Town provides a wide range of services as directed by the Town Charter, including general government, inspections, planning and zoning, and other related general and administrative services for its approximately 922 residents.

In evaluating the Town as a reporting entity, management has addressed all potential component units that may, or may not fall within the Town's oversight and control, and thus, be included in the Town's financial statements. The component unit represents the entity for which the Town of Palm Shores is financially accountable. The Community Redevelopment Agency is a blended component unit disclosed together within the Town's financial statements in accordance with GASB Statement No. 61. The Community Redevelopment Agency, (the "CRA") was organized under Section 163 of the Florida Statutes and formally came into existence during the fiscal year ending September 30, 2004. A blended component unit, although legally a separate entity, is, in substance, part of the government's operations and, therefore, data from this unit may be combined with data of the primary government. In July 2017, the Town adopted an ordinance to disband the CRA and transfer any remaining funds to Brevard County, Florida. On July 11, 2017, the Town signed an interlocal agreement with Brevard County to refund Community Redevelopment expenses that had been paid by the Community Redevelopment Fund to the Town to reimburse the Town for personnel services provided by the Town to the CRA. The rest of the CRA funds in the amount of \$99,398 are presented in the 2017 financial statements as the restricted fund balance for the purposes of the underground rewiring project for the FDOT lights. In May 2018, the FDOT advised the Town that the Town would have no financial responsibility for the work and issued a FDOT job number for the above mentioned project. The Town returned the \$99,398 remaining community redevelopment funds to Brevard County, as it is no longer needed to complete the project.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the primary government as a whole. As part of the consolidation process, all interfund activities are eliminated from these statements.

**Town of Palm Shores, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

2. Government-wide and fund financial statements (continued)

Net position, the difference between assets and liabilities, as presented in the statement of net position, is subdivided into three categories: net investments in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function or segment and its program revenues, and displays the extent to which each function or segment contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate fund financial statements report detailed information about the Town's governmental funds. The focus of governmental fund financial statements is on major funds. Therefore, major funds are reported as separate columns in the fund financial statements and non-major funds are aggregated and presented as a single column on each statement. Reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

**Town of Palm Shores, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus, basis of accounting and financial statement presentation (continued)

Franchise and utility taxes, state revenue sharing and charges for services (except for investment earnings) associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Investment earnings are recorded when earned.

The Town reports the following major governmental funds:

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

Community Redevelopment Fund - This special revenue fund accounts for the Town's community redevelopment revenues, which are restricted by law or administrative action to expenditures for community redevelopment.

4. Cash, cash equivalents, and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and pooled investments with the State Board of Administration.

Florida Statutes authorize the Town to invest in the Local Government Surplus Funds Trust Fund, which is administered by the State Board of Administration; obligations of, or obligations where the principal and interest of which are unconditionally guaranteed by the United States Government; interest bearing time deposits or savings accounts in banks and savings and loan organized under Laws of the United States; obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, or obligations guaranteed by the Government National Mortgage Association; and obligations of the Federal National Mortgage Association.

5. Receivables

After reviewing the individual account balances, the Town's management has determined that 100% of the receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital assets

Capital assets, which include land, buildings and improvements, improvements other than buildings, furniture and equipment, and infrastructure assets (i.e. park rehabilitation) are reported in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at cost when purchased. Contributed capital assets are capitalized at their fair value at the date received. 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.

Pursuant to GASB Statement No. 34, the Town has elected not to record and depreciate infrastructure assets placed in service prior to the fiscal year ended September 30, 2006. Current year additions are placed in service and recorded as a capital asset.

Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of depreciable assets. The estimated useful lives of the various classes of depreciable assets are as follows:

<u>Asset class</u>	<u>Estimated useful lives (years)</u>
Buildings and improvements	10-40
Improvements other than buildings	10-40
Furniture and equipment	5-7
Infrastructure	40

7. Compensated absences

The Town records the vested portion of accumulated unused compensated absences, if material, at year-end based on each employee's unused hours and rate of pay, including the Town's share of payroll taxes. All compensated absences are accrued when incurred in the governmental-wide financial statements as accrued liabilities. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

8. Long-term obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities.

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Income tax

The Town qualifies as a tax-exempt entity and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

10. Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reported year. Actual results could differ from these estimates.

11. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Fund Balance - The difference between assets and all current operational commitments and liabilities reported in a governmental fund.

Non-spendable Fund Balance - Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (inventories, prepaid expenditures) and items such as long-term amount of loans, property acquired for resale, as well as unrealized gains.

Restricted Fund Balance - Amounts that have externally enforceable limitations on use of resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Town Council, the Town's highest level of decision making authority. Commitments may only be removed or changed by the Town Council taking the same formal action (resolution) that imposed the constraint originally.

**Town of Palm Shores, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

11. Fund balance classification (continued)

Assigned Fund Balance - Amounts that are constrained by the Town's intent to be used for specific purposes that are neither considered restricted or committed. The authority to assign fund balance lies with the Mayor.

Unassigned Fund Balance - The residual classification for the General Fund resources. 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. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Restricted amounts shall be spent first unless there are legal documents/contracts prohibiting this, such as grant agreements. Further, the order of priority shall be Committed Fund Balance, followed by Assigned Fund Balance, and then Unassigned Fund Balance when expenditures are incurred for purposes for which amounts in any of classifications could be used.

For the year ending September 30, 2017, the breakout of the fund balances is shown below:

	General Fund	Community Redevelopment	Other Governmental Funds	Total
Nonspendable				
Prepaid expenses	\$ 30	\$ -	\$ -	\$ 30
Restricted				
FDOT underground rewiring project	-	99,398	-	99,398
Special revenue funds	-	-	36,715	36,715
Unassigned	938,244	-	-	938,244
Total fund balance	<u>\$ 938,274</u>	<u>\$ 99,398</u>	<u>\$ 36,715</u>	<u>\$ 1,074,387</u>

**Town of Palm Shores, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

12. Property tax

The Town of Palm Shores derives no revenue from property taxes. Therefore, a millage rate is not applicable.

**NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS**

The Town's cash, cash equivalents and investments at September 30, 2017 consisted of the following:

	<u>Fair Value</u>	<u>Duration</u>	<u>Rating</u>
Cash	\$ 1,053,974	N/A	Not rated
Local government pooled investment accounts:			
Florida PRIME	<u>57,345</u>	51	AAAm
Total cash and cash equivalents and restricted investments	<u>\$ 1,111,319</u>		

The Town maintains its cash and cash equivalent balances in financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per depositor. At September 30, 2017, the Town's cash and cash equivalent balances were fully insured. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Town pursuant to Section 280.08, Florida Statutes. Financial institutions must meet the criteria of being a Qualified Public Depository as described in the Florida Security for Public Deposits Act, under Chapter 280, Florida Statutes, before any investments are made with those institutions.

The local government pooled investment account is administered by the State Board of Administration and is composed of local government surplus funds deposited therein by units of local government. The investing of public funds with the State Board of Administration is governed by Section 218.407, Florida Statutes. The investments with the State Board of Administration consist largely of federal agency obligations, repurchase agreements, banker's acceptance, and commercial paper.

In adherence with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the City reports its investments in Florida PRIME at amortized cost because Florida PRIME is external investment pool that report their investments at amortized cost.

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

**NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

On December 23, 2008, all Local Government Investment Pool ("LGIP") fund balances became 100% liquid. The LGIP was given a new name, "Florida PRIME", on August 3, 2009. The Florida PRIME is operated as a "2a7-like" money market fund. As of September 30, 2017, the Town had \$57,345 in Florida PRIME.

*Interest rate risk* - The interest rate risk is the risk that the value of investments will decrease as a result of a change in interest rates. The interest bearing deposits maintained by the Town earned between 0.11% and 0.6% during the year ending September 30, 2017.

