

**TOWN OF CLOUD LAKE
CLOUD LAKE, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

**TOWN OF CLOUD LAKE
CLOUD LAKE, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Cloud Lake, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Town of Cloud Lake, Florida ("Town") as of and for the fiscal year ended September 30, 2015, 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 and the major fund of the Town as of September 30, 2015, and the respective changes in financial position, thereof for the fiscal 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 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2016 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, 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.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated August 10, 2016, on our consideration of the Town's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.



August 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Town of Cloud Lake, Florida (the "Town") provides a narrative overview of the Town's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the Town's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

This information is being presented to provide additional information regarding the activities of the Town and to meet the disclosure requirements of Government Accounting Standards Board Statement ("GASB") No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Comparative information between the current year and the prior year is required to be presented in the Management's Discussion and Analysis ("MD&A"). However, there was no audit for the prior fiscal year, therefore, the balances as of and for the fiscal year ended September 30, 2014 are unaudited.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$734,564.
- The change in the Town's total net position in comparison with the prior fiscal year was \$9,166, an increase. The key components of the Town's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2015, the Town's governmental funds reported combined ending fund balances of \$723,618, an increase of \$18,557 in comparison with the prior fiscal year. The fund balance is assigned for capital projects and for subsequent year's expenditures and the remainder is unassigned fund balance which is available for spending at the Town's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of 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.

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 government'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 only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by rental and general revenues. The Town does not have any business-type activities. The functions/programs are: general government and physical environment.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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 one fund category: 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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Town'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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one governmental fund, the general fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Town, assets exceeded liabilities at the close of the most recent fiscal year.

Key components of the Town's net position are reflected in the following table:

	NET POSITION SEPTEMBER 30,	
	2015	2014 (unaudited)
Current and other assets	\$ 723,618	\$ 705,061
Capital assets, net of depreciation	10,946	20,337
Total assets	<u>734,564</u>	<u>725,398</u>
Total liabilities	<u>-</u>	<u>-</u>
Net position		
Investment in capital assets	10,946	20,337
Unrestricted	723,618	705,061
Total net position	<u>\$ 734,564</u>	<u>\$ 725,398</u>

The Town's net position reflects its investment in capital assets (e.g. equipment and infrastructure). These assets are used to provide services to residents; consequently, these assets are not available for future spending.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The remaining balance of unrestricted net position may be used to meet the Town's other obligations.

The Town's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

Key elements of the change in net position are reflected in the following table:

CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,

	2015	2014 (unaudited)
Revenues:		
Program revenues	\$ 73,421	\$ 154,896
General revenues	38,481	33,591
Total revenues	<u>111,902</u>	<u>188,487</u>
Expenses:		
General government	56,012	63,831
Physical environment	46,724	60,428
Total expenses	<u>102,736</u>	<u>124,259</u>
Change in net position	<u>9,166</u>	<u>64,228</u>
Net position, beginning	<u>725,398</u>	<u>661,170</u>
Net position, ending	<u>\$ 734,564</u>	<u>\$ 725,398</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2015 was \$102,736. The costs of the Town's activities were primarily funded by program revenues. Program revenues, comprised primarily of rental and lease income, decreased during the fiscal year as a result of a decrease in rental income due to the amendment of the billboard lease agreement. In total, expenses, including depreciation, decreased from the prior fiscal year. The majority of the decrease was the result the current year decrease in Lakefront Nature Preserve maintenance and repairs as well as the fact that the lessee, in the current fiscal year, started to pay all applicable sales tax arising out of the rent paid by lessee to lessor directly to the applicable taxing authority.

GENERAL FUND BUDGETARY HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the Town pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2015 was amended to increase appropriations by \$5,150.

Actual general fund expenditures for the fiscal year ended September 30, 2015 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

CAPITAL ASSETS

Pursuant to Government Accounting Standards Board Statement ("GASB") No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999, prospective reporting of general infrastructure assets in the statement of net position is required beginning at the effective dates of Statement 34. Retroactive reporting of major general infrastructure assets may be required if the entity meets certain criteria. The Town, however, is a Phase 3 government which is encouraged but not required to report major general infrastructure assets retroactively. The Town has not elected to report its major general infrastructure assets retroactively.

