

**TOWN OF LAKE CLARKE SHORES, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2025**

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Lake Clarke Shores, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Clarke Shores, Florida (the "Town") as of and for the fiscal year ended September 30, 2025, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal 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, and the items listed as required supplementary information as shown in the table of contents, 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 schedule of departmental expenditures - budget to actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 schedule of departmental expenditures - budget to actual is 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 May 1, 2026, 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 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 the Town's 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.

Grau & Associates

May 1, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Lake Clarke Shores, Florida ("Town") would like to offer the readers of the Town's financial statements this discussion and analysis of the financial activities of the Town's financial statements for the fiscal year ended September 30, 2025. The Management's Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide a broad overview and short-term and long-term analysis of the Town's activities based on information presented in the financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position, identify material deviations from the approved budget, and identify individual fund issues.

The information contained within this MD&A is only a component of the entire financial statement report. Readers should take time to read and evaluate all sections of the report, including the footnotes and the other Required Supplementary Information that is provided in addition to this MD&A.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

- At the close of current fiscal year, the Town's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources by \$21,844,893. Of this amount, \$4,060,757 represents unrestricted net position, which may be used to meet the Town's ongoing obligations to residents and creditors.
- Total net position increased by \$1,446,721 during the current fiscal year.
- At the close of the current fiscal year, net position of the Governmental Activities was \$11,410,232, an increase of \$1,767,388 when compared with the prior year.
- At the close of the current fiscal year, net position of the Business-type Activities was \$10,434,661, a decrease of \$320,667 when compared with the prior year.
- The total revenues from all sources were \$9,742,754, an increase of \$1,104,795 when compared with the prior year.
- The total cost of all town programs was \$8,296,033 an increase of \$139,239 when compared with the prior year.
- The Town's total capital assets increased by \$2,676,260 during the current fiscal year. The Town's Governmental Activities capital assets increased by \$3,028,485 and the Business-type Activities capital assets decreased by \$352,225.
- The Town's total long-term liabilities decreased by \$396,972 during the current fiscal year. The Town's Governmental Activities long-term liabilities decreased by \$203,928 and the Business-type Activities long-term liabilities decreased by \$193,044.

FINANCIAL HIGHLIGHTS (Continued)

Fund Financial Statements

- At the end of the current fiscal year, total fund balance of the Town's governmental funds was \$3,850,014, a decrease of \$1,604,357 from the previous fiscal year.
- At the end of the current fiscal year, unassigned fund balance of the Town's governmental funds was \$2,765,270, an increase of \$186,279 from the previous fiscal year.
- At the end of the current fiscal year, total fund balance of the General Fund was \$3,479,323, a decrease of \$738,778 from the previous fiscal year.
- The fund balance of the General Fund was composed of the following:
 - \$135,074 non-spendable,
 - \$177,661 restricted for debt service,
 - \$1,318 restricted for transportation projects (gas tax proceeds),
 - \$400,000 assigned for fiscal year 2026 expenditures, and
 - \$2,765,270 unassigned fund balance or 39% of total General Fund expenditure.

OVERVIEW OF THE 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 includes other supplementary information in addition to the basic financial statements.

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, liabilities, deferred outflows of resources, and deferred inflows of resources, with the difference 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. Other factors should be considered, however, such as the condition of the Town's capital assets to assess the overall health of the Town.

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 can be found on pages 17 and 18 of this report.

Fund Financial Statement

A fund is a grouping of related accounts that is used to maintain control over financial resources that have been segregated for specific activities or objectives. The Town, like other states and local governments, uses fund accounting to ensure and demonstrate legal compliance with finance-related legal requirements. The Town's funds can be divided into two categories: governmental funds and proprietary funds. The two kinds of funds use different accounting approaches.

Governmental Funds

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

The focus of governmental funds is narrower than that of the government-wide financial statements, so it is useful to compare the information presented for governmental funds with similar information presented for the Governmental Activities in the government-wide financial statements. By doing so, readers may better understand long-term impacts of near-term financing decisions. Reconciliations to facilitate the comparison between governmental funds and the Governmental Activities are also provided.

The Town reports three major governmental funds, as described below:

- The General Fund is the primary operating fund of the Town and is used to account for all financial resources applicable to the general operations of the Town, except for those required to be accounted for in another fund.
- The CRA Fund is a special revenue fund used to account for the activities related to the Town's Community Redevelopment Agency.
- The Infrastructure Surtax Fund is a special revenue fund used to account for the revenues and expenditures from a one cent sales surtax.

In fiscal year 2024, the Infrastructure Surtax Fund was reported as a non-major fund. During the current fiscal year, the Infrastructure Surtax Fund was reported as a major fund due to increased activity and financial significance. The change provides greater transparency into the Town's operations. Prior year amounts have been reclassified for consistency with no major impact on overall financial position.

Proprietary Funds

Proprietary funds are used to account for revenues and expenses from services provided on a user-charge basis to the public. Proprietary fund activities are reported on the same accounting basis and measurement focus as the Statement of Net Position and the Statement of Activities. This is similar to that found in the private sector and provides a periodic measurement of net income. The Town's proprietary activities are accounted for with the Water and Sewer Enterprise Fund for water and wastewater operations.

Notes to the Basic Financial Statements

The notes to the financial statements are provided to communicate additional information that is essential to obtaining a comprehensive understanding of the data contained in the government-wide and fund financial statements. The notes to the financial statements are located on pages 28-47 of this report.

Other Information

In addition to the basic financial statements and notes, this annual report also presents certain required supplementary information (RSI) which includes budgetary comparison schedules for the General Fund, CRA Fund, and Infrastructure Surtax Fund together with notes pertaining to the budget schedules and to provide the Town's progress in funding of its obligation to provide other postemployment benefits to its employees. Required supplementary information can be found on pages 48-52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 and deferred outflows exceeded liabilities and deferred inflows by \$21,844,893 at the close of the most recent fiscal year, an increase of \$1,446,721 as compared with the prior year.

The following table provides a summary of net position for the Governmental Activities and the Business-type Activities as of September 30, 2025 and 2024.

	Summary of Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 4,792,946	\$ 5,689,353	\$ 2,429,836	\$ 2,976,220	\$ 7,222,782	\$ 8,665,573
Capital assets	<u>8,390,275</u>	<u>5,361,790</u>	<u>11,146,028</u>	<u>11,498,253</u>	<u>19,536,303</u>	<u>16,860,043</u>
Total assets	<u>13,183,221</u>	<u>11,051,143</u>	<u>13,575,864</u>	<u>14,474,473</u>	<u>26,759,085</u>	<u>25,525,616</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>	<u>2,604</u>	<u>4,068</u>	<u>2,604</u>	<u>4,068</u>
Current and other liabilities	796,121	203,555	898,996	975,431	1,695,117	1,178,986
Non-current liabilities	<u>962,105</u>	<u>1,188,169</u>	<u>2,244,811</u>	<u>2,747,782</u>	<u>3,206,916</u>	<u>3,935,951</u>
Total liabilities	<u>1,758,226</u>	<u>1,391,724</u>	<u>3,143,807</u>	<u>3,723,213</u>	<u>4,902,033</u>	<u>5,114,937</u>
Deferred Inflow of Resources	<u>14,763</u>	<u>16,575</u>	<u>-</u>	<u>-</u>	<u>14,763</u>	<u>16,575</u>
Net Position:						
Net Investment in Capital Assets	7,125,594	5,197,376	9,441,317	8,844,239	16,566,911	14,041,615
Restricted	488,236	2,441,569	728,989	720,220	1,217,225	3,161,789
Unrestricted	<u>3,796,402</u>	<u>2,003,899</u>	<u>264,355</u>	<u>1,190,869</u>	<u>4,060,757</u>	<u>3,194,768</u>
Total net position	<u>\$11,410,232</u>	<u>\$9,642,844</u>	<u>\$ 10,434,661</u>	<u>\$ 10,755,328</u>	<u>\$ 21,844,893</u>	<u>\$ 20,398,172</u>

The Town's investment in capital assets (e.g. land, buildings, improvements, machinery and equipment); less any related debt and deferred inflows and outflows related to those assets and represents 75.8% of total net position. The Town uses these capital assets to provide services to citizens; therefore these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another portion of net position has restrictions on its use that are externally imposed or imposed by enabling legislation, and represents 5.6% of total net position. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors and represents 18.6% of total net position.

The following table provides a summary of the changes in net position for the Governmental Activities and the Business-type Activities for the years ended September 30, 2025 and 2024.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Changes in Net Position

	Government Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 400,061	\$ 676,958	\$ 3,891,137	\$ 3,501,806	\$ 4,291,198	\$ 4,178,764
Operating grants & contributions	385,371	275,854	51,666	78,226	437,037	354,080
Capital grants & contributions	980,106	468,989	298,080	-	1,278,186	468,989
General revenues:						
Property taxes	2,367,772	2,189,357	-	-	2,367,772	2,189,357
Franchise fees	252,771	252,858	-	-	252,771	252,858
Intergovernmental	697,120	673,045	-	-	697,120	673,045
Investment income	161,743	153,633	75,977	139,125	237,720	292,758
Miscellaneous	180,950	228,108	-	-	180,950	228,108
Total revenues	5,425,894	4,918,802	4,316,860	3,719,157	9,742,754	8,637,959
Expenses:						
Government Activities:						
General government	1,725,458	1,642,275	-	-	1,725,458	1,642,275
Public safety	2,061,789	2,213,276	-	-	2,061,789	2,213,276
Highways and Streets	175,249	104,362	-	-	175,249	104,362
Culture and Recreation	167,202	181,447	-	-	167,202	181,447
Community Development	60,386	30,432	-	-	60,386	30,432
Interest on long-term debt	23,422	20,416	-	-	23,422	20,416
Business-type activities						
Water and Sewer	-	-	4,082,527	3,964,586	4,082,527	3,964,586
Total expenses	4,213,506	4,192,208	4,082,527	3,964,586	8,296,033	8,156,794
Change in Net Position						
Before transfers	1,212,388	726,594	234,333	(245,429)	1,446,721	481,165
Transfers	555,000	180,000	(555,000)	(180,000)	-	-
Change in Net Position	1,767,388	906,594	(320,667)	(425,429)	1,446,721	481,165
Net position, beginning - restated	9,642,844	8,736,250	10,755,328	11,180,757	20,398,172	19,917,007
Net position, ending	\$ 11,410,232	\$ 9,642,844	\$ 10,434,661	\$ 10,755,328	\$ 21,844,893	\$ 20,398,172

Governmental activities

Governmental Activities increased the Town's net position by \$1,767,388. This is an increase of \$860,794 or 94.9% when compared to the prior fiscal year. Total revenues increased by \$507,092 or 10.3%. Key elements of this increase are as follows:

- Property taxes increased by \$178,415 or 8.1% due to an increase in property values.
- Capital grants and contributions increased by \$511,117 or 109.0%.
- Charges for services decreased by \$276,897 or 40.9%.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental activities (Continued)

Total expenses increased by \$89,602 or 2.1% when compared to the prior fiscal year. Key elements of this increase are as follows:

- General government expenses increased by \$83,183 or 5.1%.
- Public safety expenses decreased by \$151,487 or 6.8%.
- Public works expenses increased \$10,825 or 12.5% due to an increase in repairs and maintenance costs.
- Highways and street expenses increased by \$70,887 or 67.9%.

The Town's programs include general government, public safety, highways and streets, culture and recreation, and community development. General government includes the legislative, administration and clerk, financial, legal, and other general operations of the Town. Public safety includes law enforcement and protective inspections. Culture and recreation includes parks and recreation and special events. Below is a schedule presenting the net cost of each program (total cost, less revenues generated by the activities). The net cost shows the extent to which the Town's general revenues support each of the Town's programs.

