

# **Annual Financial Report**

**September 30, 2023**

**Town of Palm Shores**

## INTRODUCTORY SECTION

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Town of Palm Shores, Florida  
List of Principal Officials

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**Elected Officials**

Mayor	Charles Chambliss
Town Council Members:	Frank Falcone Paul Bonville Sharon Secord Barbara Mathewson

**Town Officials**

Town Attorney	Bohne Law, P.A.
Town Clerk/ Town Manager	Patricia J. Burke

## **Financial Section**

This section contains the following subsections:

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council  
Town of Palm Shores, Florida

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities, and 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, as of September 30, 2023, 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.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 3 through 6, budgetary comparison information on pages 21 to 23, and pension information on page 24 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

#### **Supplementary 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the supplementary information if fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2024 on our consideration of *Town of Palm Shores'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 *Town of Palm Shores's* internal control over financial reporting and compliance.

*McDermitt Davis*

Orlando, Florida  
April 18, 2024

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, 2023.

#### **Financial Highlights**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$3,187,757 (net position). Of this amount, \$1,595,482 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$(91,203).
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,011,136, an increase of \$314,106 in comparison with the prior year. Unassigned fund balance for the general fund was \$1,975,988.

#### **Overview of the Financial Statements**

This discussion and analysis are 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.

#### **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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Since the Town has no business-type activities such as water and sewer systems, the government-wide financial statements include only governmental activities. The governmental activities of the Town include general government, physical environment and culture and recreation.

The government-wide financial statements can be found on pages 7-8 of this report.

#### **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 four governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the ARPA Fund, which are considered major funds. Data from the other two funds are combined into a single aggregate presentation. Individual fund data for these funds, the Public Facilities Impact Fund and the Recreation Impact Fund, is provided in the form of combining statements in this report, immediately following the notes to financial statements.

#### *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 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 Town'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 basic governmental fund financial statements can be found on pages 9 - 11 of this report.

**Government-Wide Financial Analysis**

*Statement of Net Position*

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$3,187,757 at the close of the most recent fiscal year. The following table reflects the condensed Statement of Net Position for the current year. For more detail see the Statement of Net Position on page 7.

**Net Position as of September 30:**

	Governmental Activities 2023	Governmental Activities 2022	Variance
<b>Assets:</b>			
Current and other assets	\$ 2,096,811	\$ 1,784,362	\$ 312,449
Capital assets, net of depreciation	1,565,532	1,591,530	(25,998)
<b>Total assets</b>	<b>3,662,343</b>	<b>3,375,892</b>	<b>286,451</b>
<b>Liabilities:</b>			
Current liabilities	85,675	94,799	(9,124)
Long-term liabilities	388,911	9,600	379,311
<b>Total liabilities</b>	<b>474,586</b>	<b>104,399</b>	<b>370,187</b>
<b>Net Position:</b>			
Net investment in capital assets	1,565,532	1,591,530	(25,998)
Restricted for public facilities	15,956	15,956	-
Restricted for recreation	10,787	10,787	-
Unrestricted	1,595,482	1,653,220	(57,738)
<b>Total net position</b>	<b>\$ 3,187,757</b>	<b>\$ 3,271,493</b>	<b>\$ (83,736)</b>

Current assets increased by approximately \$312,000 due to an increase in cash as a result of current year operations. The Town's capital assets decreased by approximately \$26,000 which relates to current year depreciation.

Long-term liabilities increased approximately \$379,000 due to the recognition of a long-term pension liability.

The Town's net position reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and equipment) represents 49% of the Town's net position.

**Statement of Activities**

The following table reflects the condensed Statement of Activities for the current year. For more detailed information see the Statement of Activities on page 8.

Governmental activities decreased the Town's net position by \$(91,203). Key elements of this increase are as follows:

