

**TOWN OF  
PALM SHORES,  
FLORIDA**

**Basic  
Financial Statements and  
Supplementary  
Information**

**Year ended  
September 30, 2016**

# **TOWN OF PALM SHORES, FLORIDA**

## **Official Directory**

**September 30, 2016**

Carol McCormack	Mayor
Frank Falcone	Vice-Mayor
Chase Chambliss	Council Man
Paul Bonville	Council Man
Sharon Secord	Council Woman

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## 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, 2016, 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, 2016, 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 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 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 February 16, 2017, 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.

February 16, 2017  
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, 2016**

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, 2016. 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 \$2,871,644 (Net Position). Of this amount, \$999,262 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 \$203,985. The Town continues to monitor expenses closely.
- The Town received \$103,885 in Community Redevelopment funds.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,100,690, an increase of \$252,907 over the previous fiscal year. Of this amount, \$1,000,049 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.
- 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 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 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, 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		
	2016	2015	Variance
<b>ASSETS</b>			
Current assets	\$ 1,135,806	\$ 870,364	\$ 265,442
Capital assets	1,776,484	1,825,843	(49,359)
Total assets	2,912,290	2,696,207	216,083
<b>LIABILITIES</b>			
Current liabilities	35,116	22,581	12,535
Noncurrent liabilities	5,530	5,967	(437)
Total liabilities	40,646	28,548	12,098
<b>NET POSITION</b>			
Net investment in capital assets	1,776,484	1,825,843	(49,359)
Restricted	95,898	40,952	54,946
Unrestricted	999,262	800,864	198,398
Total net position	\$ 2,871,644	\$ 2,667,659	\$ 203,985

Current assets increased approximately \$265,000 due to an increase in cash. The Town's capital assets decrease relates to current year depreciation expense of approximately \$77,000 offset by current year additions. Total liabilities increased by \$12,098 due to slight increases in accounts payable and accrued wages.

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 3.3% 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 25% 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		
	2016	2015	Variance
Program revenues:			
Charges for services	\$ 299,395	\$ 99,644	\$ 199,751
Operating grants and contributions	103,885	84,542	19,343
Total program revenues	403,280	184,186	219,094
General revenues:			
Franchise fees	62,984	63,589	(605)
Utility and communication service taxes	83,446	80,172	3,274
Motor fuel taxes	21,434	19,477	1,957
State shared revenues	72,800	70,067	2,733
Interest income	1,776	2,148	(372)
Other revenues	21,300	18,953	2,347
Total general revenues	263,740	254,406	9,334
Total revenues	667,020	438,592	228,428
Expenses:			
General government	344,226	305,983	38,243
Public safety	-	120	(120)
Public facilities	1,049	1,049	-
Transportation	49,828	53,111	(3,283)
Economic development	66,003	56,366	9,637
Culture and recreation	1,929	7,839	(5,910)
Total expenses	463,035	424,468	38,567
Increase in net position	203,985	14,124	189,861
Net position, beginning	2,667,659	2,653,535	14,124
Net position, ending	\$ 2,871,644	\$ 2,667,659	\$ 203,985

Charges for services increased by approximately \$200,000 mostly due to more permits in the current year related to the new subdivision construction and the Wawa gas station added during fiscal year 2016. The increase was also due to the higher expenditures of impact funds.

Operating grants and contributions reflects an increase over the prior year of approximately \$19,000, which is due to higher funding in the current year. Total general revenues increased slightly by approximately \$9,000. The increase is due mostly to the higher fund appropriations for utility and communication service taxes, and state shared revenues. Also, the Town 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 \$38,000 mostly due to the employees' raises in the current year and increase in salary for inspections related to the increase of permit fees issued during the year. The economic development expenditures increased from prior year by approximately \$9,600 as a result of the use of the Facade Grant money redevelopment purchases. The culture and recreation expenditures decreased by approximately \$6,000 due to less repairs and maintenance performed 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. 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 \$1,100,690, an increase of \$252,907 in comparison with the prior year. The combined fund balance amount is comprised of non-spendable funds of \$4,743, restricted funds of \$95,898 and unassigned funds of \$1,000,049 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 \$1,004,792, of which \$4,743 is non-spendable fund balance, and \$1,000,049 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 table of contents of this report.

The actual revenues exceeded budgeted revenues by \$197,961. The budgeted expenditures exceeded actual expenditures by \$2,184.

## Capital Asset and Debt Administration

- Capital Assets: The Town's total capital assets for its governmental activities as of September 30, 2016, amounts to \$1,776,484 (net of accumulated depreciation). The Town purchased capital assets in 2016 for \$28,619, which relates to the acquisition of new banners, a sound system, and park improvements. 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 \$464,700 in expenditures for fiscal year ending September 30, 2017.