	Total Cost of Services	Total Program Revenues	Net Revenue (Expense)
General Government	\$ 1,725,458	\$ 122,000	\$ (1,603,458)
Public Safety	2,061,789	473,850	(1,587,939)
Highways and Streets	175,249	980,106	804,857
Culture and Recreation	167,202	189,582	22,380
Community Development	60,386	-	(60,386)
Interest on Long-term Debt	23,422	-	(23,422)
	<u>\$ 4,213,506</u>	<u>\$ 1,765,538</u>	<u>\$ (2,447,968)</u>

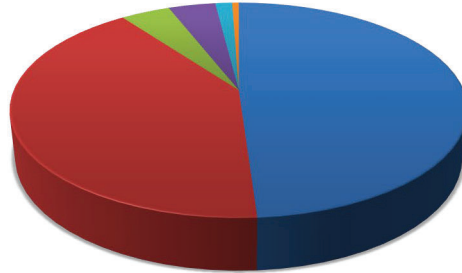
The total cost of all Governmental Activities this year was \$4,213,506. The schedule above shows that \$1,765,538 of the cost of services was paid by those who directly benefited from the programs and \$2,447,968 was financed through general revenues.

The following charts present expenses by function and revenues by source for all Governmental Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

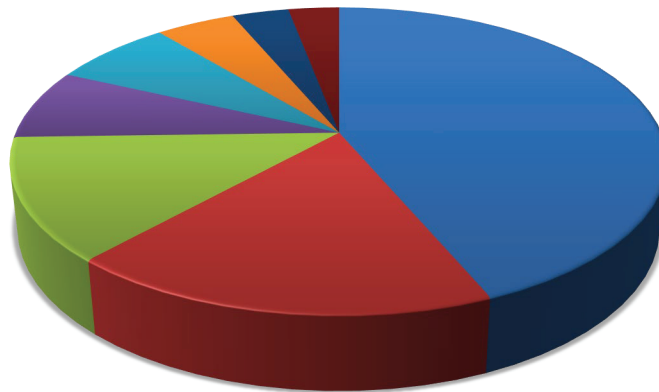
Governmental activities (Continued)

Governmental Activities Expenses By Function



Public Safety	\$2,061,789	48.9%	General Government	\$1,725,458	41.0%
Highways and Streets	\$175,249	4.2%	Culture and Recreation	\$167,202	4.0%
Community Development	\$60,386	1.4%	Interest on Long-term Debt	\$23,422	0.6%

Governmental Activities Revenues By Source



Property Taxes	\$2,367,772	43.6%
Capital Grants and Contributions	\$980,106	18.1%
Intergovernmental	\$697,120	12.8%
Charges for Services	\$400,061	7.4%
Operating Grants and Contributions	\$385,371	7.1%
Franchise Fees	\$252,771	4.7%
Other	\$180,950	3.3%
Investment Income	\$161,743	3.0%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Business-type activities

Business-type Activities decreased the Town's net position by \$320,667. This is a 3.0% decrease compared to the prior fiscal year. Revenues increased by \$660,851 or 17.8%. Expenses increased by \$117,941 or 3.0% compared to the prior fiscal year. Transfers out increased by \$375,000 or 208.3%.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

Governmental Funds

The governmental funds report on the same functions as the Governmental Activities in the government-wide statements but the focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources available at fiscal year-end. This information is useful in evaluating the Town's financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,850,014 a decrease of \$1,604,357 in comparison with the prior year. Of this amount, \$2,765,270 or 71.8% is unassigned fund balance, which is available for spending at the Town's discretion. The remaining \$1,084,744 is either non-spendable, restricted or assigned. Of this amount, \$135,074 is non-spendable, \$488,236 is restricted for specific purposes and \$461,434 is assigned for specific purposes.

The primary operating fund for the Town is the General Fund. At the end of the current fiscal year, total fund balance was \$3,479,323. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 39.2% of total expenditures for the General Fund.

As previously discussed, the Town reports three major funds. In addition to the General Fund, the Town reports the CRA Fund and Infrastructure Surtax Fund as major funds. The following tables summarize the assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures of the major funds for fiscal years 2025 and 2024.

General Fund Balance Sheet Summary

	Fiscal Year		Increase	Percent
			(Decrease)	Change
	<u>2025</u>	<u>2024</u>		
Total assets	\$ 4,398,532	\$ 4,450,242	\$ (51,710)	-1.2%
Total liabilities	\$ 768,737	\$ 195,275	\$ 573,462	293.7%
Total deferred inflows of resources	150,472	36,866	113,606	308.2%
Total fund balance	<u>3,479,323</u>	<u>4,218,101</u>	<u>(738,778)</u>	-17.5%
Total liabilities, deferred inflows, and fund balance	<u>\$ 4,398,532</u>	<u>\$ 4,450,242</u>	<u>\$ (51,710)</u>	-1.2%

General Fund Revenues, Expenditures, and Changes in Fund Balance Summary

	Fiscal Year		Increase	Percent
			(Decrease)	Change
	<u>2025</u>	<u>2024</u>		
Total revenues	\$ 4,626,317	\$ 4,272,269	\$ 354,048	8.3%
Total expenditures	7,060,701	4,434,100	2,626,601	59.2%
Total other financing sources (uses)	<u>1,695,606</u>	<u>603,687</u>	<u>1,091,919</u>	180.9%
Change in fund balance	<u>\$ (738,778)</u>	<u>\$ 441,856</u>	<u>\$ (1,180,634)</u>	-267.2%

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS (Continued)

Governmental Funds (Continued)

CRA Fund Balance Sheet Summary

	Fiscal Year		Increase (Decrease)	Percent Change
	<u>2025</u>	<u>2024</u>		
	Total assets	\$ 332,980		
Total liabilities	\$ 23,723	\$ 2,841	\$ 20,882	735.0%
Total fund balance	309,257	364,801	(55,544)	-15.2%
Total liabilities and fund balance	\$ 332,980	\$ 367,642	\$ (34,662)	-9.4%

CRA Fund Revenues, Expenditures, and Changes in Fund Balance Summary

	Fiscal Year		Increase (Decrease)	Percent Change
	<u>2025</u>	<u>2024</u>		
	Total revenues	\$ 189,582		
Total expenditures	60,386	30,432	29,954	98.4%
Total other financing sources (uses)	(184,740)	-	(184,740)	
Change in fund balance	\$ (55,544)	\$ 130,251	\$ (185,795)	-142.6%

Infrastructure Surtax Fund Balance Sheet Summary

	Fiscal Year		Increase (Decrease)	Percent Change
	<u>2025</u>	<u>2024</u>		
	Total assets	\$ 503,852		
Total liabilities	\$ 442,418	\$ -	\$ 442,418	
Total fund balance	61,434	847,129	(785,695)	-92.7%
Total liabilities and fund balance	\$ 503,852	\$ 847,129	\$ (343,277)	-40.5%

Infrastructure Surtax Fund Revenues, Expenditures, and Changes in Fund Balance Summary

	Fiscal Year		Increase (Decrease)	Percent Change
	<u>2025</u>	<u>2024</u>		
	Total revenues	\$ 392,381		
Total expenditures	233,076	102,083	130,993	128.3%
Total other financing sources (uses)	(945,000)	-	(945,000)	
Excess of revenues over expenditures	\$ (785,695)	\$ 284,637	\$ (1,070,332)	-376.0%

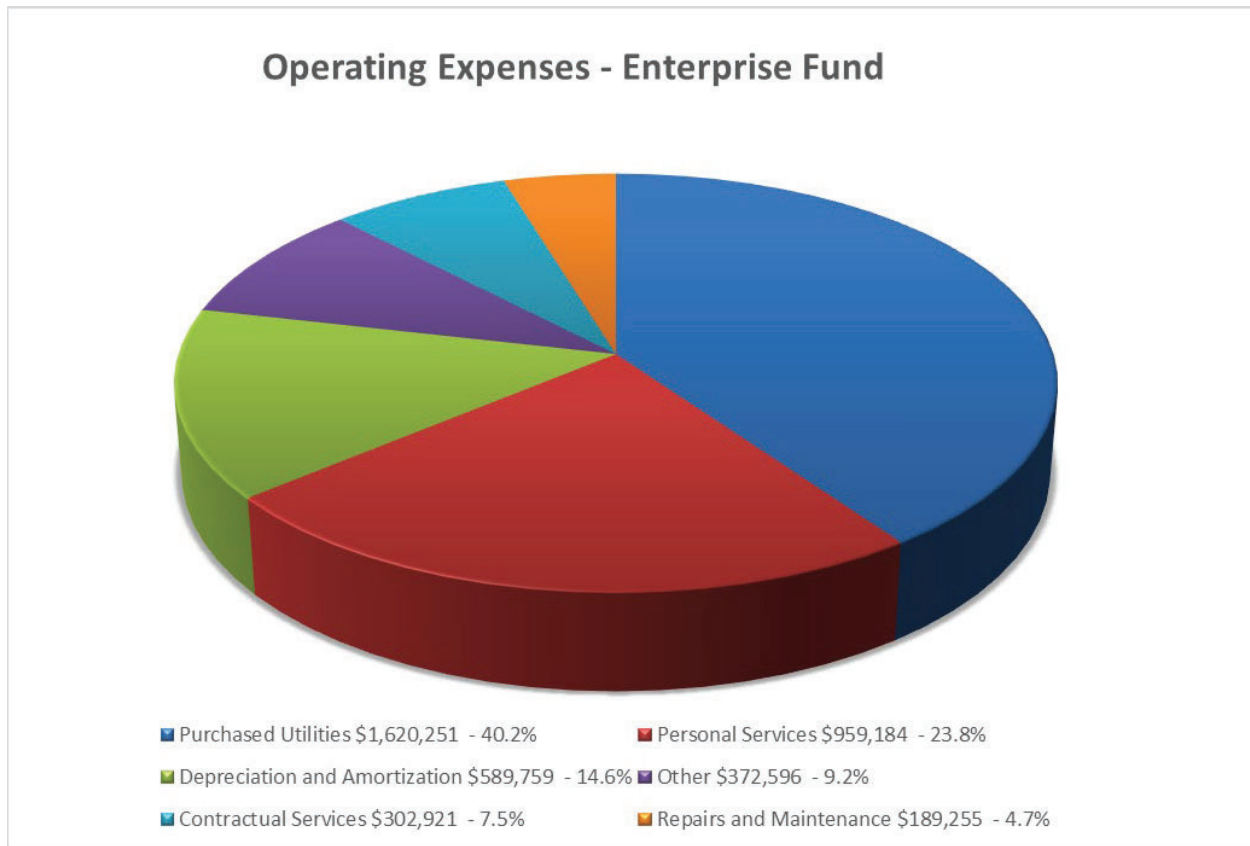
PROPRIETARY FUNDS FINANCIAL ANALYSIS

Enterprise Fund

The Town has one proprietary fund type, an Enterprise Fund. The Town's proprietary fund financial statements provide the same type of information found in the Business-type Activities of the government-wide financial statements, but in more detail. The Town's enterprise fund accounts for its sewer utility operations.

Total net position for the Water and Sewer Enterprise Fund was \$10,434,661 at fiscal year-end, a decrease of \$320,667 when compared to the prior fiscal year. Operating revenue was \$3,931,447, an increase of \$351,415 or 9.8% from the prior fiscal year. Operating expenses were \$4,033,966, an increase of \$123,873 or 3.2%, as compared to the prior fiscal year.

The following chart shows operating expenses for the Enterprise Fund.



FUND BUDGETARY HIGHLIGHTS

The Town annually adopts budgets for all funds except the Police Forfeiture Special Revenue Fund. During the current fiscal year, the Town amended the budget to appropriate funds to pay the costs of capital projects and to authorize the transfer of funds to the General Fund.

General Fund revenues were \$423,283 more than budgeted due primarily to more than anticipated grant revenues. Property taxes, fines and forfeitures, and investment income were also more than anticipated. Franchise fees, licenses and permits, intergovernmental, charges for services, and miscellaneous revenues were less than anticipated.

General Fund expenditures were \$487,333 less than budgeted. Expenditures for all departments were less than budgeted. See the table below for details.

