

**TOWN OF
PALM SHORES,
FLORIDA**

**Basic
Financial Statements
and Supplementary
Information**

September 30, 2021

TOWN OF PALM SHORES, FLORIDA

Official Directory

September 30, 2021

Carol McCormack

Mayor

Frank Falcone

Vice-Mayor

Chase Chambliss

Councilman

Paul Bonville

Councilman

Sharon Secord

Councilwoman

TABLE OF CONTENTS

| | Page |
|--------------------------------------------------------------------------------------------------------------------------------------------------|------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4 |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 10 |
| Statement of Activities | 11 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 12 |
| Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position | 13 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 14 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities | 15 |
| Notes to Financial Statements | 16 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund | 27 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - ARPA Fund | 28 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Recreation Impact Fund | 29 |
| Note to Required Supplementary Information | 30 |

TABLE OF CONTENTS (continued)

| | Page |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| SUPPLEMENTARY NONMAJOR FUND FINANCIAL STATEMENTS | |
| Nonmajor Governmental Fund | 32 |
| Nonmajor Governmental Fund - Balance Sheet | 33 |
| Nonmajor Governmental Fund - Statement of Revenues, Expenditures and Changes in Fund Balance | 34 |
| Nonmajor Governmental Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 35 |
| COMPLIANCE SECTION | |
| 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 <i>Government Auditing Standards</i> | 37 |
| Management Letter | 39 |
| Independent Accountant's Report on Investment Compliance | 41 |



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, major funds, and the aggregate remaining fund information of the Town of Palm Shores, Florida (the "Town"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate 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 combining nonmajor fund financial statements are 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 March 22, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

March 22, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**TOWN OF PALM SHORES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

As management of the Town of Palm Shores, Florida (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2021. Consideration should be given to the information presented here in conjunction with information that has been furnished in the basic financial statements, as listed on the table of contents.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$2,996,739 (net position). Of this amount, \$1,322,215 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- During the fiscal year the Town's total net position increased by \$138,124.
- As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$1,329,168, an increase of \$110,741 from the previous fiscal year. Of this amount \$1,322,743 is available for spending at the Town's discretion (unassigned).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

1) Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

- The statement of net position presents information on all of the Town's assets, deferred outflows, liabilities, deferred inflows, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

1) Government-wide financial statements (continued). The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, transportation, and recreation. The Town has no business type activities.

The government-wide financial statements can be found on pages as listed on the table of contents of this report.

2) Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has only one category of funds - governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General fund, ARPA Fund, Recreation Impact Fund and the other governmental fund. The other governmental fund contains the Public Facilities Impact Fund. The General Fund, ARPA Fund and Recreation Impact Fund are presented as the Town's major funds.

The basic governmental fund financial statements can be found on pages as listed on the table of contents of this report.

3) Notes to the financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages as listed on the table of contents of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparison of the condensed statement of net position is provided below:

Statement of Net Position

| | Governmental Activities | | |
|----------------------------------|-------------------------|--------------|------------|
| | 2021 | 2020 | Variance |
| ASSETS | | | |
| Current assets | \$ 1,488,408 | \$ 1,265,053 | \$ 223,355 |
| Capital assets | 1,643,517 | 1,620,026 | 23,491 |
| Total assets | 3,131,925 | 2,885,079 | 246,846 |
| LIABILITIES | | | |
| Current liabilities | 128,233 | 19,883 | 108,350 |
| Noncurrent liabilities | 6,953 | 6,581 | 372 |
| Total liabilities | 135,186 | 26,464 | 108,722 |
| NET POSITION | | | |
| Net investment in capital assets | 1,643,517 | 1,620,026 | 23,491 |
| Restricted for: | | | |
| Public facilities | 15,956 | 15,956 | - |
| Recreation | 15,051 | 10,787 | 4,264 |
| Unrestricted | 1,322,215 | 1,211,846 | 110,369 |
| Total net position | \$ 2,996,739 | \$ 2,858,615 | \$ 138,124 |

Current assets increased by approximately \$223,000 primarily due to an increase in cash as result of the Town's receiving the American Rescue Plan Act ("ARPA") funds. The Town's capital assets increased by approximately \$23,000 which relates to current year depreciation expense of approximately \$60,000 offset by approximately \$80,000 current year additions.

Current liabilities increased by approximately \$108,000 as a result of a portion of the ARPA funds received, but not recognized in fiscal year 2021, therefore recorded as unearned revenue.