CAPITAL ASSETS (Continued)

At September 30, 2015, the Town had \$73,063 invested in equipment, wiring, building improvements and drainage for its governmental activities. In the government-wide financial statements depreciation of \$62,117 has been taken, which resulted in a net book value of \$10,946. More detailed information about the Town's capital assets is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's local economy is primarily based upon residential activity. Management expects its population to remain consistent for the upcoming year. The Town does not levy ad valorem taxes and continues to rely upon its existing revenue sources which are primarily from rental and lease agreements, intergovernmental tax and revenue sharing.

TOWN WIDE GOALS AND OBJECTIVES

The Town's main objective is to maintain a low density residential oriented community with compatible business and professional uses on Southern Boulevard and to preserve the conservation and open space areas.

Services for the Town such as water, trash and recycling and police protection have historically been provided through interlocal agreements with no cost to the Town. Fire protection is provided by Palm Beach County through its Municipal Service Taxing Unit (MSTU) where each property owner is assessed directly by the County on their tax bill for this service.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Cloud Lake's finances for all of those with an interest in the Town's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town Clerk at the Town of Cloud Lake, 100 Lang Road, Cloud Lake, FL 33406.

**TOWN OF CLOUD LAKE
CLOUD LAKE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 723,618
Capital assets:	
Depreciable, net	10,946
Total assets	734,564
 LIABILITIES	
Accounts payable	-
Total liabilities	-
 NET POSITION	
Investment in capital assets	10,946
Unrestricted	723,618
Total net position	\$ 734,564

See notes to the financial statements

**TOWN OF CLOUD LAKE
CLOUD LAKE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u> <u>Governmental Activities</u>
Primary government:			
Governmental activities:			
General government	\$ 56,012	\$ 56,012	\$ -
Physical environment	46,724	17,409	(29,315)
Total governmental activities	<u>102,736</u>	<u>73,421</u>	<u>(29,315)</u>
General revenues:			
Utility taxes			4,928
Franchise fees			5,289
Communication services tax			3,905
Intergovernmental revenues, not restricted for specific programs			21,563
Unrestricted investment earnings			1,755
Other revenues			1,041
Total general revenues			<u>38,481</u>
Change in net position			9,166
Net position - beginning			725,398
Net position - ending			<u><u>\$ 734,564</u></u>

See notes to the financial statements

**TOWN OF CLOUD LAKE
CLOUD LAKE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2015**

	Major Fund General Fund	Total Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 723,618	\$ 723,618
Total assets	\$ 723,618	\$ 723,618
LIABILITIES AND FUND BALANCE		
Liabilities:	\$ -	\$ -
Total liabilities	-	-
Fund balance:		
Assigned to:		
Capital projects	56,525	56,525
Subsequent year's expenditures	3,173	3,173
Unassigned:		
General fund	663,920	663,920
Total fund balance	723,618	723,618
Total liabilities and fund balance	\$ 723,618	\$ 723,618
Fund balance - governmental funds		\$ 723,618

Amounts 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 as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	73,063	
Accumulated depreciation	(62,117)	10,946
Net position of governmental activities		\$ 734,564

See notes to the financial statements

**TOWN OF CLOUD LAKE
CLOUD LAKE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Major Fund General Fund	Total Governmental Fund
REVENUES		
Franchise fees	\$ 5,289	\$ 5,289
Utility taxes	4,928	4,928
Communication service tax	3,905	3,905
Licenses and permits	4,966	4,966
Intergovernmental revenue	21,563	21,563
Investments income	1,755	1,755
Lease and rental revenues	68,455	68,455
Other revenues	1,041	1,041
Total revenues	111,902	111,902
EXPENDITURES		
Current:		
General government	56,012	56,012
Physical environment	37,333	37,333
Total expenditures	93,345	93,345
Excess (deficiency) of revenues over (under) expenditures	18,557	18,557
Fund balance - beginning	705,061	705,061
Fund balance - ending	\$ 723,618	\$ 723,618
Net change in fund balance - total governmental funds		\$ 18,557
Amounts reported for governmental activities in the statement of activities are different because:		
Depreciation on capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.		(9,391)
Change in net position of governmental activities		\$ 9,166