FUND BUDGETARY HIGHLIGHTS (Continued)

General Fund Expenditures Budget and Actual Summary

Function/Department	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
General Government				
Mayor and Council	\$ 18,459	\$ 18,459	\$ 10,260	\$ 8,199
Administration and Clerk	502,694	502,694	488,174	14,520
Finance	42,500	42,500	38,170	4,330
Legal	85,000	95,500	95,251	249
Other General Government	1,263,065	1,210,065	998,734	211,331
Total General Government	1,911,718	1,869,218	1,630,589	238,629
Public Safety				-
Law Enforcement	1,758,597	1,758,597	1,727,357	31,240
Protective Inspections	291,509	311,509	306,895	4,614
Total Public Safety	2,050,106	2,070,106	2,034,252	35,854
Highways and Streets	435,210	3,385,210	3,185,858	199,352
Culture and Recreation				
Parks and Recreation	133,500	156,000	154,702	1,298
Special Events	67,500	67,500	55,300	12,200
Total Culture and Recreation	201,000	223,500	210,002	13,498
Total Expenditures	\$ 4,598,034	\$ 7,548,034	\$ 7,060,701	\$ 487,333

Total revenues for the CRA Fund were \$9,945 more than budgeted because investment income was greater than anticipated. Total expenditures for the CRA Fund were \$49,251 less than budgeted because projects were delayed.

Total revenues for the Infrastructure Surtax Fund were \$42,381 more than budgeted because investment income and intergovernmental revenues were greater than anticipated. Total expenditures for the Infrastructure Surtax Fund were \$116,924 less than budgeted because capital projects were not completed as soon as anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its Governmental Activities and Business-type Activities as of September 30, 2025, totaled \$19,536,303 (net of accumulated depreciation and amortization). The investment in capital assets includes land, construction in progress, buildings, improvements other than buildings, equipment, infrastructure, and intangible assets. The total investment in capital assets increased \$2,676,260 or 15.9% during the current fiscal year. This was an increase of \$3,028,485 for the Governmental Activities and a decrease of \$352,225 for the Business-type Activities. The increase for the Governmental Activities was primarily due to construction of the new Pine Tree Road Bridge.

The following table summarizes the Town's capital assets as of September 30, 2025 and 2024.

**Capital Assets
Net of Accumulated Depreciation**

	Government Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Net Capital Assets						
Land	\$ 517,753	\$ 517,753	\$ 88,760	\$ 88,760	\$ 606,513	\$ 606,513
Construction in Progress	-	414,962	2,772,714	2,844,913	2,772,714	3,259,875
Buildings	1,997,970	2,059,084	116,795	125,393	2,114,765	2,184,477
Improvements Other Than Buildings	992,125	1,087,685	6,067,956	6,304,728	7,060,081	7,392,413
Equipment	367,382	301,438	106,544	106,041	473,926	407,479
Infrastructure	4,182,702	537,666	-	-	4,182,702	537,666
Intangible Assets	332,343	443,202	1,993,259	2,028,418	2,325,602	2,471,620
Total	<u>\$ 8,390,275</u>	<u>\$ 5,361,790</u>	<u>\$ 11,146,028</u>	<u>\$ 11,498,253</u>	<u>\$ 19,536,303</u>	<u>\$ 16,860,043</u>

Depreciation and amortization on capital assets of the Governmental Activities is recognized in the government-wide financial statements. Depreciation and amortization on capital assets of the Business-type Activities is recognized in the government-wide financial statements and the fund level statements. Depreciation and amortization expenses totaled \$371,793 for the Governmental Activities and \$589,759 for Business-type Activities for the year ended September 30, 2025. Additional information on the Town's capital assets can be found in Note 7, beginning on page 30 of this report.

Long-Term Liabilities

Long-term liabilities consist of notes payable, lease liabilities, subscription liabilities, compensated absences, and other postemployment benefits. Total long-term liabilities as of September 30, 2025, were \$3,206,916. This is a decrease of \$396,972 when compared with the prior year. The following table summarizes the Town's long-term liabilities as of September 30, 2025 and 2024.

Long-term Liabilities

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Notes Payable	\$ 352,000	\$ 523,000	\$2,083,000	\$2,268,000	\$2,435,000	\$2,791,000
Lease Liabilities	29,535	69,291	15,912	41,007	45,447	110,298
Subscription Liabilities	259,985	297,580	5,096	9,996	265,081	307,576
Other Postemployment Benefits	185,555	171,463	82,248	74,845	267,803	246,308
Compensated Absences	135,030	126,835	58,555	44,007	193,585	170,842
Total	<u>\$ 962,105</u>	<u>\$ 1,188,169</u>	<u>\$ 2,244,811</u>	<u>\$ 2,437,855</u>	<u>\$ 3,206,916</u>	<u>\$ 3,626,024</u>

Information on the Town's long-term liabilities can be found in Note 8, beginning on page 31 of this report.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Town continued to experience a stable economic environment during Fiscal Year 2025, supported by sustained growth in property values throughout Palm Beach County and continued regional economic strength. This growth positively impacted the Town's primary revenue source, ad valorem taxes, and contributed to the Town's overall financial stability.

Ad valorem taxes remained the most significant source of governmental revenues in Fiscal Year 2025. For Fiscal Year 2026 the Town reduced the millage rate of 5.9950 mills to 5.9000 mills, reflecting its ongoing commitment to fiscal responsibility while leveraging increases in taxable property values to support operations and capital improvements while reducing the tax burden on residents.

During Fiscal Year 2025, the Town completed several significant capital and infrastructure projects. Most notably, the Pine Tree Lane Bridge Replacement project was completed and subsequently recognized as the American Public Works Association (APWA) Florida Chapter Project of the Year in the Transportation category. With an approximate value of \$3,668,000, this project represents a major investment in the Town's transportation infrastructure and public safety.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS (Continued)

Furthermore, the Town will assume ownership of a newly constructed public water system within the Maralago Cay development. The project is anticipated to be completed in 2026, at which time, the system will be transferred to the Town for a nominal consideration, representing an approximately \$10,000,000 addition to the Town's utility infrastructure. This expansion is expected to add approximately 620 new customers to the Utilities Department, strengthening the Town's enterprise operations and long-term revenue base.

Looking ahead to Fiscal Year 2026, the Town anticipates the continuation and completion of key infrastructure initiatives. The Pine Tree Lane Repaving project advanced significantly at the beginning of Fiscal Year 2026, with approximately 50 percent of the work completed at a cost of about \$200,000, further enhancing roadway conditions in the area.

Moreover, the Town invested in community amenities through the completion of new lighting at the Community Park, funded by the Community Redevelopment Agency (CRA), improving safety and usability of public recreational spaces.

The Fiscal Year 2026 budget reflects the Town's continued focus on infrastructure investment, utility system expansion, and maintaining high levels of service. While economic conditions remain favorable, the Town continues to monitor external factors such as inflation, interest rate trends, potential changes in intergovernmental revenues, and proposed tax reforms that could reduce or eliminate property taxes all of which may impact future financial conditions.

Overall, the Town remains well-positioned to meet its operational and capital needs in Fiscal Year 2026 while maintaining prudent financial management practices and a strong financial position.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Please address questions concerning the information provided in this report or requests for additional financial information to the following:

**Town of Lake Clarke Shores
1701 Barbados Road
Lake Clarke Shores, Florida 33406
561-964-1515**

TOWN OF LAKE CLARKE SHORES, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,811,567	\$ 100	\$ 1,811,667
Investments	2,216,730	22,977	2,239,707
Accounts receivable, net	427,089	320,813	747,902
Special assessments receivable	-	627,998	627,998
Internal balances	202,486	(202,486)	-
Inventories	-	89,543	89,543
Prepaid expenses	9,074	199,361	208,435
Land held for resale	126,000	-	126,000
Restricted assets:			
Cash and cash equivalents	-	229,428	229,428
Investments	-	939,616	939,616
Capital assets:			
Nondepreciable	517,753	4,815,398	5,333,151
Depreciable, net	7,872,522	6,330,630	14,203,152
Total assets	<u>13,183,221</u>	<u>13,373,378</u>	<u>26,556,599</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding (debit)	-	2,604	2,604
Total deferred outflows of resources	<u>-</u>	<u>2,604</u>	<u>2,604</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	149,455	222,439	371,894
Contracts payable	623,161	1,459	624,620
Unearned revenue	19,844	32,557	52,401
Customer deposits payable	-	440,055	440,055
Accrued interest payable	3,661	-	3,661
Non-current liabilities:			
Due within one year	316,879	255,761	572,640
Due in more than one year	645,226	1,989,050	2,634,276
Total liabilities	<u>1,758,226</u>	<u>2,941,321</u>	<u>4,699,547</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB	14,763	-	14,763
Total deferred inflows of resources	<u>14,763</u>	<u>-</u>	<u>14,763</u>
NET POSITION			
Net investment in capital assets	7,125,594	9,441,317	16,566,911
Restricted for:			
Community redevelopment	309,257	-	309,257
Debt service	177,661	-	177,661
Transportation	1,318	-	1,318
Construction	-	228,989	228,989
Renewal and replacement	-	500,000	500,000
Unrestricted	3,796,402	264,355	4,060,757
Total net position	<u>11,410,232</u>	<u>10,434,661</u>	<u>21,844,893</u>

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,725,458	\$ -	\$ 122,000	\$ -	\$ (1,603,458)	\$ -	\$ (1,603,458)
Public safety	2,061,789	400,061	73,789	-	(1,587,939)	-	(1,587,939)
Highways and streets	175,249	-	-	980,106	804,857	-	804,857
Cultural and recreation	167,202	-	-	-	(167,202)	-	(167,202)
Community development	60,386	-	189,582	-	129,196	-	129,196
Interest on long-term debt	23,422	-	-	-	(23,422)	-	(23,422)
Total governmental activities	4,213,506	400,061	385,371	980,106	(2,447,968)	-	(2,447,968)
Business-type activities:							
Water utilities	4,082,527	3,891,137	51,666	298,080	-	158,356	158,356
Total business-type activities	4,082,527	3,891,137	51,666	298,080	-	158,356	158,356
Total	8,296,033	4,291,198	437,037	1,278,186	(2,447,968)	158,356	(2,289,612)
General revenues:							
Taxes							
Property taxes					2,367,772	-	2,367,772
Franchise fees					252,771	-	252,771
Unrestricted intergovernmental					697,120	-	697,120
Unrestricted investment earnings					161,743	75,977	237,720
Miscellaneous					180,950	-	180,950
Total general revenues					3,660,356	75,977	3,736,333
Transfers in (out)					555,000	(555,000)	-
Change in net position					1,767,388	(320,667)	1,446,721
Net position - beginning, as restated (Note 16)					9,642,844	10,755,328	20,398,172
Net position - ending					\$ 11,410,232	\$ 10,434,661	\$ 21,844,893

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2025

	Major Funds				Total Governmental Funds
	General	CRA Fund	Infrastructure Surtax Fund	Non-major Fund(s) ¹	
ASSETS					
Cash and cash equivalents	\$ 1,589,657	\$ 221,910	\$ -	\$ -	\$ 1,811,567
Investments	1,661,381	111,070	444,279	-	2,216,730
Accounts receivable, net	80,395	-	-	-	80,395
Due from other governments	287,121	-	59,573	-	346,694
Due from other funds	644,904	-	-	-	644,904
Prepays	9,074	-	-	-	9,074
Land held for sale	126,000	-	-	-	126,000
Total assets	<u>\$ 4,398,532</u>	<u>\$ 332,980</u>	<u>\$ 503,852</u>	<u>\$ -</u>	<u>\$ 5,235,364</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Accounts payable	68,801	12,753	-	-	81,554
Accrued liabilities	67,901	-	-	-	67,901
Due to other fund	-	-	442,418	-	442,418
Unearned revenue	19,844	-	-	-	19,844
Contracts payable	612,191	10,970	-	-	623,161
Total liabilities	<u>768,737</u>	<u>23,723</u>	<u>442,418</u>	<u>-</u>	<u>1,234,878</u>
Deferred inflows of resources:					
Unavailable revenue	150,472	-	-	-	150,472
Total deferred inflows of resources	<u>150,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,472</u>
Fund balance:					
Nonspendable	135,074	-	-	-	135,074
Restricted for:					
Community redevelopment	-	309,257	-	-	309,257
Debt service	177,661	-	-	-	177,661
Transportation	1,318	-	-	-	1,318
Assigned to:					
Infrastructure	-	-	61,434	-	61,434
Subsequent year's expenditures	400,000	-	-	-	400,000
Unassigned	2,765,270	-	-	-	2,765,270
Total fund balance	<u>3,479,323</u>	<u>309,257</u>	<u>61,434</u>	<u>-</u>	<u>3,850,014</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,398,532</u>	<u>\$ 332,980</u>	<u>\$ 503,852</u>	<u>\$ -</u>	<u>\$ 5,235,364</u>

¹ Formerly included the Infrastructure Surtax Fund and Police Forfeiture Fund. Currently comprised of Police Forfeiture Fund on

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

Total fund balances - governmental funds \$ 3,850,014

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	18,214,763	
Accumulated depreciation	<u>(9,824,488)</u>	8,390,275

Assets recorded in the governmental fund financial statements that are not available to pay for current-period expenditures are unavailable revenue in the governmental funds.