**Changes in Net Position**

	<b>Governmental Activities 2023</b>	<b>Governmental Activities 2022</b>	<b>Variance</b>
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for services	\$ 276,446	\$ 177,419	\$ 99,027
Operating grants and contributions	59,769	187,590	(127,821)
Capital grants and contributions	7,166	27,951	(20,785)
<b>Total program revenues</b>	<b>343,381</b>	<b>392,960</b>	<b>(49,579)</b>
<b>General Revenues:</b>			
Franchise fees	67,795	80,300	(12,505)
Utility and communication service taxes	248,361	182,066	66,295
Intergovernmental	136,281	124,497	11,784
Investment income and miscellaneous	30,656	5,195	25,461
<b>Total revenues</b>	<b>826,474</b>	<b>785,018</b>	<b>41,456</b>
<b>Expenses:</b>			
General government	841,050	430,535	410,515
Transportation	62,718	62,812	(94)
Recreation	13,909	16,917	(3,008)
<b>Total expenses</b>	<b>917,677</b>	<b>510,264</b>	<b>407,413</b>
<b>Change in net position</b>	<b>(91,203)</b>	<b>274,754</b>	<b>(365,957)</b>
Net position, beginning	3,271,493	2,996,739	274,754
Prior period adjustment	7,467	-	7,467
<b>Net position, ending</b>	<b>\$ 3,187,757</b>	<b>\$ 3,271,493</b>	<b>\$ (83,736)</b>

Charges for services increased approximately \$99,000 primarily due to an increase in permitting fees due to additional building projects.

Operating grants and contributions decreased by approximately \$128,000 due to ARPA funds recognized in fiscal year 2022.

Utility and communication service taxes increased approximately \$66,000 due to increased electric utility taxes.

Investment and miscellaneous income increased approximately \$25,000 due to increased interest rates.

General government expenses increased approximately \$410,000 due to the recognition of pension expense.

### **Financial Analysis of the Government's Funds**

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

#### *Governmental Funds*

The focus of the Town'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's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

As of September 30, 2023, the Town governmental funds reported combined ending fund balances of \$2,011,136, an increase of \$314,106 in comparison with the prior year. The fund balance is comprised of restricted amounts of \$15,956 for public facilities, and \$10,787 for recreation, nonspendable of \$8,405 and unassigned funds of \$1,975,988.

The general fund is the chief operating fund of the Town. At September 30, 2023, the total fund balance of the general fund was \$1,984,393 and the unassigned fund balance of the general fund was \$1,975,988. The fund balance of the general fund increased by \$314,106.

#### **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 in the table of contents of this report.

The actual revenues were more than budgeted revenues by approximately \$277,000. The actual expenditures were below budgeted expenditures by approximately \$37,000.

#### **Capital Asset and Debt Administration**

##### *Capital Assets*

The Town's investment in capital assets for its governmental activities as of September 30, 2023 amounts to \$1,565,532, net of accumulated depreciation. The Town purchased capital assets of \$7,166 in 2023. This investment in capital assets includes land, buildings and improvements, improvements other than buildings, furniture and equipment, and infrastructure.

Additional information on the Town's capital assets can be found in Note 4 of this report.

At the end of the current year, the Town had no outstanding debt.

#### **Economic Factors and Next Year's Budget and Rates**

- The Town does not assess property tax.
- The Town has budgeted \$605,485 in expenditures for fiscal year ending September 30, 2024.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all 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 the Mayor of the Town of Palm Shores, 5030 Paul Hurt Lane, Palm Shores, FL 32940.

**BASIC FINANCIAL STATEMENTS**

Town of Palm Shores, Florida  
**Statement of Net Position**  
September 30, 2023

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and investments	\$ 2,053,276
Receivables	19,731
Due from other governments	15,399
Prepays	8,405
Capital assets not being depreciated	881,602
Capital assets, net of accumulated depreciation	<u>683,930</u>
<b>Total assets</b>	<u><u>3,662,343</u></u>
<b>Liabilities:</b>	
Accounts payable	17,930
Accrued liabilities	4,275
Unearned revenues	63,470
Noncurrent Liabilities:	
Due in more than one year	<u>388,911</u>
<b>Total liabilities</b>	<u><u>474,586</u></u>
<b>Net Position:</b>	
Net investment in capital assets	1,565,532
Restricted for:	
Public facilities	15,956
Recreation	10,787
Unrestricted	<u>1,595,482</u>
<b>Total net position</b>	<u><u>\$ 3,187,757</u></u>

Town of Palm Shores, Florida  
**Statement of Activities**  
Year Ended September 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Primary Government</b>					
Governmental Activities:					
General government	\$ 841,050	\$ 212,905	\$ 28,395	\$ 7,166	\$ (592,584)
Physical environment	62,718	63,541	31,374	-	32,197
Culture and recreation	13,909	-	-	-	(13,909)
<b>Total governmental activities</b>	<b>\$ 917,677</b>	<b>\$ 276,446</b>	<b>\$ 59,769</b>	<b>\$ 7,166</b>	<b>(574,296)</b>
		<b>General Revenues:</b>			
					67,795
					248,361
					136,281
					30,656
					<b>483,093</b>
					(91,203)
					3,271,493
					7,467
					<b>3,278,960</b>
					<b>\$ 3,187,757</b>

