

Meeting Date
March 17, 2015



AGENDA	
Section	CONSENT
Item No.	II.C.3

AGENDA REPORT
BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

SUBJECT:	ACKNOWLEDGE RECEIPT OF 2014 CERTIFIED AUDIT REPORT ENDING SEPTEMBER 30, 2014 FOR THE TOWN OF PALM SHORES
DEPT/OFFICE:	BUDGET OFFICE

Requested Action:

It is requested that the Board accept the 2014 certified audit report ending September 30, 2014 for the Town of Palm Shores.

Summary Explanation & Background:

In accordance with Florida Statute 163.356(3)(c) and 163.387(8), the Town of Palm Shores is providing the Brevard County Board of County Commissioners a copy of their 2014 certified audit report.

Fiscal Impact: There is no financial impact.

Contact Person:

Thomas Rosenberg, Budget Director, ext. 52854 or thomas.rosenberg@brevardcounty.us

Clerk to the Board instruction:

Exhibits Attached: Audited Financial Statements of the Town of Palm Shores, for the year ended Sept. 30, 2014

Contract /Agreement (If attached): Reviewed by County Attorney Yes No PR

County Manager

Stocton Whitten

Assistant County Manager

Department Director / Extension

Thomas Rosenberg/X-52854



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

Telephone: (321) 637-2001
Fax: (321) 264-6972

March 18, 2015

MEMORANDUM

TO: Thomas Rosenberg, Budget Director

RE: Item II.C.3., Acknowledge Receipt of 2014 Certified Audit Report Ending September 30, 2014, for the Town of Palm Shores

The Board of County Commissioners, in regular session on March 17, 2015, acknowledged receipt of the 2014 certified audit report ending September 30, 2014, for the Town of Palm Shores.

Your continued cooperation is always appreciated.

Sincerely,

BOARD OF COUNTY COMMISSIONERS
SCOTT ELLIS, CLERK

Tammy Etheridge

Tammy Etheridge, Deputy Clerk

/ds

cc: Finance

Tom R.



TOWN OF PALM SHORES

“The Little Town That Cares”

March 2, 2015

Economic and Finance Program
Board of County Commissioners
2725 Judge Fran Jamieson Way
Viera, FL 32940

To Whom It May Concern:

Enclosed please find the final approved audit for the Town of Palm Shores. If there is any other information you need or if you have any questions please do not hesitate to contact me.

Sincerely,

Patricia J. Burke, MPA, MMC
Town Clerk

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



**TOWN OF
PALM SHORES,
FLORIDA**

**Basic
Financial Statements and
Supplemental Information**

**Year ended
September 30, 2014**

**BERMAN HOPKINS
WRIGHT & LAHAM**
CPAS AND ASSOCIATES, LLP

RECEIVED
MAR - 5 2015
County Manager's Office

TOWN OF PALM SHORES, FLORIDA

Official Directory

September 30, 2014

Carol McCormack	Mayor
Frank Falcone	Vice-Mayor
Sheila Donahue	Council Member
Paul Bonville	Council Member
Sharon Secord	Council Member

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INDEPENDENT AUDITOR'S REPORT

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

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, 2014, 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.

Opinions

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, 2014, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015, 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* and should be considered in assessing the results of our audit.

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 on pages 3-8 and 27-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town'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 supplementary 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 on it.

January 12, 2015
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, 2014**

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, 2014. Consideration should be given to the information presented here in conjunction with information that has been furnished in the basic financial statements, on pages 9 through 25.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$2,653,535 (Net Position). Of this amount, \$ 730,851 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 increased by \$27,483. The Town continues to monitor expenses closely.
- The Town received \$77,716 in Community Redevelopment funds.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$778,375, an increase of \$22,395 over the previous fiscal year. Of this amount, \$730,851 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 the Town's assets and liabilities, with the difference between the two reported as 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.
- 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, public facilities, transportation, economic development, and parks and recreation. The Town has no business type activities.

The government-wide financial statements can be found on pages 9 and 10 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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Community Redevelopment Fund, all identified as major funds.