150,472

Deferred inflows of resources related to other post employment benefits are recorded in the statement of net position.

(14,763)

Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Accrued interest payable	(3,661)	
Other post employment benefits	(185,555)	
Notes Payable	(352,000)	
Lease payable	(29,535)	
Subscription payable	(259,985)	
Compensated absences payable	<u>(135,030)</u>	<u>(965,766)</u>

Net position of governmental activities	<u>\$ 11,410,232</u>
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See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

	Major Funds				Total Governmental Funds
	General	CRA Fund	Infrastructure Surtax Fund	Non-major Fund(s) ¹	
REVENUES					
Property taxes/incremental financing	\$ 2,367,772	\$ 177,156	\$ -	\$ -	\$ 2,544,928
Franchise fees	252,771	-	-	-	252,771
Licenses and permits	198,947	-	-	-	198,947
Intergovernmental	769,966	-	364,356	-	1,134,322
Charges for services	46,355	-	-	-	46,355
Grant revenue	579,544	-	-	-	579,544
Fines and forfeitures	81,913	-	-	72,846	154,759
Net investment earnings	161,743	12,426	28,025	943	203,137
Miscellaneous	167,306	-	-	-	167,306
Total revenues	4,626,317	189,582	392,381	73,789	5,282,069
EXPENDITURES					
Current:					
General government	1,586,041	-	-	-	1,586,041
Public safety	1,865,225	-	-	2,263	1,867,488
Transportation	40,942	-	-	-	40,942
Culture and recreation	120,472	-	-	-	120,472
Community redevelopment	-	60,386	-	-	60,386
Debt service:					
Principal payment	137,708	-	97,000	-	234,708
Interest expense and fiscal agent fees	18,648	-	6,552	-	25,200
Capital outlay	3,291,665	-	129,524	95,866	3,517,055
Total expenditures	7,060,701	60,386	233,076	98,129	7,452,292
Excess (deficiency) of revenues over (under) expenditures	(2,434,384)	129,196	159,305	(24,340)	(2,170,223)
OTHER FINANCING SOURCES (USES)					
Transfer in/(out)	1,684,740	(184,740)	(945,000)	-	555,000
Proceeds from the sale of capital assets	10,866	-	-	-	10,866
Total other financing sources (uses)	1,695,606	(184,740)	(945,000)	-	565,866
Net change in fund balances	(738,778)	(55,544)	(785,695)	(24,340)	(1,604,357)
Fund balance - beginning, as previously reported	4,218,101	364,801	-	871,469	5,454,371
Adjustment for change in presentation (GASB 100)	-	-	847,129	(847,129)	-
Fund balance - beginning, restated (See Note 16)	4,218,101	364,801	847,129	24,340	5,454,371
Fund balance - ending	\$ 3,479,323	\$ 309,257	\$ 61,434	\$ -	\$ 3,850,014

¹ Formerly included the Infrastructure Surtax Fund and Police Forfeiture Fund. Currently comprised of Police Forfeiture Fund only.

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Net change in fund balances - total governmental funds \$ (1,604,357)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position. 3,420,975

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund financial statements. 150,472

Certain revenues were unavailable for the governmental fund financial statements in the prior fiscal year. In the current fiscal year, these revenues were recorded in the governmental fund financial statements. (20,291)

Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities. 234,708

The gain on the retirement of debt is not recognized in the governmental fund financial statements, but is reported as a special item in the statement of activities. 13,644

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. The details of the differences are as follows:

Depreciation of capital assets (371,794)

Loss on disposal of fixed assets (20,697)

Change in accrued interest 1,778

Change in compensated absences (8,195)

Change in other postemployment benefit obligation (28,855)

Change in net position of governmental activities \$ 1,767,388

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2025

	Enterprise Fund
	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	100
Investments	22,977
Accounts receivable, net	320,813
Special assessments receivable	627,998
Inventories	89,543
Prepaid expenses	199,361
Restricted assets:	
Cash and cash equivalents	229,428
Investments	939,616
Total current assets	2,429,836
Capital assets:	
Land	88,760
Intangibles	1,953,924
Construction in progress	2,772,714
Buildings	214,962
Improvements other than buildings	11,577,169
Equipment	400,588
Intangibles	163,500
Leased assets	272,163
Less accumulated depreciation and amortization	(6,297,752)
Total capital assets, net	11,146,028
Total noncurrent assets	11,146,028
Total assets	13,575,864
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding (debit)	2,604
Total deferred outflows of resources	2,604

(Continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2025
(Continued)

LIABILITIES

Current liabilities:

Accounts payable	185,127
Accrued liabilities	26,174
Due to other governments	11,138
Contracts payable	1,459
Due to other funds	202,486
Unearned revenue	32,557
Compensated absences	47,000
Customer deposits payable	440,055
Lease liability	14,665
Subscription liability	5,096
Notes payable	189,000
Total current liabilities	1,154,757

Noncurrent liabilities:

Other post employment benefits	82,248
Compensated absences	11,555
Lease liability	1,247
Notes payable	1,894,000
Total noncurrent liabilities	1,989,050
Total liabilities	3,143,807

NET POSITION

Net investment in capital assets	9,441,317
Restricted:	
Construction	228,989
Renewal and replacement	500,000
Unrestricted	264,355
Total net position	\$ 10,434,661

See notes to the financial statements

TOWN OF LAKE CLARKE SHORES, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

	Enterprise Fund
	Utility Fund
OPERATING REVENUES	
Charges for services	3,723,593
Miscellaneous revenue	167,544
Grant revenue	40,310
Total operating revenues	3,931,447
OPERATING EXPENSES	
Personal service	959,184
Contractual services	302,921
Repairs and maintenance	327,592
Supplies	27,604
Purchased utilities	1,620,251
Utilities and communications	26,395
Other charges	128,269
Rent	51,991
Depreciation and amortization	589,759
Total operating expense	4,033,966
Operating income	(102,519)
NON OPERATING REVENUES (EXPENSES)	
Interest and net investment earnings	87,333
Interest expense	(48,561)
Total non operating revenue (expenses)	38,772
Income before capital contributions	(63,747)
Capital contributions	298,080
Income before transfers	234,333
Transfers out	(555,000)
Change in net position	(320,667)
Net position - beginning	10,768,440
Effect of adoption of GASB No. 101 (Note 16)	(13,112)
Net position - beginning, as restated	10,755,328
Net position - ending	\$ 10,434,661

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 4,093,560
Receipts from operating grants	40,310
Payments for goods and services	(2,570,942)
Payments to employees	(710,683)
Net cash provided (used) by operating activities	<u>852,245</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out to other funds	<u>(555,000)</u>
Net cash from non-capital financing activities	<u>(555,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Developer contributions	298,080
Purchase of capital assets	(964,538)
Principal paid	(214,995)
Interest paid	(48,561)
Net cash provided (used) by capital and related financing activities	<u>(930,014)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	300,000
Purchases of investments	(52,633)
Interest income	87,333
Net cash provided (used) by investing activities	<u>334,700</u>
Net increase (decrease) in cash and cash equivalents	(298,069)
Cash and cash equivalents - October 1	<u>527,597</u>
Cash and cash equivalents - September 30	<u>\$ 229,528</u>

(Continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(Continued)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (102,519)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	589,759
(Increase)/Decrease in:	
Accounts receivable	9,023
Special assessments receivable	45,378
Prepaid items and deposits	(4,712)
Inventory	(48,741)
Deferred outflow of resources	1,464
Increase (decrease) in:	
Accounts payable	1,371
Accrued liabilities and compensated absences	3,311
Due to other funds	202,486
Unearned revenue	4,782
Customer deposits payable	143,240
Other post employment benefit	7,403
Total adjustments	<u>954,764</u>
Net cash provided (used) by operating activities	<u><u>\$ 852,245</u></u>

See notes to the financial statements

**TOWN OF LAKE CLARKE SHORES, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

The Town of Lake Clarke Shores, Florida (“the Town”) was incorporated in 1957. The Town operates under a Council-Manager form of government. An elected Mayor, Vice Mayor, and Town Council, which appoints a Town Manager, govern the Town. The Town provides the following services to its residents: police services, building inspections, water and wastewater systems, sanitation, streets and roads, culture and recreation, and general administrative services; fire services are provided by Palm Beach County Fire Rescue.

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. Therefore, blended component units are appropriately presented as funds of the primary government.

Blended Component Units

The Community Redevelopment Agency (CRA) was organized to finance development within the geographic boundaries of the community redevelopment area. Although legally separate, the CRA is governed by a board comprised solely of the Town’s elected Council members and the services provided by the CRA create a financial benefit relationship with the Town. The CRA does issue separate financial statements. The CRA is included in the Town’s Financial Statements as a special revenue fund for the year ended September 30, 2025.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 activities of the Town. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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; 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*.

Separate financial statements are provided for governmental and enterprise funds. The major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund 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, as are the proprietary fund financial statements. 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 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes are ad valorem and levied each November 1 on property as of the previous January 1. The fiscal year for which annual assessments are levied begins on October 1 with a maximum discount available for payments through November 30 and become delinquent on April 1. The taxes are billed and collected by the County Tax Collector on behalf of the Town. The amounts remitted to the Town are net of applicable discounts or fees.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). 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 funds:

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.

CRA Fund

The CRA Fund accounts for revenue and expenditures applicable to the Town's community development area.

Infrastructure Surtax Fund

This special revenue fund is used to account for revenues and expenditures from the 1 cent sales tax. Restrictions and oversight are required by both a County Ordinance and the Town.

The Town also reports the following non-major governmental fund:

Police Forfeiture Fund

This special revenue fund accounts for revenue and expenditures related to the confiscation of property and the related authorized law enforcement expenditures.

The Town reports the following major proprietary fund:

Utility Fund

This enterprise fund is used to account for the operations of the water and sewer utility services of the Town. The costs of providing services to the residents are recovered primarily through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's various utility functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's utility fund are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments for the Town are reported at fair value (generally based on quoted market prices) except for certificates of deposit which are stated at cost; and the Town's positions in the Florida Surplus Asset Fund Trust (Florida SAFE), Florida Public Assets for Liquidity Management (FL PALM), and the Florida Municipal Investment Trust (FMIvT), which are local government investment pools that meet all of the specified criteria in Section 150: Investments to qualify to elect to measure their investments at amortized cost. Accordingly, the fair value of the Town's position in the pool is equal to the value of the pooled shares.

Unbilled receivables

An amount for unbilled revenue is recorded in the Enterprise Fund for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Allowance for doubtful accounts

Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 120 days are subject to being considered as uncollectible.

Interfund Activities and Transactions

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are funds that are netted as part of the reconciliation to the government-wide presentation.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses 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 the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. In governmental funds, prepaid items are recorded using the consumption method and are offset by the nonspendable fund balance component which indicates that they do not constitute "available spendable resources," even though they are component of current assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of one year and a cost greater than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

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

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Distribution system, plant improvements, and infrastructure	3-30
Meters, Vehicles, Machinery and equipment	3-10
Improvements other than buildings	5-10

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.