### 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, 2016**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,131,063
Prepaid expenses	4,743
Total current assets	<u>1,135,806</u>
Capital assets, not being depreciated	
Land	881,602
Capital assets, net of accumulated depreciation	
Buildings and improvements	348,616
Improvements other than buildings	175,316
Furniture and equipment	21,596
Infrastructure	<u>349,354</u>
Total capital assets	<u>1,776,484</u>
Total assets	<u>2,912,290</u>
<b>LIABILITIES</b>	
Accounts payable	8,005
Accrued wages payable	9,865
Unearned revenue	13,139
Other liabilities	4,107
Noncurrent liabilities	
Due in more than one year	<u>5,530</u>
Total liabilities	<u>40,646</u>
<b>Net Position</b>	
Net investment in capital assets	1,776,484
Restricted for:	
Community redevelopment	42,585
Public facilities	28,257
Culture and recreation	25,056
Unrestricted	<u>999,262</u>
Total net position	<u><u>\$ 2,871,644</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, 2016**

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 344,226	\$ 199,658	\$ -	\$ -	\$ (144,568)
Public safety	-	63,758	-	-	63,758
Public facilities	1,049	-	-	-	(1,049)
Transportation	49,828	35,979	-	-	(13,849)
Economic development	66,003	-	103,885	-	37,882
Culture and recreation	1,929	-	-	-	(1,929)
Total	<u>\$ 463,035</u>	<u>\$ 299,395</u>	<u>\$ 103,885</u>	<u>\$ -</u>	<u>(59,755)</u>
General revenues:					
Taxes:					
Franchise fees					62,984
Utility and communications service taxes					83,446
Local option gas tax					21,434
State revenue sharing					72,800
Interest income					1,776
Other revenues					21,300
Total general revenues					<u>263,740</u>
Change in net position					203,985
Net position, beginning					<u>2,667,659</u>
Net position, ending					<u>\$ 2,871,644</u>

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

**Town of Palm Shores, Florida**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**September 30, 2016**

	General	Community Redevelopment	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,131,063	\$ -	\$ -	\$ 1,131,063
Prepaid expenses	4,743	-	-	4,743
Due from other funds	-	45,135	53,313	98,448
Total assets	<u>\$ 1,135,806</u>	<u>\$ 45,135</u>	<u>\$ 53,313</u>	<u>\$ 1,234,254</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 6,692	\$ 1,313	\$ -	\$ 8,005
Accrued wages payable	8,716	1,149	-	9,865
Unearned revenue	13,139	-	-	13,139
Due to other funds	98,448	-	-	98,448
Other liabilities	4,019	88	-	4,107
Total liabilities	<u>131,014</u>	<u>2,550</u>	<u>-</u>	<u>133,564</u>
Fund balance				
Non-spendable				
Prepaid expenses	4,743	-	-	4,743
Restricted				
Special revenue funds	-	42,585	53,313	95,898
Unassigned	1,000,049	-	-	1,000,049
Total fund balances	<u>1,004,792</u>	<u>42,585</u>	<u>53,313</u>	<u>1,100,690</u>
Total liabilities and fund balances	<u>\$ 1,135,806</u>	<u>\$ 45,135</u>	<u>\$ 53,313</u>	<u>\$ 1,234,254</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, 2016**

Fund balances - total governmental funds \$ 1,100,690

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	348,616	
Improvements other than buildings, net	175,316	
Furniture and equipment, net	21,596	
Infrastructure, net	<u>349,354</u>	
		1,776,484

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>(5,530)</u>
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Total net position of governmental activities	<u><u>\$ 2,871,644</u></u>
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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, 2016

	General	Community Redevelopment	Other Governmental	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 167,864	\$ -	\$ -	\$ 167,864
Licenses and permits	198,658	-	-	198,658
Intergovernmental	72,800	103,885	-	176,685
Charges for services	39,258	-	40,188	79,446
Transportation	35,979	-	-	35,979
Interest income	1,776	-	-	1,776
Miscellaneous	6,612	-	-	6,612
	<u>522,947</u>	<u>103,885</u>	<u>40,188</u>	<u>667,020</u>
<b>EXPENDITURES</b>				
Current				
General government	285,364	36,223	-	321,587
Transportation	36,241	13,587	-	49,828
Economic development	30	12,120	-	12,150
Culture and recreation	-	1,399	530	1,929
Capital outlay	3,351	19,967	5,301	28,619
	<u>324,986</u>	<u>83,296</u>	<u>5,831</u>	<u>414,113</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	197,961	20,589	34,357	252,907
Fund balances at October 1, 2015	<u>806,831</u>	<u>21,996</u>	<u>18,956</u>	<u>847,783</u>
Fund balances at September 30, 2016	<u><u>\$ 1,004,792</u></u>	<u><u>\$ 42,585</u></u>	<u><u>\$ 53,313</u></u>	<u><u>\$ 1,100,690</u></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, 2016**

Net change in fund balances - total governmental funds	\$	252,907
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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	\$	28,619	
Depreciation expense		<u>(76,836)</u>	
			(48,217)

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 assets differs from the change in fund balance.