The basic governmental fund financial statements can be found on pages 11 through 14 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 starting on page 15 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		
	2014	2013	Variance
ASSETS			
Current assets	\$ 798,509	\$ 773,202	\$ 25,307
Capital assets	1,880,498	1,921,451	(40,953)
Total assets	2,679,007	2,694,653	(15,646)
LIABILITIES			
Current liabilities	20,134	54,103	(33,969)
Noncurrent liabilities	5,338	14,498	(9,160)
Total liabilities	25,472	68,601	(43,129)
NET POSITION			
Net investment in capital assets	1,880,498	1,870,072	10,426
Restricted	42,186	70,354	(28,168)
Unrestricted	730,851	685,626	45,225
Total net position	\$ 2,653,535	\$ 2,626,052	\$ 27,483

Current assets increased approximately \$25,000 due to an increase in cash. The Town's capital assets decrease relates to current year depreciation expense of approximately \$71,000 and capital outlay of \$31,000. Total liabilities decreased by approximately \$43,000 due to principal payment on debt.

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 71% of the Town's net position.

Approximately 28% of the Town's net position represents sources that are subject to restrictions on how they may be used. The Town's unrestricted resources increase by 6.6% from the prior year.

The following table provides a summary of the Town's statement of activities for the years ended September 30, 2014 and 2013.

**Town of Palm Shores
Statement of Activities**

	Governmental Activities		
	2014	2013	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 118,946	\$ 147,338	\$ (28,392)
Operating grants and contributions	77,716	73,855	3,861
Total program revenues	<u>196,662</u>	<u>221,193</u>	<u>(24,531)</u>
General revenues:			
Franchise fees	58,426	52,691	5,735
Utility and communication service taxes	75,158	81,942	(6,784)
Motor fuel taxes	18,066	17,387	679
State shared revenues	64,968	60,686	4,282
Interest income	1,225	5,945	(4,720)
Other revenues	21,282	10,417	10,865
Total general revenues	<u>239,125</u>	<u>229,068</u>	<u>10,057</u>
Total revenues	<u>435,787</u>	<u>450,261</u>	<u>(14,474)</u>
Expenses:			
General government	293,466	247,813	45,653
Public safety	184	8,945	(8,761)
Public facilities	1,049	1,186	(137)
Transportation	53,820	64,052	(10,232)
Economic development	53,430	50,822	2,608
Culture/recreation	4,601	1,678	2,923
Interest	1,754	3,437	(1,683)
Total expenses	<u>408,304</u>	<u>377,933</u>	<u>30,371</u>
Increase in net position	<u>27,483</u>	<u>72,328</u>	<u>(44,845)</u>
Net position, beginning	<u>2,626,052</u>	<u>2,553,724</u>	<u>72,328</u>
Net position, ending	<u>\$ 2,653,535</u>	<u>\$ 2,626,052</u>	<u>\$ 27,483</u>

Charges for services decreased by approximately \$28,000 due to decreased number of permits in current year.

Operating grants and contributions reflects an increase over prior year of \$3,861, which is due to higher funding. Other revenues increased by approximately \$11,000. The increase is due mostly to the Urban and Community Forestry Grant received from Florida Department of Revenue in the current fiscal year. Also, the Town renewed an agreement with a nearby diner to lease parking spaces. This agreement is generating approximately \$1,800.

A general government expense increased by approximately \$45,000 mostly due to the administrative assistant hired by the Town, and employees' raises in the current year. Transportation expenditures decreased by approximately \$10,000 due to reduction of the position in transportation department. Economic development expenditures increased slightly by \$2,608 due to the increase in depreciation. The Culture and recreation expenditures increased by approximately \$3,000 due to the repairs made to park equipment in the current year.

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. Fund balance is composed of non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, unassigned fund balance and excess funds which are described in Note A-11.

As of the end of the current fiscal year, the Town's governmental funds reported combined fund balances of \$778,375, an increase of \$22,395 in comparison with the prior year. The combined fund balance amount is comprised of non-spendable funds of \$5,489, restricted funds of \$36,697 and unassigned funds of \$736,189 which is available for spending at the government'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 \$741,678, of which \$5,489 is non-spendable fund balance, and \$736,189 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 on page 28.