The Town's net investment in capital assets, e.g., land, buildings and improvements, improvements other than buildings, furniture and equipment, and infrastructure; represent 55% of the Town's net position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Comparison of the Town's statement of activities for the years ended September 30 is provided below:

Statement of Activities

| | Governmental Activities | | |
|-----------------------------------------|-------------------------|--------------|-------------|
| | 2021 | 2020 | Variance |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 135,342 | \$ 169,911 | \$ (34,569) |
| Capital grants and contributions | 72,113 | - | 72,113 |
| Total program revenues | 207,455 | 169,911 | 37,544 |
| General revenues: | | | |
| Franchise fees | 71,126 | 91,772 | (20,646) |
| Utility and communication service taxes | 172,057 | 184,003 | (11,946) |
| Local option gas tax | 27,594 | 26,063 | 1,531 |
| State revenue sharing | 107,147 | 93,241 | 13,906 |
| Interest income | 1,340 | 5,249 | (3,909) |
| Miscellaneous | 11,497 | 18,329 | (6,832) |
| Total general revenues | 390,761 | 418,657 | (27,896) |
| Total revenues | 598,216 | 588,568 | 9,648 |
| Expenses: | | | |
| General government | 383,860 | 395,723 | (11,863) |
| Transportation | 68,420 | 49,345 | 19,075 |
| Recreation | 7,812 | 7,244 | 568 |
| Total expenses | 460,092 | 452,312 | 7,780 |
| Change in net position | 138,124 | 136,256 | 1,868 |
| Net position, beginning | 2,858,615 | 2,722,359 | 136,256 |
| Net position, ending | \$ 2,996,739 | \$ 2,858,615 | \$ 138,124 |

Charges for services decreased by approximately \$35,000 primarily due to a decrease in permitting fees due to fewer permits being issued offset by an increase of solid waste fees.

Capital grants and contributions increased by approximately \$72,000 due to ARPA funds received and recognized as revenue in fiscal year 2021.

Franchise fees decreased by approximately \$21,000 due to shift in grouping classification of solid waste fees from franchise fees to charges for services in fiscal year 2021.

Utility and communication service taxes decreased by approximately \$12,000 due to lower communication services tax in comparison to the prior year.

State sharing revenue increased by approximately \$14,000 due to an increase in half-cent sales tax and intergovernmental revenue share.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

General government expenses decreased by approximately \$12,000 which is primarily due to a decrease in lawn maintenance fees after the Town purchased additional equipment in prior year for use by in house employees.

Transportation increased by approximately \$19,000 due to median maintenance and repairs completed during the year.

FUND FINANCIAL STATEMENTS

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, 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 fund balances of \$1,360,175, an increase of \$115,005 in comparison with the prior year. The fund balance amount is comprised of non-spendable funds of \$6,425, restricted funds of \$15,956 for public facilities, \$15,051 for recreation and unassigned funds of \$1,322,743 which is available for spending at the Town's discretion. At the year end, there were no outstanding contracts or purchase orders.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, total fund balance of the general fund was \$1,329,168, of which \$6,425 is non-spendable fund balance, and \$1,322,743 is unassigned fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following information is presented to assist the reader in comparing actual results with budgetary amounts. The general fund budgetary highlights can be found as listed on the table of contents of this report.

The actual revenues were more than budgeted revenues by approximately \$70,000. The budgeted expenditures exceeded actual expenditures by approximately \$41,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town's total capital assets for its governmental activities as of September 30, 2021, amounts to \$1,643,517 (net of accumulated depreciation). The Town purchased capital assets in 2021 for \$82,598. This investment in capital assets includes land, buildings and improvements, improvements other than buildings, furniture and equipment, and infrastructure.

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

Additional information on the Town's capital assets can be found in Note C to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Town does not assess property tax.
- The Town has budgeted for \$472,300 in expenditures for fiscal year ending September 30, 2022.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Palm Shores, Florida's finances for those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mayor of the Town of Palm Shores, 5030 Paul Hurtt Lane, Palm Shores, FL 32940.