*Credit risk* - The Town's adopted investment guidelines require that the investments of the Town be limited to those investments contained in Florida Statutes 218.415(17) subparagraphs (a) through (d), which allow investments in the local government pooled investment account, securities and exchange commission required money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the U.S. Treasury. The Town's investment policy does not further limit its investment choices. As of September 30, 2017, the Florida Prime Fund was rated by S&P, nationally recognized statistical rating organization, as noted in the table above.

**Town of Palm Shores, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE C - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 881,602	\$ -	\$ -	\$ 881,602
Total capital assets, not being depreciated	881,602	-	-	881,602
Capital assets, being depreciated:				
Building and improvements	559,856	-	-	559,856
Improvements other than buildings	414,243	-	-	414,243
Furniture and equipment	138,076	53,512	40,766	150,822
Infrastructure	502,679	-	-	502,679
Total capital assets being depreciated	1,614,854	53,512	40,766	1,627,600
Less accumulated depreciation for:				
Buildings and improvements	211,240	14,570	-	225,810
Improvements other than buildings	153,325	20,470	-	173,795
Furniture and equipment	116,480	10,402	39,227	87,655
Infrastructure	238,927	32,701	-	271,628
Total accumulated depreciation	719,972	78,143	39,227	758,888
Total capital assets, being depreciated, net	894,882	(24,631)	1,539	868,712
Governmental activities capital assets, net	<u>\$ 1,776,484</u>	<u>\$ (24,631)</u>	<u>\$ 1,539</u>	<u>\$ 1,750,314</u>

Depreciation expense of \$78,143 was charged to the general government function.

**Town of Palm Shores, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE D - INTERFUND ACTIVITY**

Due to/from other funds at September 30, 2017 is summarized as follows:

Fund	Due from other funds	Due to other funds
General	\$ -	\$ 136,113
Community Redevelopment	99,398	-
Other Governmental	36,715	-
	<u>\$ 136,113</u>	<u>\$ 136,113</u>

The due to/from balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. The Town intends to pay the above interfund balances within the coming year.

**NOTE E - LONG-TERM LIABILITIES**

Compensated absences in the governmental activities are classified as noncurrent liabilities and are typically liquidated by the general fund.

Changes in long-term liabilities

	Balance at October 1, 2016	Additions	Reductions	Balance at September 30, 2017	Due within one year
Compensated absences	\$ 5,530	\$ 4,253	\$ 4,178	\$ 5,605	\$ -

**NOTE F - OPERATING LEASE**

The Town leases a copier under an operating lease. For the year ended September 30, 2017, total costs for the copier lease was \$2,427.

The future minimum lease payments for these leases are as follows:

Year ending September 30,	Copier
2018	\$ 1,716
2019	1,716
2020	1,716
2021	1,537
Total	<u>\$ 6,685</u>

**Town of Palm Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**NOTE G - COMMITMENTS AND CONTINGENCIES**

During the ordinary course of its operations, the Town is party to various claims, legal actions, and complaints. Some of these matters are covered by the Town's insurance program. While the ultimate effect of any litigation cannot be ascertained at this time, management believes, based on the advice of legal counsel, that there will be no material effect on the Town's financial position and/or that the Town has sufficient insurance coverage to cover any claims.

**NOTE H - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained insurance from commercial underwriters for all the aforementioned risks except workers' compensation. For workers' compensation, the Town has joined with other local governments in the State participating in the Florida League of Cities Municipal Self-Insurance Program ("Program"), a public entity risk pool currently operating as a common risk management and insurance program.

The interlocal agreement with the Program provides that the Program will be self-sustaining through member premiums and will reinsure through commercial companies. There have been no significant reductions in insurance coverage from the prior year. No settlements have exceeded the Town's insurance coverage for each of the past three fiscal years.