The decrease in revenue was largely due to a decrease in charges for licenses and permits.

Capital Asset and Debt Administration

- **Capital Assets:** The Town's total capital assets for its governmental activities as of September 30, 2014, amounts to \$1,880,498 (net of accumulated depreciation). The Town purchased capital assets in 2014 for approximately \$31,000, which relates to acquisition of 2 new computers and new landscaping. 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 debt outstanding related to the notes payable as the promissory note was paid off during the current year. There was no new debt issued during the year ended September 30, 2014.

Additional information on the Town's capital assets can be found in Note C to the financial statements. Additional information on the Town's long-term debt can be found in Note E 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 \$410,361 in expenditures for fiscal year ending September 30, 2015.

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, Florida.

Town of Palm Shores, Florida

STATEMENT OF NET POSITION

September 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 791,389
Receivables	1,631
Prepaid expenses	5,489
Total current assets	798,509
Capital assets, not being depreciated	
Land	881,602
Capital assets, net of accumulated depreciation	
Buildings and improvements	377,974
Improvements other than buildings	229,471
Furniture and equipment	12,802
Infrastructure	378,649
Total capital assets	1,880,498
Total assets	2,679,007
LIABILITIES	
Accounts payable	6,182
Accrued wages payable	4,050
Unearned revenue	9,869
Other liabilities	33
Noncurrent liabilities	
Due in more than one year	5,338
Total liabilities	25,472
Net Position	
Net investment in capital assets	1,880,498
Restricted for:	
Community redevelopment	14,200
Public facilities	12,705
Culture/recreation	9,792
Other purposes	5,489
Unrestricted	730,851
Total net position	\$ 2,653,535

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

Town of Palm Shores, Florida

STATEMENT OF ACTIVITIES

Year ended September 30, 2014

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	\$ 293,466	\$ 51,345	\$ -	\$ -	\$ (242,121)
Public safety	184	37,693	-	-	37,509
Public facilities	1,049	-	-	-	(1,049)
Transportation	53,820	29,908	-	-	(23,912)
Economic development	53,430	-	77,716	-	24,286
Culture/recreation	4,601	-	-	-	(4,601)
Interest	1,754	-	-	-	(1,754)
Total	<u>\$ 408,304</u>	<u>\$ 118,946</u>	<u>\$ 77,716</u>	<u>\$ -</u>	<u>(211,642)</u>
		General revenues:			
		Taxes:			
		Franchise fees			58,426
		Utility and communications service taxes			75,158
		Local option gas tax			18,066
		State revenue sharing			64,968
		Interest income			1,225
		Other revenues			21,282
		Total general revenues			<u>239,125</u>
		Change in net position			27,483
		Net position, beginning			<u>2,626,052</u>
		Net position, ending			<u>\$ 2,653,535</u>

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

Town of Palm Shores, Florida

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2014

	General	Community Redevelopment	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 791,389	\$ -	\$ -	\$ 791,389
Receivables	1,631	-	-	1,631
Prepaid expenses	5,489	-	-	5,489
Due from other funds	-	14,200	22,497	36,697
Total assets	<u>\$ 798,509</u>	<u>\$ 14,200</u>	<u>\$ 22,497</u>	<u>\$ 835,206</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 6,182	\$ -	\$ -	\$ 6,182
Accrued wages payable	4,050	-	-	4,050
Unearned revenue	9,869	-	-	9,869
Due to other funds	36,697	-	-	36,697
Other liabilities	33	-	-	33
Total liabilities	<u>56,831</u>	<u>-</u>	<u>-</u>	<u>56,831</u>
Fund balance				
Non-spendable				
Prepaid expenses	5,489	-	-	5,489
Restricted				
Special revenue funds	-	14,200	22,497	36,697
Unassigned	736,189	-	-	736,189
Total fund balances	<u>741,678</u>	<u>14,200</u>	<u>22,497</u>	<u>778,375</u>
Total liabilities and fund balances	<u>\$ 798,509</u>	<u>\$ 14,200</u>	<u>\$ 22,497</u>	<u>\$ 835,206</u>