Town of Palm Shores, Florida

STATEMENT OF NET POSITION

September 30, 2021

| | Governmental Activities |
|--------------------------------------------------|------------------------------------|
| ASSETS | |
| Cash, cash equivalents and investments | \$ 1,446,657 |
| Receivables | 35,326 |
| Prepaid expenses | 6,425 |
| Total current assets | <u>1,488,408</u> |
| Capital assets, not being depreciated | |
| Land | 881,602 |
| Capital assets, net of accumulated depreciation | |
| Buildings and improvements | 294,271 |
| Improvements other than buildings | 114,795 |
| Furniture and equipment | 27,976 |
| Infrastructure | 324,873 |
| Total capital assets | <u>1,643,517</u> |
| Total assets | <u>3,131,925</u> |
| LIABILITIES | |
| Accounts payable | 8,023 |
| Accrued wages payable | 6,392 |
| Unearned revenue | 113,818 |
| Noncurrent liabilities | |
| Due in more than one year - compensated absences | 6,953 |
| Total liabilities | <u>135,186</u> |
| NET POSITION | |
| Net investment in capital assets | 1,643,517 |
| Restricted for | |
| Public facilities | 15,956 |
| Recreation | 15,051 |
| Unrestricted | 1,322,215 |
| Total net position | <u><u>\$ 2,996,739</u></u> |

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

Town of Palm Shores, Florida

STATEMENT OF ACTIVITIES

For the year ended September 30, 2021

| Function/Program | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position |
|------------------------------------------|-------------------|----------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| General government | \$ 383,860 | \$ 53,991 | \$ - | \$ 72,113 | \$ (257,756) |
| Public safety | - | 38,838 | - | - | 38,838 |
| Transportation | 68,420 | 42,513 | - | - | (25,907) |
| Recreation | 7,812 | - | - | - | (7,812) |
| Total | <u>\$ 460,092</u> | <u>\$ 135,342</u> | <u>\$ -</u> | <u>\$ 72,113</u> | <u>(252,637)</u> |
| General revenues | | | | | |
| Taxes | | | | | |
| Franchise fees | | | | | 71,126 |
| Utility and communications service taxes | | | | | 172,057 |
| Local option gas tax | | | | | 27,594 |
| State revenue sharing | | | | | 107,147 |
| Interest income | | | | | 1,340 |
| Miscellaneous | | | | | 11,497 |
| Total general revenues | | | | | <u>390,761</u> |
| Change in net position | | | | | 138,124 |
| Net position, beginning | | | | | <u>2,858,615</u> |
| Net position, ending | | | | | <u>\$ 2,996,739</u> |

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

Town of Palm Shores, Florida
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2021

| | General Fund | Recreation Impact Fund | ARPA Fund | Nonmajor Governmental Fund | Total Governmental Funds |
|---------------------------------------------------|---------------------|---------------------------|------------------|----------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash, cash equivalents and investments | \$ 1,315,901 | \$ - | \$ - | \$ - | \$ 1,315,901 |
| Restricted cash, cash equivalents and investments | 130,756 | - | - | - | 130,756 |
| Receivables | 31,062 | 4,264 | - | - | 35,326 |
| Prepaid expenses | 6,425 | - | - | - | 6,425 |
| Due from other funds | - | 10,787 | 99,749 | 15,956 | 126,492 |
| Total assets | <u>\$ 1,484,144</u> | <u>\$ 15,051</u> | <u>\$ 99,749</u> | <u>\$ 15,956</u> | <u>\$ 1,614,900</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 8,023 | \$ - | \$ - | \$ - | \$ 8,023 |
| Accrued wages payable | 6,392 | - | - | - | 6,392 |
| Unearned revenue | 14,069 | - | 99,749 | - | 113,818 |
| Due to other funds | 126,492 | - | - | - | 126,492 |
| Total liabilities | <u>154,976</u> | <u>-</u> | <u>99,749</u> | <u>-</u> | <u>254,725</u> |
| Fund balances | | | | | |
| Non-spendable - prepaid expenses | 6,425 | - | - | - | 6,425 |
| Restricted for | | | | | |
| Public facilities | - | - | - | 15,956 | 15,956 |
| Recreation | - | 15,051 | - | - | 15,051 |
| Unassigned | 1,322,743 | - | - | - | 1,322,743 |
| Total fund balances | <u>1,329,168</u> | <u>15,051</u> | <u>-</u> | <u>15,956</u> | <u>1,360,175</u> |
| Total liabilities and fund balances | <u>\$ 1,484,144</u> | <u>\$ 15,051</u> | <u>\$ 99,749</u> | <u>\$ 15,956</u> | <u>\$ 1,614,900</u> |