See notes to the financial statements

**TOWN OF CLOUD LAKE
CLOUD LAKE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

The Town of Cloud Lake, Florida (the "Town"), was incorporated in 1951. The Town is governed by an Elected Mayor. There is an appointed Town Clerk that handles the day-to-day operations. The Town Council ("Council") is responsible for legislative and fiscal control of the Town.

The Town provides services to its residents which include general government and physical environment. Public safety such as police services, water and wastewater, and refuse services are provided to residents by other entities through interlocal agreements with the Town. Fire services are provided by Palm Beach County.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the Town is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that, if excluded, the financial statements of the Town would be considered incomplete or misleading. There are no entities considered to be component units of the Town; therefore, the financial statements include only the operations of the Town.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment (Operating-type special assessments for maintenance and debt service are treated as charges for services.) and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

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. Property taxes, if applicable, are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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 sixty days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, expenditures for certain items, including claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Franchise fees and communications taxes, licenses and permits, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized in revenues for the current period. The portion of receivables due within the current fiscal period is considered to be susceptible to accrual as revenue for the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental fund:

General Fund

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The Town has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The Town may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deposits and Investments (Continued)

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The Town records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, building improvements, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Town are depreciated using the sum of the years' method over the following estimated useful lives:

Assets	Years
Equipment	7
Drainage	7
Wiring	7
Building improvements	39

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

However, pursuant to Government Accounting Standards Board Statement ("GASB") No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999, prospective reporting of general infrastructure assets in the statement of net assets is required beginning at the effective dates of Statement 34. Retroactive reporting of major general infrastructure assets may be required if the entity meets certain criteria. The Town, however, is a Phase 3 government which is encouraged but not required to report major general infrastructure assets retroactively. The Town has not elected to report its major general infrastructure assets retroactively. Further, the Town does not own or maintain any significant capital assets, including general infrastructure, which are required to be reported.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the Town would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the Town reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The Town can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position (Continued)

The Town first uses 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 the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the Town's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – BUDGETARY INFORMATION

The Town is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all annual appropriations lapse at fiscal year end.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the Town Clerk submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the Town Council.
- d) All budget changes must be approved by the Town Council.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – CASH AND CASH EQUIVALENTS

Deposits

The Town's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, being depreciated				
Equipment	\$ 10,917	\$ -	\$ -	\$ 10,917
Drainage	3,919	-	-	3,919
Infrastructure improvements	49,854	-	-	49,854
Building improvements	8,373	-	-	8,373
Total capital assets, being depreciated	<u>73,063</u>	-	-	<u>73,063</u>
Less accumulated depreciation for:				
Equipment	9,964	953	-	10,917
Drainage	3,919	-	-	3,919
Infrastructure improvements	38,459	8,244	-	46,703
Building improvements	384	194	-	578
Total accumulated depreciation	<u>52,726</u>	<u>9,391</u>	-	<u>62,117</u>
Total capital assets, being depreciated, net	<u>20,337</u>	<u>(9,391)</u>	-	<u>10,946</u>
Governmental activities capital assets, net	<u>\$ 20,337</u>	<u>\$ (9,391)</u>	<u>\$ -</u>	<u>\$ 10,946</u>

Depreciation expense was charged to function/programs as follows:

General government \$ 9,391

NOTE 6 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There have been no claims from these risks that exceeded commercial insurance coverage over the past three years.

NOTE 7 – LEASE AGREEMENT

In March 2006, the Town entered into a lease agreement for the purpose of constructing and installing an advertising billboard. The lease is for 10 years with a monthly payment of guaranteed rent in the amount of approximately \$11,667 per month or payment of 55% of the additional rent on net income each month generated by the revenues received by the third party if greater than the guaranteed rent. The lease agreement was amended for the year ended September 30, 2015 reducing the monthly guaranteed rent to approximately \$5,417 per month.