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, 2014

Fund balances - total governmental funds		\$	778,375
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		377,974	
Improvements other than buildings, net		229,471	
Furniture and equipment, net		12,802	
Infrastructure, net		<u>378,649</u>	
			1,880,498
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>(5,338)</u>
Total net position of governmental activities		\$	<u><u>2,653,535</u></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, 2014

	General	Community Redevelopment	Other Governmental	Total Governmental Funds
REVENUES				
Taxes	\$ 151,650	\$ -	\$ -	\$ 151,650
Licenses and permits	50,845	-	-	50,845
Intergovernmental	64,968	77,716	-	142,684
Charges for services	32,343	-	8,442	40,785
Transportation	29,908	-	-	29,908
Interest income	1,225	-	-	1,225
Miscellaneous	10,415	8,275	-	18,690
	<u>341,354</u>	<u>85,991</u>	<u>8,442</u>	<u>435,787</u>
EXPENDITURES				
Current				
General government	237,329	37,081	-	274,410
Public safety	184	-	-	184
Transportation	36,664	17,156	-	53,820
Economic development	-	2,360	-	2,360
Culture/recreation	27	3,441	1,133	4,601
Debt service				
Principal	45,074	-	-	45,074
Interest	1,754	-	-	1,754
Capital outlay	-	28,306	2,883	31,189
	<u>321,032</u>	<u>88,344</u>	<u>4,016</u>	<u>413,392</u>
Excess (deficiency) of revenues over (under) expenditures	20,322	(2,353)	4,426	22,395
Fund balances at October 1, 2013	<u>721,356</u>	<u>16,553</u>	<u>18,071</u>	<u>755,980</u>
Fund balances at September 30, 2014	<u>\$ 741,678</u>	<u>\$ 14,200</u>	<u>\$ 22,497</u>	<u>\$ 778,375</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, 2014

Net change in fund balances - total governmental funds	\$	22,395
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	31,189	
Depreciation expense	(71,345)	
Loss on disposal of capital assets	(797)	
		(40,953)
Compensated absences		(845)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net position.		
		45,074
Loan amortization correction		1,812
Change in net position of governmental activities	\$	27,483

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

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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 of Palm Shores, Florida (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 900 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 Town of Palm Shores is financially accountable. The Community Redevelopment Fund is a blended component unit disclosed together within the Town's financial statements in accordance with GASB Statement No. 61. A blended component unit, although legally 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.

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.

Net position, the difference between assets and liabilities, as presented in the statement of net position, are 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.

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2014

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 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, 2014

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 applicable governmental columns 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, 2014

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, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Fund balance classification (continued)

Assigned Fund Balance - Amounts that are constrained by the government'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, 2014, the breakout of the fund balances is shown below:

	General Fund	Community Redevelopment	Other Governmental Funds	Total
Nonspendable				
Prepaid expenses	\$ 5,489	\$ -	\$ -	\$ 5,489
Restricted				
Community				
Redevelopment	-	14,200	-	14,200
Transportation	-	-	-	-
Public facilities	-	-	12,705	12,705
Culture/recreation	-	-	9,792	9,792
Unassigned	736,189	-	-	736,189
Total fund balance	<u>\$ 741,678</u>	<u>\$ 14,200</u>	<u>\$ 22,497</u>	<u>\$ 778,375</u>

Town of Palm Shores, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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, 2014 consisted of the following:

	<u>Fair Value</u>	<u>Duration</u>	<u>Rating</u>
Cash	\$ 400,497	N/A	Not rated
Certificates of deposit	335,305	6 months to 1 year	Not rated
Local government pooled investment accounts:			
Florida PRIME	<u>55,587</u>	39 days	AAAm
Total cash and cash equivalents and restricted investments	<u>\$ 791,389</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, 2014, 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.

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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, 2014, the Town had \$55,587 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, 2014.

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, 2014, the Florida Prime Fund was rated by S&P as noted in the table above. Ratings are set by nationally recognized statistical rating organizations (Fitch and Moody's, S&P).