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

Town of Palm Shores, Florida

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

September 30, 2021

Fund balances - total governmental funds \$ 1,360,175

The net position reported for governmental activities
in the statement of net position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in
the governmental funds. Those assets consist of:

| | |
|----------------------------------------|----------------|
| Land | \$ 881,602 |
| Buildings and improvements, net | 294,271 |
| Improvements other than buildings, net | 114,795 |
| Furniture and equipment, net | 27,976 |
| Infrastructure, net | <u>324,873</u> |

1,643,517

Long-term liabilities are not due and payable in the
current period and therefore are not reported in the
funds. Those liabilities consist of:

Compensated absences

(6,953)

Total net position of governmental activities

\$ 2,996,739

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

Town of Palm Shores, Florida

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the year ended September 30, 2021

| | General Fund | Recreation Impact Fund | ARPA Fund | Nonmajor Governmental Fund | Total Governmental Funds |
|-------------------------------------------------------------------------|---------------------|---------------------------|---------------|----------------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 270,777 | \$ - | \$ - | \$ - | \$ 270,777 |
| Intergovernmental | 107,147 | - | - | - | 107,147 |
| American Recovery Plan Act | - | - | 72,113 | - | 72,113 |
| Charges for services | 49,778 | - | - | - | 49,778 |
| Licenses and permits | 43,051 | - | - | - | 43,051 |
| Transportation | 42,513 | - | - | - | 42,513 |
| Miscellaneous | 7,233 | 4,264 | - | - | 11,497 |
| Interest income | 1,340 | - | - | - | 1,340 |
| Total revenues | 521,839 | 4,264 | 72,113 | - | 598,216 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 324,381 | - | - | - | 324,381 |
| Transportation | 68,420 | - | - | - | 68,420 |
| Recreation | 1,282 | - | 6,530 | - | 7,812 |
| Capital outlay | 17,015 | 65,583 | - | - | 82,598 |
| Total expenditures | 411,098 | 65,583 | 6,530 | - | 483,211 |
| Excess (deficiency) of revenues over (under) expenditures | 110,741 | (61,319) | 65,583 | - | 115,005 |
| Other financing sources (uses) | | | | | |
| Transfers in | 65,583 | 65,583 | - | - | 131,166 |
| Transfers out | (65,583) | - | (65,583) | - | (131,166) |
| Excess of revenues and other financing sources over expenditures | 110,741 | 4,264 | - | - | 115,005 |
| Fund balances, beginning | 1,218,427 | 10,787 | - | 15,956 | 1,245,170 |
| Fund balances, ending | <u>\$ 1,329,168</u> | <u>\$ 15,051</u> | <u>\$ -</u> | <u>\$ 15,956</u> | <u>\$ 1,360,175</u> |

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

Town of Palm Shores, Florida

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended September 30, 2021

| | | |
|--------------------------------------------------------|----|---------|
| Net change in fund balances - total governmental funds | \$ | 115,005 |
|--------------------------------------------------------|----|---------|

The change in net position reported for governmental activities
in the statement of activities is different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those
assets are allocated over their estimated useful lives and
reported as depreciation expense:

| | | | |
|----------------------|----|-----------------|--------|
| Capital outlay | \$ | 82,598 | |
| Depreciation expense | | <u>(59,107)</u> | |
| | | | 23,491 |

Some expenses reported in the statement of activities do not
require the use of current financial resources and, therefore,
are not reported as expenditures in governmental funds.

These expenses consist of:

| | | |
|----------------------|--|--------------|
| Compensated absences | | <u>(372)</u> |
|----------------------|--|--------------|

| | | |
|---------------------------------------------------|----|----------------|
| Change in net position of governmental activities | \$ | <u>138,124</u> |
|---------------------------------------------------|----|----------------|

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

Town of Palm Shores, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Palm Shores, Florida (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described below.

1. Reporting entity

The Town was incorporated and organized by a special act of the Florida legislature in 1959 as a municipality with a strong Mayor and a four-member Council. Both the Mayor and Council are elected by the registered voters of the Town. The Council elects a Vice-Mayor from among its members annually. The Town provides a wide range of services as directed by the Town Charter, including general government, inspections, planning and zoning, and other related general and administrative services for its approximately 1,200 residents.

In evaluating the Town as a reporting entity, management has addressed all potential component units that may, or may not fall within the Town's oversight and control, and thus, be included in the Town's financial statements, as defined in GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, *Defining the Financial Reporting Entity*. There were no component units to be reported by the Town during the current fiscal year.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the primary government as a whole. As part of the consolidation process, all interfund activities are eliminated from these statements.