Effective October 1, 2016, the guaranteed monthly rental is contractually set to decrease to the original amount of \$4,583 per month. Rent commenced in August 2006. For the most recent fiscal year the Town received approximately \$68,000 in association with the lease agreement. Per the amended agreement, CBS Outdoor LLC (the “Lessee”) shall pay all applicable sales tax arising out of the rent paid by the Lessee to the Town (the “Lessor”) pursuant to this lease directly to the applicable taxing authority(ies).

NOTE 8 – OTHER INFORMATION

Services for police, water and wastewater, and refuse are provided to Town residents by other entities through interlocal agreements with the Town. Historically, the Town has paid for refuse services and the costs of the water and wastewater are billed to the residents with no cost to the Town. The Town has a rolling four year commitment with Waste Management, Inc. of Florida relating to a solid waste and recycling residential collection agreement. The agreement renews automatically unless notified by either party at least 120 days prior to the end of the applicable term. The agreement was renewed in April 2015.

**TOWN OF CLOUD LAKE
CLOUD LAKE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Franchise fees	\$ 4,200	\$ 4,200	\$ 5,289	\$ 1,089
Utility Tax	4,200	4,200	4,928	728
Communication service tax	3,172	3,172	3,905	733
Licenses and permits	2,044	2,044	4,966	2,922
Intergovernmental revenue	24,738	24,738	21,563	(3,175)
Investments income	500	500	1,755	1,255
Rental revenue	68,900	68,900	68,455	(445)
Miscellaneous	100	100	1,041	941
Total revenues	107,854	107,854	111,902	4,048
EXPENDITURES				
Current:				
General government	70,454	75,604	56,012	19,592
Physical environment	37,400	37,400	37,333	67
Total expenditures	107,854	113,004	93,345	19,659
Excess (deficiency) of revenues over (under) expenditures	-	(5,150)	18,557	23,707
OTHER FINANCING SOURCES (USES)				
Carry forward	-	5,150	-	(5,150)
Total other financing sources (uses)	-	5,150	-	(5,150)
Net change in fund balance	\$ -	\$ -	18,557	\$ 18,557
Fund balance - beginning			705,061	
Fund balance - ending			\$ 723,618	

See notes to required supplementary information

**TOWN OF CLOUD LAKE
CLOUD LAKE, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The Town is required to establish a budgetary system and an approved Annual Budget for the general fund. The Town's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Town Council. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

An operating budget was adopted and maintained by the governing board for the Town pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2015 was amended to increase appropriations by \$5,150.

Actual general fund expenditures for the fiscal year ended September 30, 2015 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.



**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**

To the Town Council
Town of Cloud Lake, 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 and the major fund of Town of Cloud Lake, Florida ("Town") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our opinion thereon dated August 10, 2016.

Internal Control Over Financial Reporting

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

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

A handwritten signature in blue ink that reads "Shaw & Associates".

August 10, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Town Council
Town of Cloud Lake, Florida

We have examined Town of Cloud Lake, Florida's ("Town") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2015. Management is responsible for Town's compliance with those requirements. Our responsibility is to express an opinion on Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Town's 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 the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2015.

This report 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, management, and the Board of Supervisors of Town of Cloud Lake, Cloud Lake City, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

August 10, 2016



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Town Council
Town of Cloud Lake, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Town of Cloud Lake, Florida ("Town") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated August 10, 2016.

Auditor's Responsibility

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

Other 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 August 10, 2016, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General of the state of Florida. Accordingly, in connection with our audit of the financial statements of the Town, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Supervisors of Town of Cloud Lake, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Town of Cloud Lake, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

Grau & Associates

August 10, 2016

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS

Not applicable – there was no audit required for the fiscal year ended September 30, 2014.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Not applicable, there was no audit required for the fiscal year ended September 30, 2014.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2015.

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2015.

4. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.
5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2015 financial audit report.
6. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2015. It is management's responsibility to monitor 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.