Town of Palm Shores, Florida  
**Balance Sheet**  
**Governmental Funds**  
September 30, 2023

	General	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 2,053,276	\$ -	\$ -	\$ 2,053,276
Receivables	19,731	-	-	19,731
Due from other governments	15,399	-	-	15,399
Due from other funds	-	48,869	26,743	75,612
Prepays	8,405	-	-	8,405
<b>Total assets</b>	<b><u>2,096,811</u></b>	<b><u>48,869</u></b>	<b><u>26,743</u></b>	<b><u>2,172,423</u></b>
<b>Liabilities</b>				
Accounts payable	17,930	-	-	17,930
Accrued liabilities	4,275	-	-	4,275
Due to other funds	75,612	-	-	75,612
Unearned revenue	14,601	48,869	-	63,470
<b>Total liabilities</b>	<b><u>112,418</u></b>	<b><u>48,869</u></b>	<b><u>-</u></b>	<b><u>161,287</u></b>
<b>Fund Balances</b>				
Nonspendable- prepaids	8,405	-	-	8,405
Restricted for Recreation	-	-	10,787	10,787
Restricted for Public Facilities	-	-	15,956	15,956
Unassigned	1,975,988	-	-	1,975,988
<b>Total fund balances</b>	<b><u>1,984,393</u></b>	<b><u>-</u></b>	<b><u>26,743</u></b>	<b><u>2,011,136</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,096,811</u></b>	<b><u>\$ 48,869</u></b>	<b><u>\$ 26,743</u></b>	

**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 in the funds.	1,565,532
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Pension liability	(372,649)
Compensated absences	(16,262)
<b>Net position of governmental activities</b>	<b><u>\$ 3,187,757</u></b>

Town of Palm Shores, Florida  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
Year Ended September 30, 2023

	General	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 347,530	\$ -	\$ -	\$ 347,530
Intergovernmental revenues	136,281	-	-	136,281
American Recovery Plan Act	-	35,561	-	35,561
Charges for services	65,950	-	-	65,950
Licenses and permits	194,281	-	-	194,281
Transportation	16,215	-	-	16,215
Investment income	26,655	-	-	26,655
Miscellaneous	4,001	-	-	4,001
<b>Total revenues</b>	<b>790,913</b>	<b>35,561</b>	<b>-</b>	<b>826,474</b>
<b>Expenditures:</b>				
Current:				
General government	408,671	19,904	-	428,575
Transportation	60,210	2,508	-	62,718
Recreation	760	13,149	-	13,909
Capital Outlay	7,166	-	-	7,166
<b>Total expenditures</b>	<b>476,807</b>	<b>35,561</b>	<b>-</b>	<b>512,368</b>
<b>Excess (Deficit) of revenues over expenditures</b>	<b>314,106</b>	<b>-</b>	<b>-</b>	<b>314,106</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>314,106</b>	<b>-</b>	<b>-</b>	<b>314,106</b>
Fund balance, beginning of year, as previously stated	1,662,820	-	26,743	1,689,563
Prior period adjustment	7,467	-	-	7,467
Fund balance, beginning of year, as restated	1,670,287	-	26,743	1,697,030
<b>Fund balance, end of year</b>	<b>\$ 1,984,393</b>	<b>\$ -</b>	<b>\$ 26,743</b>	<b>\$ 2,011,136</b>

Town of Palm Shores, Florida  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities**  
Year Ended September 30, 2023

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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds: \$ 314,106

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	7,166	
Current year depreciation	<u>(33,164)</u>	(25,998)

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.

Compensated absences	(6,662)
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Cash pension contributions reported in the funds were less than the calculated pension expense on the statement of activities, and therefore, decreased net position	<u>(372,649)</u>
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<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (91,203)</u></u></b>
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**NOTES TO FINANCIAL STATEMENTS**

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

The Town was incorporated and organized by a special act of the Florida legislature in 1959 as a municipality with a strong 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 1,300 residents. The accompanying financial statements include all those separately administered departments and funds for which the Town has financial accountability. There are no potential component units or related organizations of the Town.