Leases

Lease contracts that provide the Town with control of a non-financial asset, such as land, buildings, or equipment, for a period of time in excess of twelve months are reported as an intangible right to use lease asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible right to use leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Lease contracts that provide an external entity with control of the Town's non-financial asset, such as land, buildings, or equipment, for a period of time in excess of twelve months are reported as a leased receivable with a related lease deferred inflow of resources. The lease receivable is recorded at the present value of future lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. The lease deferred inflow of resources is recorded for the same amount as the related lease receivable less any lease incentives. Leased deferred inflow of resources are amortized over the lease term. The lease receivable is reduced for lease payments made, less the interest portion of the lease payment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Subscription-Based Information Technology Arrangements

A contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction is a subscription-based information technology arrangement (SBITA). At the commencement of the subscription term the Town recognizes a subscription liability and an intangible right-to-use asset. Subscription liabilities are initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the Town or the Town's incremental borrowing rate if the interest rate is not readily determinable. Amortization of the discount on the subscription liability is recognized as an outflow of resources (for example, interest expense). The SBITA assets are initially measured at an amount equal to the initial measurement of the related SBITA liability plus any SBITA payments made prior to the subscription term, less SBITA incentives, plus any ancillary charges necessary to place the SBITA into service. The SBITA assets are amortized on a straight-line basis over the life of the related contract. The costs of normal maintenance and repairs that do not add to the values of the assets or materially extend the asset lives are not capitalized and are expensed as incurred. The Town monitors changes in circumstances that would require a remeasurement of its SBITAs and will do so if certain changes occur that would be expected to significantly affect the amount of the lease liability. SBITA assets are reported with other capital assets and SBITA lease liabilities are reported with long-term liabilities on the statement of net position.

Unearned Revenue

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

Unavailable Revenue

The government reports unavailable revenue on its governmental funds balance sheet for resource inflows that do not qualify for recognition as revenue in a governmental fund because they are not considered available.

Compensated Absences

Sick and vacation time is granted to employees of the Town for use of vacation, illness or other personal business. Accumulated unpaid personal time off is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. A liability for accrued compensated absences of the governmental activities that have not matured is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations. The liability for compensated absences is calculated using a first-in, first-out (FIFO) flow assumption.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Premiums and discounts are deferred and amortized ratably over the life of the loan. Long-term obligations are reported net of applicable premiums or discounts. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

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.

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.

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:

Nonspendable fund balance

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance

Restricted fund balances are restricted when constraints placed on the use of resources are 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 Commission. Commitments may be changed or lifted only by the Town Commission 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 that are intended to be used for specific purposes that are neither considered restricted nor committed. The Town Commission 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.

Unassigned fund balance

Unassigned fund balance is the residual classification for the general fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity/Net Position (Continued)

Net Position

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. Net position is displayed in the following three components:

Net investment in capital assets

Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position

Consists of net position with constraints placed on the use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.

Unrestricted net position

All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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.

Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the total OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan.

Implementation of Accounting Pronouncements

The Town implemented the following Governmental Accounting Standards Board Statements during the current fiscal year.

GASB 101: Compensated Absences

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB 102: Certain Risk Disclosures

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government’s financial condition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted

A brief description of new accounting pronouncements that might have a significant impact on the Town's financial statements is presented below.

GASB Statement No. 103: Financial Reporting Model Improvements

This statement, issued in April 2024 and effective for fiscal years beginning after June 15, 2025, aims to improve the financial reporting model by enhancing the clarity and usefulness of financial statements.

GASB Statement No. 104: Disclosure of Certain Capital Assets

This statement, issued in September 2024 and effective for fiscal years beginning after June 15, 2025, requires enhanced disclosures about certain capital assets, including detailed information on the nature and extent of capital assets held by a governmental entity.

GASB Statement No. 105: Subsequent Events

This statement, issued in December 2025 and effective for fiscal years beginning after June 15, 2026, updates reporting for subsequent events and requires disclosure of the date through which subsequent events were evaluated.

The Town's management has not yet determined the effect these Statements will have on the Town's financial statements.

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 annually adopts operating budgets for the General Fund, CRA Special Revenue Fund, Infrastructure Surtax Special Revenue Fund, and the Utility Fund. The Police Forfeiture Special Revenue Fund is not budgeted because Florida Statutes prohibit budgeting anticipated forfeiture proceeds. Any expenditure of forfeiture funds must be approved by the Town Council on a case-by-case basis.

The appropriated budget is prepared by fund, function, and department. The Town's administrator may make transfers of appropriations within a department of the general fund up to \$2,500. Transfers of appropriations between departments in other funds or in excess of \$2,500 in the general fund require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

NOTE 4 – DEPOSITS AND INVESTMENTS

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.

Investments

The Town's investments were held as follows at September 30, 2025:

	<u>Amortized Cost</u>	<u>Credit Risk</u>	<u>Weighted Average Maturities in Days</u>
Florida Safe	\$ 962,593	S&P AAAM	38
Florida Palm	1,106,032	S&P AAAM	42
Florida Municipal Investment Trust	1,110,698	S&P AAAM	328
Total Investments	<u>\$ 3,179,323</u>		

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Town has no formal policy for custodial risk.

The Town's investments are held by a third party custodian and held in the Town's name.

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The Town's policy limits the amount the Town may invest in any one issuer for certain investments types.

Interest rate risk – The Town's policy limits investment maturities by investment type as a means of managing exposure to fair value losses arising from increasing interest rates.

Fair Value Measurement – When applicable, the Town measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1: Investments* whose values are based on unadjusted quoted prices for identical investments in active markets that the Town has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fixed income – Some of the underlying securities have observable level 1 quoted pricing inputs. However, while the underlying asset values may be based on quoted market prices, the net asset value of the portfolios is not publicly quoted. Additionally, some of the underlying securities employ matrix pricing. Accordingly, these investments have been reported as level 2.

NOTE 5 – INTERFUND TRANSFERS

Interfund receivables and payables at September 30, 2025 were as follows:

Fund	Receivable	Payable
General	\$ 644,904	\$ -
Infrastructure Surtax Fund	-	442,418
Water	-	202,486
Total	\$ 644,904	\$ 644,904

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Interfund transfers for the fiscal year ended September 30, 2025 were as follows:

Fund	Transfers in	Transfers out
General	\$ 1,684,740	\$ -
Infrastructure Surtax Fund	-	945,000
CRA	-	184,740
Enterprise	-	555,000
Total	\$ 1,684,740	\$ 1,684,740

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the case of the Town, the interfund transfers were in accordance with the current fiscal year budget.

NOTE 6 – RECEIVABLES

Receivables other than leases receivable at September 30, 2025 are as follows:

	Infrastructure			Total
	General	Surtax	Water	
State of Florida	\$ 144,940	\$ -	\$ -	\$ 144,940
Franchise fee	80,395	-	-	80,395
Intergovernmental	-	59,573	-	59,573
Grants	142,181	-	-	142,181
Customer accounts receivable	-	-	378,813	378,813
Gross receivables	367,516	59,573	378,813	805,902
Less: Allowance for uncollectible accounts	-	-	(58,000)	(58,000)
Receivables, net	\$ 367,516	\$ 59,573	\$ 320,813	\$ 747,902

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the fiscal year ended September 30, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 517,753	\$ -	\$ -	\$ 517,753
Construction in progress	414,962	3,253,410	(3,668,372)	-
Total capital assets, not being depreciated	<u>932,715</u>	<u>3,253,410</u>	<u>(3,668,372)</u>	<u>517,753</u>
Capital assets, being depreciated				
Buildings	3,055,705	-	-	3,055,705
Infrastructure	7,093,402	3,668,372	-	10,761,774
Improvements Other Than Buildings	2,137,579	-	-	2,137,579
Equipment	805,237	167,565	-	972,802
Right-to-use leased equipment	444,491	-	(38,210)	406,281
Software subscription	362,869	-	-	362,869
Total capital assets, being depreciated	<u>13,899,283</u>	<u>3,835,937</u>	<u>(38,210)</u>	<u>17,697,010</u>
Less accumulated depreciation for:				
Buildings	(996,621)	(61,114)	-	(1,057,735)
Infrastructure	(6,555,736)	(23,336)	-	(6,579,072)
Improvements Other Than Buildings	(1,049,894)	(95,560)	-	(1,145,454)
Equipment	(503,799)	(101,621)	-	(605,420)
Right-to-use leased equipment	(331,781)	(45,690)	17,513	(359,958)
Software subscription	(32,377)	(44,472)	-	(76,849)
Total accumulated depreciation	<u>(9,470,208)</u>	<u>(371,793)</u>	<u>17,513</u>	<u>(9,824,488)</u>
Total capital assets, being depreciated, net	<u>4,429,075</u>	<u>3,464,144</u>	<u>(20,697)</u>	<u>7,872,522</u>
Governmental activities capital assets, net	<u>\$ 5,361,790</u>	<u>\$ 6,717,554</u>	<u>\$ (3,689,069)</u>	<u>\$ 8,390,275</u>

Depreciation expense was charged to the following function/programs as follows:

General government	\$ 102,366
Public safety	184,470
Highways & Streets	38,227
Culture and recreation	46,730
	<u>\$ 371,793</u>

NOTE 7 – CAPITAL ASSETS (Continued)

Capital asset activity for the business-type activities for the fiscal year ended September 30, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business-type Activities</u>				
Capital assets, not being depreciated				
Land and land improvement	\$ 88,760	\$ -	\$ -	\$ 88,760
Intangibles, water rights	1,953,924	-	-	1,953,924
Construction in progress	2,844,913	242,014	(314,213)	2,772,714
Total capital assets, not being depreciated	4,887,597	242,014	(314,213)	4,815,398
Capital assets, being depreciated				
Buildings	214,962	-	-	214,962
Improvements other than buildings	11,277,932	299,237	-	11,577,169
Equipment	390,091	10,497	-	400,588
Intangibles	163,500	-	-	163,500
Right-to-use leased equipment	256,867	-	-	256,867
Software subscription	15,296	-	-	15,296
Total capital assets, being depreciated	12,318,648	309,734	-	12,628,382
Less accumulated depreciation for:				
Buildings	(89,569)	(8,598)	-	(98,167)
Improvements other than buildings	(4,973,205)	(536,008)	-	(5,509,213)
Equipment	(284,050)	(9,994)	-	(294,044)
Intangibles	(146,474)	(4,088)	-	(150,562)
Right-to-use leased equipment	(213,420)	(25,973)	-	(239,393)
Software subscription	(1,275)	(5,098)	-	(6,373)
Total accumulated depreciation	(5,707,993)	(589,759)	-	(6,297,752)
Total capital assets, being depreciated, net	6,610,655	(280,025)	-	6,330,630
Business-type activities capital assets, net	\$ 11,498,252	\$ (38,011)	\$ (314,213)	\$ 11,146,028

NOTE 8 – LONG-TERM LIABILITIES

Capital Improvement Revenue and Refunding Note, Series 2019

On November 21, 2019, the Town issued the Capital Improvement Revenue and Refunding Note, Series 2019 (Capital Improvement Note) with an initial principal balance of \$1,174,000 and an interest rate of 2.08% per annum. The Capital Improvement Note requires bi-annual payments of interest beginning April 1, 2020 and annual principal payments due beginning October 1, 2020. The Capital Improvement Note matures on October 1, 2026 and is secured by the unspent debt proceeds, and the Town's non-ad valorem revenues. The proceeds of the Capital Improvement Note were used to refund the Town's Promissory Note, Series 2018 with an outstanding principal balance of \$270,000 and an interest rate of 3.73% per annum. The remaining proceeds are intended to fund road and infrastructure improvements related to a bridge.

The Capital Improvement Note is subject to redemption at the option of the Town prior to its maturity, in whole or in part, in the manner and subject to the conditions set forth in the Note Agreement. The Loan Agreement established requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the Town on assessments to property owners. The Town agrees to levy Non-Ad Valorem Revenues in annual amounts adequate to provide payment of debt service. The Town was in compliance with the requirements at September 30, 2025.

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Utility System Revenue and Revenue Refunding Note, Series 2019

On November 21, 2019, the Town issued the Utility System Revenue and Revenue Refunding Note, Series 2019 (Utility System Note) with an initial principal balance of \$2,977,000 and an interest rate of 2.19% per annum. The Utility System Note requires bi-annual payments of interest beginning April 1, 2020, and annual payments of principal beginning on October 1, 2020. The Utility System Note matures on October 1, 2034 and is secured by pledged revenues consisting of impact fees and operating proceeds from the Enterprise Fund. The proceeds of the Utility System Note were used to refund the Promissory Note, Series 2016 with an outstanding principal balance of \$893,454 and an interest rate of 2.65% per annum, to refund the Promissory Note, Series 2018 with an outstanding principal balance of \$900,000 and an interest rate of 3.73%. The remaining proceeds are intended to fund infrastructure improvements and the conversion of septic tanks to a wastewater collection system. The economic gain on refunding was \$193,453. The Town was in compliance with its rate covenant as of September 30, 2025.