Loss on disposal of capital assets		(1,142)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These expenses are:

Compensated absences		<u>437</u>
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Change in net position of governmental activities	\$	<u><u>203,985</u></u>
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The accompanying notes are an integral part of this financial statement.

**Town of Palm Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

**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.

**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 total of assets, deferred outflows, liabilities, and deferred inflows 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, 2016**

**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, 2016**

**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, 2016**

**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:

Asset class	Estimated useful lives (years)
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, 2016**

**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, 2016**

**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, 2016, the breakout of the fund balances is shown below:

	General Fund	Community Redevelopment	Other Governmental Funds	Total
Nonspendable				
Prepaid expenses	\$ 4,743	\$ -	\$ -	\$ 4,743
Restricted				
Community				
Redevelopment	-	42,585	-	42,585
Public facilities	-	-	28,257	28,257
Culture and recreation	-	-	25,056	25,056
Unassigned	1,000,049	-	-	1,000,049
Total fund balance	<u>\$ 1,004,792</u>	<u>\$ 42,585</u>	<u>\$ 53,313</u>	<u>\$ 1,100,690</u>



**Town of Palm Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

**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, 2016 consisted of the following:

	<u>Fair Value</u>	<u>Duration</u>	<u>Rating</u>
Cash	\$ 737,346	N/A	Not rated
Certificates of deposit	336,988	6 months to 1 year	Not rated
Local government pooled investment accounts:			
Florida PRIME	<u>56,729</u>	35	AAAm
Total cash and cash equivalents and restricted investments	<u><u>\$1,131,063</u></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, 2016, 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, 2016**

**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, 2016, the Town had \$56,729 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, 2016.

*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, 2016, 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, 2016**

**NOTE C - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016 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	<u>881,602</u>	<u>-</u>	<u>-</u>	<u>881,602</u>
Capital assets, being depreciated:				
Building and improvements	559,856	-	-	559,856
Improvements other than buildings	421,221	9,722	16,700	414,243
Furniture and equipment	129,424	8,652	-	138,076
Infrastructure	492,434	10,245	-	502,679
Total capital assets being depreciated	<u>1,602,935</u>	<u>28,619</u>	<u>16,700</u>	<u>1,614,854</u>
Less accumulated depreciation for:				
Buildings and improvements	196,670	14,570	-	211,240
Improvements other than buildings	219,594	34,891	15,558	238,927
Furniture and equipment	109,131	7,349	-	116,480
Infrastructure	133,299	20,026	-	153,325
Total accumulated depreciation	<u>658,694</u>	<u>76,836</u>	<u>15,558</u>	<u>719,972</u>
Total capital assets, being depreciated, net	<u>944,241</u>	<u>(48,217)</u>	<u>1,142</u>	<u>894,882</u>
Governmental activities capital assets, net	<u>\$ 1,825,843</u>	<u>\$ (48,217)</u>	<u>\$ 1,142</u>	<u>\$ 1,776,484</u>

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

General government	\$ 21,934
Public facilities	1,049
Community redevelopment	<u>53,853</u>
Total depreciation expense	<u>\$ 76,836</u>

**Town of Palm Shores, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE D - INTERFUND ACTIVITY**

Due to/from other funds at September 30, 2016 is summarized as follows:

Fund	Due from other funds	Due to other funds
General fund	\$ -	\$ 98,448
Community Redevelopment	45,135	-
Other governmental funds	53,313	-
	<u>\$ 98,448</u>	<u>\$ 98,448</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 non-current liabilities and are typically liquidated by the general fund.

Changes in long-term liabilities

	Balance at October 1, 2015	Additions	Reductions	Balance at September 30, 2016	Due within one year
Compensated absences	<u>\$ 5,967</u>	<u>\$ 5,583</u>	<u>\$ 6,020</u>	<u>\$ 5,530</u>	<u>\$ -</u>

**NOTE F - OPERATING LEASE**

The Town leases two copiers under an operating lease. For the year ended September 30, 2016, total costs for the copier lease were \$3,131.