### 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 Town. Since the Town has no business-type activities, only governmental activities are reported on the government-wide financial statements.

Net position, the difference between assets and liabilities, as presented in the statement of net position, is subdivided into three categories: net investment 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. Net investment in capital assets is the component of net position that consists of capital assets, net of accumulated depreciation, and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction and improvements of those assets. Unrestricted net position is the component of net position that does not meet the definition of the other two components.

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 or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The Town has no fiduciary funds, which would be excluded from the government-wide financial statements.

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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, are recorded only when payment is due.

Franchise and utility taxes, state revenue sharing and charges for services (except for investment earnings) associated with the current fiscal period are all 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 Town. Investment earnings are recorded when earned.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Town reports the following major governmental funds:

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

*ARPA Special Revenue Fund* is used to account for revenues obtained by the Town through the Coronavirus State and Local Fiscal Recovery Funds ("SLFRF") program established by the ARPA. The purpose of these funds is the recovery from the COVID-19 impact.

*Nonmajor governmental funds*- Special revenue funds are used to account for specific resources restricted by law or administrative action to expenditures for specific purposes. Nonmajor special revenue funds include the public facilities impact fund and recreation impact fund.

**Assets, Liabilities and Net Position/Fund Balance**

*Deposits 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:

1. The State Board of Administration Local Government Investment Pool (LGIP);
2. Repurchase Agreements collateralized by U.S. Government Securities;
3. Interest bearing savings accounts, money market accounts and certificates of deposits at banks certified as a Qualified Public Depository by the State of Florida;
4. The Florida Municipal Investment Trust, administered by the Florida League of Cities, Inc.;
5. Direct obligations of the U.S. Government and its agencies;
6. Fixed interest mutual funds.

Investments of the Town are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The Town's investments consist of investments authorized per the Town's investment policies adopted in accordance with Section 218.415, Florida Statutes.

*Receivables*

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based on past collection experience and current economic conditions. After reviewing the individual account balances, the Town's management has determined that 100% of the receivables are fully collectible based on prior experience with similar accounts. Therefore, no allowance for doubtful accounts has been provided.

*Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These are recorded as expenditures when consumed rather than when purchased.

*Capital Assets*

Capital assets, which include property, plant equipment and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental activities' column in the government-wide financial statements. Infrastructure assets acquired prior to October 1, 2006 have not been recorded since Governmental Accounting Standards Board (GASB) No. 34 does not require a Town the size of Palm Shores to retroactively record infrastructure. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,000 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.

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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Depreciation on all capital assets is calculated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10 - 40 years
Improvements other than buildings	10 - 40 years
Furniture and equipment	5 - 7 years
Infrastructure	40 years

*Contributions*

Contributions in the form of cash and capital assets to the governmental activities of the Town are recognized on the Statement of Activities as revenues in the period they are received. Contributions of capital assets are recognized at the acquisition value at the date of donation. All contributions are reported on the Statement of Activities as program revenues, with operating contributions reported separately from capital contributions.

*Restricted Assets*

Assets are reported as restricted in the government-wide statement of net position when constraints are placed on net position use. The constraints are either: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law or through constitutional provisions or enabling legislation.

*Compensated Absences*

Town employees may accumulate vacation and sick leave with certain limitations as to the number of hours of accumulation. Employees are paid 100% of their accumulated vacation when they terminate for any reason. Since the Town's policy is to pay vacation at the end of each year based on anniversary date in five-day increments, all vacation for eligible employees is accrued when incurred in the government-wide financial statements. For governmental activities, compensated absences are generally liquidated by the General fund.

*Pensions*

For purposes of measuring the pension liability, benefit payments are recognized when due and payable in accordance with the benefit terms.

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any item that qualifies for reporting in this category for the year ended September 30, 2023.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town does not have any item that qualifies for reporting in this category for the year ended September 30, 2023.

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Nonspendable 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.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

Assigned Fund balance- amounts that are constrained by the Town's intent to be used for specific purposes that are neither considered restricted nor 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.

*Fund Balance Flow Assumptions*

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Net Position Flow Assumptions*

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

*Property Tax*

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

*Use of Estimates*

The preparation of financial statements, in accordance with GAAP, 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 amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*New Accounting Standards*

In fiscal year 2023, the Town has not implemented any new accounting standards with a material effect on the Town's financial statements.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Correction of Error*

Beginning net position of the Governmental Activities and the General Fund have been adjusted due to the correction of an error in revenue and expense recognition in incorrect periods.