The Utility System Note is subject to redemption at the option of the Town prior to its maturity, in whole or in part, in the manner and subject to the conditions set forth in the Note Agreement. The Note Agreement has certain restrictions and requirements relating principally to the procedures to be followed in the collection of pledged revenues and the application of the revenues to the various restricted accounts. The Town is in compliance with the requirements of the Note Agreement.

Changes in long-term liability activity for the fiscal year ended September 30, 2025 were as follows:

	Beginning Balance (Restated)**	Additions	Reductions	Ending Balance	Due in less than one year
<u>Governmental activities</u>					
Direct borrowing:					
Capital improvement note, Series 2019	\$ 523,000	\$ -	\$ (171,000)	\$ 352,000	\$ 174,000
Leases payable	69,291	-	(39,756)	29,535	18,780
Software subscription liabilities	297,580	-	(37,595)	259,985	39,099
Compensated absences**	126,835	8,195	-	135,030	85,000
Other postemployment benefits	171,463	14,092	-	185,555	-
	<u>\$ 1,188,169</u>	<u>\$ 22,287</u>	<u>\$ (248,351)</u>	<u>\$ 962,105</u>	<u>\$ 316,879</u>

	Beginning Balance (Restated)**	Additions	Reductions	Ending Balance	Due in less than one year
<u>Business-type activities</u>					
Direct borrowing:					
Utility System Note, Series 2019	\$ 2,268,000	\$ -	\$ (185,000)	\$ 2,083,000	\$ 189,000
Leases payable	41,007	-	(25,095)	15,912	14,665
Software subscription liabilities	9,996	-	(4,900)	5,096	5,096
Compensated absences**	57,119	1,436	-	58,555	47,000
Other postemployment benefits	74,845	7,403	-	82,248	-
	<u>\$ 2,450,967</u>	<u>\$ 8,839</u>	<u>\$ (214,995)</u>	<u>\$ 2,244,811</u>	<u>\$ 255,761</u>

** Compensated absences were restated due to the implementation of GASB 101. The liability for compensated absences is reported as a net change.

NOTE 8 – LONG-TERM LIABILITIES (Continued)

At September 30, 2025, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2026	\$ 174,000	\$ 5,512	\$ 179,512
2027	178,000	1,851	179,851
Total	\$ 352,000	\$ 7,363	\$ 359,363

Year ending September 30:	Business-type Activities		
	Principal	Interest	Total
2026	\$ 189,000	\$ 43,548	\$ 232,548
2027	193,000	39,365	232,365
2028	197,000	35,095	232,095
2029	201,000	30,737	231,737
2030	206,000	26,280	232,280
2031-2035	1,097,000	61,090	1,158,090
	\$ 2,083,000	\$ 236,115	\$ 2,319,115

NOTE 9 – LEASES

The Town has entered into non-cancelable lease agreements to obtain the right-to-use various vehicles for its governmental and business-type activities. The leases have an initial term from 2 to 5 years at which point the Town has the option to purchase the vehicles or return them to the lessor. The residual values total \$93,798 at the end of the leases. Interest rates range from 3.60% to 9.02%. Monthly payments range from \$373 to \$1,165.

The future principal and interest lease payments as of September 30, 2025, were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2026	\$ 18,780	\$ 1,815	\$ 20,595
2027	10,755	492	11,247
Total	\$ 29,535	\$ 2,307	\$ 31,842

Year ending September 30:	Business-type Activities		
	Principal	Interest	Total
2026	\$ 14,665	\$ 349	\$ 15,014
2027	1,247	4	1,251
Total	\$ 15,912	\$ 353	\$ 16,265

NOTE 10 – SUBSCRIPTION LIABILITY

The Town has entered into non-cancellable subscription agreements to obtain the right-to-use various subscription-based information technology arrangements (SBITAs) for its governmental and business-type activities. The agreements have an initial term from 3-10 years at which the Town has an option to renew the subscription. Interest rates are 4% with yearly payments ranging from \$5,300 to \$31,998.

The future principal and interest payments as of September 30, 2025, were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2026	\$ 39,099	\$ 10,399	\$ 49,498
2027	40,663	8,835	49,498
2028	24,789	7,209	31,998
2029	26,741	6,217	32,958
2030	28,799	5,148	33,947
2031-2033	99,894	8,179	108,073
	<u>\$ 259,985</u>	<u>\$ 45,987</u>	<u>\$ 305,972</u>

Year ending September 30:	Business-type Activities		
	Principal	Interest	Total
2026	\$ 5,096	\$ 204	\$ 5,300
	<u>\$ 5,096</u>	<u>\$ 204</u>	<u>\$ 5,300</u>

NOTE 11 – RETIREMENT PLAN

401(a) Retirement Savings Plan

A 401(a) retirement savings plan is available for full-time employees who are 21 years of age with six months of service prior to either April 1st or October 1st. Participants have a plan account to which contributions are made. The Town contributes 9% of the employee’s base salary and the employee contributes a mandatory 2%. The 2% employee contribution is a deferred contribution (withholding taxes will be withheld until retirement). Plan benefits are based on the total amount of money in the employee’s account at retirement or other eligible events. Employee contributions are 100% vested immediately. During fiscal year ended September 30, 2025, the Town contributed approximately \$158,435 to the Plan on behalf of employees and employees contributed approximately \$35,208.

MissionSquare 457 Retirement Plan

Employees may participate in the MissionSquare 457 Retirement Plan at no cost to the Town. This non-contributory deferred compensation plan allows employees to save for retirement on a pre-tax basis. Participants make 100% of the contributions. Federal income taxes are deferred until the assets are withdrawn, usually during retirement when the employee may be in a lower tax bracket.

NOTE 12 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Town provides an optional single employer defined benefit post-employment healthcare plan to eligible individuals. The plan allows its employees and their beneficiaries, at their own cost and until the age of 65, to continue to obtain health, dental and other insurance benefits upon retirement. After the age of 65, retirees and their beneficiaries may continue to receive health benefits only as supplemental insurance to Medicare. The benefits of the plan conform with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

NOTE 12 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Policy

The Town does not directly make contributions to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Town for active employees by its healthcare provider. However, the Town’s actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Town or its active employees for coverage of the retirees and their dependents for the year net of the retiree’s own payments for the year.

Discount Rate

The Town does not have a dedicated trust to pay retiree healthcare benefits. For plans that do not have assets held in a dedicated trust, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. As of the measurement date of September 30, 2025, the municipal bond rate was 4.50% based on the S&P Municipal Bond 20-year High Grade Index. The discount rate as of the beginning of the measurement year was 4.06%.

Membership

At September 30, 2025, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to, but not yet receiving benefits	-
Active employees	<u>20</u>
	<u>20</u>

Changes in Total OPEB Liability

Sources of changes in the total OPEB liability were as follows:

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance as of September 30, 2024	\$ 246,308	\$ -	\$ 246,308
Changes due to:			
Service cost	36,334	-	36,334
Expected interest growth	12,471	-	12,471
Demographic experience	-	-	-
Benefit payments & refunds	(11,156)	-	(11,156)
Assumption changes	(16,154)	-	(16,154)
Balance as of September 30, 2025	<u>\$ 267,803</u>	<u>\$ -</u>	<u>\$ 267,803</u>

OPEB Expense and Deferred Outflows/Inflow of Resources

For the year ended September 30, 2025, the Town recognized OPEB expense of \$28,855. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance as of September 30, 2024	\$ -	\$ -
Changes due to:		
Amortization payments	-	(1,391)
Assumption changes	-	16,154
Total change	<u>-</u>	<u>14,763</u>
Balance as of September 30, 2025	<u>\$ -</u>	<u>\$ 14,763</u>

NOTE 12 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30:	Amount
2026	\$ 1,391
2027	1,391
2028	1,391
2029	1,391
2030	1,391
Thereafter	7,808
Total	\$ 14,763

Actuarial Assumptions

Significant actuarial assumptions used to calculate the total OPEB liability were as follows:

Measurement date	September 30, 2025
Actuarial valuation date	October 1, 2023
Actuarial assumptions:	
Discount rate	4.50% per annum; this rate was used to discount all future benefit payments and is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.
Salary increases	3.00% per annum
Cost-of-living increases	Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates.
Healthcare cost trend rates	Increases in healthcare costs are assumed to be 7.00% for the 2023/24 fiscal year graded down by 0.50% per year to 5.00% for the 2027/28 and later fiscal years.
Age-related morbidity	Insurance premiums are assumed to increase at the rate of 3.50% for each year of age in accordance with the rates set forth in the Society of Actuaries report "Health Care Costs - From Birth to Death" prepared by Dale H. Yamamoto (June, 2013). Rates set forth in Chart 2 (Group Costs by Age for 2009/10) were used to develop the morbidity rates prior to age 65 and the rates set forth in Table 4 (Development of Plan Specific Medicare Age Curve) were used to develop the morbidity rates after age 65.
Implied health subsidy	Because the insurance carrier charges the same monthly rate for health insurance regardless of age, an implied monthly subsidy has been assumed for the 2023/24 fiscal year based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates; the implied subsidy is assumed to disappear at age 65.
Other coverages	
Mortality basis	Sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general employees, with full generational improvements in mortality using Scale MP-2020.
Retirement	for general employees, retirement is assumed to occur at age 62; for firefighters and police officers, retirement is assumed to occur at age 55.
Other decrements	Assumed employment termination is based on the Scale 155 table; assumed disability is based on the Wyatt 1985 Disability Study (Class 1 for general employees and Class 4 for firefighters and police officers).
Coverage election	50% of eligible employees are assumed to elect medical coverage upon retirement or disability, with one-third of electing retirees also covering their spouse.
Spouses and dependents	Husbands are assumed to be three years older than wives; retirees are not assumed to have any dependent children.
COBRA:	Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.
Changes:	Since the prior measurement date, the discount rate was increased from 4.06% per annum to 4.50%.

NOTE 12 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current discount rate:

1% Decrease (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
\$ 310,855	\$ 267,803	\$ 230,030

Sensitivity of the Total OPEB Liability Using Alternative Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7% decreasing to 4%) or 1-percentage-point higher (9% decreasing to 6%) than the current healthcare cost trend rates:

1% Decrease 4.00%	Healthcare Cost Trend Rates - 5.00% Baseline	1% Increase 6.00%
\$ 213,965	\$ 267,803	\$ 334,498

NOTE 13 – 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. Settled claims did not exceed insurance coverage during the past three years.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the Town is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the Town, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the Town or results of activities.

In April 2024, a sewage spill near Lake Worth Beach impacted waterways including Lake Clarke and Lake Clarke Shores. The Town’s estimated costs are probable but not estimable as of the date that the financial statements were available to be issued.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, and the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts not recorded, if any, to be immaterial.

Waste Collection Services

The Town entered into a contract with Waste Management of Florida, Inc. for waste collection services effective October 1, 2020 through September 30, 2025. The contract has an escalation factor not to exceed 2% per year. For the year ended September 30, 2025, the Town was charged \$320,207 for waste collection services pursuant to the agreement.

The Town entered into a contract with Waste Management of Florida, Inc. for waste collection services effective December 1, 2025 through November 30, 2030. The curbside residential (single family) and multifamily residential cart collection rate is \$21.32 per month per unit, which is paid by the Town. Based on approximately 1,403 residential units, the estimated annual cost is \$358,944. The contract has an escalation factor of 5% per year every October 1.

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

Village of Palm Springs Interlocal Agreement to Purchase Bulk Water

On November 10, 1988, the Town entered into an open-ended interlocal agreement with the Village of Palm Springs, Florida (the “Village”) for the purchase and sale of bulk potable water. Rates for water service are based on the Village’s large user rates. The Town is billed monthly on an average of 400,000 gallons per day, the contracted minimum. For the year ended September 30, 2025, the Town was charged \$261,032 for purchased water pursuant to the agreement.