Net position, the difference between assets and liabilities, as presented in the statement of net position, is subdivided into three categories: net investments in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation. Net investment in capital assets is the component of net position that consists of capital assets, net of accumulated depreciation, and reduced by any outstanding balances of bonds, mortgages, notes of other borrowings that are attributable to the acquisition, construction and improvements of those assets. Unrestricted net position is the component of net position that does not meet the definition of the other two components.

Town of Palm Shores, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The statement of activities presents a comparison between the direct and indirect expenses of a given function or segment and its program revenues, and displays the extent to which each function or segment contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate fund financial statements report detailed information about the Town's governmental funds. The Town has three major funds: General Fund, ARPA Fund, and Recreation Impact Fund. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise and utility taxes, state revenue sharing and charges for services (except for investment earnings) associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Investment earnings are recorded when earned.

Town of Palm Shores, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting and financial statement presentation (continued)

The Town reports the following major governmental funds:

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

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

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

4. Cash, cash equivalents and investments

The Town's cash and cash equivalents and investments are considered to be cash on hand, demand deposits, and pooled investments with the State Board of Administration.

Florida Statutes authorize the Town to invest in the Local Government Surplus Funds Trust Fund which is administered by the State Board of Administration; obligations of, or obligations where the principal and interest of which are unconditionally guaranteed by the United States Government; interest bearing time deposits or savings accounts in banks and savings and loan organized under Laws of the United States; obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, or obligations guaranteed by the Government National Mortgage Association; and obligations of the Federal National Mortgage Association.

5. Receivables

After reviewing the individual account balances, the Town's management has determined that 100% of the receivables are fully collectible based on prior experience with similar accounts. Therefore, no allowance for doubtful accounts has been provided.

Town of Palm Shores, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital assets

Capital assets, which include land, buildings and improvements, improvements other than buildings, furniture and equipment, and infrastructure (i.e. park rehabilitation) are reported in the government-wide financial statements. The Town defines capital assets as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost when purchased. Contributed capital assets are capitalized at their fair value at the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Pursuant to GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Section 1400.162, *Reporting Capital Assets*, the Town elected not to record and depreciate infrastructure assets placed in service prior to the fiscal year ended September 30, 2006. Current year additions are placed in service and recorded as a capital asset.

Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of depreciable assets. The estimated useful lives of the various classes of depreciable assets are as follows:

| Asset class | Estimated useful lives (years) |
|-----------------------------------|-----------------------------------|
| Buildings and improvements | 10-40 |
| Improvements other than buildings | 10-40 |
| Furniture and equipment | 5-7 |
| Infrastructure | 40 |

7. Compensated absences

The Town records the vested portion of accumulated unused compensated absences, if material, at year-end based on each employee's unused hours and rate of pay, including the Town's share of payroll taxes. All compensated absences are accrued when incurred in the governmental-wide financial statements as accrued liabilities. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

8. Long-term obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities.

Town of Palm Shores, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Income tax

The Town qualifies as a tax-exempt entity and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

10. Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reported year. Actual results could differ from these estimates.

11. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Fund Balance - The difference between assets and all current operational commitments and liabilities reported in a governmental fund.

Non-spendable Fund Balance - Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (inventories, prepaid expenditures) and items such as long-term amount of loans, property acquired for resale, as well as unrealized gains.

Restricted Fund Balance - Amounts that have externally enforceable limitations on use of resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Town Council, the Town's highest level of decision making authority. Commitments may only be removed or changed by the Town Council taking the same formal action (resolution) that imposed the constraint originally.

Town of Palm Shores, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Fund balance classification (continued)

Assigned Fund Balance - Amounts that are constrained by the Town's intent to be used for specific purposes that are neither considered restricted nor committed. The authority to assign fund balance lies with the Mayor.

Unassigned Fund Balance - The residual classification for the General Fund resources. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Restricted amounts shall be spent first unless there are legal documents and/or contracts prohibiting this, such as grant agreements. Further, the order of priority shall be Committed Fund Balance, followed by Assigned Fund Balance, and then Unassigned Fund Balance when expenditures are incurred for purposes for which amounts in any of the classifications could be used.

12. Property tax

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

13. Interfund transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. As of September 30, 2021, the General Fund owed the other governmental funds \$126,492.