	<u>Governmental Activities</u>	<u>General Fund</u>
Net Position/ Fund Balance, October 1, 2022, previously stated	\$ 3,271,493	\$ 1,662,820
Revenues not accrued	13,972	13,972
Prepaid insurance	6,442	6,442
Deferred revenue adjustment	<u>(12,947)</u>	<u>(12,947)</u>
Net Position/ Fund Balance, October 1, 2022, as restated	<u>\$ 3,278,960</u>	<u>\$ 1,670,287</u>

**NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position**

The governmental fund balance sheet includes reconciliation between fund balances - total governmental funds and net position of governmental activities as reported in the government-wide statement of net position.

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net change in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

**NOTE 3 CASH AND INVESTMENTS**

The Town's cash and investments at September 30, 2023 were:

	<u>Fair Value</u>	<u>Duration WAM (weighted average maturity)</u>	<u>Rating</u>
Cash and cash equivalents	1,989,006	N/A	not rated
Florida Prime	<u>64,270</u>	35 days	AAAm
<b>Total</b>	<u>\$ 2,053,276</u>		

**Investments**

The Town's investment policies are governed by State Statutes and Town ordinances. Town ordinance allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes.

The Town follows GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying values of investments to fair value to be presented as a component of investment income. Investments are presented at fair value, which is based on available market values. Per GASB No. 72, *Fair Value Measurement and Application*, The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. As of September 30, 2023, the town has no investments as defined by GASB 72.

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

*Custodial credit risk*

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, 2023, the Town's cash and cash equivalent balances were fully insured through the FDIC coverage and their qualified public depositor accounts. In the event of a default or insolvency as 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 Town also has an investment in Florida Prime that is subject to certain risks. 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. As of September 30, 2023, the Town had \$64,270 in Florida Prime. The primary investment objectives for Florida Prime, in priority order, are safety, liquidity, and competitive returns with minimization of risks. Investment performance for Florida PRIME is evaluated on a monthly basis.

The local government pooled investment account (Florida Prime) 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 acceptance, and commercial paper.

In adherence with GASB's Codification of Governmental Accounting and Financial Reporting Standard, Section 150, Investment Pools (external) certain external investment pools and pool participants, the town reports its investments in Florida Prime at amortized cost because Florida Prime is an external investment pool that reports their investments at amortized cost. Florida Prime has established policies and guidelines regarding participant transactions and the authority to limit or restrict withdrawals from, or to impose penalties for early withdrawal. As of September 30, 2023, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Town's access to 100 percent of their account value in the Florida Prime external investment pool.

*Interest Rate 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 depositors and direct obligations of the U.S. treasury. The Town's investment policy does not further limit its investment choices. As of September 30, 2023, the Florida Prime was rated by S&P, a nationally recognized statistical rating organization, as noted on the previous page.

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases / Transfers</u>	<u>Decreases / Transfers</u>	<u>Ending Balance</u>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 881,602	\$ -	\$ -	\$ 881,602
<b>Total capital assets not being depreciated</b>	<u>881,602</u>	<u>-</u>	<u>-</u>	<u>881,602</u>
Capital assets, being depreciated:				
Building and improvements	579,386	-		579,386
Improvements other than buildings	439,789	-	-	439,789
Furniture and equipment	135,358	7,166	-	142,524
Infrastructure	586,673	-	-	586,673
<b>Total capital assets being depreciated</b>	<u>1,741,206</u>	<u>7,166</u>	<u>-</u>	<u>1,748,372</u>
<b>Less accumulated depreciation for:</b>				
Building and improvements	(299,812)	(14,697)	-	(314,509)
Improvements other than buildings	(336,664)	(5,764)	-	(342,428)
Furniture and equipment	(117,627)	(6,230)	-	(123,857)
Infrastructure	(277,175)	(6,473)	-	(283,648)
<b>Total accumulated depreciation</b>	<u>(1,031,278)</u>	<u>(33,164)</u>	<u>-</u>	<u>(1,064,442)</u>
<b>Total capital assets being depreciated, net</b>	<u>709,928</u>	<u>(25,998)</u>	<u>-</u>	<u>683,930</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 1,591,530</u>	<u>\$ (25,998)</u>	<u>\$ -</u>	<u>\$ 1,565,532</u>

Depreciation expense of \$33,164 was charged to the general government function.