**NOTE I - SUBSEQUENT EVENTS**

The Town has evaluated subsequent events through May 9, 2018; the date on which the financial statements were available for issuance, and has determined that on May 3, 2018, the Town returned \$99,398 of remaining CRA funds that were previously restricted for the underground rewiring project of the FDOT lights. As of May 9, 2018, no other material events occurred that would require additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

Town of Palm Shores, Florida

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - GENERAL FUND

Year ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 161,000	\$ 161,000	\$ 177,926	\$ 16,926
Licenses and permits	20,200	20,200	54,819	34,619
Intergovernmental	80,900	80,900	77,800	(3,100)
Charges for services	36,100	36,100	46,571	10,471
Transportation	36,000	36,000	36,702	702
Interest income	1,000	1,000	1,441	441
Miscellaneous	1,500	1,500	11,621	10,121
Total revenues	<u>336,700</u>	<u>336,700</u>	<u>406,880</u>	<u>70,180</u>
<b>EXPENDITURES</b>				
Current				
General government	303,100	449,500	423,216	26,284
Public safety	100	100	-	100
Transportation	32,500	38,500	41,057	(2,557)
Economic development	-	-	226	(226)
Capital outlay	1,000	10,000	8,899	1,101
Total expenditures	<u>336,700</u>	<u>498,100</u>	<u>473,398</u>	<u>24,702</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	(161,400)	(66,518)	94,882
Fund balances at October 1, 2016	<u>1,004,792</u>	<u>1,004,792</u>	<u>1,004,792</u>	-
Fund balances at September 30, 2017	<u>\$ 1,004,792</u>	<u>\$ 843,392</u>	<u>\$ 938,274</u>	<u>\$ 94,882</u>

See accompanying note to required supplementary information.

Town of Palm Shores, Florida

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT FUND

Year ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 120,000	\$ 120,000	\$ 113,560	\$ (6,440)
<b>EXPENDITURES</b>				
Current				
General government	35,500	8,971	6,506	2,465
Transportation	13,500	13,500	11,329	2,171
Economic development	71,000	71,000	12,156	58,844
Culture and recreation	-	-	227	(227)
Capital outlay	-	26,529	26,529	-
Total expenditures	120,000	120,000	56,747	63,253
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	56,813	56,813
Fund balances at October 1, 2016	42,585	42,585	42,585	-
Fund balances at September 30, 2017	\$ 42,585	\$ 42,585	\$ 99,398	\$ 56,813

See accompanying note to required supplementary information.

**Town of Palm Shores, Florida**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**September 30, 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Budgets and budgetary accounting

The Town's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Town Council. Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and the major special revenue fund.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the budget. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedules for the General and Special Revenue Fund present actual expenditures in accordance with accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

**SUPPLEMENTAL COMBINING FUND  
FINANCIAL STATEMENTS**

### NONMAJOR GOVERNMENTAL FUNDS

**Nonmajor governmental funds** are special revenue funds which are used to account for specific revenues that are legally restricted to expenditure for particular purposes and are funds that were not deemed a major fund by GASB 34 standards.

---

***Public Facilities Impact Fund*** is used to account for revenues obtained by the Town through impact fees imposed on new businesses within the Town and spent for the purposes of improving public facilities.

***Recreation Impact Fund*** is used to account for revenues obtained by the Town through recreation impact fees imposed on newly constructed residential construction and a renovation of a home. The purpose of these fees is to improve the Town's recreational functions.

Town of Palm Shores, Florida

NONMAJOR GOVERNMENTAL FUNDS -  
COMBINING BALANCE SHEET

September 30, 2017

	<u>Public Facilities Impact Fund</u>	<u>Recreation Fund</u>	<u>Total Other Governmental Funds</u>
<b>ASSETS</b>			
Due from other funds	<u>\$ 11,371</u>	<u>\$ 25,344</u>	<u>\$ 36,715</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Fund balances			
Restricted	<u>\$ 11,371</u>	<u>\$ 25,344</u>	<u>\$ 36,715</u>

See Independent Auditor's Report.