City of Lake Worth Interlocal Agreement to Provide Sewer Treatment Services

On September 17, 2013, the Town entered into a new interlocal agreement with the City of Lake Worth, Florida (the “City”) for wastewater service and wastewater facilities cost sharing, reducing the costs of service by more than 50% and providing for a methodology to calculate annual increases to service costs. An independent board has been created to oversee the operation of the City of Lake Worth’s wastewater system and to approve and endorse costs which would impact Service Costs. The agreement rescinded all previous contracts relating to the subject matter between the Town and the City. The initial term of the agreement expired on September 20, 2023 and the Town executed the first of three ten-year renewal options. Charges for treatment of sewage disposal are billed to the Town monthly. For the year ended September 30, 2025, the Town was charged \$536,474 for sewage disposal services pursuant to the agreement.

City of Lake Worth Interlocal Agreement to Purchase Bulk Water

On October 13, 1993, the Town entered into an interlocal agreement with the City of Lake Worth, Florida for the purchase and sale of bulk potable water for the Seminole Manor Service Area for a period of ten years, renewable for successive periods of five years at the option of the City. The City agreed to provide bulk water service at a rate of \$0.65 cents per thousand gallons for a minimum of three years. In October 2002, the Town paid for an additional 82 equivalent residential units to serve the Hypoluxo Village Service Area. The agreement expired on October 13, 2008. On February 15, 2011, the Town entered into a new interlocal agreement with the City of Lake Worth for the purchase and sale of bulk potable water to serve residents living within the Hypoluxo Village Service Area for a period of ten years, renewable for successive periods of five years each, upon the same terms and conditions, by written agreement of both parties to the agreement prior to expiration of the initial term or any renewal thereof. Bulk potable water purchases and sales for the Seminole Manor Service Area were discontinued under the agreement. The City agreed to provide water service at a bulk service rate of \$0.303 cents per hundred gallons. Future rate changes will be allowed only at the time of the City’s water system rate increases. The new rate to be charged will be equal to the current rate plus the monetary rate increases. The new rate to be charged will be equal to the current rate plus the monetary change in the rate of the lowest tier residential water rate placed into effect at the time of the new rate change. The Town is billed on a monthly basis for actual metered water service delivered by the City, based upon a reserve capacity of 200,000 gallons per day. A 25% surcharge shall be added for all usage exceeding the reserve capacity in any month. For the year ended September 30, 2025, the Town was charged \$140,389 for water purchased from the City.

Palm Beach County Interlocal Agreement to Purchase Bulk Water

On February 2, 2010, the Town entered into an interlocal agreement with Palm Beach County, Florida (the “County”) for the purchase and sale of bulk potable water for a period of thirty years, renewable for successive periods of five years each, upon the same terms and conditions, by written agreement of both parties prior to expiration of the initial term or any renewal thereof. The Town pays the County a full cost recovery commodity fee based upon a reserve capacity of 400,000 gallons per day. The initial fee was \$2.43 per thousand gallons. Beginning October 1, 2010, and for each year thereafter, the fee shall be adjusted upward or downward by an amount equal to three-fourths (3/4) of the change in the Consumer Price Index all Urban Consumers, Water and Sewerage Maintenance, published by the U.S. Department of Labor, Bureau of Labor Statistics (CPI) or some other mutually agreed-upon index if the CPI is discontinued. The Town is obligated to take or pay the County a minimum amount of three-fourths of the capacity reserved under the agreement, calculated on an annual basis, regardless of actual usage. For the year ended September 30, 2025, the Town incurred charges of \$682,356 under the agreement.

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

Palm Beach County Interlocal Agreement to Purchase Bulk Wastewater Service

On November 11, 2014, the Town entered into an interlocal agreement with Palm Beach County, Florida for the purchase and sale of bulk wastewater service for a period of thirty years. The Town may deliver, and the County shall accept varying wastewater flow rates required by the Town, not to exceed an average daily flow rate of 300,000 gallons per day. The initial wastewater commodity fee shall be \$2.37 per thousand gallons. Beginning October 1, 2015, and for each year thereafter, the wastewater commodity fee shall be adjusted by one-half of the Gross Domestic Product Implicit Price Deflator as published by the United States Department of Labor, Bureau of Labor Statistics Data, Water and Sewage Maintenance, or three percent, whichever is less as measured on an annual basis using the most recently published data as of the date of application. For the fiscal year ended September 30, 2025, the Town incurred charges of \$1,768 under the agreement.

NOTE 15 – SPECIAL ASSESSMENTS

Forest Hill Boulevard Sanitary Sewer Project

In 2015, non-ad valorem special assessments were levied on properties specially benefited by capital improvement project for the Forest Hill Boulevard sanitary sewer project. Property-owners were given the option to prepay the entire amount of the assessment. Assessments that were not prepaid are payable in twenty equal annual installments of principal and interest. During the fiscal year ended September 30, 2015, assessments began being levied on the properties in Phase 1A in Service Area 1. During the fiscal year ended September 30, 2018, assessments began being levied on the properties in Phase 1B in Service Area 1. The assessments bear interest at the rate of 3.5% per annum. At September 30, 2025, the special assessments receivable was \$627,998.

NOTE 16 – ACCOUNTING CHANGES

As discussed in Note 2, the Town implemented the provisions of GASB Statement No. 101, Compensated Absences during the current fiscal year. Implementation of this Statement resulted in the restatement of the beginning net position of the Utility Enterprise Fund, Governmental Activities, and Business-type Activities. See the table below for details.

During the current fiscal year, the Town determined that the Infrastructure Surtax Fund met the criteria to be reported as a major fund due to increased financial activity. In prior years, this fund was reported as part of the nonmajor governmental funds. This change affects only the presentation of the financial statements and does not impact total fund balance or net position of the Governmental Activities. See the table below for details.

Fund Balance/Net Position	Infrastructure Surtax Fund	Nonmajor Governmental Funds	Utility Enterprise Fund	Governmental Activities	Business-type Activities
09/30/24 Balance as previously reported	\$ -	\$ 871,469	\$ 10,768,440	\$ 9,664,980	\$ 10,768,440
Adjustment for implementation of GASB 101	-	-	(13,112)	(22,136)	(13,112)
Change from nonmajor to major fund	847,129	(847,129)	-	-	-
09/30/24 Balance as adjusted or restated	847,129	24,340	10,755,328	9,642,844	10,755,328

**REQUIRED SUPPLEMENTARY INFORMATION OTHER
THAN MANAGEMENT'S DISCUSSION AND ANALYSIS**

TOWN OF LAKE CLARKE SHORES, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes/incremental financing	\$ 2,355,284	\$ 2,355,284	\$ 2,367,772	\$ 12,488
Franchise fees	268,000	268,000	252,771	(15,229)
Licenses and permits	247,000	247,000	198,947	(48,053)
Intergovernmental	743,250	933,250	769,966	(163,284)
Charges for services	103,500	103,500	46,355	(57,145)
Grant revenue	-	-	579,544	579,544
Fines and forfeitures	40,500	40,500	81,913	41,413
Net investment earnings	-	-	161,743	161,743
Miscellaneous	255,500	255,500	167,306	(88,194)
Total revenues	4,013,034	4,203,034	4,626,317	423,283
EXPENDITURES				
Current:				
General government	1,432,719	1,432,719	1,586,041	(153,322)
Public safety	1,965,105	1,965,105	1,865,225	99,880
Transportation	27,790	27,790	40,942	(13,152)
Culture and recreation	121,000	121,000	120,472	528
Debt service:				
Principal payment	84,000	84,000	137,708	(53,708)
Interest expense and fiscal agent fees	4,210	4,210	18,648	(14,438)
Capital outlay	963,210	3,913,210	3,291,665	621,545
Total expenditures	4,598,034	7,548,034	7,060,701	487,333
Excess (deficiency) of revenues over (under) expenditures	(585,000)	(3,345,000)	(2,434,384)	910,616
OTHER FINANCING SOURCES (USES)				
Use of fund balance reserves	300,000	1,660,260	-	(1,660,260)
Transfers in (out)	285,000	1,684,740	1,684,740	-
Proceeds from the sale of capital assets	-	-	10,866	10,866
Total other financing sources	585,000	3,345,000	1,695,606	(1,649,394)
Net change in fund balances	\$ -	\$ -	(738,778)	\$ (738,778)
Fund balance - beginning			4,218,101	
Fund balance - ending			\$ 3,479,323	

See notes to required supplementary information

**TOWN OF LAKE CLARKE SHORES, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – CRA FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes/incremental financing	\$ 177,137	\$ 177,137	\$ 177,156	\$ 19
Interest	2,500	2,500	12,426	9,926
Total revenues	<u>179,637</u>	<u>179,637</u>	<u>189,582</u>	<u>9,945</u>
EXPENDITURES				
Current:				
Community redevelopment	109,637	109,637	60,386	49,251
Total expenditures	<u>109,637</u>	<u>109,637</u>	<u>60,386</u>	<u>49,251</u>
Excess (deficiency) of revenues over (under) expenditures	70,000	70,000	129,196	59,196
OTHER FINANCING SOURCES (USES)				
Use of fund balance reserves	10,000	114,740	-	(114,740)
Transfers in (out)	(80,000)	(184,740)	(184,740)	-
Total other financing sources	<u>(70,000)</u>	<u>(70,000)</u>	<u>(184,740)</u>	<u>(114,740)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(55,544)</u>	<u>(55,544)</u>
Fund balance - beginning			<u>364,801</u>	
Fund balance - ending			<u>\$ 309,257</u>	

**TOWN OF LAKE CLARKE SHORES, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – INFRASTRUCTURE SURTAX FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 364,356	\$ 14,356
Net investment earnings	-	-	28,025	28,025
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>392,381</u>	<u>42,381</u>
EXPENDITURES				
Debt service:				
Principal payment	97,000	97,000	97,000	-
Interest expense	6,870	6,870	6,552	318
Capital outlay	246,130	246,130	129,524	116,606
Total expenditures	<u>350,000</u>	<u>350,000</u>	<u>233,076</u>	<u>116,924</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	159,305	159,305
OTHER FINANCING SOURCES (USES)				
Use of fund balance reserves	-	945,000	-	(945,000)
Transfers in (out)	-	(945,000)	(945,000)	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>(945,000)</u>	<u>(945,000)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(785,695)</u>	<u>(785,695)</u>
Fund balance - beginning			<u>847,129</u>	
Fund balance - ending			<u>\$ 61,434</u>	

See notes to required supplementary information

TOWN OF LAKE CLARKE SHORES, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The Town annually adopts budgets for all funds except the Police Forfeiture Special Revenue Fund. During the current fiscal year, the Town amended the budget to appropriate funds to pay the costs of capital projects and to authorize the transfer of funds to the General Fund.

General Fund revenues were \$423,283 more than budgeted due primarily to more than anticipated grant revenues. Property taxes, fines and forfeitures, and investment income were also more than anticipated. Franchise fees, licenses and permits, intergovernmental, charges for services, and miscellaneous revenues were less than anticipated.

General Fund expenditures were \$487,333 less than budgeted. Expenditures for all departments were less than budgeted. See the table below for details.

Total revenues for the CRA Fund were \$9,945 more than budgeted because investment income was greater than anticipated. Total expenditures for the CRA Fund were \$49,251 less than budgeted because projects were delayed.

Total revenues for the Infrastructure Surtax Fund were \$42,381 more than budgeted because investment income and intergovernmental revenues were greater than anticipated. Total expenditures for the Infrastructure Surtax Fund were \$116,924 less than budgeted because capital projects were not completed as soon as anticipated.