Town of Palm Shores, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

The Town's cash, cash equivalents and investments at September 30, 2021, were:

| | Fair Value | Duration WAM (weighted average maturity) | Rating |
|----------------------------------------------------|---------------------|---------------------------------------------------|-----------|
| Cash and cash equivalents | \$ 1,385,916 | N/A | Not rated |
| Florida PRIME | 60,741 | 49 days | AAAm |
| Total cash and cash equivalents and investments | <u>\$ 1,446,657</u> | | |

Custodial credit risk -The Town maintains its cash and cash equivalent balances in financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per depositor. At September 30, 2021, the Town's cash and cash equivalent balances were fully insured through the FDIC coverage and their qualified public depositor accounts. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Town pursuant to Section 280.08, Florida Statutes. Financial institutions must meet the criteria of being a Qualified Public Depository as described in the Florida Security for Public Deposits Act, under Chapter 280, Florida Statutes, before any investments are made with those institutions.

The Town also has an investment in Florida Prime that is subject to certain risks. On December 23, 2008, all Local Government Investment Pool ("LGIP") fund balances became 100% liquid. The LGIP was given a new name, "Florida PRIME", on August 3, 2009. The Florida PRIME is operated as a "2a7-like" money market fund. As of September 30, 2021, the Town had \$60,741 in Florida PRIME. The primary investment objectives for Florida PRIME, in priority order, are safety, liquidity, and competitive returns with minimization of risks. Investment performance of Florida PRIME is evaluated on a monthly basis.

The local government pooled investment account (Florida Prime) is administered by the State Board of Administration and is composed of local government surplus funds deposited therein by units of local government. The investing of public funds with the State Board of Administration is governed by Section 218.407, Florida Statutes. The investments with the State Board of Administration consist largely of federal agency obligations, repurchase agreements, banker's acceptance, and commercial paper.

In adherence with GASB's *Codification of Governmental Accounting and Financial Reporting Standard, Section In5, Investment Pools (External)*, Certain External Investment Pools and Pool Participants, the Town reports its investments in Florida PRIME at amortized cost because Florida PRIME is an external investment pool that reports their investments at amortized cost.

Town of Palm Shores, Florida

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Interest rate risk - The Town's adopted investment guidelines require that the investments of the Town be limited to those investments contained in Florida Statutes 218.415(17) subparagraphs (a) through (d), which allow investments in the local government pooled investment account, securities and exchange commission required money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the U.S. Treasury. The Town's investment policy does not further limit its investment choices. As of September 30, 2021, the Florida Prime Fund was rated by S&P, a nationally recognized statistical rating organization, as noted on the previous page.

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|----------------------------------------------|----------------------|------------------|-------------|--------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 881,602 | \$ - | \$ - | \$ 881,602 |
| Capital assets, being depreciated: | | | | |
| Building and improvements | 579,386 | - | - | 579,386 |
| Improvements other than buildings | 433,907 | 5,882 | - | 439,789 |
| Furniture and equipment | 135,358 | - | - | 135,358 |
| Infrastructure | 502,679 | 76,716 | - | 579,395 |
| Total capital assets being depreciated | <u>1,651,330</u> | <u>82,598</u> | <u>-</u> | <u>1,733,928</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 270,418 | 14,697 | - | 285,115 |
| Improvements other than buildings | 313,702 | 11,292 | - | 324,994 |
| Furniture and equipment | 95,375 | 12,007 | - | 107,382 |
| Infrastructure | 233,411 | 21,111 | - | 254,522 |
| Total accumulated depreciation | <u>912,906</u> | <u>59,107</u> | <u>-</u> | <u>972,013</u> |
| Total capital assets, being depreciated, net | <u>738,424</u> | <u>23,491</u> | <u>-</u> | <u>761,915</u> |
| Governmental activities capital assets, net | <u>\$1,620,026</u> | <u>\$ 23,491</u> | <u>\$ -</u> | <u>\$1,643,517</u> |

Depreciation expense of \$59,107 was charged to the general government function.

Town of Palm Shores, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE D - LONG-TERM LIABILITIES

Compensated absences in the governmental activities are classified as long-term liabilities and are liquidated by the general fund.

Changes in long-term liabilities

| | Balance at October 1, 2020 | Additions | Reductions | Balance at September 30, 2021 | Due within one year |
|-------------------------|----------------------------------|-----------|------------|-------------------------------------|------------------------|
| Compensated absences | \$ 6,581 | \$ 6,319 | \$ 5,947 | \$ 6,953 | \$ - |

NOTE E - UNEARNED REVENUE

Unearned revenues are a liability that represents amounts received, but not yet earned. The Town's unearned revenue consist mostly of approximately \$100,000 of the ARPA funds received, but not expensed in fiscal year 2021. The unearned revenue will be earned in the future periods as the eligible expenses will be incurred.