**NOTE 5 INTERFUND RECEIVABLES AND PAYABLES**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. As of September 30, 2023, the General Fund owed the other governmental funds \$75,612.

**NOTE 6 LONG-TERM LIABILITIES**

Compensated absences and pension liabilities in the governmental activities are classified as long-term liabilities and are liquidated by the General Fund.

A summary of long-term liabilities activity for the year ended September 30, 2023 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 9,600	\$ 10,502	\$ (3,840)	\$ 16,262	\$ -
Pension liability	-	372,649	-	372,649	-
	<u>\$ 9,600</u>	<u>\$ 383,151</u>	<u>\$ (3,840)</u>	<u>\$ 388,911</u>	<u>\$ -</u>

**NOTE 7 UNEARNED REVENUE**

Unearned revenues are a liability that represents amounts received but not yet earned. The Town's unearned revenues consist primarily of approximately \$49,000 of the ARPA funds received, but not yet expensed. The unearned revenue will be earned in future periods as eligible expenditures will be incurred.

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

During the ordinary course of its operations, the Town is a 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 9 RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses or 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 10 RETIREMENT PLAN**

**Plan Description and Benefits Provided**

In fiscal year 2023, the Town adopted Ordinance 2023-01 to establish a defined benefit pension plan for the former Mayor pursuant to Florida Statutes Section 112.048. The agreement provides for an annual pension benefit of one half the annual salary for the rest of her natural life. The plan covers elected officers of the town that have held elective office for a period of 20 or more years consecutively.

**Employees Covered**

Plan has one inactive employee currently receiving benefits. There are no inactive employees entitled to but not yet receiving benefits, and no active employees.

**NOTE 10 RETIREMENT PLAN (CONTINUED)**

**Contributions**

The plan does not accumulate assets in a trust and is funded on a pay as you go basis.

**Actuarial Assumptions**

The net pension liability was measured as of 10/1/2023, using the following assumptions:

Discount Rate	4.53%
Estimated Remaining Life	11.6 years

The estimated remaining life was determined using the Social Security Administration Period of Life Table, 2020, as used in the 2023 Trustees Report.

**Discount Rate**

The discount rate used to measure the total pension liability was 4.53%, the S&P High Grade 20-Year Municipal Bond index at September 30, 2023.

**Sensitivity to Changes in the Discount Rate**

The following table represents the total pension liability calculated using the current discount rate, as well as what the Town's total pension liability would be if it were calculated using a discount rate the is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate Minus 1% 3.53%	Current Discount Rate 4.53%	Discount Rate Plus 1% 5.53%
Total Pension Liability	\$ 346,412	\$ 372,649	\$ 387,141

There were no deferred inflows or outflows of the plan.

*Changes in total Pension Liability*

	<u>Total Pension Liability</u>
<b>Balance 9/30/22</b>	\$ -
Service cost	370,780
Interest on total pension liability	1,869
Changes in benefit terms	-
Differences in expected & actual	-
Changes in assumptions/inputs	-
Benefit payments	-
Other changes	-
<b>Balance 9/30/23</b>	<u>\$ 372,649</u>

Pension expense of \$372,649 was recognized in the current year.

The plan does not issue a stand-alone financial report.

**REQUIRED SUPPLEMENTARY INFORMATION**

Town of Palm Shores, Florida  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
Year Ended September 30, 2023

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:	\$ 228,000	\$ 228,000	\$ 347,530	\$ 119,530
Licenses and permits	45,000	45,000	194,281	149,281
Intergovernmental revenues	210,000	210,000	136,281	(73,719)
Charges for services	-	-	65,950	65,950
Transportation	-	-	16,215	16,215
Investment income	1,000	1,000	26,655	25,655
Miscellaneous	4,881	4,881	4,001	(880)
Appropriated fund balance	25,000	25,000	-	(25,000)
<b>Total revenues</b>	<b>513,881</b>	<b>513,881</b>	<b>790,913</b>	<b>277,032</b>
<b>Expenditures:</b>				
Current:				
General government:	418,000	418,000	413,220	4,780
Transportation	30,881	30,881	60,210	(29,329)
Recreation	65,000	65,000	3,377	61,623
<b>Total expenditures</b>	<b>513,881</b>	<b>513,881</b>	<b>476,807</b>	<b>37,074</b>
<b>Excess of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>314,106</b>	<b>314,106</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>314,106</b>	<b>314,106</b>
Fund balance, beginning, as restated	1,670,287	1,670,287	1,670,287	-
<b>Fund balance, ending</b>	<b>\$ 1,670,287</b>	<b>\$ 1,670,287</b>	<b>\$ 1,984,393</b>	<b>\$ 314,106</b>