**TOWN OF LAKE CLARKE SHORES, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS**

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Beginning balance	246,308	\$ 57,597	\$ 53,430	\$ 61,617	\$ 62,112	\$ 77,375	\$ 68,048	\$ 68,302
Service cost	36,334	39,529	5,097	6,880	3,499	3,627	4,329	4,590
Expected interest growth	12,471	9,980	2,721	1,758	1,374	2,411	2,959	2,600
Difference between expected and actual experience	-	-	-	5,396	-	(11,964)	-	-
Benefit payments & refunds	(11,156)	(18,760)	(3,019)	(3,049)	(2,850)	(3,443)	(3,188)	(2,938)
Assumption changes	(16,154)	157,962	(632)	(19,172)	(2,518)	(5,894)	5,227	(4,506)
Ending balance	<u>\$ 267,803</u>	<u>\$ 246,308</u>	<u>\$ 57,597</u>	<u>\$ 53,430</u>	<u>\$ 61,617</u>	<u>\$ 62,112</u>	<u>\$ 77,375</u>	<u>\$ 68,048</u>
Covered payroll	1,707,708	1,463,412	\$ 1,736,680	\$ 1,694,322	\$ 1,503,595	\$ 1,466,922	\$ 1,455,338	\$ 1,419,842
Net OPEB liability as a percentage of covered payroll	15.68%	16.83%	3.32%	3.15%	4.10%	4.23%	5.32%	4.79%
Discount rate	4.50%	4.06%	4.87%	4.77%	2.43%	2.14%	3.58%	4.18%

GASB 75 requires information for 10 years. However, until a full ten-year trend is compiled, information will be presented for only those years which information is available. There are no assets in a trust compliant with GASB codification P22.101 or P52.101.

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF LAKE CLARKE SHORES, FLORIDA
SCHEDULE OF DEPARTMENTAL EXPENDITURES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
EXPENDITURES:			
General government:			
Mayor and council:			
Personnel services:			
Executive Salaries	\$ 6,000	\$ 6,000	\$ -
F.I.C.A. Taxes	372	372	-
Medicare Taxes	87	87	-
Operating:			
Travel & Per Diem	6,000	2,893	3,107
Communications	500	-	500
Other Current Charges	2,500	-	2,500
Operating Supplies	1,500	705	795
Books, Dues & Education	1,500	203	1,297
Total mayor and council	<u>18,459</u>	<u>10,260</u>	<u>8,199</u>
Administration and clerk:			
Personnel services:			
Regular Salaries & Wages	333,184	334,540	(1,356)
Election Workers	7,500	-	7,500
Overtime	6,500	3,683	2,817
F.I.C.A. Taxes	21,060	19,900	1,160
Medicare Taxes	4,925	4,773	152
Pension Contributions	40,036	30,386	9,650
Sec. 457 Def. Comp	-	9,491	(9,491)
Life & Health Insurance	43,400	48,503	(5,103)
Operating:			
IT Professional Fees	7,000	7,815	(815)
Assessment for LCS Sewer	6,089	6,089	-
Travel & Per Diem	5,000	3,752	1,248
Communications	3,000	2,259	741
Postage & Freight	500	300	200
Rental & Leases	1,000	-	1,000
Repair & Maintenance	7,500	4,380	3,120
Printing & Binding	500	-	500
Other Current Charges	2,000	-	2,000
Advertising	3,000	3,930	(930)
Office Supplies	1,000	158	842
Operating Supplies	2,000	2,056	(56)
Books, Dues & Education	4,000	5,134	(1,134)
Capital outlay:			
Machinery & Equipment	3,500	-	3,500
Debt Service:			
Debt Service Interest	-	1,025	(1,025)
Total administration and clerk	<u>502,694</u>	<u>488,174</u>	<u>14,520</u>

(Continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
SCHEDULE OF DEPARTMENTAL EXPENDITURES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(Continued)

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Finance			
Operating:			
Consulting Finance Dir.	22,000	19,620	2,380
IT Professional Fees	3,000	-	3,000
Accounting and Auditing	17,500	18,550	(1,050)
Total finance	<u>42,500</u>	<u>38,170</u>	<u>4,330</u>
Legal			
Operating:			
Professional Fees	95,500	95,251	249
Total legal	<u>95,500</u>	<u>95,251</u>	<u>249</u>
Other general government:			
Operating:			
Professional Fees	35,000	36,895	(1,895)
IT Professional Fees	7,500	7,915	(415)
Other Contractual Service	10,000	11,234	(1,234)
Garbage Collection Serv.	330,000	320,207	9,793
Weed Control	24,000	22,116	1,884
Lawn Maintenance Service	130,000	125,127	4,873
Communications	25,065	21,656	3,409
Postage & Freight	3,000	460	2,540
Electricity	32,000	28,695	3,305
Water & Sewer	12,500	12,860	(360)
Rental & Leases	2,000	1,498	502
General Liability Ins.	132,000	115,815	16,185
Repair & Maintenance	32,000	47,154	(15,154)
Reoccurring/Annual/Monthly Cost	14,000	12,475	1,525
Printing & Binding	1,000	669	331
Other Current Charges	18,000	11,594	6,406
Office Supplies	1,000	907	93
Operating Supplies	7,500	8,647	(1,147)
Gas & Oil	3,000	731	2,269
Transfer to CRA TIF Payment	-	103,732	(103,732)
Books, Dues & Education	9,000	9,105	(105)
Capital outlay:			
Computers and Munis	10,000	-	10,000
Buildings	45,000	27,057	17,943
Imp. Other Than Buildings	25,000	22,118	2,882
Machinery & Equipment	10,000	6,544	3,456
Debt service:			
Debt Service Principal	42,000	42,000	-
Debt Service Interest	2,500	1,523	977
Contingency	247,000	-	247,000
Total other general government	<u>1,210,065</u>	<u>998,734</u>	<u>211,331</u>
Total general government	<u>1,869,218</u>	<u>1,630,589</u>	<u>238,629</u>

(Continued)

**TOWN OF LAKE CLARKE SHORES, FLORIDA
SCHEDULE OF DEPARTMENTAL EXPENDITURES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(Continued)**

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Public safety			
Law enforcement			
Personnel services:			
Regular Salaries & Wages	954,942	882,189	72,753
PD Special Details	85,000	22,435	62,565
Overtime	30,000	38,389	(8,389)
State Incentive Pay	8,580	15,111	(6,531)
F.I.C.A. Taxes	59,785	57,764	2,021
Medicare Taxes	13,982	13,509	473
Pension Contributions	78,908	66,630	12,278
Life & Health Insurance	129,600	116,191	13,409
Operating:			
IT Professional Fees	10,000	9,859	141
Other Contractual Service	20,000	25,224	(5,224)
Dispatch Contract	65,000	61,382	3,618
Travel & Per Diem	3,500	3,866	(366)
Communications	30,000	32,656	(2,656)
Postage & Freight	1,000	457	543
Rental & Leases	2,000	439	1,561
Vehicle Leases	-	10,746	(10,746)
Repair & Maintenance	55,000	50,784	4,216
Vehicle Repair & Maint.	40,000	50,657	(10,657)
Recurring/Annual/Monthly Cost	7,500	7,461	39
Printing & Binding	300	40	260
Other Current Charges	500	21,236	(20,736)
Crime Prevention Operat.	500	367	133
Office Supplies	1,500	1,303	197
Operating Supplies	25,000	26,800	(1,800)
Gas & Oil	38,000	29,330	8,670
Uniforms	3,000	8,966	(5,966)
Books, Dues & Education	10,000	4,539	5,461
Capital outlay:			
Radios PD	10,000	9,529	471
Machinery & Equipment	75,000	79,690	(4,690)
Debt service:			
Debt Service Principal	-	63,708	(63,708)
Debt Service Interest	-	16,100	(16,100)
Total law enforcement	1,758,597	1,727,357	31,240

(Continued)

TOWN OF LAKE CLARKE SHORES, FLORIDA
SCHEDULE OF DEPARTMENTAL EXPENDITURES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(Continued)

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Protective inspections:			
Personnel services:			
Regular Salaries & Wages	119,631	116,261	3,370
Overtime	6,000	834	5,166
F.I.C.A. Taxes	7,789	6,667	1,122
Medicare Taxes	1,822	1,559	263
Pension Contributions	10,767	10,539	228
Life & Health Insurance	27,000	21,267	5,733
Operating:			
Professional Fees	2,000	2,686	(686)
IT Professional Fees	4,500	7,815	(3,315)
Other Contractual Service	110,000	109,118	882
Travel & Per Diem	1,500	660	840
Communications	500	-	500
Postage & Freight	1,500	300	1,200
Rental & Leases	250	-	250
Repair & Maintenance	6,500	3,913	2,587
Reoccurring/Annual/Monthly Cost	6,000	17,552	(11,552)
Other Current Charges	250	-	250
AMS Monthly Fees	1,000	5,597	(4,597)
Office Supplies	500	273	227
Operating Supplies	3,000	1,854	1,146
Books, Dues & Education	1,000	-	1,000
Total protective inspections	311,509	306,895	4,614
Total public safety	2,070,106	2,034,252	35,854
Highways and streets			
Operating:			
Professional Fees	10,000	1,634	8,366
NPDES Agreement	12,000	5,038	6,962
Electricity	29,000	29,014	(14)
Repair & Maintenance	12,000	3,658	8,342
Operating Supplies	7,500	1,598	5,902
Road Materials & Supplies	1,000	-	1,000
Capital outlay:			
Bridge Improvements	3,150,000	3,112,916	37,084
Stormdrain Culvert Replacement	20,000	-	20,000
Road & Street Paving/Striping	100,000	-	100,000
Debt service:			
Debt Service Principal	42,000	32,000	10,000
Debt Service Interest	1,710	-	1,710
Total highways and streets	3,385,210	3,185,858	199,352

(Continued)

**TOWN OF LAKE CLARKE SHORES, FLORIDA
SCHEDULE OF DEPARTMENTAL EXPENDITURES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(Continued)**

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Culture and recreation:			
Parks and recreation:			
Personnel services:			
Regular Salaries & Wages	22,500	25,431	(2,931)
Overtime	-	1,083	(1,083)
F.I.C.A. Taxes	-	1,644	(1,644)
Medicare Taxes	-	384	(384)
Operating:			
Professional Fees	7,000	-	7,000
Electricity	5,000	3,987	1,013
Water & Sewer	1,000	1,675	(675)
Repair & Maintenance	25,000	15,291	9,709
Operating Supplies	5,000	4,528	472
Beautification/Landscape	9,500	10,871	(1,371)
Books, Dues & Education	1,000	278	722
Capital outlay:			
Community Park Improvements	80,000	89,530	(9,530)
Total parks and recreation	<u>156,000</u>	<u>154,702</u>	<u>1,298</u>
Special events:			
Operating:			
Postage & Freight	1,500	1,300	200
Reoccurring/Annual/Monthly Cost	500	-	500
Printing & Binding	4,000	4,609	(609)
Promotional Activities	3,500	303	3,197
Other Current Charges	500	-	500
Operating Supplies	57,500	49,088	8,412
Total special events	<u>67,500</u>	<u>55,300</u>	<u>12,200</u>
Total culture and recreation	<u>223,500</u>	<u>210,002</u>	<u>13,498</u>
 Total expenditures	 <u>\$ 7,548,034</u>	 <u>\$ 7,060,701</u>	 <u>\$ 487,333</u>



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 Lake Clarke Shores, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Clarke Shores, Florida ("Town") as of and for the fiscal year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our opinion thereon dated May 1, 2026.

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) 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 or significant deficiencies may exist that were not 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 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.

Grau & Associates

May 1, 2026



**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 Lake Clarke Shores, Florida

We have examined the Town of Lake Clarke Shores, 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, 2025. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2025.

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 Town Council of the Town of Lake Clarke Shores, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

May 1, 2026



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

To the Town Council
Town of Lake Clarke Shores, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Town of Lake Clarke Shores, Florida ("Town") as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated May 1, 2026.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on 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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 1, 2026, 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 for 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 Town Council of the Town of Lake Clarke Shores, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Town of Lake Clarke Shores, 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

May 1, 2026

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND CURRENT YEAR STATUS

None

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.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2024.

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, 2025.

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, 2025.

4. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.

5. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2025. 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.

7. A statement as to whether or not a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the county, municipality, or dependent special district geographical boundaries during the fiscal year under audit, regardless of whether any new financing arrangements were initiated during the period under audit or whether only preexisting financing arrangements were administered.

A PACE program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did not operate within the municipality's geographical boundaries during the fiscal year ending September 30, 2025.

REPORT TO MANAGEMENT (Continued)

8. If a PACE program was operating within the geographical area of the county, municipality, or dependent special district during the period under audit, a list of all program administrators and third-party administrators that administered the program and the full legal names and contact information of each such program administrator and third-party administrator.

Not applicable.