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
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	391,865	28,306	3,930	416,241
Furniture and equipment	115,932	2,883	2,693	116,122
Infrastructure	492,434	-	-	492,434
Total capital assets being depreciated	1,560,087	31,189	6,623	1,584,653
Less accumulated depreciation for:				
Buildings and improvements	167,057	14,825	-	181,882
Improvements other than buildings	159,102	31,205	3,537	186,770
Furniture and equipment	100,750	4,859	2,289	103,320
Infrastructure	93,329	20,456	-	113,785
Total accumulated depreciation	520,238	71,345	5,826	585,757
Total capital assets, being depreciated, net	1,039,849	(40,156)	797	998,896
Governmental activities capital assets, net	<u>\$ 1,921,451</u>	<u>\$ (40,156)</u>	<u>\$ 797</u>	<u>\$ 1,880,498</u>

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental activities:	
General government	\$ 19,226
Public facilities	1,049
Community redevelopment	51,070
Total depreciation expense - governmental activities	<u>\$ 71,345</u>

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE D - INTERFUND ACTIVITY

Due to/from other funds at September 30, 2014 is summarized as follows:

Fund	Due from other funds	Due to other funds
General fund	\$ -	\$ 36,697
Community Redevelopment	14,200	-
Other governmental funds	22,497	-
	<u>\$ 36,697</u>	<u>\$ 36,697</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 DEBT

In March 1999, the Town executed a \$250,000 loan agreement and promissory note with SunTrust Bank, Central Florida, N.A. to provide financing for construction on a new town hall to be built on property owned by the Town. The loan agreement and promissory note were amended on December 31, 1999 to provide for principal in the amount of \$300,000. Proceeds of the loan were disbursed in accordance with draw requests submitted by the Town. Monthly principal and interest payments of \$2,495 were due from August 1, 2000 until maturity on July 1, 2015.

The Town paid off the loan in the current year, earlier than expected. The loan amortization correction was recognized to account for a variance in the amortization schedule that was noticed. At the end of the current fiscal year, the Town had total debt outstanding of \$0.

Changes in long-term debt

	Balance at October 1, 2013	Additions	Reductions	Loan amortization correction	Balance at September 30, 2014	Due within one year	Due in more than one year
Governmental activities:							
Promissory note payable	\$ 46,886	\$ -	\$ 45,074	\$ 1,812	\$ -	\$ -	\$ -
Compensated absences	4,493	5,222	4,377	-	5,338	-	5,338
Governmental activity long-term liabilities	<u>\$ 51,379</u>	<u>\$ 5,222</u>	<u>\$ 49,451</u>	<u>\$ 1,812</u>	<u>\$ 5,338</u>	<u>\$ -</u>	<u>\$ 5,338</u>

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

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE F - 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 G - 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 H - SUBSEQUENT EVENTS

The Town has evaluated subsequent events through January 12, 2015; the date on which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

Town of Palm Shores, Florida

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

Year ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 146,200	\$ 146,200	\$ 151,650	\$ 5,450
Licenses and permits	29,200	42,200	50,845	8,645
Intergovernmental	60,800	60,800	64,968	4,168
Charges for services	33,100	33,100	32,343	(757)
Transportation	29,428	29,428	29,908	480
Interest income	3,500	3,500	1,225	(2,275)
Miscellaneous	7,000	7,000	10,415	3,415
	<u>309,228</u>	<u>322,228</u>	<u>341,354</u>	<u>19,126</u>
EXPENDITURES				
Current				
General government	235,588	235,588	237,329	(1,741)
Public safety	200	200	184	16
Transportation	43,500	43,500	36,664	6,836
Culture and recreation	-	-	27	(27)
Debt service				
Principal	27,895	40,895	45,074	(4,179)
Interest	2,045	2,045	1,754	291
	<u>309,228</u>	<u>322,228</u>	<u>321,032</u>	<u>1,196</u>
Excess of revenues and other financial uses over expenditures (GAAP basis)	-	-	20,322	20,322
Total other financing sources	-	-	20,322	20,322
Fund balances at October 1, 2013	<u>572,336</u>	<u>572,336</u>	<u>721,356</u>	-
Fund balances at September 30, 2014	<u>\$ 572,336</u>	<u>\$ 572,336</u>	<u>\$ 741,678</u>	<u>\$ 20,322</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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 77,716	\$ 2,716
Donations and grants	-	13,992	8,275	(5,717)
Total revenues	75,000	88,992	85,991	(3,001)
EXPENDITURES				
Current				
General government	23,412	37,404	37,081	323
Transportation	25,500	25,500	17,156	8,344
Economic development	-	-	2,360	(2,360)
Culture/recreation	-	-	3,441	(3,441)
Capital outlay	26,088	26,088	28,306	(2,218)
Total expenditures	75,000	88,992	88,344	648
Excess (deficiency) of revenues over (under) expenditures	-	-	(2,353)	(2,353)
Fund balances at October 1, 2013	7,581	7,581	16,553	8,972
Fund balances at September 30, 2014	\$ 7,581	\$ 7,581	\$ 14,200	\$ 6,619