NOTE F - COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operations, the Town is party to various claims, legal actions, and complaints. Some of these matters are covered by the Town's insurance program. While the ultimate effect of any litigation cannot be ascertained at this time, management believes, based on the advice of legal counsel, that there will be no material effect on the Town's financial position and/or that the Town has sufficient insurance coverage to cover any claims.

NOTE G - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained insurance from commercial underwriters for all the aforementioned risks except workers' compensation. For workers' compensation, the Town has joined with other local governments in the State participating in the Florida League of Cities Municipal Self-Insurance Program ("Program"), a public entity risk pool currently operating as a common risk management and insurance program.

The interlocal agreement with the Program provides that the Program will be self-sustaining through member premiums and will reinsure through commercial companies. There have been no significant reductions in insurance coverage from the prior year. No settlements have exceeded the Town's insurance coverage for each of the past three fiscal years.

Town of Palm Shores, Florida
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE H - AMERICAN RESCUE PLAN ACT

On March 11, 2021, the American Rescue Plan Act was signed into law, and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, which together make up the Coronavirus State and Local Fiscal Recovery Funds ("SLFRF") program.

This program is intended to provide support to State and local governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses.

The Town received \$171,862 of ARPA funds as of September 30, 2021. The Town spent a portion of these funds on eligible expenses during fiscal year 2021 in accordance with applicable guidance, and the remaining portion of approximately \$100,000 is unearned as of year-end (see Note E).

NOTE I - SUBSEQUENT EVENTS

The Town has evaluated subsequent events through March 22, 2022, the date on which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Palm Shores, Florida

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

For the year ended September 30, 2021

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---------------------------------------------------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 273,500 | \$ 273,500 | \$ 270,777 | \$ (2,723) |
| Licenses and permits | 20,300 | 20,300 | 43,051 | 22,751 |
| Intergovernmental | 82,000 | 82,000 | 107,147 | 25,147 |
| Charges for services | 36,800 | 36,800 | 49,778 | 12,978 |
| Transportation | 37,700 | 37,700 | 42,513 | 4,813 |
| Interest income | 1,000 | 1,000 | 1,340 | 340 |
| Miscellaneous | 1,000 | 1,000 | 7,233 | 6,233 |
| Total revenues | <u>452,300</u> | <u>452,300</u> | <u>521,839</u> | <u>69,539</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 394,550 | 394,550 | 324,381 | 70,169 |
| Transportation | 53,500 | 53,500 | 68,420 | (14,920) |
| Recreation | 4,250 | 4,250 | 1,282 | 2,968 |
| Capital outlay | - | - | 17,015 | (17,015) |
| Total expenditures | <u>452,300</u> | <u>452,300</u> | <u>411,098</u> | <u>41,202</u> |
| Excess of revenues over expenditures | - | - | 110,741 | 110,741 |
| Transfers in | - | 60,000 | 65,583 | 5,583 |
| Transfers out | - | (60,000) | (65,583) | (5,583) |
| Excess of revenues and other financing sources over expenditures | - | - | 110,741 | 110,741 |
| Fund balances, beginning | <u>1,218,427</u> | <u>1,218,427</u> | <u>1,218,427</u> | <u>-</u> |
| Fund balances, ending | <u>\$ 1,218,427</u> | <u>\$ 1,218,427</u> | <u>\$ 1,329,168</u> | <u>\$ 110,741</u> |

See accompanying note to required supplementary information.

Town of Palm Shores, Florida

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

For the year ended September 30, 2021

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|------------------------------------------------------------------------|-----------------|--------------|---------------|---------------------------------------|
| REVENUES | | | | |
| American Recovery Plan Act | \$ - | \$ 171,862 | \$ 72,113 | \$ (99,749) |
| Total revenues | - | 171,862 | 72,113 | (99,749) |
| EXPENDITURES | | | | |
| Current | | | | |
| Recreation | - | - | 6,530 | (6,530) |
| Capital outlay | - | 111,862 | - | 111,862 |
| Total expenditures | - | 111,862 | 6,530 | 105,332 |
| Excess of revenues over expenditures | - | 60,000 | 65,583 | 5,583 |
| Other financing sources | | | | |
| Transfers out | - | (60,000) | (65,583) | (5,583) |
| Excess of revenues and other financing sources over expenditures | - | - | - | - |
| Fund balances, beginning | - | - | - | - |
| Fund balances, ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See Independent Auditor's Report.