Town of Palm Shores, Florida

**NONMAJOR GOVERNMENTAL FUNDS -  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

Year ended September 30, 2017

	Public Facilities Impact Fund	Recreation Fund	Total Other Governmental Funds
<b>REVENUES</b>			
Charges for service	\$ 4,315	\$ 288	\$ 4,603
<b>EXPENDITURES</b>			
Current			
Transportation	1,307	-	1,307
Culture	1,810	-	1,810
Capital outlay	18,084	-	18,084
Total expenditures	<u>21,201</u>	<u>-</u>	<u>21,201</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(16,886)	288	(16,598)
Fund balances at October 1, 2016	<u>28,257</u>	<u>25,056</u>	<u>53,313</u>
Fund balances at September 30, 2017	<u>\$ 11,371</u>	<u>\$ 25,344</u>	<u>\$ 36,715</u>

See Independent Auditor's Report.

Town of Palm Shores, Florida

NONMAJOR GOVERNMENTAL FUNDS -  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

Year ended September 30, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Charges for service	\$ 8,000	\$ 27,000	\$ 4,603	\$ (22,397)
<b>EXPENDITURES</b>				
Current				
Transportation	8,000	8,000	1,307	6,693
Culture	-	-	1,810	(1,810)
Capital outlay	-	19,000	18,084	916
Total expenditures	<u>8,000</u>	<u>27,000</u>	<u>21,201</u>	<u>5,799</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	(16,598)	(16,598)
Fund balances at October 1, 2016	<u>53,313</u>	<u>53,313</u>	<u>53,313</u>	-
Fund balances at September 30, 2017	<u>\$ 53,313</u>	<u>\$ 53,313</u>	<u>\$ 36,715</u>	<u>\$ (16,598)</u>

See Independent Auditor's Report.

**COMPLIANCE SECTION**

# BERMAN HOPKINS WRIGHT & LAHAM

CPAS AND ASSOCIATES, LLP

[www.bermanhopkins.com](http://www.bermanhopkins.com)

8035 Spyglass Hill Rd.  
Melbourne, FL 32940  
Phone: 321-757-2020  
Fax: 321-242-4844

255 S. Orange Ave. • Suite 1545  
Orlando, FL 32801  
Phone: 407-841-8841  
Fax: 407-841-8849

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

Honorable Mayor and the Town Council  
Town of Palm Shores, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Palm Shores, Florida (the "Town") as of and for the year ended September 30, 2017, and related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 9, 2018.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we consider the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

This report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May 9, 2018  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

# BERMAN HOPKINS WRIGHT & LAHAM

CPAS AND ASSOCIATES, LLP

[www.bermanhopkins.com](http://www.bermanhopkins.com)

8035 Spyglass Hill Rd.  
Melbourne, FL 32940  
Phone: 321-757-2020  
Fax: 321-242-4844

255 S. Orange Ave. • Suite 1545  
Orlando, FL 32801  
Phone: 407-841-8841  
Fax: 407-841-8849

## MANAGEMENT LETTER

The Honorable Mayor and Town Council  
Town of Palm Shores, Florida

### Report on the Financial Statements

We have audited the financial statements of the Town of Palm Shores, Florida (the "Town"), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated May 9, 2018.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 9, 2018, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report to correct.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town of Palm Shores, Florida was established by and is governed per the special law 54-1407 Laws of Florida. Additional legal entity disclosures are included in Note A-1 of financial statements. The Town of Palm Shores, Florida has the Community Redevelopment Agency listed as the blended component unit.

## **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

## **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

## **Special District Component Units**

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

## **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

**Purpose of this Letter**

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

May 9, 2018  
Melbourne, Florida

*Berman Hopkins Wright & LaHam  
CPAs and Associates, LLP*

# BERMAN HOPKINS WRIGHT & LAHAM

CPAS AND ASSOCIATES, LLP

8035 Spyglass Hill Rd.  
Melbourne, FL 32940  
Phone: 321-757-2020  
Fax: 321-242-4844

[www.bermanhopkins.com](http://www.bermanhopkins.com)

255 S. Orange Ave. • Suite 1545  
Orlando, FL 32801  
Phone: 407-841-8841  
Fax: 407-841-8849

## INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

The Honorable Mayor and Town Council  
Town of Palm Shores, Florida

We have examined Town of Palm Shores' (the Town) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, Town of Palm Shores complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

May 9, 2018  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*