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

Year ending September 30,	Copiers
2017	2,286
2018	1,716
2019	1,716
2020	1,716
2021	1,537
Total	<u>\$ 8,971</u>

**Town of Palm Shores, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016**

**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 February 16, 2017; 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 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, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Taxes	\$ 156,500	\$ 156,500	\$ 167,864	\$ 11,364
Licenses and permits	18,200	25,200	198,658	173,458
Intergovernmental	70,800	70,800	72,800	2,000
Charges for services	36,580	36,580	39,258	2,678
Transportation	35,290	35,290	35,979	689
Interest income	800	800	1,776	976
Miscellaneous	2,000	2,000	6,612	4,612
	<u>320,170</u>	<u>327,170</u>	<u>522,947</u>	<u>195,777</u>
<b>EXPENDITURES</b>				
General government	278,550	285,550	285,364	186
Public safety	120	120	-	120
Transportation	39,500	39,500	36,241	3,259
Economic development	-	-	30	(30)
Capital outlay	2,000	2,000	3,351	(1,351)
	<u>320,170</u>	<u>327,170</u>	<u>324,986</u>	<u>2,184</u>
<b>Excess of revenues and other financial uses over expenditures (GAAP basis)</b>	-	-	197,961	197,961
Fund balances at October 1, 2015	<u>572,336</u>	<u>572,336</u>	<u>806,831</u>	<u>234,495</u>
Fund balances at September 30, 2016	<u>\$ 572,336</u>	<u>\$ 572,336</u>	<u>\$ 1,004,792</u>	<u>\$ 432,456</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 110,000	\$ 110,000	\$ 103,885	\$ (6,115)
Total revenues	110,000	110,000	103,885	(6,115)
<b>EXPENDITURES</b>				
General government	12,300	12,300	36,223	(23,923)
Transportation	16,500	16,500	13,587	2,913
Economic development	-	-	12,120	(12,120)
Culture and recreation	21,200	21,200	1,399	19,801
Capital outlay	60,000	60,000	19,967	40,033
Total expenditures	110,000	110,000	83,296	26,704
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	20,589	20,589
Fund balances at October 1, 2015	7,581	7,581	21,996	14,415
Fund balances at September 30, 2016	<u>\$ 7,581</u>	<u>\$ 7,581</u>	<u>\$ 42,585</u>	<u>\$ 35,004</u>

See accompanying note to required supplementary information.



**Town of Palm Shores, Florida**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**September 30, 2016**

**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.

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***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, 2016

	Public Facilities Impact	Recreation	Total Other Governmental Funds
<b>ASSETS</b>			
Due from other funds	<u>\$ 28,257</u>	<u>\$ 25,056</u>	<u>\$ 53,313</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Fund balances			
Restricted	<u>\$ 28,257</u>	<u>\$ 25,056</u>	<u>\$ 53,313</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, 2016

	Public Facilities Impact	Recreation	Total Other Governmental Funds
<b>REVENUES</b>			
Charges for service	\$ 25,500	\$ 14,688	\$ 40,188
<b>EXPENDITURES</b>			
Current			
Culture and recreation	530	-	530
Capital outlay	5,301	-	5,301
Total expenditures	5,831	-	5,831
<b>Excess (deficiency) of revenues over (under) expenditures</b>	19,669	14,688	34,357
Fund balances at October 1, 2015	8,588	10,368	18,956
Fund balances at September 30, 2016	\$ 28,257	\$ 25,056	\$ 53,313

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, 2016

	Original	Final	Actual	Variance with Final Budget
<b>REVENUES</b>				
Charges for service	\$ 8,000	\$ 9,000	\$ 40,188	\$ 31,188
<b>EXPENDITURES</b>				
Current				
Culture and recreation	-	-	530	(530)
Capital outlay	8,000	9,000	5,301	3,699
Total expenditures	8,000	9,000	5,831	3,169
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	34,357	34,357
Fund balances at October 1, 2015	5,085	5,085	18,956	13,871
Fund balances at September 30, 2016	<u>\$ 5,085</u>	<u>\$ 5,085</u>	<u>\$ 53,313</u>	<u>\$ 48,228</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, 2016, and related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 16, 2017.

**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.

February 16, 2017  
Melbourne, Florida

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



## MANAGEMENT LETTER

To the 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, 2016, and have issued our report thereon dated February 16, 2017.

### 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 February 16, 2017, 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 Agency 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, 2016, 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, 2016. 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.

February 16, 2017  
Melbourne, Florida

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

### **Management Findings and Recommendations**

There are no findings or recommendations for the year ended September 30, 2015 and September 30, 2016.

## 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' compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2016. Management is responsible for Town of Palm Shores' compliance with those requirements. Our responsibility is to express an opinion on Town of Palm Shores' compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Town of Palm Shores' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Town of Palm Shores' 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, 2016.

This report is intended solely for the information and use of the Town of Palm Shores' and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

February 16, 2017  
Melbourne, Florida

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