Town of Palm Shores, Florida  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - ARPA Special Revenue Fund**  
Year Ended September 30, 2023

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
American Recovery Plan Act	\$ 247,000	\$ 247,000	\$ 35,561	\$ (211,439)
<b>Total revenues</b>	<b>247,000</b>	<b>247,000</b>	<b>35,561</b>	<b>(211,439)</b>
<b>Expenditures:</b>				
Current:				
General government:	247,000	247,000	19,904	227,096
Transportation	-	-	2,508	(2,508)
Recreation	-	-	13,149	(13,149)
<b>Total expenditures</b>	<b>247,000</b>	<b>247,000</b>	<b>35,561</b>	<b>211,439</b>
<b>Excess of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance, beginning	-	-	-	-
<b>Fund balance, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTE 1      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 ARPA Special Revenue Fund.

The budgets are integrated into the account 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 fund and ARPA 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.

**Schedule of Changes in Employer's Pension Liability and Related Ratios**  
 Last 10 Fiscal Years \*

	<u>2023</u>
<b>Total Pension Liability:</b>	
Service cost	\$ 370,780
Expected interest growth	1,869
Differences in expected & actual experience	-
Changes in assumptions	-
Benefit payments	-
	<u>372,649</u>
Net change in total pension liability	372,649
Total pension liability, beginning	-
	<u>\$ 372,649</u>
Covered payroll	\$ -
Pension liability as % of covered payroll	0%

Pension plan was established in fiscal year 2023.  
 There are no assets accumulated in a trust to pay related benefits.

\*Prior year data unavailable

**SUPPLEMENTARY NONMAJOR FUND  
FINANCIAL STATEMENTS**

## NONMAJOR GOVERNMENTAL FUNDS

**Nonmajor governmental funds-** 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. The Town has two nonmajor funds which are Public Facilities Impact Fund and Recreation Impact Fund.

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

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

Town of Palm Shores, Florida  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
September 30, 2023

	<u>Public Facilities Impact Fund</u>	<u>Recreation Impact Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Due from other funds	\$ 15,956	\$ 10,787	\$ 26,743
<b>Total assets</b>	<u>15,956</u>	<u>10,787</u>	<u>26,743</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>			
Nonspendable			
Restricted for Recreation	-	10,787	10,787
Restricted for Public Facilities	15,956	-	15,956
<b>Total fund balances</b>	<u>15,956</u>	<u>10,787</u>	<u>26,743</u>
<b>Total liabilities and fund balances</b>	<u>\$ 15,956</u>	<u>\$ 10,787</u>	<u>\$ 26,743</u>

Town of Palm Shores, Florida  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
Year Ended September 30, 2023

	Public Facilities Impact Fund	Recreation Impact Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>			
Miscellaneous	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>			
Capital Outlay	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficit) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance, beginning of year	15,956	10,787	26,743
<b>Fund balance, end of year</b>	<b>\$ 15,956</b>	<b>\$ 10,787</b>	<b>\$ 26,743</b>

**OTHER REPORTS**



**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 Town Council  
Town of Palm Shores, Florida

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Town of Palm Shores* (the "Town") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 18, 2024.

**Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

**Report on 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 financial statements. 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.

*McDermitt Davis*

Orlando, Florida  
April 18, 2024



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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH  
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

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

We have examined Town of Palm Shores's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2023. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the 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, Town of Palm Shores complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

*McDermitt Davis*

Orlando, Florida  
April 18, 2024



## MANAGEMENT LETTER

Honorable Mayor and Town Council  
Town of Palm Shores, Florida

### Report on the Financial Statements

We have audited the financial statements of the Town of Palm Shores, Florida, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated April 18, 2024. Professional standards require that we advise you of the following matters relating to our audit.

### 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 Florida Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 18, 2024, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require 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 in the preceding annual financial audit report.

### 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. This information has been disclosed in the notes to the financial statements.

### Financial Condition and Management

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

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

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

**Additional Matters**

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

**Purpose of this Letter**

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

*McDermitt Davis*

Orlando, Florida  
April 18, 2024