See accompanying note to required supplementary information.

Town of Palm Shores, Florida

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2014

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.

**SUPPLEMENTARY 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.

Recreation is used to account for revenues obtained by the Town through recreation impact fees imposed on new businesses within the Town.

Town of Palm Shores, Florida

NONMAJOR GOVERNMENTAL FUNDS -
COMBINING BALANCE SHEET

September 30, 2014

	Public Facilities Impact	Recreation	Total Other Governmental Funds
ASSETS			
Due from other funds	\$ 12,705	\$ 9,792	\$ 22,497
Total assets	<u>\$ 12,705</u>	<u>\$ 9,792</u>	<u>\$ 22,497</u>
LIABILITIES AND FUND BALANCES			
Fund balances			
Restricted	\$ 12,705	\$ 9,792	\$ 22,497
Total fund balances	<u>\$ 12,705</u>	<u>\$ 9,792</u>	<u>\$ 22,497</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, 2014

	Public Facilities Impact	Recreation	Total Other Governmental Funds
REVENUES			
Charges for service	\$ 5,850	\$ 2,592	\$ 8,442
Total revenues	5,850	2,592	8,442
EXPENDITURES			
Current			
Culture and Recreation	1,133	-	1,133
Capital outlay	2,883	-	2,883
Total expenditures	4,016	-	4,016
Excess (deficiency) of revenues over (under) expenditures	1,834	2,592	4,426
Net change in fund balances	1,834	2,592	4,426
Fund balances at October 1, 2013	10,871	7,200	18,071
Fund balances at September 30, 2014	\$ 12,705	\$ 9,792	\$ 22,497

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, 2014

	Original	Final	Actual	Variance with Final Budget
REVENUES				
Charges for service	\$ 3,600	\$ 5,100	\$ 8,442	\$ 3,342
Interest income	-	-	-	-
Total revenues	<u>3,600</u>	<u>5,100</u>	<u>8,442</u>	<u>3,342</u>
EXPENDITURES				
Current				
General government	3,600	3,600	-	3,600
Culture and recreation	-	-	1,133	(1,133)
Capital outlay	-	1,500	2,883	(1,383)
Total expenditures	<u>3,600</u>	<u>5,100</u>	<u>4,016</u>	<u>1,084</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	4,426	4,426
Fund balances at October 1, 2013	<u>5,085</u>	<u>5,085</u>	<u>18,071</u>	<u>12,986</u>
Fund balances at September 30, 2014	<u>\$ 5,085</u>	<u>\$ 5,085</u>	<u>\$ 22,497</u>	<u>\$ 17,412</u>

See Independent Auditor's Report.

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, 2014, and related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we consider 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 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.

January 12, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

To Honorable Members of the 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, 2014, and have issued our report thereon dated January 12, 2015.

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.

Other Reports and Schedule

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 Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 12, 2015, 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 the financial statements. The Town of Palm Shores, Florida has the Community Redevelopment Fund listed as the blended component unit.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report 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 identification of 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. 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 the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have 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.

January 12, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Town of Palm Shores, Florida
MANAGEMENT RECOMMENDATIONS
Year ended September 30, 2014

Current Year Recommendations

For the year ended September 30, 2014, there are no new management recommendations.