Town of Palm Shores, Florida

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - RECREATION IMPACT FUND**

For the year ended September 30, 2021

| | Original | Final | Actual | Variance with Final Budget |
|------------------------------------------------------------------------|------------------|------------------|------------------|-------------------------------|
| REVENUES | | | | |
| American Recovery Plan Act | \$ 1,200 | \$ 11,200 | \$ - | \$ (11,200) |
| Miscellaneous | 2,000 | 2,000 | 4,264 | 2,264 |
| Total revenues | 3,200 | 13,200 | 4,264 | (8,936) |
| EXPENDITURES | | | | |
| Capital outlay | 3,200 | 73,200 | 65,583 | 7,617 |
| Total expenditures | 3,200 | 73,200 | 65,583 | 7,617 |
| Deficiency of revenues under expenditures | - | (60,000) | (61,319) | (1,319) |
| Other financing sources | | | | |
| Transfers in | - | 60,000 | 65,583 | 5,583 |
| Excess of revenues and other financing sources over expenditures | - | - | 4,264 | 4,264 |
| Fund balances, beginning | 10,787 | 10,787 | 10,787 | - |
| Fund balances, ending | <u>\$ 10,787</u> | <u>\$ 10,787</u> | <u>\$ 15,051</u> | <u>\$ 4,264</u> |

See Independent Auditor's Report.

Town of Palm Shores, Florida

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgets and budgetary accounting

The Town's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Town Council. Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the budget. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedules for the General Fund and special revenue funds, present actual expenditures in accordance with accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

**SUPPLEMENTARY NONMAJOR FUND
FINANCIAL STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor governmental funds are special revenue funds which are used to account for specific revenues that are legally restricted to expenditure for particular purposes and are funds that were not deemed a major fund. The Town has only one nonmajor fund which is Public Facilities Impact Fund.

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

Town of Palm Shores, Florida

NONMAJOR GOVERNMENTAL FUND -
BALANCE SHEET

September 30, 2021

| | Public Facilities Impact Fund |
|----------------------|----------------------------------|
| ASSETS | |
| Due from other funds | \$ 15,956 |
| Total assets | \$ 15,956 |
| FUND BALANCES | |
| Restricted | \$ 15,956 |
| Total fund balance | \$ 15,956 |

See Independent Auditor's Report.

Town of Palm Shores, Florida

NONMAJOR GOVERNMENTAL FUND -
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the year ended September 30, 2021

| | Public Facilities Impact Fund |
|--------------------------------------------------------------------------|----------------------------------|
| REVENUES | |
| Total revenues | \$ - |
| EXPENDITURES | |
| Total expenditures | - |
| Excess (deficiency) of revenues over (under) expenditures | - |
| Fund balance, beginning | 15,956 |
| Fund balance, ending | \$ 15,956 |

See Independent Auditor's Report.

Town of Palm Shores, Florida

NONMAJOR GOVERNMENTAL FUND -
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended September 30, 2021

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---------------------------------------------|------------------|------------------|------------------|---------------------------------------|
| REVENUES | | | | |
| Total revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues over expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance, beginning | <u>15,956</u> | <u>15,956</u> | <u>15,956</u> | <u>-</u> |
| Fund balance, ending | <u>\$ 15,956</u> | <u>\$ 15,956</u> | <u>\$ 15,956</u> | <u>\$ -</u> |

See Independent Auditor's Report.

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Town of Palm Shores, Florida (the "Town") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

March 22, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP



MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Town of Palm Shores, Florida (the "Town"), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated March 22, 2022.

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 Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding investment compliance requirements in accordance with Rule 10.556(10), Rules of the Auditor General. Disclosures in those reports, which are dated March 22, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or associated recommendations made in the preceding annual financial audit.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town of Palm Shores, Florida was established by and is governed per the special law 54-1407 Laws of Florida. There were no component units of the reporting entity to be disclosed in this management letter. Additional legal entity disclosures are included in Note A-1 of the financial statements.

Financial Condition and Management

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

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

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

Additional Matters

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

Purpose of this Letter

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

March 22, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP



INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

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

We have examined the Town of Palm Shores, Florida's (the "Town") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2021. Management of the Town is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements 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 above. 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.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

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

March 22, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP