

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Prepared By:

The Finance Department

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2016

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TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2016

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Town of
LAUDERDALE-BY-THE-SEA

4501 Ocean Drive, Lauderdale-by-the-Sea, Florida 33308-3610

Telephone: (954) 640-4200 / Fax (954) 640-4236

June 13, 2017

Honorable Mayor and Commissioners:

State law requires that all general purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Lauderdale-By-The-Sea for the fiscal year ended September 30, 2016.

This report consists of management's representations concerning the finances of the Town of Lauderdale-By-The-Sea. Consequently, we assume full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the Town has established an internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP (Generally Accepted Accounting Principles). Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Grau & Associates, a licensed certified public accounting firm, has audited the Town's financial statements. The goal of the independent audit was to provide reasonable assurance that the Town's financial statements for the fiscal year ended September 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Lauderdale-By-The-Sea's financial statements for the fiscal year ended September 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Lauderdale-By-The-Sea's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Lauderdale-By-The-Sea, incorporated in 1947, is located between the Atlantic Ocean and the Intracoastal Waterway in the east-central part of Broward County, Florida directly north of Fort Lauderdale and 33 miles south of Palm Beach County. The Town of Lauderdale-By-The-Sea is primarily a residential community but, because of the Town's prime seaside location, the hospitality industry has historically been significant to the Town's economy and character. The major industries within the Town are hospitality, retail including restaurants, finance, insurance and real estate. Most residents are retired or employed in South Florida. The Town is 1.5 square miles in land area and has a year-round population of approximately 6,500 residents. We estimate the peak seasonal population to be approximately 12,000.

The Town of Lauderdale-By-The-Sea provides a full range of municipal services for its citizens. These include executive administration, financial accounting and reporting, public works, parks and recreation facilities, and planning and zoning. Police, fire prevention and suppression, emergency medical service, building inspections, code enforcement, and parking enforcement are all delivered via contracts with third party providers: Broward's Sherriff's Office for police services, the Lauderdale-By-the-Sea Volunteer Fire Department for fire services, American Medical Response for emergency medical services, C.A.P. Government for building inspections, Calvin, Giordano & Associates for code enforcement, and Republic Parking for parking enforcement. Water service is provided to our residents and businesses by the cities of Fort Lauderdale and Pompano Beach. Sewer services are provided to residents and commercial businesses in the north end of Town by the city of Pompano Beach. The Town provides sewer collection and transmission services in the south portion of Town, but the wastewater is transmitted to the city of Pompano Beach, which then transports it to Broward County's Wastewater Treatment Plant on Copans Road for treatment and disposal.

The Town operates under a Commission-Manager form of government. Policy-making and legislative authority are vested in the Town Commission, which consists of a Mayor, a Vice-Mayor and three Commissioners. Commissioners (including the Vice Mayor) are elected for four year terms and must live in a specified district, but are elected at large (by voters of the entire Town). The Mayor serves a two year term and is also elected at large. The Town Commission is responsible for setting Town policy, setting most Town fees, passing ordinances, adopting and amending the annual budget, approving large purchases, adopting resolutions, and appointing the Town Manager and Town Attorney.

The Town Manager is the chief executive officer of the Town. The Town Manager is responsible for carrying out the policies of the Commission, enforcing the Town's code of ordinances, appointing, directing, and removing all Town employees, overseeing the Town's contracts, preparing and submitting the annual budget, and overseeing the day-to-day operations of the Town.

The Town Commission meets in regular session on the second and fourth Tuesday of each month at 6:30 p.m. in Jarvis Hall, 4501 Ocean Drive, Lauderdale-By-The-Sea, Florida. The Commission schedules additional workshops and meetings on an as-needed basis.

The Town's Budget

The annual budget serves as the Town of Lauderdale-By-The-Sea's financial planning and control mechanism. All departments of the Town submit requests for funding to the Town Manager and these requests are the starting point for developing a proposed budget. The Finance/Budget Director reviews revenue trends and projects revenue for the current and upcoming fiscal year. The Broward County Property Appraiser advises the Town in late June or early July of the valuation of properties in the Town and the ad valorem tax millage rate required to raise the same amount of tax revenue as in the preceding year.

The Town's Budget (Continued)

The Town Manager seeks budget policy direction from the Town Commission, then crafts a budget consistent with that policy direction and presents it to the Commission for review in July of each year.

The Commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the Town's fiscal year. The budget is legally enacted through the passage of a resolution which adopts the budget by fund and department. This administration's policy is that the classification detail at which expenditures may not legally exceed appropriations is at the department level. The Town Manager is authorized to transfer part or all of the unencumbered balance of an appropriation within a department; however, any revisions that alter the total appropriations of any department must be approved by the Town Commission.

Budget-to-actual comparisons are reported monthly to the Town Commission by the Finance/Budget Director. Revenue and expenditure projections for the entire current fiscal year are provided to the Commission.

Economic Condition

As shown in the following chart, the Town of Lauderdale-By-The-Sea's taxable assessed value for fiscal year 2016 increased by \$145,406,853 or approximately 7.5% from 2015 (including net new construction). New construction, which represents improvements to real property that were not on the tax roll in the prior year, accounted for \$5,361,030 of the increase in the tax roll. The Town's total taxable assessed value has declined by \$248,306,427 or approximately 10.7% since property values peaked in fiscal year 2008.

Tax Roll Year	Fiscal Year	WCC Taxable Values	Year-to-Year Comparison		Year-to-FY2008 Comparison	
2007	2008	\$ 2,321,901,228 *	-	-	-	-
2008	2009	\$ 2,117,169,658 *	\$ (204,731,570)	-8.8%	\$ (204,731,570)	-8.8%
2009	2010	\$ 1,911,499,581 *	\$ (205,670,077)	-9.7%	\$ (410,401,647)	-17.7%
2010	2011	\$ 1,766,370,472 *	\$ (145,129,109)	-7.6%	\$ (555,530,756)	-23.9%
2011	2012	\$ 1,729,711,519 *	\$ (36,658,953)	-2.1%	\$ (592,189,709)	-25.5%
2012	2013	\$ 1,758,499,775 *	\$ 28,788,256	1.7%	\$ (563,401,453)	-24.3%
2013	2014	\$ 1,811,104,269 *	\$ 52,604,494	3.0%	\$ (510,796,959)	-22.0%
2014	2015	\$ 1,928,187,948 *	\$ 117,083,679	6.5%	\$ (393,713,280)	-17.0%
2015	2016	\$ 2,073,594,801 *	\$ 145,406,853	7.5%	\$ (248,306,427)	-10.7%

*Total with correction certificates (WCC) Taxable Value (Source: Taxable Value Report, BCPA)

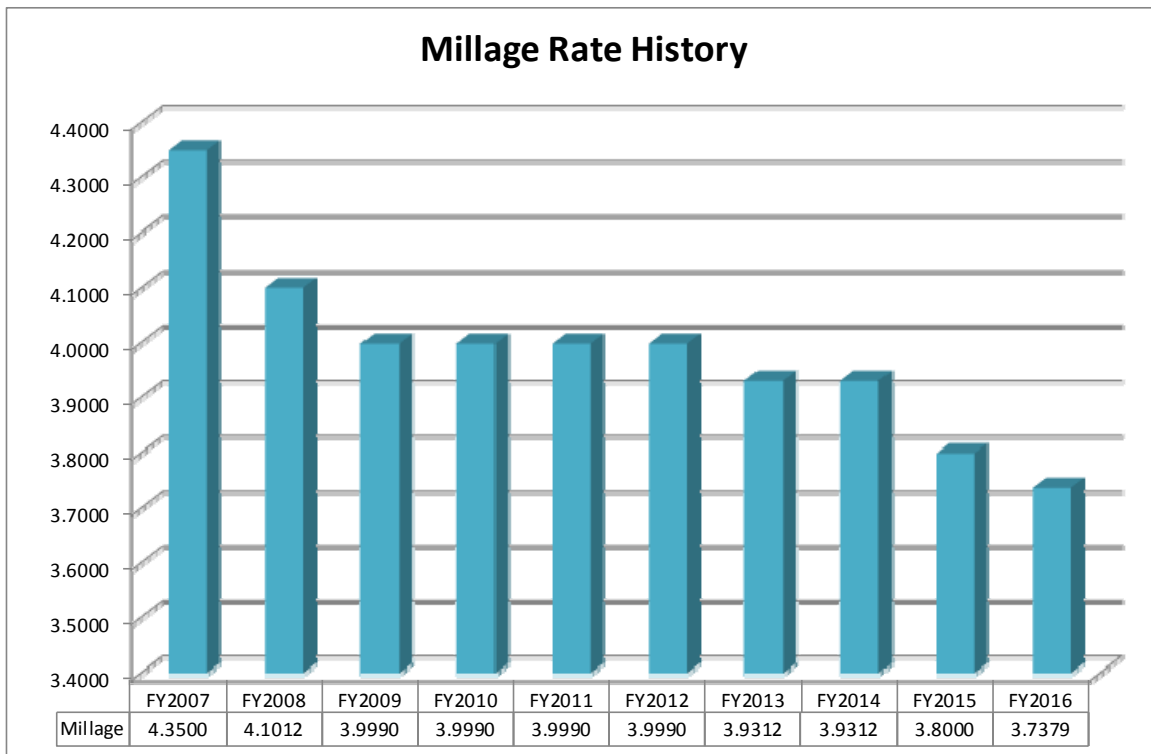
Economic Condition (Continued)

The following chart shows the size of the labor force, the number employed and unemployed, and the unemployment rate for Broward County for each of the past ten years. The table shows that the unemployment rate reached a high of 10.2 percent in 2010 and has steadily declined since then. During the same period, the size of the labor force has continued to increase. This is a good indicator that the local economy is continuing to recover.

<u>Year</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate (%)</u>
2016	1,023,387	976,275	47,112	4.60%
2015	996,865	947,950	48,915	4.90%
2014	1,000,838	941,927	58,911	5.90%
2013	988,255	922,974	65,281	6.60%
2012	979,009	902,904	76,105	7.80%
2011	963,707	873,140	90,567	9.40%
2010	953,592	855,943	97,649	10.20%
2009	981,779	887,079	94,700	9.60%
2008	1,011,156	947,625	63,531	6.30%
2007	1,010,301	970,289	40,012	4.00%

Source: United States Department of Labor, Bureau of Labor Statistics

As indicated in the following ten year graph, during fiscal year 2016 the Town dropped the millage rate to 3.7379 per 1,000 of assessed taxable value, the third lowest millage rate of any city in Broward County.



Source: Broward County, Florida, Property Appraiser

Fund Balances - Governmental Funds, As of September 30, 2016

The table below shows the balances of the governmental funds as of September 30, 2016. The unassigned balance of the general fund was \$2,442,598. You will note there was \$1,407,263 assigned to subsequent year's expenditures. This is the amount budgeted as an appropriation from the general fund balance in the fiscal year 2017 budget, and will be utilized for capital projects in fiscal year 2017. The last significant component of the general fund balance is the \$2,333,105 assigned to the emergency reserve. The balance of \$202,349 is the prepaid items as of September 30, 2016 which consists primarily of property, liability, and health insurance, as well as contractual services.

As of September 30, 2016, the balance of the capital projects fund was \$2,101,191. Of that amount, \$677,566 is contractually restricted to be used to make El Mar Drive more pedestrian friendly. This represents the balance of a \$1,000,000 settlement the Town received from Pier Pointe Developers in fiscal year 2009. The remaining \$1,423,625 is for future capital projects.

The Town's non-major funds are the fire fund and the law enforcement trust fund (LETF). Excluding the \$67,235 amount that was prepaid, as of September 30, 2016 these funds had \$903,598 and \$2,743 which are legally restricted to be used for fire protection and law enforcement purposes, respectively.

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
Fund balances				
Nonspendable:				
Prepaid items	\$ 202,349	\$ -	\$ 67,235	\$ 269,584
Restricted for:				
Fire department	-	-	903,598	903,598
El Mar beautification per contract	-	677,566	-	677,566
Law enforcement	-	-	2,743	2,743
Assigned to:				
Emergency reserve	2,333,105	-	-	2,333,105
Capital projects	-	1,423,625	-	1,423,625
Subsequent year's expenditures	1,407,263	-	-	1,407,263
Unassigned	2,442,598	-	-	2,442,598
Total fund balances	<u>\$ 6,385,315</u>	<u>\$ 2,101,191</u>	<u>\$ 973,576</u>	<u>\$ 9,460,082</u>

Proprietary Funds

As of September 30, 2016, the unrestricted balance of the sewer fund was \$1,424,365, and the unrestricted balance of the parking fund was \$3,814,981. The table below shows the history of the proprietary fund unrestricted balances over the past ten years.

Proprietary Funds (Continued)

Proprietary Funds Unrestricted

<u>Year</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Total Proprietary Funds</u>
2016	\$ 1,424,365	\$ 3,814,981	\$ 5,239,346
2015	\$ 1,546,085	\$ 2,744,722	\$ 4,290,807
2014	\$ 1,281,780	\$ 1,384,554	\$ 2,666,334
2013	\$ 1,512,624	\$ 1,309,848	\$ 2,822,472
2012	\$ 1,500,755	\$ 810,907	\$ 2,311,662
2011	\$ 1,750,052	\$ 136,550	\$ 1,886,602
2010	\$ 1,529,090	\$ 138,844	\$ 1,667,934
2009	\$ 1,613,946	\$ 238,710	\$ 1,852,656
2008	\$ 1,615,336	\$ 223,976	\$ 1,839,312
2007	\$ 2,340,654	\$ 315,708	\$ 2,656,362

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of Edner Saint-Jean of our Finance staff and former Finance Director, Lisa Fuentes. We would also like to extend our thanks to the firm of Grau & Associates for their cooperation, assistance and professional conduct of the Town's annual audit and to the 2016 Audit Committee consisting of Gene Heaney, John Oughton, Patrick Murphy, and Ron Piersante (alternate). Finally, we wish to acknowledge the Town Commission for their commitment to sound accounting, transparency, financial management and the diligent manner in which they exercise their financial oversight responsibilities.

Respectfully submitted,

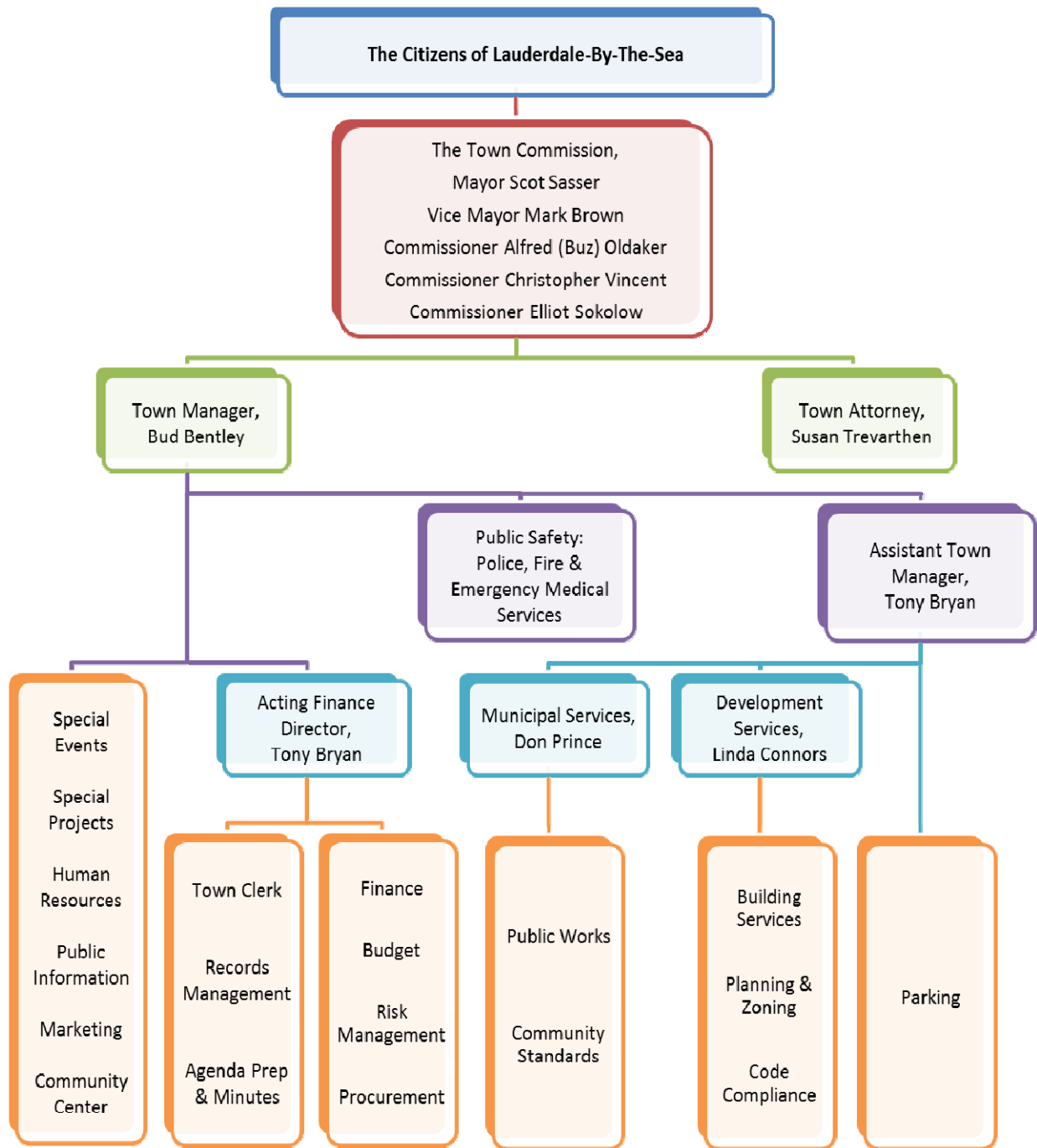


Ralph Bentley
Town Manager



Tony Bryan
Assistant Town Manager and
Acting Finance Director

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
ORGANIZATION CHART
SEPTEMBER 30, 2016**



**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TOWN OFFICIALS
SEPTEMBER 30, 2016**

TOWN COMMISSIONERS

Scot Sasser, Mayor
Mark Brown, Vice-Mayor
Chris Vincent, Commissioner
Buz Oldaker, Commissioner
Elliot Sokolow, Commissioner

TOWN MANAGER

Ralph Bentley

TOWN ATTORNEY

Susan L. Trevarthen

TOWN CLERK

Tedra Smith

**ASSISTANT TOWN MANAGER
AND ACTING FINANCE DIRECTOR**

Tony Bryan

TOWN AUDITORS

Grau & Associates

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida

Report on the Financial Statements

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 Lauderdale-By-The-Sea, Florida ("Town"), as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2016, 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.

Other Matters

Required Supplementary Information

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

Other 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 introductory section, combining fund statements, budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund statements and budgetary comparison schedules 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 by us. In our opinion, the combining fund statements and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida
Page Three

Report on Other Legal and Regulatory Requirements

We have also issued our report dated June 13, 2017, on our consideration of the Town's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

June 13, 2017

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**MANAGEMENT'S DISCUSSION ANALYSIS
(MD&A)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Lauderdale-By-The-Sea financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal in the introductory section and in conjunction with the Town's basic financial statements.

Financial Highlights

The assets of the Town of Lauderdale-By-The-Sea exceeded its liabilities at the close of the most recent fiscal year by \$47,472,375 (*net position*). Of this amount, \$12,282,984 (*unrestricted net position*) may be used to meet the ongoing obligations to citizens and creditors. The Town's net position increased by \$1,331,177 from the prior fiscal year as a result of capital repairs to the Town's infrastructure and other capital improvements.

The most significant capital projects undertaken in fiscal year 2016 were:

- ❖ Began work on the El Mar Plaza (beach bathrooms).
- ❖ Completed work on street resurfacing project that included Imperial Lane, West Tradewinds (Commercial to North Tradewinds), Neptune Avenue, Algiers Avenue, Corsair Avenue, Lombardy Avenue, Avalon Avenue, Codrington Drive, Thomas Way, Bombay Avenue, Oceanic Avenue, and East Tradewinds.
- ❖ Completed work on the streetscape on the remaining two blocks of Commercial Boulevard (Ocean Drive to Seagrape).
- ❖ Completed drainage improvements and resurfacing on Basin Drive.
- ❖ Completed the resurfacing of two (2) tennis courts, added nine (9) new concrete light poles, and sidewalk improvements at Friedt Park.

At the close of the fiscal year 2016, the Town of Lauderdale-By-The-Sea's governmental funds reported combined ending fund balances of \$9,460,082, a decrease of \$621,318 from the prior fiscal year.

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$2,442,598 or approximately 23% of total general fund expenditures (\$10,773,421). It is the Town's intent to continue to use the general fund balance to pay for capital projects.

Long-Term Debt

The Town has no debt in any of its governmental or proprietary funds.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For governmental activities, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of third parties.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Lauderdale-By-The-Sea's basic financial statements that have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes 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 of Lauderdale-By-The-Sea's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Lauderdale-By-The-Sea's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the Town of Lauderdale-By-The-Sea that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Lauderdale-By-The-Sea include general government, public safety, physical environment, recreation, and transportation services. The business-type activities of the Town of Lauderdale-By-The-Sea include parking and sewer operations.

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 of Lauderdale-By-The-Sea, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Town of Lauderdale-By-The-Sea's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Overview of the Financial Statements (Continued)

The Town of Lauderdale-By-The-Sea maintains four individual governmental funds (general, capital projects, and two special revenue funds). Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and the total of the two special revenue funds. The general fund and capital projects funds are both considered to be major funds. The two special revenue funds are both considered to be non-major funds.

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

Proprietary funds The Town of Lauderdale-By-The-Sea maintains one type of proprietary fund, enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The parking and sewer operations are the enterprise funds.

The proprietary funds statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the sewer and parking operations, both of which are considered to be major funds of the Town of Lauderdale-By-The-Sea.

Fiduciary funds The Town is the sponsor for the Volunteer Firefighters' Pension Plan. The *Pension Trust Fund* uses the accrual basis of accounting and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations.

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town of Lauderdale-By-The-Sea's financial position. The Town's net position was \$47,472,375 at the close of the most recent fiscal year.

By far the largest portion of the Town of Lauderdale-By-The-Sea's net position reflects its investment in capital assets (e.g., roadways, improvements, equipment, buildings, and land). The Town uses these capital assets to provide services to citizens; consequently they are not available for future spending. A portion of the Town of Lauderdale-By-The-Sea's net position are subject to external restrictions on how they may be used such as the remaining balance (\$677,566) of the \$1 million settlement received from Pier Pointe which is contractually restricted to El Mar Drive improvements. The remaining balance of unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the Town as a whole, as well as for its separate governmental and business-type activities.

Governmental activities Governmental activities decreased the Town's net position by \$277,313 in fiscal year 2016. The decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program and general revenues.

Government-Wide Financial Analysis (Continued)

Business-type activities Business-type activities increased the Town of Lauderdale-By-The-Sea's net position by \$1,608,490. Operating revenues from business-type activities increased by approximately 2.3% as a result of a 7.3% increase in parking revenues and a 6.8% decrease in sewer revenues. There was an increase in sewer expenses mainly due to increased spending on the sewer infrastructure.

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

	Net Position					
	September 30,					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 10,408,134	\$ 11,531,488	\$ 5,784,269	\$ 4,559,854	\$ 16,192,403	\$ 16,091,342
Capital assets, net	24,579,053	23,852,532	9,026,431	8,366,480	33,605,484	32,219,012
Total assets	34,987,187	35,384,020	14,810,700	12,926,334	49,797,887	48,310,354
Deferred outflow s of resources	1,428,840	1,081,969	115,369	79,546	1,544,209	1,161,515
Long-term liabilities	2,471,611	1,528,589	235,111	125,129	2,706,722	1,653,718
Other liabilities	672,223	930,203	423,461	177,960	1,095,684	1,108,163
Total liabilities	3,143,834	2,458,792	658,572	303,089	3,802,406	2,761,881
Deferred outflow s of resources	65,595	523,286	1,720	45,504	67,315	568,790
Net position:						
Investment in capital assets	24,579,053	23,852,532	9,026,431	8,366,480	33,605,484	32,219,012
Restricted for:						
El Mar beautification per contractual agreement	677,566	677,566	-	-	677,566	677,566
Fire department	903,598	981,661	-	-	903,598	981,661
Law enforcement	2,743	2,654	-	-	2,743	2,654
Unrestricted	7,043,638	7,969,498	5,239,346	4,290,807	12,282,984	12,260,305
Total net position	<u>\$ 33,206,598</u>	<u>\$ 33,483,911</u>	<u>\$ 14,265,777</u>	<u>\$ 12,657,287</u>	<u>\$ 47,472,375</u>	<u>\$ 46,141,198</u>

Government-Wide Financial Analysis (Continued)

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

	Changes in Net Position					
	For the Fiscal Year Ended September 30,					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services, including assessments	\$ 2,520,542	\$ 2,635,986	\$ 3,233,308	\$ 3,161,670	\$ 5,753,850	\$ 5,797,656
Operating grants and contributions	81,650	81,530	-	-	81,650	81,530
Capital grants and contributions	-	129,127	-	-	-	129,127
General Revenues:						
Property taxes	7,483,620	7,075,673	-	-	7,483,620	7,075,673
Franchise taxes and utility taxes	1,734,171	1,714,761	-	-	1,734,171	1,714,761
Grants and contributions not restricted to specific programs	1,095,512	1,273,084	-	-	1,095,512	1,273,084
Unrestricted investment earnings	6,024	32,016	418	2,018	6,442	34,034
Miscellaneous revenues	186,059	416,718	4,707	3,300	190,766	420,018
Total revenues	13,107,578	13,358,895	3,238,433	3,166,988	16,346,011	16,525,883
Expenses:						
General government	2,326,920	2,471,039	-	-	2,326,920	2,471,039
Public safety	7,407,463	7,092,608	-	-	7,407,463	7,092,608
Transportation	1,674,777	1,515,681	-	-	1,674,777	1,515,681
Recreation	442,185	451,763	-	-	442,185	451,763
Physical environment	1,533,546	1,246,690	-	-	1,533,546	1,246,690
Sewer	-	-	949,660	881,679	949,660	881,679
Parking	-	-	680,283	659,974	680,283	659,974
Total expenses	13,384,891	12,777,781	1,629,943	1,541,653	15,014,834	14,319,434
Increase in net position	(277,313)	581,114	1,608,490	1,625,335	1,331,177	2,206,449
Net position - beginning, previously stated	33,483,911	33,573,095	12,657,287	11,120,568	46,141,198	44,693,663
Effect of adoption of GASB No. 68	-	(670,298)	-	(88,616)	-	(758,914)
Net position - beginning, as restated	33,483,911	32,902,797	12,657,287	11,031,952	46,141,198	43,934,749
Net position - ending	\$ 33,206,598	\$ 33,483,911	\$ 14,265,777	\$ 12,657,287	\$ 47,472,375	\$ 46,141,198

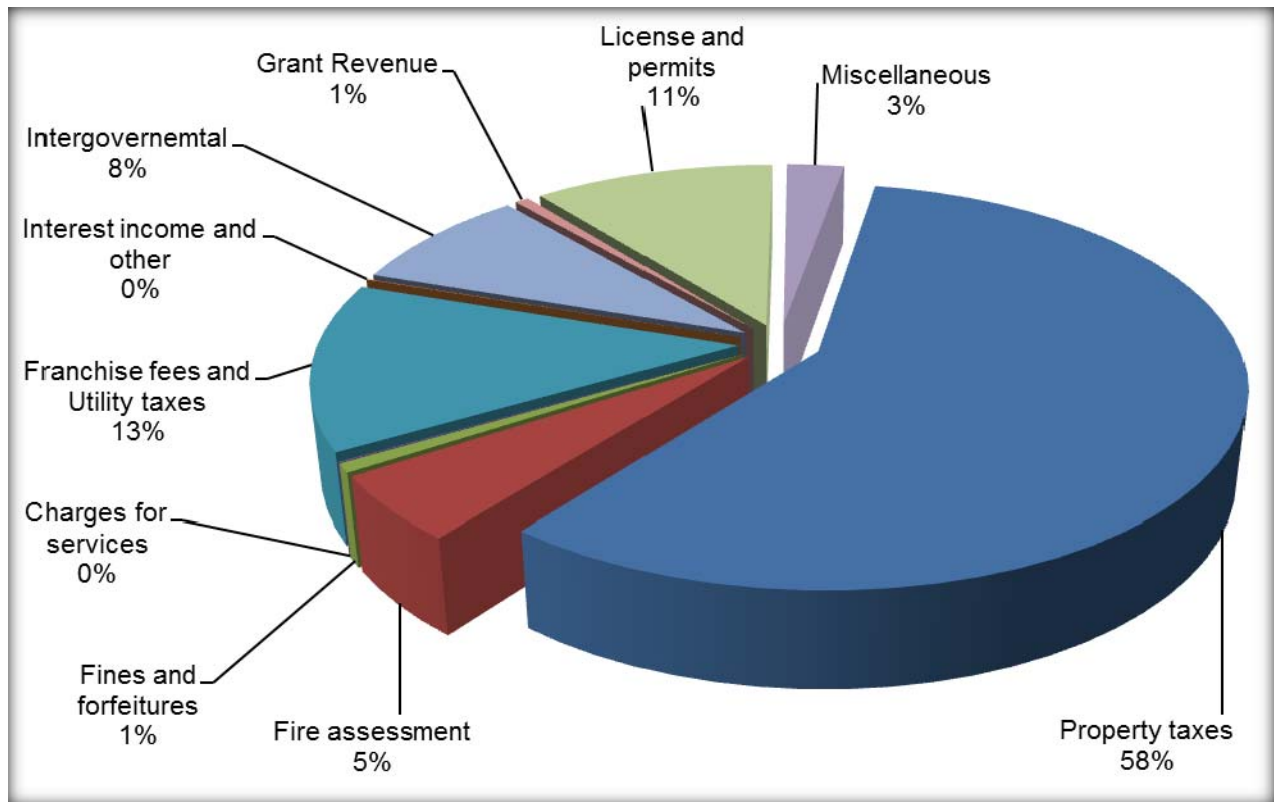
- Property tax revenues increased by \$407,947, \$18,953 of which is the result of new construction being added to the tax roll. The balance of the increase is a result of the Commission's desire to build up reserves to fund future capital projects.
- In the governmental funds, revenue from charges for services decreased by \$115,444. This decrease is mostly attributable to a \$24,335 decline in building permit fees and a \$74,122 decline in code enforcement fines collected during the fiscal year. In the proprietary funds, revenue from charges for services increased by \$71,638 due to a \$148,367 increase in parking revenue and a \$76,729 decrease in sewer revenue.

Government-Wide Financial Analysis (Continued)

- The \$177,572 decrease in grants and contributions not restricted to specific programs is the result of having received a \$242,622 non-recurring distribution from the Broward County Solid Waste Resource Recovery Board in fiscal year 2015.
- The \$314,855 increase in public safety expenses is driven primarily by an increase in the cost of the contract with Broward Sheriff's Office for police services, an increase in building permit services, and employee pension obligations.
- The increase in transportation and physical environment expenses are both driven by an increase in capital expenditures, depreciation expense and employee pension obligations.

Revenues – Governmental Activities

The pie chart shows the major categories of revenue in the governmental funds and the percentage of governmental fund revenue represented by each category.



As noted earlier, the Town of Lauderdale-By-The-Sea 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 of Lauderdale-By-The-Sea's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

Government-Wide Financial Analysis (Continued)

As of the end of the current fiscal year, the Town of Lauderdale-By-The-Sea's *governmental funds* reported combined ending fund balances of \$9,460,082 a decrease of \$621,318 from the prior fiscal year due to increased capital projects expenditures.

Financial Analysis of the Town's Funds

The general fund is the primary operating fund of the Town. At the end of the fiscal year 2016, the fund balance of the general fund was \$6,385,315, a decrease of \$724,887. The decline is the result of having transferred \$2,222,835 to the capital projects fund to cover the cost of the Basin Drive drainage project, Commercial Blvd. (Ocean Drive to Seagrape) streetscape improvements, Friedt Park tennis court, light poles and sidewalk improvements, El Mar Plaza (beach bathrooms) construction, and street resurfacing project. The decline is less than budgeted due to revenues being \$490,934 higher than expected and spending \$686,679 less than budgeted. The higher than expected revenue items were as follows: Property taxes (\$104,920), Franchise and utility taxes (\$123,471), Licenses and permits (\$52,293), Intergovernmental revenues (\$77,524), and Miscellaneous revenues (\$189,252). There was less spending than expected largely in the General Government activities (\$497,239) and Municipal Services (\$107,869).

The fund balance of the capital projects fund increased by \$180,580 to \$2,101,191 as a result of delays completing the El Mar Plaza (beach bathrooms) project.

Proprietary funds. The Town of Lauderdale-By-The-Sea's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total revenues increased by approximately 2% from the prior fiscal year in the proprietary funds. Parking revenues increased by \$148,367 or approximately 7% from the prior fiscal year. The increase is mainly due to the fact that parking fine collections nearly doubled. Sewer revenue declined by \$76,729 or approximately 7% from the prior fiscal year. The decline is mostly due to the reversal of revenue that did not meet the Town's revenue recognition criteria primarily due to inactive customer accounts. Operating expenses in the sewer fund increased by \$67,981 primarily due to increased spending on infrastructure renovations. The unrestricted net position of the Sewer and Parking Funds combined at the end of the fiscal year amounted to \$5,239,346, an increase of \$948,539 or approximately 22% from the prior fiscal year.

General Fund Budgetary Highlights

The differences in the actual revenues and expenditures as compared to the budget are summarized as follows:

Ad valorem taxes are budgeted at 95% of anticipated revenue to provide an allowance for uncollected taxes and adjustment in property values as a result of appeals that occur after the millage rate is set. The Broward County Value Adjustment Board did lower the property valuations of many properties in Town after the millage rate was adopted. Property tax collections (\$7,483,620) amounted to 96.4% of possible revenues.

Utility taxes (\$998,965) came in at 108.5% of budgeted levels. Franchise fee collections (\$735,206) came in at 106.6% of budgeted levels. Utility taxes decreased by approximately 1% and franchise fees increased approximately 4.2% from the prior fiscal year.

General Fund Budgetary Highlights (Continued)

Intergovernmental revenues (\$1,095,512) collected were 107.6% of budget that represents a 14% decrease over the prior fiscal year. This decrease was primarily the result of a non-recurring distribution from the Broward County Solid Waste Resource Recovery Board in the prior fiscal year.

Licenses, permits and fees revenues (\$1,408,293) decreased by 3.1% relative to the prior fiscal year. The decrease is attributable to a decrease in sidewalk café permits, building activity, and the related building permit revenue. Actual revenues were 103.9% of budget.

Actual expenditures of the general fund were approximately 6% less than budgeted.

Please refer to the Budgetary Comparison Schedule for more detailed information.

Capital Assets

The Town of Lauderdale-By-The-Sea's investment in capital assets for its governmental and business type activities as of September 30, 2016, amounted to \$33,605,484 (net of accumulated depreciation). These are investments in capital assets which include land, buildings, infrastructure, and improvements other than buildings, machinery and equipment.

Additional information on the Town of Lauderdale-By-The-Sea's capital assets can be found in Note 7 of this report.

Economic Factors and Next Year's Budget

According to the University of Central Florida's Institute for Economic Competitiveness' December 2016 report, the Miami-Fort Lauderdale-Pompano Beach area is expected to show mixed levels of growth in key economic indicators. Employment is expected to grow at an average rate of 1.9% each year while unemployment is expected to average 4.7%. Personal income is expected to grow at an average of 4.8% annually.

In preparing the fiscal year 2017 budget, the Town provided funding for the completion of the following projects:

- ❖ Improvements to Terra Mar Bridge.
- ❖ Complete construction of El Mar Plaza (beach bathrooms).
- ❖ Update Drainage Master Plan and start design on priority projects.
- ❖ Design neighborhood sidewalk construction (Hibiscus between Bougainvillea and Seagrape).
- ❖ Neighborhood street resurfacing.
- ❖ Beach Nourishment (beach-widening project).
- ❖ Improvements to Friedt Municipal Park.

Requests for Information

This financial report is designed to provide a general overview of the Town of Lauderdale-By-The-Sea's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Budget and Finance, Town of Lauderdale-By-The-Sea, 4501 Ocean Drive, Lauderdale-By-The-Sea, Florida 33308, or, at financedepartment@lbts-fl.gov.

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BASIC FINANCIAL STATEMENTS

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 9,207,970	\$ 5,655,799	\$ 14,863,769
Investments	241,364	-	241,364
Accounts receivable, net	382,326	107,403	489,729
Due from business/governmental type activities	31,061	6,067	37,128
Prepaid items	269,584	15,000	284,584
Net pension asset - Volunteer Firefighters Pension Plan	275,829	-	275,829
Capital assets:			
Nondepreciable capital assets	2,027,905	6,599,837	8,627,742
Depreciable capital assets, net	22,551,148	2,426,594	24,977,742
Total assets	<u>34,987,187</u>	<u>14,810,700</u>	<u>49,797,887</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Volunteer Firefighters Pension Plan	262,343	-	262,343
Florida Retirement System Pension Plan	1,166,497	115,369	1,281,866
Total deferred outflows of resources	<u>1,428,840</u>	<u>115,369</u>	<u>1,544,209</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
Liabilities:			
Accounts payable and other liabilities	268,056	377,186	645,242
Contracts and retainage payable	77,614	-	77,614
Accrued liabilities	134,578	3,801	138,379
Due to business/governmental type activities	6,067	31,061	37,128
Unearned revenues	167,208	11,413	178,621
Deposits	18,700	-	18,700
Noncurrent liabilities due within one year	10,795	-	10,795
Noncurrent liabilities:			
Net Other Post Employment Benefit obligation	9,257	2,255	11,512
Net pension liability - Florida Retirement System	2,354,404	232,856	2,587,260
Due in more than one year	97,155	-	97,155
Total liabilities	<u>3,143,834</u>	<u>658,572</u>	<u>3,802,406</u>
Deferred inflows of resources:			
Volunteer Firefighters Pension Plan	48,224	-	48,224
Florida Retirement System Pension Plan	17,371	1,720	19,091
Total deferred outflows of resources	<u>65,595</u>	<u>1,720</u>	<u>67,315</u>
Net position:			
Investment in capital assets	24,579,053	9,026,431	33,605,484
Restricted for:			
El Mar beautification per contractual agreement	677,566	-	677,566
Law enforcement	2,743	-	2,743
Fire department	903,598	-	903,598
Unrestricted	7,043,638	5,239,346	12,282,984
Total net position	<u>\$ 33,206,598</u>	<u>\$ 14,265,777</u>	<u>\$ 47,472,375</u>

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- type Activities	
Primary government:						
Governmental activities:						
General government	\$ 2,326,920	\$ 1,502,302	\$ -	\$ (824,618)	\$ -	\$ (824,618)
Public safety	7,407,463	1,018,240	-	(6,389,223)	-	(6,389,223)
Transportation	1,674,777	-	-	(1,674,777)	-	(1,674,777)
Recreation	442,185	-	81,650	(360,535)	-	(360,535)
Physical environment	1,533,546	-	-	(1,533,546)	-	(1,533,546)
Total government activities	13,384,891	2,520,542	81,650	(10,782,699)	-	(10,782,699)
Business-type activities:						
Sewer	949,660	1,050,965	-	-	101,305	101,305
Parking	680,283	2,182,343	-	-	1,502,060	1,502,060
Total business-type activities	1,629,943	3,233,308	-	-	1,603,365	1,603,365
Total primary government	\$ 15,014,834	\$ 5,753,850	\$ 81,650	(10,782,699)	1,603,365	(9,179,334)
General revenues:						
Property taxes				7,483,620	-	7,483,620
Franchise taxes and utility taxes				1,734,171	-	1,734,171
Grants and contributions not restricted to specific programs				1,095,512	-	1,095,512
Unrestricted investment earnings				6,024	418	6,442
Miscellaneous revenues				186,059	4,707	190,766
Total general revenues and transfers				10,505,386	5,125	10,510,511
Change in net position				(277,313)	1,608,490	1,331,177
Net position - beginning				33,483,911	12,657,287	46,141,198
Net position - ending				\$ 33,206,598	\$ 14,265,777	\$ 47,472,375

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Capital Projects Fund	Non-Major Funds	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 6,090,557	\$ 2,190,230	\$ 927,183	\$ 9,207,970
Investments	241,364	-	-	241,364
Accounts receivable, net	379,584	-	2,742	382,326
Due from other funds	41,986	-	-	41,986
Prepaid items	202,349	-	67,235	269,584
Total assets	<u>\$ 6,955,840</u>	<u>\$ 2,190,230</u>	<u>\$ 997,160</u>	<u>\$ 10,143,230</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and other liabilities	\$ 267,915	\$ -	\$ 141	\$ 268,056
Contracts and retainage payable	-	77,614	-	77,614
Accrued liabilities	134,578	-	-	134,578
Due to other funds	6,067	10,925	-	16,992
Unearned revenue	143,265	500	23,443	167,208
Deposits	18,700	-	-	18,700
Total liabilities	<u>570,525</u>	<u>89,039</u>	<u>23,584</u>	<u>683,148</u>
Fund balances:				
Nonspendable:				
Prepaid items	202,349	-	67,235	269,584
Restricted for:				
Fire department	-	-	903,598	903,598
El Mar beautification per contract	-	677,566	-	677,566
Law enforcement	-	-	2,743	2,743
Assigned to:				
Emergency reserve	2,333,105	-	-	2,333,105
Capital projects	-	1,423,625	-	1,423,625
Subsequent year's expenditures	1,407,263	-	-	1,407,263
Unassigned	2,442,598	-	-	2,442,598
Total fund balances	<u>6,385,315</u>	<u>2,101,191</u>	<u>973,576</u>	<u>9,460,082</u>
Total liabilities and fund balances	<u>\$ 6,955,840</u>	<u>\$ 2,190,230</u>	<u>\$ 997,160</u>	<u>\$ 10,143,230</u>

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Fund balance - governmental funds		\$ 9,460,082
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial assets 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 assets of the government as a whole.</p>		
Cost of capital assets	39,781,030	
Accumulated depreciation	<u>(15,201,977)</u>	24,579,053
<p>The net pension asset is not reported as a fund asset in the governmental fund financial statements, but is reported as an asset in the government-wide financial statements.</p>		
		275,829
<p>Deferred outflows of resources related to the pension are recorded in the statement of net position.</p>		
		1,428,840
<p>Deferred inflows of resources related to the pension are recorded in the statement of net position.</p>		
		(65,595)
<p>Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide</p>		
Compensated absences		(107,950)
Net pension liability - Florida Retirement System		(2,354,404)
Other Post Employment Benefit obligation		(9,257)
Net position of governmental activities		<u><u>\$ 33,206,598</u></u>

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Capital Projects Fund	Non-Major Funds	
Revenues:				
Property taxes and fire assessments	\$ 7,483,620	\$ -	\$ 975,225	\$ 8,458,845
Franchise fees and utility taxes	1,734,171	-	-	1,734,171
Intergovernmental	1,095,512	-	-	1,095,512
Fines and forfeitures	94,009	-	-	94,009
Charges for services	10,424	-	32,591	43,015
Licenses and permits	1,408,293	-	-	1,408,293
Interest income and other	5,803	221	-	6,024
Grant revenue	81,650	-	-	81,650
Miscellaneous revenues	335,887	-	11,056	346,943
Total revenues	<u>12,249,369</u>	<u>221</u>	<u>1,018,872</u>	<u>13,268,462</u>
Expenditures:				
Current:				
General government	2,111,319	97,909	-	2,209,228
Public safety	6,444,869	-	829,253	7,274,122
Transportation	1,485,940	-	-	1,485,940
Recreation	430,185	-	-	430,185
Physical environment	230,293	-	-	230,293
Capital outlay	70,815	1,944,567	244,630	2,260,012
Total expenditures	<u>10,773,421</u>	<u>2,042,476</u>	<u>1,073,883</u>	<u>13,889,780</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,475,948</u>	<u>(2,042,255)</u>	<u>(55,011)</u>	<u>(621,318)</u>
Other financing sources (uses):				
Transfers in	22,000	2,222,835	-	2,244,835
Transfers out	(2,222,835)	-	(22,000)	(2,244,835)
Total other financing sources (uses)	<u>(2,200,835)</u>	<u>2,222,835</u>	<u>(22,000)</u>	<u>-</u>
Net change in fund balances	(724,887)	180,580	(77,011)	(621,318)
Fund balances, beginning	<u>7,110,202</u>	<u>1,920,611</u>	<u>1,050,587</u>	<u>10,081,400</u>
Fund balances, ending	<u>\$ 6,385,315</u>	<u>\$ 2,101,191</u>	<u>\$ 973,576</u>	<u>\$ 9,460,082</u>

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - total governmental funds	\$ (621,318)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of certain of those assets is eliminated and capitalized as capital assets.	2,002,762
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense on the statement of activities.	(1,276,241)
Revenues previously recognized in the government-wide financial statements have been recognized in the fund statements during the current year and therefore need to be deleted from the government-wide financial statements.	(160,884)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. The details of the differences are as follows:	
Change in compensated absences	1,741
Change in Other Post Employment Benefit obligation	(36,227)
Florida Retirement System Pension Plan pension expense	(183,759)
Volunteer Firefighters Pension Plan pension expense	(3,387)
Change in net position of governmental activities	\$ (277,313)

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

<u>ASSETS</u>	<u>Enterprise Funds</u>		
	<u>Sewer Utility</u>		
	<u>System</u>	<u>Parking</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$ 1,752,404	\$ 3,903,395	\$ 5,655,799
Accounts receivable, net	85,748	21,655	107,403
Restricted Assets:			
Due from other funds	-	6,067	6,067
Prepaid items	-	15,000	15,000
Total current assets	<u>1,838,152</u>	<u>3,946,117</u>	<u>5,784,269</u>
Noncurrent Assets:			
Capital Assets:			
Land	-	6,113,175	6,113,175
Equipment	39,504	126,316	165,820
Buildings and utility plant	2,899,775	1,071,776	3,971,551
Construction in progress	259,943	226,719	486,662
Total capital assets	<u>3,199,222</u>	<u>7,537,986</u>	<u>10,737,208</u>
Less accumulated depreciation	<u>(1,472,570)</u>	<u>(238,207)</u>	<u>(1,710,777)</u>
Net capital assets	<u>1,726,652</u>	<u>7,299,779</u>	<u>9,026,431</u>
Total noncurrent assets	<u>1,726,652</u>	<u>7,299,779</u>	<u>9,026,431</u>
Total assets	<u>3,564,804</u>	<u>11,245,896</u>	<u>14,810,700</u>
	<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Florida Retirement System Pension Plan	57,687	57,682	115,369
Total deferred outflows of resources	<u>57,687</u>	<u>57,682</u>	<u>115,369</u>
	<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES,</u> <u>AND FUND BALANCES</u>		
Current Liabilities:			
Accounts payable	339,842	37,344	377,186
Accrued liabilities	946	2,855	3,801
Due to other funds	13,014	18,047	31,061
Unearned revenue	-	11,413	11,413
Total current liabilities	<u>353,802</u>	<u>69,659</u>	<u>423,461</u>
Long-Term Liabilities:			
Other Post Employment Benefit Obligation	385	1,870	2,255
Net pension liability - Florida Retirement System	116,427	116,429	232,856
Total long-term liabilities	<u>116,812</u>	<u>118,299</u>	<u>235,111</u>
Total Liabilities	<u>470,614</u>	<u>187,958</u>	<u>658,572</u>
Deferred inflows of resources:			
Florida Retirement system Pension Plan	860	860	1,720
Total deferred outflows of resources	<u>860</u>	<u>860</u>	<u>1,720</u>
Net position:			
Investment in capital assets	1,726,652	7,299,779	9,026,431
Unrestricted	1,424,365	3,814,981	5,239,346
Total net position	<u>\$ 3,151,017</u>	<u>\$ 11,114,760</u>	<u>\$ 14,265,777</u>

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Enterprise Funds</u>		
	<u>Sewer Utility</u>		
	<u>System</u>	<u>Parking</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 1,050,965	\$ 2,182,343	\$ 3,233,308
Total operating revenues	<u>1,050,965</u>	<u>2,182,343</u>	<u>3,233,308</u>
Operating expenses:			
Operating, administrative and maintenance	886,513	652,977	1,539,490
Depreciation and amortization	63,147	27,306	90,453
Total operating expenses	<u>949,660</u>	<u>680,283</u>	<u>1,629,943</u>
Operating income	<u>101,305</u>	<u>1,502,060</u>	<u>1,603,365</u>
Nonoperating revenues (expenses):			
Interest income	-	418	418
Other nonoperating income	-	4,707	4,707
Total nonoperating revenues (expenses)	<u>-</u>	<u>5,125</u>	<u>5,125</u>
Change in net position	101,305	1,507,185	1,608,490
Net position - beginning	3,049,712	9,607,575	12,657,287
Net position - ending	<u>\$ 3,151,017</u>	<u>\$ 11,114,760</u>	<u>\$ 14,265,777</u>

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Enterprise Funds		
	Sewer Utility System	Parking	Total
Cash Flow s From Operating Activities			
Receipts from customers and users	\$ 1,079,424	\$ 2,140,945	\$ 3,220,369
Payments to suppliers	(487,965)	(537,807)	(1,025,772)
Payments to employees	(106,288)	(102,571)	(208,859)
Net cash provided (used) by operating activities	<u>485,171</u>	<u>1,500,567</u>	<u>1,985,738</u>
Cash Flow s Provided (Used) By Noncapital Financing Activities			
Miscellaneous	-	4,707	4,707
Net cash provided (used) by noncapital financing	<u>-</u>	<u>4,707</u>	<u>4,707</u>
Cash Flow s Provided (Used) By Capital and Related Financing Activities			
Purchase of capital assets	(265,799)	(464,232)	(730,031)
Disposal of capital assets	(20,373)	-	(20,373)
Net cash provided (used) by capital and related financing activities	<u>(286,172)</u>	<u>(464,232)</u>	<u>(750,404)</u>
Cash Flow s Provided (Used) By Investing Activities			
Interest received	-	418	418
Net cash provided (used) by investing activities	<u>-</u>	<u>418</u>	<u>418</u>
Net increase (decrease) in cash	198,999	1,041,460	1,240,459
Cash and cash equivalents, beginning	<u>1,553,405</u>	<u>2,861,935</u>	<u>4,415,340</u>
Cash and cash equivalents, ending	<u>\$ 1,752,404</u>	<u>\$ 3,903,395</u>	<u>\$ 5,655,799</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities operating income (loss):			
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	63,147	27,306	90,453
Changes in assets and liabilities:			
(Increase)/Decrease in accounts receivable	31,358	(9,369)	21,989
(Increase)/Decrease in interfund receivable	43	(5,988)	(5,945)
(Increase)/Decrease in deferred outflow s of resources	(17,914)	(17,909)	(35,823)
Increase/(Decrease) in accounts payable	276,130	(3,019)	273,111
Increase/(Decrease) in accrued liabilities	946	427	1,373
Increase/(Decrease) in interfund payable	(2,942)	17,465	14,523
Increase/(Decrease) in unearned revenue	-	(43,506)	(43,506)
Increase/(Decrease) in deferred inflow s of resources	(21,892)	(21,892)	(43,784)
Increase/(Decrease) in net pension liability	54,990	54,992	109,982
Total adjustments	<u>383,866</u>	<u>(1,493)</u>	<u>382,373</u>
Net cash provided (used) by operating activities	<u>\$ 485,171</u>	<u>\$ 1,500,567</u>	<u>\$ 1,985,738</u>

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2016

	<u>Pension Trust Fund</u>
<u>ASSETS</u>	
Cash	\$ 91,407
Investments, at fair value:	
US government obligations	231,867
Corporate bonds	530,368
Common stock	1,039,162
Foreign stock	24,772
Accrued income	5,620
Receivables:	
Due from State	17,286
Total assets	<u>1,940,482</u>
Liabilities	
Accounts payable	6,547
Total liabilities	<u>\$ 6,547</u>
<u>NET POSITION</u>	
Net position restricted for pensions	<u>\$ 1,933,935</u>

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Pension Trust Fund
ADDITIONS	
Contributions:	
Plan member	\$ 14,122
State	85,906
Town	14,122
Total contributions	114,150
Investment income (loss):	
Net depreciation in fair value of investments	90,303
Interest and dividends	60,264
Less: investment expenses	10,000
Net investment income (loss)	140,567
Total additions	254,717
DEDUCTIONS	
Pension benefits	46,123
Refunds of contributions	2,083
Administrative expenses	36,113
Total deductions	84,319
Net increase (decrease)	170,398
Net position restricted for pensions:	
Beginning	1,763,537
Ending	\$ 1,933,935

See notes to the financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Lauderdale-By-The-Sea, Florida (“Town”) was incorporated in 1947. The Town operates under a Commission-Manager form of government and provides a full range of municipal services, including public safety (police and fire), parks and recreation, public works, building, zoning and code enforcement, and general administrative services. The Town also operates two enterprise activities: sewer and parking.

The basic financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

1. Financial Reporting Entity

The financial statements were prepared in accordance with governmental accounting standards, which establish standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Town, organizations for which the Town is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town. The Town is financially accountable for a component unit if an organization is fiscally dependent on it and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. A blended component unit, although a legally separate entity, is, in substance, part of the Town's operations and so data from this unit is combined with data of the Town. Based upon the application of these criteria, there were no organizations that met the criteria described above.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Interfund services provided and used are not eliminated in the process of consolidation.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Basis of 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 and fiduciary 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.

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 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, if any, are recorded only when payment is due.

The Town's fiduciary fund is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Town, these funds are not incorporated into the government-wide financial statements.

Property taxes, charges for services, franchise fees and other taxes, intergovernmental revenues, and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred. Other receipts and fees, including fines, become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all or most of the Town's general activities except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for the acquisition and construction of major capital facilities.

The Town reports the following non-major governmental funds:

The *Police Training and Forfeiture Fund* is used to account for the portion of traffic citation revenue dedicated to police training, the confiscation of property and the related authorized law enforcement expenditures.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The *Fire Fund* is used to account for the fire assessment revenues dedicated to fire protection and fire prevention services and the related authorized volunteer fire department expenditures.

The Town reports the following major proprietary funds:

The *Sewer Utility Fund* accounts for the activities associated with providing sewer services within the Town.

The *Parking Fund* accounts for parking meter revenue in the Town's business district.

Additionally, the Town reports the following fund type:

The *Pension Trust Fund* accounts for the activities of the Volunteer Fire Department's Pension Plan and the accumulation of resources for pension benefits.

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.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Proprietary 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 enterprise funds 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 Town's policy to use restricted resources first, then unrestricted resources as needed.

4. New Accounting Standards Adopted

During fiscal year 2016, the Town adopted three new accounting standards as follows:

GASB 72, Fair Value Measurement and Application

The Statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. New Accounting Standards Adopted (Continued)

GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
The Statement identifies—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles.

GASB 79 - Certain External Investment Pools and Pool Participants
This Statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

5. Capital Assets

Capital assets which include property, plant and equipment, and all infrastructure assets (e.g., roads, bridges, sidewalks, bike paths, and similar items) 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 initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The Town has elected to retroactively apply the capitalization requirements of GASB Statement No. 34 to major general infrastructure assets acquired since 1980.

The costs of normal maintenance and repairs that does 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.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the fiscal year ended 2016, there was no interest to be capitalized.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

	<u>Assets</u>	<u>Years</u>
Buildings		30 - 50
Utility plant		25 - 75
Infrastructure		50
Improvements other than buildings		25
Furniture, fixtures, machinery and equipment		5 - 10
Motor vehicles		5 - 7

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Deposits and Investments

Town administration is authorized to invest in those instruments authorized by the Florida statutes.

Investments are measured at amortized cost or fair value as required by generally accepted accounting principles. Additional information regarding the fair value measurement of investments and amortized cost is disclosed in Note 2.

Cash and cash equivalents, for purposes of the statement of cash flows, include cash and investments which are defined as short-term, highly liquid investments with original maturities of twelve months or less.

7. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

8. Receivables

Receivables include amounts due from other governments and others for services provided by the Town. Receivables are recorded and revenues are recognized as earned or as specific program expenditures/expenses are incurred. Allowances for uncollectible receivables, if any, are based upon historical trends and the periodic aging of receivables.

9. Prepaid Items

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

10. Compensated Absences

Town employees are granted vacation in varying amounts based on length of service and sick leave at the rate of one day per month. For employees hired after September 30, 2011, up to 15 days of annual leave may be carried forward from one calendar year into the next calendar year. Accumulated leave in excess of 15 days must be used by December 31st of each calendar year or it will be lost. In the event of termination, an employee is reimbursed for accumulated vacation days. Up to 60 days of sick leave may be accrued and carried forward into the next year. Employees hired prior to October 1, 2011 are reimbursed for 25% of accumulated sick leave upon leaving Town employment in good standing. Employees hired after September 30, 2011 will be reimbursed for 0% - 15% of accumulated sick leave, depending on their number of years of continuous service.

The cost of accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements or resignations. The general fund has been used to liquidate these amounts.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Long-Term Obligations

In the government-wide financial statements, and in the proprietary fund types in the 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 type statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the bonds using the straight-line method. Bonds are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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.

12. Unearned Revenue

Unearned revenue arises when resources are received by the Town before it has a legal claim to them.

13. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at fiscal 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.

14. Deferred Outflows/Inflows of Resources

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

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

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Net Position

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position of the government-wide and proprietary funds is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets is that portion of net position that relates to the Town's capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct or improve those assets, excluding unexpended proceeds.

Restricted net position is that portion of net position that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of either of the other two components.

16. Fund Equity

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

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

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

Assigned fund balance – Includes spendable fund balance amounts established by the Town Commission that are intended to be used for specific purposes that are neither considered restricted nor committed.

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.

17. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenditures/expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, pension and postretirement obligations, and useful lives and impairment of tangible and intangible assets, among others. Actual results could differ from these estimates.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Pensions

Volunteer Firefighters Pension Fund

Plan member contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits paid directly to participants and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. The Town funds the contributions to its Volunteer Firefighters Pension Plan based on the actuarial required contribution. The net pension asset is reported in the government-wide financial statements and represents the difference between the plan's fiduciary net position and the total pension liability.

Florida Retirement System

In the government-wide statement of net position, liabilities are recognized for the Town's proportionate share of the net pension liability for the Florida Retirement System pension plan and Retiree Health Insurance Subsidy Program. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Florida Retirement System defined benefit pension plan (FRS Pension Plan) and the Retiree Health Insurance Subsidy Program defined benefit pension plan (HIS Program), and additions to/deductions from the FRS Pension Plan's and the HIS Program's fiduciary net position have been determined on the same basis as they are reported by the FRS Pension Plan and the HIS Program plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

All of the Town's deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*. Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required collateral pledging levels. The pledging level may range from 25% to 125% of the average monthly balance of public deposits depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any potential losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

Investments - Town

The Town has adopted an investment policy in accordance with Florida Statutes to establish guidelines for the efficient management of its cash reserves. The Town is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, the State Board of Administration investment pool, any intergovernmental investment pools authorized pursuant to Chapter 163 of the Florida Statutes, SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and securities of any interest in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio is limited to obligations of the U.S. government, its agencies and instrumentalities and to repurchase agreements fully collateralized by such U.S. government obligations and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments – Town (Continued)

The State Board of Administration’s (“SBA”) Local Government Surplus Funds Trust Fund (“Florida PRIME”) is a “2a-7 like” pool. A “2a-7 like” pool is an external investment pool that is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. The Town has reported its investment in Florida PRIME at amortized cost for financial reporting purposes.

As of September 30, 2016, the Town had the following investments:

	Amortized Cost	Credit Risk		Weighted Average Maturity
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	\$ 241,364	S&P AAAM		50
	\$ 241,364			

Credit Risk - Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Town's investment policy limits investments to the highest ratings issued by two of the nationally recognized statistical rating organizations (NRSRO) (Standard and Poor's and Moody's investment services).

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. The Town has an investment policy of structuring the investment portfolio in such a manner as to provide sufficient liquidity to pay obligations as they come due. The Town's investment policy limits the maturities on individual investments to no more than two years.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Town's investment policy states that assets shall be diversified to control the risk of loss resulting from concentration of assets to a specific maturity, instrument, issue, dealer, or bank through which these securities are bought and sold.

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.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments – Town (Continued)

Fair Value Measurement (Continued) – For external investment pools that qualify to be measured at amortized cost, the pool’s participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the Town’s investments have been reported at amortized cost above.

External Investment Pool – With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

Investments - Volunteer Firefighter's Pension Plan

As of September 30, 2016, the Pension Plan had the following investments:

	Fair Value
Fixed income	
US government obligations	\$ 231,867
Corporate bonds	530,368
Equities	
Common stocks	1,039,162
Foreign stock	24,772
	\$ 1,826,169

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. Fixed income securities shall be one of the four highest classifications of Standard & Poor’s or Moody’s. The composite credit ratings of applicable investments by type are currently unavailable.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments - Volunteer Firefighter's Pension Plan (Continued)

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the investments over time for the Plan to market interest rate fluctuations is provided in the following table.

As of September 30, 2016, the Plan's debt security investments had the following maturities:

	Maturity	Fair Value
United States Treasury Notes	August 31, 2018	\$ 24,995
United States Treasury Notes	June 30, 2012	24,971
Federal Farm Credit Bank	May 1, 2025	25,823
Federal Farm Credit Bank	March 13, 2026	52,253
Federal Home Loan Bank	November 7, 2025	26,540
Federal Home Loan Bank	February 15, 2026	25,043
Federal Home Loan Bank	June 11, 2027	26,333
Federal Home Loan Bank	December 10, 2027	25,910
American Express Credit	August 15, 2019	25,510
JP Morgan Chase	September 10, 2024	26,319
MetLife	March 1, 2025	25,438
US Bancorp	July 15, 2022	26,045
Burlington North Santa Fe	March 15, 2023	26,303
Colgate-Palmolive	November 15, 2021	26,069
Comcast	August 15, 2025	26,866
Costco	December 15, 2019	25,304
General Electric	October 9, 2022	26,051
John Deere Capital	March 15, 2022	26,001
Kroger	November 1, 2021	26,064
Low e's	September 15, 2024	37,387
Merck & Co	February 10, 2025	25,907
Praxair	September 24, 2020	25,790
Royal Bank of Canada	October 30, 2020	25,499
Johnson & Johnson	March 1, 2026	25,693
Wells Fargo	June 3, 2026	26,524
Commonwealth Edison	November 1, 2024	26,503
National Rural Utilities Cooperative	June 15, 2020	25,570
Public Service Electric & Gas	May 15, 2023	25,524
		<u>\$ 762,235</u>

Concentration Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The investment policy of the Plan contains limits on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of the total assets of the portfolio.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments - Volunteer Firefighter's Pension Plan (Continued)

Foreign currency risk – Foreign current risk is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than U.S. Dollars as well as the carrying value of foreign investments. The Plan's exposure to foreign currency risk derives mainly from its investments in international equity mutual funds. The Plan participates in international equity mutual funds but does not own any foreign individual securities. The Plan's exposure to foreign currency risk related to foreign stocks is \$24,772.

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Plan has no formal policy for custodial risk. The underlying securities that comprise the Plan's investments are registered and held by the custodial bank, not in the Plan's name.

Fair Value Measurement – When applicable, the Plan 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 Plan 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.

The following table summarizes the Plan's investments within the fair value hierarchy at September 30, 2016:

	Fair Value	Level 1	Level 2
US government obligations	\$ 231,867	\$ 231,867	\$ -
Corporate bonds	530,368	-	530,368
Common stock	1,039,162	1,016,973	22,189
Foreign stock	24,772	24,772	-
	<u>\$ 1,826,169</u>	<u>\$ 1,273,612</u>	<u>\$ 552,557</u>

The investments were valued using the following approaches:

- U.S. government obligations were valued using prices quoted in active markets by a third party pricing service based on actual trades in the securities.
- Corporate bonds and certain common stock were valued by a third party pricing service based on a combination of matrix pricing, actual observable trades in similar securities, and yield curve analysis.
- Common stock and foreign stock were valued at the regular trading session closing price on the exchange or market in which such securities are principally traded.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 3 – PROPERTY TAXES

Property taxes are assessed as of January 1 each year and are first billed (levied) and due the following November 1.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school board and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws for the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The millage rate assessed by the Town for the fiscal year ended September 30, 2016 was 3.7379 mills.

The tax levy of the Town is established by the Commission prior to October 1 of each year, and the County Property Appraiser incorporates the millage into the local tax levy, which includes Broward County, Broward County School Board and special taxing districts.

All property is reassessed according to its fair market value as of January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes.

All real and tangible personal property taxes are due and payable on November 1 each year. Broward County mails to each property owner on the assessment roll a notice of the taxes due and Broward County also collects the taxes for the Town. Taxes may be paid upon receipt of such notice from Broward County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April of the year following the year in which taxes were assessed. Procedures for the collection of delinquent taxes by Broward County are provided for in the Laws of Florida. There were no material delinquent property taxes at September 30, 2016.

NOTE 4 – RECEIVABLES

Receivables for the Town's funds including the applicable allowances for uncollectible accounts as of September 30, 2016 were as follows:

Receivables:	General Fund	Non-Major Funds	Sewer Utility System	Parking	Total
Billed	\$ -	\$ -	\$ 120,423	\$ 21,655	\$ 142,078
Taxes	163,530	-	-	-	163,530
Intergovernmental	180,714	-	-	-	180,714
Other	38,526	2,742	-	-	41,268
Gross receivables	382,770	2,742	120,423	21,655	527,590
Less allowance for uncollectibles	(3,186)	-	(34,675)	-	(37,861)
Net total receivables	<u>\$ 379,584</u>	<u>\$ 2,742</u>	<u>\$ 85,748</u>	<u>\$ 21,655</u>	<u>\$ 489,729</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 5 – UNEARNED REVENUES

Unearned revenue reported in the governmental funds and the basic financial statements as of September 30, 2016 was as follows:

	Governmental Activities	Business-type Activities
Occupational licenses	\$ 44,994	\$ -
Planning advances	5,760	-
Right of way advances	63,531	-
Fire inspection fees	23,443	-
Sidewalk replacement fees	29,080	-
Other	400	11,413
	<u>\$ 167,208</u>	<u>\$ 11,413</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2016 were as follows:

	Receivable	Payable
General Fund	\$ 41,986	\$ 6,067
Capital Projects Fund	-	10,925
Sewer Utility System Fund	-	13,014
Parking Fund	6,067	18,047
	<u>\$ 48,053</u>	<u>\$ 48,053</u>

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, 2016 were as follows:

	Transfers In In	Transfers Out Out
General Fund	\$ 22,000	\$ 2,222,835
Capital Projects Fund	2,222,835	-
Fire Fund	-	22,000
	<u>\$ 2,244,835</u>	<u>\$ 2,244,835</u>

Transfers between the general fund and capital projects fund were to fund capital improvement projects. Transfers from the fire fund to the general fund were to move revenues from the fund where collection occurred to the fund where funds have been reallocated for use, in accordance with the fiscal year 2016 budget.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 7 – CAPITAL ASSETS

Capital assets for the governmental activities for the fiscal year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,939,254	\$ -	\$ -	\$ 1,939,254
Construction in progress	895,263	88,651	(895,263)	88,651
Total capital assets, not being depreciated	<u>2,834,517</u>	<u>88,651</u>	<u>(895,263)</u>	<u>2,027,905</u>
Capital assets, being depreciated:				
Building and building improvements	4,253,913	26,212	-	4,280,125
Improvements other than buildings	22,748,837	2,736,827	-	25,485,664
Furniture, fixtures, machinery and equipment	1,263,763	16,804	-	1,280,567
Motor vehicles	861,348	29,531	(86,231)	804,648
Infrastructure	5,902,121	-	-	5,902,121
Total capital assets, being depreciated	<u>35,029,982</u>	<u>2,809,374</u>	<u>(86,231)</u>	<u>37,753,125</u>
Less accumulated depreciation:				
Building and building improvements	1,266,167	80,003	-	1,346,170
Improvements other than buildings	6,577,919	800,954	-	7,378,873
Furniture, fixtures, machinery and equipment	985,293	170,137	-	1,155,430
Motor vehicles	603,806	112,540	(86,231)	630,115
Infrastructure	4,578,782	112,607	-	4,691,389
Total accumulated depreciation	<u>14,011,967</u>	<u>1,276,241</u>	<u>(86,231)</u>	<u>15,201,977</u>
Total capital assets, being depreciated, net	<u>21,018,015</u>	<u>1,533,133</u>	<u>-</u>	<u>22,551,148</u>
Governmental activities capital assets, net	<u>\$ 23,852,532</u>	<u>\$ 1,621,784</u>	<u>\$ (895,263)</u>	<u>\$ 24,579,053</u>

Capital assets for the business-type activities for the fiscal year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 6,113,175	\$ -	\$ -	\$ 6,113,175
Construction in progress	-	486,662	-	486,662
Total capital assets, not being depreciated	<u>6,113,175</u>	<u>486,662</u>	<u>-</u>	<u>6,599,837</u>
Capital assets, being depreciated:				
Buildings and utility plant	3,795,152	196,772	(20,373)	3,971,551
Equipment	98,850	66,970	-	165,820
Total capital assets, being depreciated	<u>3,894,002</u>	<u>263,742</u>	<u>(20,373)</u>	<u>4,137,371</u>
Less accumulated depreciation:				
Buildings and utility plant	1,605,683	75,805	(20,373)	1,661,115
Equipment	35,014	14,648	-	49,662
Total accumulated depreciation	<u>1,640,697</u>	<u>90,453</u>	<u>(20,373)</u>	<u>1,710,777</u>
Total capital assets, being depreciated, net	<u>2,253,305</u>	<u>173,289</u>	<u>-</u>	<u>2,426,594</u>
Business-type activities capital assets, net	<u>\$ 8,366,480</u>	<u>\$ 659,951</u>	<u>\$ -</u>	<u>\$ 9,026,431</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 7 – CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 38,628
Public safety	73,979
Transportation	112,540
Recreation	12,000
Physical environment	1,039,094
Total depreciation expense, governmental activities	<u>\$ 1,276,241</u>
Business-type activities:	
Sewer utility	\$ 63,147
Parking	27,306
Total depreciation expense, business-type activities	<u>\$ 90,453</u>

NOTE 8 – LONG-TERM LIABILITIES

Changes in long-term liabilities for governmental activities for the fiscal year ended September 30, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
Compensated absences	\$ 109,691	\$ 135,740	\$ (137,481)	\$ 107,950	\$ 10,795
	<u>\$ 109,691</u>	<u>\$ 135,740</u>	<u>\$ (137,481)</u>	<u>\$ 107,950</u>	<u>\$ 10,795</u>

For governmental activities, compensated absences are generally liquidated by the general fund.

NOTE 9 – OPERATING LEASES (LESSOR)

On February 28, 2013, the Town entered into an agreement to lease certain real property for use as a restaurant. The term of the lease is for a period of five years commencing on March 1, 2013 and ending February 28, 2018, with an option for additional five year renewal options. Minimum future rental payments on this lease as of September 30, 2016 are as follows:

Fiscal Year Ending September 30,	Annual Minimum Payments
2017	\$ 61,424
2018	25,908
Total	<u>\$ 87,332</u>

Included in the buildings and building improvements classification in Note 7 is the building which is currently being leased. The cost of the building is \$1,406,644 and accumulated depreciation of \$306,336. For the fiscal year ended September 30, 2016, rental income received from the lease was approximately \$61,000.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 10 – OPERATING LEASES (LESSEE)

On September 8, 2015, the Town entered into an agreement to lease a certain parcel of land from Flamingo East, LLC (“Lessor”) for use as a public parking lot. The term of the lease is for a period of twenty years commencing on September 8, 2015 and ending September 7, 2035, with an option for two additional ten year renewal options. Beginning October 1, 2015, the Town shall pay Lessor, on a monthly basis, rent in an amount equal to 50% of the prior month’s net parking revenues (as defined in the lease agreement). Beginning May 1, 2016, or upon completion of the construction of the new parking lot, whichever occurs first, the Town shall pay the Lessor, on a monthly basis, rent in an amount equal to 85% of the prior month’s net parking revenues.

On November 10, 2015, the Town entered into an agreement to license to use a certain parcel of land from Florida Development Group, Inc. (“Licensor”) for use as a public parking lot. The agreement may be terminated by either party provided the other party provides not less than 180 days’ prior written notice, provided no termination of the agreement shall be effective prior to October 30, 2016. In accordance with the agreement, the Town shall pay Licensor, on a monthly basis, a license fee in an amount equal to 50% of the prior month’s net parking revenues (as defined in the lease agreement).

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Interlocal Agreements

The Town entered into an interlocal agreement with Broward Sheriff’s Office on February 23, 2001 with an effective date of March 1, 2001 for police services in the Town. The agreement is for a five (5) year period and can be renewed for an additional two periods of five (5) years each, for a total of fifteen (15) years, without further action of the parties, unless terminated by either party as provided in the agreement. The Town has exercised both renewal options. During the fiscal year ended September 30, 2016, the Town paid \$4,049,928 under this agreement.

Plan Examinations and Building Inspection Services

On December 19, 2011, the Town entered into an agreement with C.A.P. Government, Inc. to conduct plan examinations and building inspection services. The original term of the agreement was three years, beginning on January 3, 2012 through December 31, 2014. The Town exercised its renewal options, extending the contract through December 31, 2006. In accordance with the terms of the agreement, C.A.P. Government, Inc. collected \$1,262,332 in the current fiscal year, of which the Town received 25% of actual revenue received for permit applications.

Grants

Grant monies received and disbursed by the Town are for specific purposes and may be subject to audit by the grantor agencies. Such audits may result in requests for reimbursements due to disallowed expenditures or other actions by grantor agencies. Based upon prior experience, the Town does not believe that such disallowances or other actions taken by the grantor agencies, if any, would have a material effect on the financial position of the Town.

Construction Contracts and Encumbrance Commitments

As of September 30, 2016, the Town had open contracts for various construction projects. The contracts totaled approximately \$1,117,000, of which approximately \$567,000 was uncompleted at September 30, 2016. The Town had an additional \$70,177 in encumbrance commitments at September 30, 2016.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

Litigation, Claims and Assessments

The Town is the defendant in three lawsuits related to the Charter building height limitations. Count I sought recovery under the Bert J. Harris, Jr. Private Property Rights Protection Act and collectively asserted that the Town deprived the private property owners of the reasonably expected investment-backed right to use their property due to land development regulations adopted by the Town. Count II alleged that the Town was estopped from applying the charter height limitations because an annexation agreement between the Town and the South Beach Civic Association provided that the Broward County height regulations then in effect would continue to apply post-annexation. One of the lawsuits also claims breach of a contract to install sanitary sewers. The Town is vigorously defending these claims, which have been consolidated as to liability under the charter building height limitations.

During a prior fiscal year, the Town filed a motion to dismiss, as well as written discovery. A hearing was held on the motion to dismiss which concluded during a prior fiscal year. The court granted the Town's motion to dismiss. The plaintiffs filed an amended complaint, reasserting both counts of the charter height limit related claims, and the Town again moved to dismiss. A hearing on the motion to dismiss the amended claim was held on July 8, 2011. On September 1, 2011, the judge entered an order granting in part and denying in part the Town's motions to dismiss counts I and II of the amended complaints filed in these consolidated cases. The judge again dismissed the first count, which sought compensation under the Bert J. Harris Act. However, the motion was denied as to the count II estoppel claims. Under this claim, the four property owners claim that certain promises contained in an annexation agreement preclude application of the subsequently enacted charter height limits. No monetary damages are sought in connection with count II. The Town filed an answer to count II. On August 20, 2012, the plaintiffs propounded interrogatories and requests for production, but granted an open-ended extension of time to respond to same. The Town ultimately responded to the discovery requests on October 31, 2014. On February 20, 2014, as a result of a status conference, the order consolidating the four cases was clarified. While the judge expressed a desire that the parties begin to prosecute the case with more diligence, no order was entered to that effect, and no substantial efforts have been made by the Plaintiffs to bring this case to resolution. On October 28, 2014, a case management conference was held. Shortly thereafter, the consolidated cases were set for trial during the four week period commencing June 8, 2015. On April 21, 2015, the court entered an agreed order staying further proceedings until November 2, 2015 so that the parties could reenter the pre-suit negotiation procedures contained in the Bert J. Harris Act. The court has since entered a series of orders extending the stay and the pre-suit negotiating period. That stay is scheduled to expire on June 30, 2017.

The parties engaged in settlement negotiations, and the Town Commission voted to approve settlements with the plaintiffs on May 23, 2017. For two of the three settlements, the plaintiffs would forego their claims for monetary damages, and the Town agrees to honor their claims of rights to build to the County height regulations. For the other plaintiff, the plaintiff would forego its claims for monetary damages and for additional height, and the Town agrees to install a sanitary sewer system for the homes on the west side of Ocean Boulevard. The settlements must be approved by the court, and the parties are submitting motions for final judgment and attempting to schedule the hearing on them. In the event that the settlements are not approved or do not become valid, the Town intends to vigorously defend these actions.

As for the sewer-related claims, the Plaintiff seeks to either compel the Town to connect it to the sanitary sewer system, or to pay the cost of installing a sewer system, which the Complaint alleges to be approximately \$3.35 million. As of the report date, the outcome cannot be determined; therefore, no amounts related to the outcome of this matter have been reflected in the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

Litigation, Claims and Assessments (Continued)

The charter height limit-related claims in count II seek only equitable relief and, therefore, do not introduce the possibility of substantial monetary exposure. In the event that the Bert J. Harris claims contained in count I are revived, the plaintiffs presented the Town with a pre-suit appraisal quantifying the value of the purported loss of development rights at approximately \$15.8 million. Given that count I has been dismissed, the likelihood of an unfavorable monetary outcome is deemed to be minimal.

The Town is also a defendant in various lawsuits incidental to its operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Town Attorney that resolution of these matters will not have a material adverse effect on the financial condition of the Town.

NOTE 12 – FLORIDA RETIREMENT SYSTEM

General Information – The Town participates in the statewide Florida Retirement System (“FRS”). All of the Town’s full-time employees are eligible to enroll as members of the FRS. All rates, benefits and amendments are established by the State of Florida through its legislative body. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services (DMS), Division of Retirement, Research and Education Section, P.O. Box 9000, Tallahassee, Florida, 32315-9000; phone 850-488-5706; website (www.dms.myflorida.com).

FRS Pension Plan

Plan Description – The FRS Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The classes of membership within the Town are as follows:

- Regular Class – Member of the FRS who do not qualify for membership in another class.
- Senior Management Service Class – Members in senior management level positions.

Beginning July 1, 2001, through June 30, 2011, the FRS Pension Plan provided for vesting of benefits after six years of creditable service for members initially enrolled during this period. Members not actively working in a position covered by the FRS on July 1, 2001, must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5 percent benefit reduction for each year prior to the normal retirement age.

- *Regular Class and Senior Management Service Class* – For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62.

For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

Plan Description (Continued) – The DROP is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member’s retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment (COLA) each July and earn monthly interest equivalent to an annual rate of 1.3%. DROP participants with an effective DROP begin date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.5%. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Basis of Accounting – The FRS fiduciary financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Member contributions are recognized in the period of time for which the contributions are assessed. Employer contributions are recognized when due in the period in which employee services are performed and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u> <u>October 1, 2015 to June 30, 2016</u>		<u>Percent of Gross Salary</u> <u>July 1, 2016 to September 30, 2016</u>	
	<u>Employee</u>	<u>Employer (1)</u>	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00%	5.60%	3.00%	5.86%
FRS, Senior Management	3.00%	19.77%	3.00%	20.11%

(1) Employer rates include .06% for administrative costs of the Investment plan.

The Town’s contributions to the Plan totaled \$213,343 for the fiscal year ended September 30, 2016. This excludes the HIS defined benefit pension plan contributions.

Benefits Provided – Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation (AFC). For members initially enrolled before July 1, 2011, the AFC is the average of the five highest fiscal years’ earnings; for members initially enrolled on or after July 1, 2011, the AFC is the average of the eight highest fiscal years’ earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors’ benefits.

If the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

Benefits Provided (Continued) – The following chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 66 or with 33 years of service	
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 30 years of service	1.60
Retirement at age 66 or with 31 years of service	1.63
Retirement at age 67 or with 32 years of service	1.65
Retirement at age 68 or with 33 years of service	1.68
Senior Management Service Class	2.00

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2016, the Town reported a liability of \$1,867,084 for its proportionate share of the Plan’s net pension liability, \$1,699,043 in governmental activities and \$168,041 in business-type activities. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Town’s proportionate share of the net pension liability was based on the Town’s contributions for the year ended June 30, 2016 relative to the contributions made during the year ended June 30, 2015 of all participating members. At June 30, 2016, the Town’s proportionate share was .00739%, which was an increase of .00023% from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the Town recognized pension expense of \$183,496 related to the Pension Plan. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 142,958	\$ (17,384)
Change of assumptions	112,953	-
Net difference between projected and actual earnings on FRS pension plan investments	482,618	-
Changes in proportion and differences between Town’s FRS contributions and proportionate share of FRS contributions	341,863	-
Town’s FRS contributions subsequent to the measurement date	58,378	-
Total	\$ 1,138,770	\$ (17,384)

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) – The deferred outflows of resources related to pensions, totaling \$58,378, resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	
September 30:	Amount
2017	\$ 195,788
2018	195,788
2019	383,944
2020	238,259
2021	37,897
Thereafter	11,332
Total	\$ 1,063,008

Actuarial Assumptions – The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	July 1, 2016
Measurement date	June 30, 2016
Inflation	2.60%
Salary increases including inflation	3.25%
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age
Discount rate	7.60%
Long-term expected rate of return, net of investment expense	7.60%
Municipal bond rate (1)	N/A

(1) The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

The following changes in actuarial assumptions occurred in 2016: The long-term expected rate of return was decreased from 7.65% to 7.60%, and the active member mortality assumption was updated.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013. The long-term expected rate of return was decreased from 7.65% to 7.60%, and the active member mortality assumption was updated since the previous valuation.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

Actuarial Assumptions (Continued) – The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric annual rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed income	18.0%	4.7%	4.6%	4.6%
Global equity	53.0%	8.1%	6.8%	17.2%
Real estate (property)	10.0%	6.4%	5.8%	12.0%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	11.1%
Total	<u>100.0%</u>			
Assumed inflation - mean		2.6%		1.9%

(1) As outlined in the Plan's investment policy

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Tow n's proportionate share of net pension liability \$	\$ 3,437,427	\$ 1,867,084	\$ 559,980

Pension Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Retiree Health Insurance Subsidy Program

Plan Description – The Retiree Health Insurance Subsidy Program (HIS Program) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Department of Management Services, Division of Retirement.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

Benefits Provided – For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Program benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Program is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2016, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Program contributions are deposited in a separate trust fund from which payments are authorized. HIS Program benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Town's contributions to the HIS Program totaled \$32,994 for the fiscal year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2016, the Town reported a net pension liability of \$720,176 for its proportionate share of the HIS Program's net pension liability, \$655,361 in governmental activities and \$64,815 in business-type activities. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Town's proportionate share of the net pension liability was based on the year ended June 30, 2016 contributions relative to the year ended June 30, 2015 contributions of all participating members. At June 30, 2016, the Town's proportionate share was .00618%, which was an increase of .00019% from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the Town recognized a pension expense of \$30,638 related to the HIS Program. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ -	\$ (1,640)
Change of assumptions	113,014	-
Net difference between projected and actual earnings on HIS pension plan investments	364	-
Changes in proportion and differences between Town's HIS contributions and proportionate share of HIS contributions	20,982	(67)
Town's HIS contributions subsequent to the measurement date	8,736	-
Total	<u>\$ 143,096</u>	<u>\$ (1,707)</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) – The deferred outflows of resources related to pensions, totaling \$8,736, resulting from Town contributions to the HIS Program subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	
September 30:	Amount
2017	\$ 23,807
2018	23,807
2019	23,738
2020	23,706
2021	19,960
Thereafter	17,635
Total	\$ 132,653

Actuarial Assumptions – The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	July 1, 2016
Measurement date	June 30, 2016
Inflation	2.6%
Salary increases including inflation	3.25%
Mortality	Generational RP-2000 w with Projection Scale BB
Actuarial cost method	Individual Entry Age
Discount rate	2.85%
Long-term expected rate of return, net of investment expense	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index (1)	2.85%

(1) In general, the discount rate for calculating the total pension liability under GASB 67 is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The discount rate used at June 30, 2015 was 3.8%. The discount rate used at June 30, 2016 was 2.85%. The discount rates used at the two dates (i.e. June 30, 2015 and June 30, 2016) differ due to changes in the applicable municipal bond rate.

The following change in actuarial assumptions occurred in 2016: The discount rate used to determine total pension liability was decreased from 3.80% to 2.85%.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013. The discount rate used to determine total pension liability was decreased from 3.80% to 2.85% since the previous valuation.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85%) or 1-percentage-point higher (3.85%) than the current rate:

	1% Decrease 1.85%	Current Discount Rate 2.85%	1% Increase 3.85%
Town's proportionate share of net pension liability	\$ 800,725	\$ 720,176	\$ 612,681

Pension Plan Fiduciary Net Position – Detailed information about the HIS Plan's fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

FRS – Defined Contribution Pension Plan

The Town contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

Eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Local Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member's accounts during the 2016 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30%
FRS, Senior Management	7.67%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85%) or 1-percentage-point higher (3.85%) than the current rate:

	1%	Current	1%
	Decrease	Discount Rate	Increase
	1.85%	2.85%	3.85%
Town's proportionate share of net pension liability	\$ 800,725	\$ 720,176	\$ 612,681

Pension Plan Fiduciary Net Position – Detailed information about the HIS Plan's fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

FRS – Defined Contribution Pension Plan

The Town contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

Eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Local Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member's accounts during the 2016 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30%
FRS, Senior Management	7.67%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS – Defined Contribution Pension Plan (Continued)

Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of payroll and by forfeited benefits of Investment Plan members. The fee for the FRS Investment Plan was increased from .04 percent to .06 percent effective July 1, 2016.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Town’s Investment Plan pension expense totaled \$70,017 for the fiscal year ended September 30, 2016.

NOTE 13 – VOLUNTEER FIREFIGHTERS PENSION FUND

The Town sponsors the Volunteer Firefighters Pension Plan, a single-employer Public Employee Retirement System defined benefit pension plan. The Plan was established by Ordinance enacted by the Town Council to provide for the creation and operation of the Volunteer Firefighters Pension Plan. The Plan is governed by a five member Board of Trustees. The Board of Trustees’ duties include, amongst other responsibilities, making recommendations regarding changes in the provisions of the Plan and its investment policies; however, any changes to the Plan must be approved by the Town Commission. The Plan is reported as a pension trust fund and is included as part of the Town’s reporting entity.

Plan Description – All volunteer firefighters of the Town will become members of the Plan upon completion of their application for membership, which must be completed within 30 days of becoming eligible for the Plan. Volunteer firefighters do not receive salaries but receive incentive pay based on calls to which they respond, training sessions and meetings that they attend. Participants should refer to the Plan documents for more complete information. A publicly available financial statement for the Plan can be obtained from the Board of Trustees, 4442 Sea Grape Drive, Lauderdale-By-The-Sea, Florida, 33308.

Membership – As of October 1, 2015, the date of the latest actuarial valuation, firefighters' membership data related to the Plan as stated in the actuarial valuation was as follows:

Retirees and beneficiaries currently receiving benefits and former volunteers entitled to receive benefits but not yet receiving them	8
Active participants	63
Total	<hr style="border: 1px solid black;"/> <hr style="border: 1px solid black;"/> 71

Basis of Accounting – The Volunteer Firefighters Pension Plan (“Plan”) financial statements are prepared on the accrual basis of accounting. All contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative expenses are recorded when incurred.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Method Used to Value Cash and Investments – All short-term investments with an original term of less than three months are considered cash equivalents. Investments are reported at fair value. Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Purchases and sales of securities are recorded on the trade-date basis. Interest and dividends are recognized when earned. Dividends are recorded on the ex-dividend date.

Pension Benefits – Eligibility for pension benefits is determined by a point system whereby a firefighter must accumulate 30 points during a Plan year to be credited for one year of service. Points are accumulated by attendance at meetings, drills, fires and false alarms. Normal retirement is at age 55 and 10 years of credited service, or the date on which the member has attained the age of 52 having completed 25 years of credited service. Effective prospectively from December 1, 2015, the benefit for normal retirement was increased from \$10 multiplied by the number of years of credited service to \$42.50 multiplied by the number of years of credited service; however, effective for retirements after March 1, 2003, the benefit shall be at least 2% of average final compensation for each year of credited service. Benefits are payable in a life annuity with other options available. The Plan also provides early and delayed retirement as well as death and disability benefits with benefits dependent on earnings, length of service or years of contributions, and age upon retirement, death or disability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The Town's net pension asset for the Volunteer Firefighters Pension Plan is measured as the total pension liability less the pension plans' fiduciary net position. At September 30, 2016, the Town reported a net pension asset of \$275,829 related to the Volunteer Firefighters Pension Plan. The net pension liability was measured as of September 30, 2015, using an annual actuarial valuation as of October 1, 2014. For the fiscal year ended September 30, 2016, the Town recognized pension expense of (\$3,387). The changes in the Net Pension Asset follow:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balance at September 30, 2014	\$ 1,360,327	\$ 1,719,328	\$ (359,001)
Changes in the year:			
Service cost	39,823	-	39,823
Interest on the total pension liability	97,199		97,199
Differences between actual and expected experience in the measurement of the TPL	(50,638)	-	(50,638)
Changes of assumptions	(22,967)		(22,967)
Contributions - Employer (from Town)	-	14,458	(14,458)
Contributions - Employer (from State)	-	110,610	(110,610)
Contributions - Members	-	14,458	(14,458)
Net investment income	-	(40,115)	40,115
Benefit payments	(15,194)	(15,194)	-
Refunds	(7,981)	(7,981)	-
Pension plan administrative expense	-	(32,027)	32,027
Other changes	87,139	-	87,139
Net changes	127,381	44,209	83,172
Balance at September 30, 2015	\$ 1,487,708	\$ 1,763,537	\$ (275,829)

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) – At September 30, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to the Volunteer Firefighters Pension Fund from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (33,177)	\$ (33,177)
Change in assumptions	-	(15,047)	(15,047)
Net Difference between projected and actual earnings on pension plan investments	162,315	-	162,315
Employer's contributions subsequent to the measurement date	100,028	-	100,028
	<u>\$ 262,343</u>	<u>\$ (48,224)</u>	<u>\$ 214,119</u>

The deferred outflows of resources related to pensions, totaling \$100,028, resulting from employer contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	Net Deferred Outflows of Resources
2017	\$ 17,829
2018	20,367
2019	43,212
2020	32,683
Total	<u>\$ 114,091</u>

Contributions and Funding Policy – Funding is based on actuarial determined required contributions using the Aggregate Actuarial Cost Method. The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the actuarial accrued liability. Firefighters are required to contribute 5% of earnings to the Plan. Contributions from the State of Florida pursuant to Chapter 175, Florida Statutes, are based on the amount of fire insurance written by private insurers on property within Town limits. The annual required contribution for the year ended September 30, 2016 was determined using the October 1, 2015 actuarial valuation. The Town is required to contribute if there is any shortfall between the State's contributions and funding requirements of the Plan. Actual contributions in fiscal year 2016 were as follows: State of Florida \$85,906, Town \$14,122 and members \$14,122.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Actuarial Methods and Significant Assumptions – Significant actuarial assumptions and other inputs used to measure the total pension liability are as follows:

Valuation date	October 1, 2014
Measurement date	September 30, 2015
Actuarial cost method	Entry Age Normal
Actuarial Assumptions:	
Discount rate	6.5%
Inflation	3.0%
Salary increases	5.5%
Investment Rate of Return	6.5%
Retirement age	The later of normal retirement eligibility or one year after the valuation. RP-2000 Combined Mortality Table with Blue Collar Adjustment for males and females with mortality improvement projected to all future years after 2000 using Scale AA.
Mortality	Scale AA.

Effective for the Actuarial Valuation as of October 1, 2014, the investment return assumption was lowered from 7.0% to 6.5% and the mortality table was updated from the 1983 Group Annuity Mortality Table for males and females to the RP-2000 Combined Mortality Table with Blue Collar Adjustment for males and females with mortality improvement projected to all future years after 2000 using Scale AA.

Development of Single Discount Rate

Single Discount Rate	6.50%
Long-Term Expected Rate of Return	6.50%
Long-Term Municipal Bond Rate*	3.71%
Last year ending September 30 in the 2016 to 2115 projection period for which projected benefit payments are fully funded	

*Source: “20-Bond GO Index” is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. In describing this index, the Bond Buyer notes that the bonds’ average credit quality is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp.’s AA. The rate shown is as of September 24, 2015, the most recent date available on or before the measurement date.

A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.5%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (6.5%) was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Actuarial Methods and Significant Assumptions (Continued) – The long-term expected rate of return on pension plans investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	60%	7.50%
International Equity	0%	8.50%
Domestic Bonds	40%	2.50%
International Bonds	0%	3.50%
Real Estate	0%	4.50%
Alternative Assets	0%	5.50%

Sensitivity of the Town’s Net Position Liability to Changes in the Discount Rate – Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan’s net pension liability calculated using a single discount rate of 6.5%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher.

	Current Single Discount Rate		
	1% Decrease	Assumption	1% Increase
	5.50%	6.50%	7.50%
Net Pension Liability	\$ (218,307)	\$ (275,829)	\$ (321,305)

NOTE 14 – DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The plan was established, and the provisions of the plan, including contribution rates, may be amended by the Town Commission. As outlined in the Town’s personnel policies manual, if an employee eligible to participate in the Town’s health insurance program does not elect to participate, the Town will contribute 80% of the Town’s normal health insurance contribution for an employee with no spouse or dependent coverage to the deferred compensation plan on their behalf in lieu of providing health insurance. Additionally, contributions are also paid to the deferred compensation plan on behalf of the Town Manager. Except for the plan provisions related to loans, the deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency. The plan is administered by Nationwide Retirement Solutions. Except for the plan provisions related to loans, the Town has no fiduciary responsibility for the plan and therefore, the Town does not report the balances and activities in its financial statements. During the current fiscal year, the Town contributed approximately \$30,000 on behalf of employees to the deferred compensation plan and employees contributed approximately \$63,000.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS

Plan Description – Pursuant to Section 112.081, Florida Statutes, the Town is required to permit eligible retirees and their eligible dependents to participate in the Town’s health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. These retirees pay 100% of the blended rate for active and retired employees. Because the blended rate is greater than that of a plan including active employees only and less than that of a plan including retirees only, the amount the Town expends for active employees includes an implicit subsidy for participating retirees and dependents.

Membership – Participants of the plan consisted of the following at September 30, 2016:

Retirees and beneficiaries	
currently receiving benefits	2
Active employees	36
Total	38

Actuarial Methods and Assumptions – An actuarial valuation was performed as of October 1, 2013, for the purpose of enhancing the Town’s understanding of the OPEB obligation and to establish policy implications regarding the funding of this obligation. The actuary’s estimate, using the Entry Age Normal Cost Method, included other actuarial assumptions as classified below. The calculation produced an unfunded actuarially accrued liability (UAAL) of \$55,886, and an estimated net OPEB obligation of \$11,512. At this time, the Town has opted to pay as you go rather than fund a portion or the entire net OPEB obligation.

Actuarial methods and significant actuarial assumptions used to determine the annual required contribution for the prior fiscal year were as follows:

Valuation date	October 1, 2015
Actuarial cost method	Entry age normal
Amortization method for unfunded actuarial liability	Level dollar, closed
Amortization period - closed	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4% compounded annually, net of investment related expenses
Payroll growth rate	0.0%
Health Care inflation:	
Pre-Medicare and Post-Medicare	Initial rate of 8% in fiscal year 2016, then 8.75% in fiscal year 2017, grading down to the ultimate trend rate of 4% in fiscal year 2073.

The actuarial valuation of the calculation of OPEB involves estimates of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to how whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Fiscal year 2010 was the initial year of implementation. The Town has not contributed assets to the plan at this time.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued) – Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Funding Progress – Funding progress of the OPEB liability as of October 1, 2015 valuation date, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL), Entry Age (b)	(Over) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percent of Covered Payroll [(b-a)/c]
October 1, 2009	\$ -	\$ 42,184	\$ 42,184	0%	\$ 1,257,243	3.4%
October 1, 2011	-	57,890	57,890	0%	1,099,999	5.3%
October 1, 2013	-	89,116	89,116	0%	1,773,510	5.0%
October 1, 2015	-	55,886	55,886	0%	1,881,278	3.0%

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year information for the fiscal years ended September 30 is presented as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
September 30, 2012	\$ 11,360	85.3%	\$ 13,543
September 30, 2014	14,037	100.8%	8,126
September 30, 2016	12,382	65.0%	11,512

The net OPEB obligation is reported as a liability in the statement of net position of the Town.

NOTE 16 – 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 for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from the prior fiscal year. The Town provides employee medical benefits through commercial insurance coverage. Settlements during the previous three years did not exceed insurance coverage.

NOTE 17 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68
The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 17 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (Continued)

GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The provisions are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB 77 - Tax Abatement Disclosures

The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

This Statement establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB 80 - Blending Requirements for Certain Component Units

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81 - Irrevocable Split-Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for periods beginning after December 15, 2016.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 17 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (Continued)

GASB Statement No. 82 - *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83 - *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84 - *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85 – *Omnibus 2017*

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues*

The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

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

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)**

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 7,378,700	\$ 7,378,700	\$ 7,483,620	\$ 104,920
Franchise fees and utility taxes	1,610,700	1,610,700	1,734,171	123,471
Intergovernmental	1,017,988	1,017,988	1,095,512	77,524
Fines and forfeitures	138,000	138,000	94,009	(43,991)
Charges for services	10,800	10,800	10,424	(376)
Licenses and permits	1,037,000	1,356,000	1,408,293	52,293
Interest income and other	18,130	18,130	5,803	(12,327)
Grant revenue	81,482	81,482	81,650	168
Miscellaneous revenues	131,135	146,635	335,887	189,252
Total revenues	11,423,935	11,758,435	12,249,369	490,934
Expenditures:				
General Government:				
Town commission	124,824	124,824	123,531	1,293
Administration	858,601	858,601	846,855	11,746
Legal	338,000	338,000	327,506	10,494
General	1,031,833	1,028,790	588,772	440,018
Nondepartmental	263,037	265,037	231,349	33,688
Total general government	2,616,295	2,615,252	2,118,013	497,239
Public safety:				
Emergency medical services	754,659	755,702	755,701	1
Police department	4,089,591	4,105,091	4,077,051	28,040
Total public safety	4,844,250	4,860,793	4,832,752	28,041
Municipal services:				
Administrative	1,032,810	1,032,810	1,021,523	11,287
Engineer and utilities	226,000	226,000	230,293	(4,293)
Public works	597,325	597,325	496,450	100,875
Total municipal services	1,856,135	1,856,135	1,748,266	107,869

(Continued)

See notes to Required Supplementary Information.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2016
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Development services:				
Development services administrative	439,095	439,095	379,887	59,208
Building services	657,000	976,000	1,027,072	(51,072)
Code compliance	237,000	237,000	224,889	12,111
Total development services	<u>1,333,095</u>	<u>1,652,095</u>	<u>1,631,848</u>	<u>20,247</u>
Recreation services:				
Beach and recreation	475,825	475,825	442,542	33,283
Total recreation services	<u>475,825</u>	<u>475,825</u>	<u>442,542</u>	<u>33,283</u>
Total expenditures	<u>11,125,600</u>	<u>11,460,100</u>	<u>10,773,421</u>	<u>686,679</u>
Excess (deficiency) of revenues over (under) expenditures	<u>298,335</u>	<u>298,335</u>	<u>1,475,948</u>	<u>1,177,613</u>
Other financing sources (uses):				
Use of fund balance	1,208,720	1,902,500	-	(1,902,500)
Transfers in	22,000	22,000	22,000	-
Transfers out	(1,529,055)	(2,222,835)	(2,222,835)	-
Total other financing sources (uses)	<u>(298,335)</u>	<u>(298,335)</u>	<u>(2,200,835)</u>	<u>(1,902,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(724,887)</u>	<u>\$ (724,887)</u>
Fund balance, beginning			<u>7,110,202</u>	
Fund balance, ending			<u>\$ 6,385,315</u>	

See notes to Required Supplementary Information.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

Annual appropriated budgets are adopted for all governmental funds on a basis consistent with accounting principles generally accepted in the United States.

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

- (a) In July, the Town Manager submits to the Commission a proposed operating and capital budget for the ensuing fiscal year. The budget includes proposed expenditures and the means of financing them.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The Town Commission, by motion, may make supplemental appropriations for the fiscal year.
- (e) Formal budgetary integration is employed as a management control device during the fiscal year for the general fund.
- (f) The Town Manager is authorized to transfer part or all of an unencumbered appropriation balance within a department; however, any revisions that alter the total appropriations of any fund must be approved by the Town Commission. The classification detail at which expenditures may not legally exceed appropriations is at the department level.
- (g) Unencumbered appropriations lapse at fiscal year-end. Encumbered amounts are reappropriated in the following fiscal year's budget.
- (h) Budgeted amounts are as originally adopted or as amended.

The budget was amended to increase revenues by \$334,500, appropriations by \$334,500, use of fund balance by \$693,780, and transfers out by \$693,780.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS –
VOLUNTEER FIREFIGHTERS PENSION PLAN
FISCAL YEAR ENDED SEPTEMBER 30, 2016

Measurement Year Ended September 30,	2016	2015	2014
Total Pension Liability (TPL)			
Service cost	\$ 22,358	\$ 39,823	\$ 48,234
Interest on the total pension liability	96,588	97,199	38,136
Benefit changes	152,366	-	-
Differences between actual and expected experience	57,929	(50,638)	-
Changes of assumption	-	(22,967)	-
Benefit payments	(46,123)	(15,194)	(15,194)
Refunds	(2,083)	(7,981)	(15,195)
Other changes	-	87,139	129,583
Net change in total pension liability	281,035	127,381	185,564
Total pension liability - beginning	1,487,708	1,360,327	1,174,763
Total pension liability - ending (a)	\$ 1,768,743	\$ 1,487,708	\$ 1,360,327
Plan fiduciary net position			
Contributions - Employer (from Town)	\$ 14,122	\$ 14,458	\$ 13,976
Contributions - Employer (from State)	85,906	110,610	153,054
Contributions - Members	14,122	14,458	13,976
Net investment income	123,067	(40,115)	58,637
Benefit payments	(46,123)	(15,194)	(15,194)
Refunds	(2,083)	(7,981)	(15,195)
Pension plan administrative expense	(18,613)	(32,027)	(8,350)
Net change in fiduciary net position	170,398	44,209	200,904
Plan fiduciary net position - beginning	1,763,537	1,719,328	1,518,424
Plan fiduciary net position - ending (b)	\$ 1,933,935	\$ 1,763,537	\$ 1,719,328
Net pension liability - ending (a) - (b)	\$ (165,192)	\$ (275,829)	\$ (359,001)
Plan fiduciary net position as a percentage of the total pension liability	109.34%	118.54%	126.39%
Covered employee payroll	\$ 282,440	\$ 289,160	\$ 279,520
Net Pension liability as a percentage of covered employee payroll	-58.49%	-95.39%	-128.43%

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS –
VOLUNTEER FIREFIGHTERS PENSION PLAN
FISCAL YEAR ENDED SEPTEMBER 30, 2016

Fiscal Year End	(1) Actuarially Determined Contribution (ADC)	(2) Contributions Recognized by the Plan*	(3) Difference Between (1) and (2)	Covered Member Payroll**	Column (2) as a Percentage of Covered Payroll
September 30, 2007	\$ 36,648	\$ 36,648	\$ -	\$ 249,866	14.67%
September 30, 2008	15,495	15,569	(74)	198,451	7.85%
September 30, 2009	30,674	41,177	(10,503)	111,182	37.04%
September 30, 2010	27,036	40,224	(13,188)	286,224	14.05%
September 30, 2011	27,036	40,460	(13,424)	286,224	*** 14.14%
September 30, 2012	20,932	38,866	(17,934)	347,941	11.17%
September 30, 2013	20,932	40,274	(19,342)	347,941	*** 11.57%
September 30, 2014	153	37,447	(37,294)	279,520	13.40%
September 30, 2015	-	37,929	(37,929)	289,160	13.12%
September 30, 2016	29,701	100,028	(70,327)	282,440	35.42%

* Contributions recognized by the Plan relate to employer and nonemployer entities.

** Covered payroll was calculated based on actual member contributions for the fiscal year divided by the employee contribution rate of 5%.

*** Expected total covered payroll assumed to be same as expected covered payroll for previous year.

Valuation date	October 1, 2015
Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market Value of Assets

Actuarial assumptions:

Investment rate of return	6.5%
Salary increases	5.5%
Inflation	3%
Retirement age	The later of normal retirement eligibility or one year after the valuation.
Mortality	RP-2000 Combined Mortality Table with Blue Collar Adjustment for males and females with mortality improvement projected to all future years after 2000 using Scale AA.

A publicly available financial statement for the Plan can be obtained from the Board of Trustees, 4442 Sea Grape Drive, Lauderdale-By-The-Sea, Florida, 33308 which includes the additional financial reporting requirements of GASB 67, *Financial Reporting for Pension Plans*, including the annual money-weighted rate of return on pension plan investments.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY –
FLORIDA RETIREMENT SYSTEM
FISCAL YEAR ENDED SEPTEMBER 30, 2016

Florida Retirement System Pension Plan

	2016	2015	2014
Town's proportion of the FRS net pension liability	0.007394367%	0.007162571%	0.006643557%
Town's proportionate share of the FRS net pension liability	\$ 1,867,084	\$ 925,142	\$ 405,355
Town's covered employee payroll	\$ 1,907,616	\$ 1,837,884	\$ 1,779,636
Town's proportionate share of the FRS net pension liability as a percentage of its covered employee payroll	97.88%	50.34%	22.78%
FRS plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

Retiree Health Insurance Subsidy Program

	2016	2015	2014
Town's proportion of the HIS net pension liability	0.006179339%	0.005988766%	0.005989789%
Town's proportionate share of the HIS net pension liability	\$ 720,176	\$ 610,760	\$ 560,060
Town's covered employee payroll	\$ 1,907,616	\$ 1,837,884	\$ 1,779,636
Town's proportionate share of the HIS net pension liability as a percentage of its covered employee payroll	37.75%	33.23%	31.47%
HIS plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

- (1) The amounts presented for each year were determined as of the measurement date,
(2) Information is only available for the years presented.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS –
FLORIDA RETIREMENT SYSTEM
FISCAL YEAR ENDED SEPTEMBER 30, 2016

Florida Retirement System Pension Plan

	2016	2015	2014
Contractually required FRS contribution	\$ 213,343	\$ 203,842	\$ 180,079
FRS contributions in relation to the contractually required contribution	(213,343)	(203,842)	(180,079)
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 1,987,533	\$ 1,854,933	\$ 1,776,688
FRS contributions as a percentage of covered employee payroll	10.73%	10.99%	10.14%

Retiree Health Insurance Subsidy Program

	2016	2015	2014
Contractually required HIS contribution	\$ 32,994	\$ 25,157	\$ 21,565
HIS contributions in relation to the contractually required contribution	(32,994)	(25,157)	(21,565)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 1,987,533	\$ 1,854,933	\$ 1,776,688
HIS contributions as a percentage of covered employee payroll	1.66%	1.36%	1.21%

(1) The amounts presented for each fiscal year were determined as of September 30.

(2) Information is only available for the years presented.

Employer contributions to the Florida Retirement System Pension Plan include .04% for administrative costs of the Investment plan in 2014 and 2015 and .06% in 2016.

A publicly available financial statement for the Plan can be obtained from the Florida Department of Management Services (DMS), Division of Retirement, Research and Education Section, PO Box 9000, Tallahassee, Florida, 32315-9000; phone 850-488-5706; website (www.dms.myflorida.com) which includes additional financial reporting requirements, including the annual money-weighted rate of return on pension plan investments.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POST EMPLOYMENT BENEFIT PLAN
FISCAL YEAR ENDED SEPTEMBER 30, 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL), Entry Age (b)	(Over) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percent of Covered Payroll [(b-a)/c]
October 1, 2009	\$ -	\$ 42,184	\$ 42,184	0%	\$ 1,257,243	3.4%
October 1, 2011	-	57,890	57,890	0%	1,099,999	5.3%
October 1, 2013	-	89,116	89,116	0%	1,773,510	5.0%
October 1, 2015	-	55,886	55,886	0%	1,881,278	3.0%

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COMBINING FUND STATEMENTS

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<u>Special Revenue Funds</u>		<u>Total Non-Major Funds</u>
	<u>Police Training and Forfeiture</u>	<u>Fire Fund</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1	\$ 927,182	\$ 927,183
Accounts receivable	2,742	-	2,742
Prepaid items	-	67,235	67,235
Total assets	<u>\$ 2,743</u>	<u>\$ 994,417</u>	<u>\$ 997,160</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and other liabilities	\$ -	\$ 141	\$ 141
Unearned revenue	-	23,443	23,443
Total liabilities	<u>-</u>	<u>23,584</u>	<u>23,584</u>
Fund balances:			
Nonspendable:			
Prepaid items	-	67,235	67,235
Restricted for:			
Fire department	-	903,598	903,598
Committed for:			
License plate reader system contract	2,743	-	2,743
Total fund balances	<u>2,743</u>	<u>970,833</u>	<u>973,576</u>
Total liabilities and fund balances	<u>\$ 2,743</u>	<u>\$ 994,417</u>	<u>\$ 997,160</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Special Revenue Funds</u>		<u>Total Non-Major Funds</u>
	<u>Police Training and Forfeiture</u>	<u>Fire Fund</u>	
Revenues:			
Fire assessments	\$ -	\$ 975,225	\$ 975,225
Charges for services	-	32,591	32,591
Miscellaneous revenues	10,896	160	11,056
Total revenues	<u>10,896</u>	<u>1,007,976</u>	<u>1,018,872</u>
Expenditures:			
Current:			
Public safety	-	829,253	829,253
Capital outlay	10,807	233,823	244,630
Total expenditures	<u>10,807</u>	<u>1,063,076</u>	<u>1,073,883</u>
Excess (deficiency) of revenues over (under) expenditures	<u>89</u>	<u>(55,100)</u>	<u>(55,011)</u>
Other financing sources (uses):			
Transfers out	-	(22,000)	(22,000)
Total other financing sources (uses)	<u>-</u>	<u>(22,000)</u>	<u>(22,000)</u>
Net change in fund balances	89	(77,100)	(77,011)
Fund balances, beginning	<u>2,654</u>	<u>1,047,933</u>	<u>1,050,587</u>
Fund balances, ending	<u>\$ 2,743</u>	<u>\$ 970,833</u>	<u>\$ 973,576</u>

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BUDGETARY COMPARISON SCHEDULES

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
CAPITAL PROJECTS FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ 1,000	\$ 1,000	\$ 221	\$ (779)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>221</u>	<u>(779)</u>
Expenditures:				
General Government:				
Administrative	353,061	353,061	97,909	255,152
Capital outlay	2,109,064	2,402,844	1,944,567	458,277
Total expenditures	<u>2,462,125</u>	<u>2,755,905</u>	<u>2,042,476</u>	<u>713,429</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,461,125)</u>	<u>(2,754,905)</u>	<u>(2,042,255)</u>	<u>712,650</u>
Other financing sources (uses):				
Transfers in	1,529,055	2,222,835	2,222,835	-
Use of fund balance	932,070	532,070	-	(532,070)
Total other financing sources (uses)	<u>2,461,125</u>	<u>2,754,905</u>	<u>2,222,835</u>	<u>(532,070)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>180,580</u>	<u>\$ 180,580</u>
Fund balance, beginning			<u>1,920,611</u>	
Fund balance, ending			<u>\$ 2,101,191</u>	

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
SPECIAL REVENUE FUND
POLICE TRAINING AND FORFEITURE FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 10,896	\$ 10,896
Total revenues	-	-	10,896	10,896
Expenditures:				
Capital outlay	-	10,807	10,807	-
Total expenditures	-	10,807	10,807	-
Excess (deficiency) of revenues over (under) expenditures	-	(10,807)	89	10,896
Other financing sources (uses):				
Use of fund balance	-	10,807	-	(10,807)
Total other financing sources (uses)	-	10,807	-	(10,807)
Net change in fund balances	\$ -	\$ -	89	\$ 89
Fund balance, beginning			2,654	
Fund balance, ending			\$ 2,743	

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
SPECIAL REVENUE FUND
FIRE FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Fire assessments	\$ 959,218	\$ 959,218	\$ 975,225	\$ 16,007
Charges for services	40,000	40,000	32,591	(7,409)
Interest income and other	-	-	160	160
Total revenues	999,218	999,218	1,007,976	8,758
Expenditures:				
Current:				
Public Safety	849,263	849,263	829,253	20,010
Capital outlay	367,500	367,500	233,823	133,677
Total expenditures	1,216,763	1,216,763	1,063,076	153,687
Excess (deficiency) of revenues over (under) expenditures	(217,545)	(217,545)	(55,100)	162,445
Other financing sources (uses):				
Use of fund balance	239,545	239,545	-	(239,545)
Transfers out	(22,000)	(22,000)	(22,000)	-
Total other financing sources (uses)	217,545	217,545	(22,000)	(239,545)
Net change in fund balances	\$ -	\$ -	(77,100)	\$ (77,100)
Fund balance, beginning			1,047,933	
Fund balance, ending			\$ 970,833	

STATISTICAL SECTION

This part of the Town of Lauderdale-By-The-Sea's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	71-77
Revenue Capacity These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.	78-81
Debt Capacity These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	82-84
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	85-86
Operating and Other Information These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	87-89

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant fiscal year.

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TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 1
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(ACCOUNTS EXPRESSED IN THOUSANDS)

	September 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$11,756	\$17,822	\$15,518	\$15,222	\$15,296	\$16,455	\$20,759	\$23,624	\$ 23,853	\$ 24,579
Restricted for:										
Town beautification per contractual agreement	-	-	1,000	1,000	928	928	678	678	678	678
Law enforcement	-	-	291	212	198	186	139	156	2	3
Fire enforcement	-	-	63	216	486	416	604	793	982	904
Unrestricted	13,473	11,901	8,358	11,054	12,887	13,698	10,368	8,323	7,969	7,043
Total governmental activities net position	25,229	29,723	25,230	27,704	29,795	31,683	32,548	33,574	33,484	33,207
Business-type activities:										
Net investment in capital assets	6,156	5,955	5,578	5,629	6,255	6,541	7,464	8,454	8,366	9,026
Unrestricted	2,818	1,839	1,853	1,668	1,887	2,312	2,822	2,666	4,291	5,239
Total business-type activities net position	8,974	7,794	7,431	7,297	8,142	8,853	10,286	11,120	12,657	14,265
Primary government:										
Net investment in capital assets	17,912	23,777	21,096	20,851	21,551	22,996	28,223	32,078	32,219 ¹	33,605
Restricted for:										
El Mar beautification per contractual agreement	-	-	1,000	1,000	928	928	678	678	678	678
Law enforcement	-	-	291	212	198	186	139	156	2	3
Fire enforcement	-	-	63	216	486	416	604	793	982	904
Unrestricted	16,291	13,740	10,211	12,722	14,774	16,010	13,190	10,989	12,260	12,282
Total primary government net position	\$34,203	\$37,517	\$32,661	\$35,001	\$37,937	\$40,536	\$42,834	\$44,694	\$ 46,141	\$ 47,472

¹ The Town's beginning net position was restated for the effect of adoption of GASB No.68 and 71 in fiscal year 2015, the restatement decreased beginning net position by (\$758,914).

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 2

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)**

Expenses:	Fiscal Year Ended September 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government	\$ 1,828	\$ 1,981	\$ 2,153	\$ 2,442	\$ 2,275	\$ 2,392	\$ 2,567	\$ 2,409	\$ 2,471	\$ 2,327
Public safety	6,193	6,426	4,795	4,869	4,953	5,566	6,049	6,254	7,093	7,407
Transportation	1,430	1,286	1,602	1,592	1,660	1,269	1,317	1,382	1,516	1,675
Recreation	486	483	400	418	397	333	362	382	452	442
Physical environment	206	313	320	294	125	563	810	1,007	1,246	1,534
Interest on long-term debt	491	458	551	-	-	-	-	-	-	-
Total governmental activities	10,634	10,947	9,821	9,615	9,410	10,123	11,105	11,434	12,778	13,385
Business-type activities:										
Sewer	1,011	1,008	1,062	1,105	974	1,511	861	1,260	882	950
Stormwater	190	229	-	-	-	-	-	-	-	-
Parking	174	376	201	220	424	440	425	490	660	680
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Total business-type activities	1,375	1,613	1,263	1,325	1,398	1,951	1,286	1,750	1,542	1,630
Total primary government	\$ 12,009	\$ 12,560	\$ 11,084	\$ 10,940	\$ 10,808	\$ 12,074	\$ 12,391	\$ 13,184	\$ 14,320	\$ 15,015
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 898	\$ 826	\$ 244	\$ 148	\$ 154	\$ 636	\$ 887	\$ 1,195	\$ 1,619	\$ 1,502
Public safety	2,048	6	-	202	38	59	1,085	1,029	1,017	1,018
Transportation	392	215	299	-	-	-	-	-	-	-
Recreation	5	6	6	226	303	-	-	-	-	-
Physical environment	123	118	19	-	-	-	-	-	-	-
Operating grants and contributions	34	26	71	107	145	84	69	81	82	82
Capital grants and contributions	769	96	1,201	-	-	442	-	32	129	-
Total governmental activities program revenues	4,269	1,293	1,840	683	640	1,221	2,041	2,337	2,847	2,602
Business type activities:										
Charges for services:										
Sewer	1,010	1,100	1,002	964	1,153	1,207	1,125	966	1,128	1,051
Stormwater	218	-	-	-	-	-	-	-	-	-
Parking	642	602	481	389	948	1,620	1,553	1,616	2,034	2,182
Capital grants and contributions	332	-	34	-	295	-	39	-	-	-
Total business-type activities program revenues	2,202	1,702	1,517	1,353	2,396	2,827	2,717	2,582	3,162	3,233
Total primary government program revenues	\$ 6,471	\$ 2,995	\$ 3,357	\$ 2,036	\$ 3,036	\$ 4,048	\$ 4,758	\$ 4,919	\$ 6,009	\$ 5,835

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 2 (CONTINUED)
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Fiscal Year Ended September 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense) revenue:										
Governmental activities	\$ (6,365)	\$ (9,654)	\$ (7,981)	\$ (8,932)	\$ (8,770)	\$ (8,902)	\$ (9,064)	\$ (9,097)	\$ (9,931)	\$ (10,783)
Business-type activities	827	89	254	28	998	876	1,431	832	1,620	1,603
Total primary government net expense	<u>\$ (5,538)</u>	<u>\$ (9,565)</u>	<u>\$ (7,727)</u>	<u>\$ (8,904)</u>	<u>\$ (7,772)</u>	<u>\$ (8,026)</u>	<u>\$ (7,633)</u>	<u>\$ (8,265)</u>	<u>\$ (8,311)</u>	<u>\$ (9,180)</u>
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	\$ 9,029	\$ 10,092	\$ 9,196	\$ 8,404	\$ 7,938	\$ 7,798	\$ 6,723	\$ 6,915	\$ 7,076	\$ 7,484
Utility taxes based on gross receipts	844	907	943	1,033	1,006	995	932	970	1,009	999
Franchise fees based on gross receipts	777	817	822	734	701	703	699	707	706	735
Communications services tax	353	358	434	366	330	376	385	351	357	414
Intergovernmental	-	-	556	539	557	594	848	676	916	682
Unrestricted Interest earnings	790	428	34	86	52	49	75	25	32	6
Miscellaneous	172	171	73	78	109	107	267	478	417	186
Transfers	(744)	1,375	624	166	167	167	-	-	-	-
Special items	-	-	(9,194)	-	-	-	-	-	-	-
Total governmental activities	<u>11,221</u>	<u>14,148</u>	<u>3,488</u>	<u>11,406</u>	<u>10,860</u>	<u>10,789</u>	<u>9,929</u>	<u>10,122</u>	<u>10,513</u>	<u>10,506</u>
Business-type activities:										
Unrestricted Interest earnings	126	73	7	4	3	2	2	2	2	-
Miscellaneous	-	-	-	-	11	-	-	-	3	5
Gain on sale of assets	-	33	-	-	-	-	-	-	-	-
Transfers	744	(1,375)	(624)	(166)	(167)	(167)	-	-	-	-
Total business-type activities	<u>870</u>	<u>(1,269)</u>	<u>(617)</u>	<u>(162)</u>	<u>(153)</u>	<u>(165)</u>	<u>2</u>	<u>2</u>	<u>5</u>	<u>5</u>
Total primary government	<u>\$ 12,091</u>	<u>\$ 12,879</u>	<u>\$ 2,871</u>	<u>\$ 11,244</u>	<u>\$ 10,707</u>	<u>\$ 10,624</u>	<u>\$ 9,931</u>	<u>\$ 10,124</u>	<u>\$ 10,518</u>	<u>\$ 10,511</u>
Changes in net position:										
Government activities	\$ 4,856	\$ 4,494	\$ (4,493)	\$ 2,474	\$ 2,090	\$ 1,887	\$ 865	\$ 1,025	\$ 582	\$ (277)
Business-type activities	1,697	(1,180)	(363)	(134)	845	711	1,433	834	1,625	1,608
Total primary government	<u>\$ 6,553</u>	<u>\$ 3,314</u>	<u>\$ (4,856)</u>	<u>\$ 2,340</u>	<u>\$ 2,935</u>	<u>\$ 2,598</u>	<u>\$ 2,298</u>	<u>\$ 1,859</u>	<u>\$ 2,207</u>	<u>\$ 1,331</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 3
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)

Fiscal Year Ended September 30,	Ad Valorem and Fire Taxes	Franchise Fees on Services	Utility Tax	Communications Service Tax	Transportation Tax	Total
2007	\$ 9,029	\$ 777	\$ 844	\$ 353	\$ 116	\$ 11,119
2008	10,092	817	907	358	106	12,280
2009	9,196	822	943	434	109	11,504
2010	8,404	734	1,033	366	102	10,639
2011	7,938	701	1,006	330	104	10,079
2012	7,798	703	995	376	104	9,976
2013	7,766	699	932	385	104	9,886
2014	7,894	707	970	351	107	10,029
2015	8,053	706	1,009	357	110	10,235
2016	8,459	735	999	414	110	10,717

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 4
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pre-GASB 54 September 30,					
	2005	2006	2007	2008	2009	2010
General fund:						
Reserved	\$ -	\$ 56	\$ 60	\$ 179	\$ 250	\$ 220
Unreserved, designated	3,389	3,310	5,222	3,743	4,163	4,556
Unreserved, undesignated	4,374	9,451	8,740	7,242	2,189	3,052
Total general fund	<u>\$ 7,763</u>	<u>\$ 12,817</u>	<u>\$ 14,022</u>	<u>\$ 11,164</u>	<u>\$ 6,602</u>	<u>\$ 7,828</u>
All other governmental funds:						
Reserved						
Capital project funds	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
Unreserved, undesignated	2,880	-	-	-	-	-
Special revenue funds	-	363	378	301	140	176
Capital project funds	-	550	(222)	-	1,805	3,236
Special revenue funds	-	-	-	4	151	36
Capital project funds	6,047	6,206	6,596	1,300	162	215
Total all other governmental funds	<u>\$ 8,927</u>	<u>\$ 7,119</u>	<u>\$ 6,752</u>	<u>\$ 1,605</u>	<u>\$ 3,258</u>	<u>\$ 4,663</u>
	Post-GASB 54 September 30,					
	2011	2012	2013	2014	2015	2016
General fund:						
Nonspendable	\$ 76	\$ 57	\$ 170	\$ 160	\$ 167	\$ 202
Assigned	2,680	2,882	4,399	3,982	3,542	3,740
Unassigned	5,914	6,675	3,629	3,324	3,401	2,443
Total general fund	<u>\$ 8,670</u>	<u>\$ 9,614</u>	<u>\$ 8,198</u>	<u>\$ 7,466</u>	<u>\$ 7,110</u>	<u>\$ 6,385</u>
All other governmental funds:						
Nonspendable	\$ -	\$ -	\$ 64	\$ 65	\$ 66	\$ 67
Restricted	1,682	1,529	1,421	1,470	1,659	1,584
Committed	-	-	-	156	3	-
Assigned	4,274	3,973	2,091	714	1,243	1,424
Total all other governmental funds	<u>\$ 5,956</u>	<u>\$ 5,502</u>	<u>\$ 3,576</u>	<u>\$ 2,405</u>	<u>\$ 2,971</u>	<u>\$ 3,075</u>

Note:

Six years of data are available for GASB 34 compliance.

Five years of data are available for GASB 54 compliance which was adopted in fiscal year 2011.

Fiscal year 2010 data was restated for GASB 54 comparable presentation.

Source: Town of Lauderdale-By-The-Sea Finance Department

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 5
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ended September 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Property taxes and fire assessments	\$ 8,458,845	\$ 8,052,767	\$ 7,894,483	\$ 7,766,298	\$ 7,798,158	\$ 7,938,090	\$ 8,404,054	\$ 9,195,526	\$ 10,092,717	\$ 11,070,231
Franchise fees and utility taxes	1,734,171	1,714,761	1,677,798	1,631,074	1,698,650	1,707,308	1,766,623	1,765,462	1,723,546	1,621,017
Intergovernmental	1,095,512	1,273,084	1,027,448	1,233,228	969,266	887,117	905,076	989,834	1,036,497	1,105,240
Fines and forfeitures	94,009	165,437	444,386	123,534	125,760	303,767	226,089	254,080	245,270	261,746
Charges for services	43,015	39,935	49,348	41,966	59,284	37,593	202,053	159,131	79,196	209,990
Interest and other	6,024	32,016	25,361	74,648	48,940	51,906	86,830	33,821	427,693	790,138
Licenses and permits	1,408,293	1,453,520	750,198	763,664	509,892	153,933	147,549	154,835	167,373	200,610
Grants	81,650	81,530	81,387	190,621	404,166	144,653	106,159	272,262	123,155	154,875
Miscellaneous revenues	346,943	416,718	477,969	266,653	107,426	109,409	77,965	1,073,158	170,782	172,465
Total revenues	13,268,462	13,229,768	12,428,378	12,091,686	11,721,542	11,333,776	11,922,398	13,898,109	14,066,229	15,586,312
Expenditures:										
Current:										
General government	2,209,228	2,431,450	2,367,732	2,536,061	2,129,772	2,106,893	2,410,124	1,803,315	1,566,541	1,931,495
Public safety	7,274,122	7,033,832	6,214,577	5,991,798	5,572,541	4,923,024	4,868,578	4,774,384	6,419,902	6,174,381
Transportation	1,485,940	1,419,610	1,298,636	1,225,552	1,131,531	1,434,324	1,366,145	1,272,675	1,185,116	1,226,939
Recreation	430,185	439,763	370,420	338,444	330,408	304,613	325,912	307,685	397,597	400,533
Physical environment	230,293	225,740	229,228	184,217	193,526	198,313	198,313	311,328	167,986	174,499
Capital outlay	2,260,012	1,468,907	3,851,212	5,157,495	2,040,544	597,312	287,413	1,138,153	8,974,468	1,474,802
Debt service:										
Principal	-	-	-	-	-	-	-	6,814,833	4,275,881	2,129,786
Interest	-	-	-	-	-	-	-	550,849	458,103	491,596
Total expenditures	13,889,780	13,019,302	14,331,805	15,433,567	11,398,322	9,366,166	9,456,485	16,973,222	23,445,594	14,004,031
Excess (deficiency) of revenues over expenditures	(621,318)	210,466	(1,903,427)	(3,341,881)	323,220	1,967,610	2,465,913	(3,075,113)	(9,379,365)	1,582,281
Other financing sources (uses):										
Transfers in	2,244,835	1,683,227	1,931,730	2,882,800	1,067,000	1,562,690	1,781,401	2,365,244	6,340,968	2,711,647
Transfers out	(2,244,835)	(1,683,227)	(1,931,730)	(2,882,800)	(900,000)	(1,395,690)	(1,615,756)	(2,199,599)	(4,966,393)	(3,456,105)
Total other financing sources (uses)	-	-	-	-	167,000	167,000	165,645	165,645	1,374,575	(744,458)
Net change in fund balances	(621,318)	210,466	(1,903,427)	(3,341,881)	490,220	2,134,610	2,631,558	(2,909,468)	(8,004,790)	837,823
Fund balances - beginning	10,081,400	9,870,934	11,774,361	15,116,242	14,626,022	12,491,412	9,859,854	12,769,322	20,774,112	19,936,289
Fund balances - ending	\$ 9,460,082	\$ 10,081,400	\$ 9,870,934	\$ 11,774,361	\$ 15,116,242	\$ 14,626,022	\$ 12,491,412	\$ 9,859,854	\$ 12,769,322	\$ 20,774,112

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 6
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

Fiscal Year	Property Taxes and Fire Assessment Fees	Franchise Fees and Utility Taxes	Parking Meters	Licenses and Permits	Inter-Gov't	Charges Services	Fines and Forfeitures	Grants	Interest and Other	Total
2007	\$ 11,070,231	\$ 1,621,017	\$ 137,561	\$ 200,610	\$ 1,105,240	\$ 72,429	\$ 261,746	\$ 154,875	\$ 962,603	\$ 15,586,312
2008	10,092,717	1,723,546	55,448	167,373	1,036,497	23,748	245,270	123,155	598,475	14,066,229
2009	9,195,526	1,765,462	118,431	154,835	989,834	40,700	254,080	272,262	1,106,979	13,898,109
2010	8,404,054	1,766,623	156,585	147,549	905,076	45,468	226,089	106,159	164,795	11,922,398
2011	7,938,090	1,707,308	-	153,933	887,117	37,593	303,767	144,653	161,315	11,333,776
2012	7,798,158	1,698,650	-	509,892	969,266	59,284	125,760	404,166	156,366	11,721,542
2013	7,766,298	1,631,074	-	763,664	1,233,228	41,966	123,534	190,621	341,301	12,091,686
2014	7,894,483	1,677,798	-	750,198	1,027,448	49,348	444,386	81,387	503,330	12,428,378
2015	8,052,767	1,714,761	-	1,453,520	1,273,084	39,935	165,437	81,530	448,734	13,229,768
2016	8,458,845	1,734,171	-	1,408,293	1,095,512	43,015	94,009	81,650	352,967	13,268,462

(1) Governmental Fund Types: General, Special Revenue and Capital Projects.

Note: From fiscal year 2002 and forward, parking meter revenue is reflected in charges for services as included in the government-wide financial statements. However, for the purpose of this table, parking meter revenue has been separated. Since fiscal year 2006, business parking meter revenue is reported in the Parking Revenue Improvement Fund.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 7
PRELIMINARY RECAPITULATION OF THE AD VALOREM ASSESSMENT ROLLS
LAST TEN FISCAL YEARS

Fiscal Year	Tax Roll Year	Real Property Assessed Value	Personal Property Assessed Value	Exemptions		Taxable Assessed Property Value	Final Actual Taxable Value	(1). Total Direct Tax Rate
				Real	Personal			
2007	2006	\$ 2,670,329,030	\$ 17,864,769	\$ 537,152,660	\$ 2,700	\$ 2,151,038,439	\$ 2,140,677,012	4.3500
2008	2007	2,882,187,890	15,787,376	575,883,800	1,564	2,322,089,902	2,321,656,228	4.1012
2009	2008	2,612,998,410	16,120,707	504,722,019	4,264	2,124,392,834	2,116,655,262	3.9990
2010	2009	2,289,945,450	15,724,578	375,437,058	4,260,512	1,925,972,458	1,910,328,861	3.9990
2011	2010	1,901,968,310	15,105,857	143,291,270	4,214,572	1,769,568,325	1,765,210,362	3.9990
2012	2011	1,860,076,290	16,804,874	141,590,530	4,362,075	1,730,928,559	1,729,694,589	3.9990
2013	2012	1,883,607,260	16,475,042	136,628,990	4,273,669	1,759,179,643	1,758,359,285	3.9312
2014	2013	1,934,576,100	18,819,056	136,763,170	3,876,058	1,812,755,928	1,810,952,599	3.9312
2015	2014	2,055,742,730	18,924,622	139,076,520	4,699,454	1,930,891,378	1,928,187,948	3.8000
2016	2015	2,199,032,820	20,856,875	139,266,890	5,071,794	2,075,551,011	2,073,594,801	3.7379

Source: Broward County, Florida, Property Appraiser

Note: Property in Broward County is reassessed once every year, on average. The county assesses property at approximately 85-100 percent of actual value for commercial and industrial property and 85-100 percent for residential property, as required by Florida law. Estimated actual taxable value is calculated by dividing taxable value by those percentages. Tax rates are per \$1,000 of assessed value.

(1) From Table 10.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 8
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT AND TEN YEARS AGO
 SEPTEMBER 30, 2016

Taxpayer	Type of Use	2016			2007		
		Assessed Valuation ¹	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Florida Development Group Inc	Hotel	\$38,990,680	1	1.71%	N/A	N/A	N/A
Edmondson, James P- Seawatch	Restaruant	9,631,290	2	0.42%	N/A	N/A	N/A
White Cap Of FI Inc	Condominiums	8,518,720	3	0.37%	N/A	N/A	N/A
Anglin Family Trust	Restaurant/Pier	7,118,110	4	0.31%	N/A	N/A	N/A
Gorana International Inc	Hotel	6,255,390	5	0.27%	N/A	N/A	N/A
Topflow Property Corp	Condominiums	4,720,180	6	0.21%	N/A	N/A	N/A
Z & K Property Corp Inc	Condominiums	4,566,720	7	0.20%	N/A	N/A	N/A
K M & Buschbaum Inc	Hotel	4,228,810	8	0.19%	N/A	N/A	N/A
Demko Family Holdings LTD	Restaruant/ Prk.lot/ Hotel	4,212,720	9	0.18%	N/A	N/A	N/A
Wens Holding LLC	Hotel	4,086,830	10	0.18%	N/A	N/A	N/A
		<u>\$92,329,450</u>		<u>4.05%</u>			

¹ Source: Broward County Revenue Collector

Note: Information for 2007 was not available

N/A - Not available

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 9
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Total Tax Levy	(1). Current Tax Collected	Percentage of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2007	\$ 9,306,746	\$ 9,300,482	99.93%	-	\$9,300,482	99.93%
2008	9,484,100	9,369,260	98.79%	81	9,369,341	98.79%
2009	8,454,913	8,441,725	99.84%	160	8,441,885	99.85%
2010	7,723,352	7,567,600	97.98%	97,997	7,665,597	99.25%
2011	7,088,217	6,990,745	98.62%	41,289	7,032,034	99.21%
2012	6,934,808	6,915,094	99.72%	17,238	6,932,332	99.96%
2013	6,926,376	6,916,855	99.86%	8,709	6,925,564	99.99%
2014	7,136,718	7,124,316	99.83%	-	7,124,316	99.83%
2015	7,345,409	7,332,884	99.83%	-	7,332,884	99.83%
2016	7,767,916	7,745,628	99.71%	-	7,745,628	99.71%

Source: Town of Lauderdale-By-The-Sea Finance Department

(1) Includes collection fees and early payment discounts taken

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 10
PROPERTY TAX RATES (PER \$1,000)
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	Lauderdale By-The-Sea	Broward County	Broward County Schools	Other Taxing Agencies			Special Districts		Total
				South Florida Water Management	Florida Inland Navigation	Broward Children's Services Council	North Broward Hospital	Hillsboro Inlet	
2007	4.3500	6.0661	7.8687	0.6970	0.0385	0.4073	1.8317	0.1170	21.3763
2008	4.1012	5.2868	7.6484	0.6240	0.0345	0.3572	1.6255	0.0860	19.7636
2009	3.9990	5.3145	7.4170	0.6240	0.0345	0.3754	1.7059	0.0860	19.5563
2010	3.9990	5.3889	7.4310	0.6240	0.0345	0.4243	1.7059	0.0860	19.6936
2011	3.9990	5.5530	7.6310	0.6240	0.0345	0.4696	1.8750	0.0860	20.2721
2012	3.9990	5.5530	7.4180	0.4363	0.0345	0.4789	1.8750	0.0860	19.8807
2013	3.9312	5.5530	7.4560	0.4289	0.0345	0.4902	1.8564	0.0860	19.8362
2014	3.9312	5.7230	7.4560	0.4110	0.0345	0.4882	1.7554	0.0860	19.8853
2015	3.8000	5.7230	7.4380	0.3842	0.0345	0.4882	1.5939	0.0860	19.5478
2016	3.7379	5.7230	7.2740	0.3551	0.0320	0.4882	1.4425	0.0860	19.1387

Source: Broward County, Florida, Property Appraiser

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 11
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO
TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt
2007	\$2,129,786	\$491,596	\$2,621,382	\$13,259,573	19.77%
2008	4,275,881	458,103	4,733,984	24,820,169	19.07%
2009	6,814,833	550,849	7,365,682	17,138,867	42.98%
2010	-	-	-	9,622,130	0.00%
2011	-	-	-	9,533,166	0.00%
2012	-	-	-	11,398,322	0.00%
2013	-	-	-	15,433,567	0.00%
2014	-	-	-	14,331,805	0.00%
2015	-	-	-	13,019,302	0.00%
2016	-	-	-	13,889,780	0.00%

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 12

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities		Primary Government	Population	Per Capita	Personal Income	Percentage of Personal Income
	Promissory Notes	Line of Credit	Capital Leases	Promissory Notes						
2007	\$ 11,090,714	\$ -	\$ -	\$ 2,691,644	\$ 13,782,358	9,800	1,406	\$36,595	3.84%	
2008	6,814,833	-	-	1,685,889	8,500,722	9,800	867	38,944	2.23%	
2009	-	-	-	1,573,714	1,573,714	9,800	161	39,267	0.41%	
2010	-	-	-	1,457,042	1,457,042	11,000	132	41,352	0.32%	
2011	-	-	-	1,130,723	1,130,723	11,000	103	48,773	0.21%	
2012	-	-	-	839,598	839,598	11,000	76	48,773	0.16%	
2013	-	-	-	587,208	587,208	11,000	53	59,411	0.09%	
2014	-	-	-	-	-	11,000	0	57,561	0.00%	
2015	-	-	-	-	-	11,000	0	60,928	0.00%	
2016	-	-	-	-	-	11,000	0	64,180	0.00%	

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 13
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITY DEBT
SEPTEMBER 30, 2016

Name of Governmental Unit	Net Bonded Outstanding September 30, 2016	Percent of Debt Applied to Town Lauderdale By-The-Sea (1)	Amount of Debt Debt Applied Town of Lauderdale By-The-Sea
Broward County	\$ 232,035,000 ¹	1.4%	\$ 3,197,387
Broward County School District	151,840,000 ²	1.3%	1,913,689
Subtotal, overlapping debt			3,197,387
Town of Lauderdale-By-The-Sea Direct Debt			-
Total direct and overlapping debt			<u>\$ 3,197,387</u>

¹ Source: Broward County 2016 CAFR and Broward County Property Appraiser

² Source: Broward County School Board CAFR

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of Broward County's taxable assessed value that is within the Town of Lauderdale-By-The-Sea's boundaries and dividing it by Broward County's total taxable assessed value.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 14

STATISTICS

DEMOGRAPHICS AND ECONOMICS

SEPTEMBER 30, 2016

Date of Incorporation:	November 30, 1947	
Year of Charter Adoption:	1947	
Form of Town Government:	Commission-Manager	
Location:	Lauderdale-By-The-Sea is in the east-central part of Broward County and shares boundaries with three other municipalities. Its eastern boundary is the Atlantic Ocean. It is 30 miles north of Miami and 33 miles south of Palm Beach. The Town is just over 8.5 square miles in area and has a population of 6,100 with a peak seasonal population of 11,000. It is a seaside community with primary industries being retail trade, tourism/hospitality, finance, insurance and real estate.	
Number of Employees:	Full and Part-Time	37
Recreation facilities:	Miles of Public Beach	2.3
	Miles of Navigable Water	2.3
	Parks	3
	Tennis Courts	2
	Shuffleboard Courts	2
	Bocci Ball Court	1
	Basketball Court	1
Infrastructure:	Town Buildings	7
	Fire Stations	1
	Surface Parking Lots	3
Socio-Economic Data:	Consumer Price Index (1)C	2.700%
	Per Capita Personal Income (2)	64,180
Population Statistics:	Civilian Labor Force (1)A	1,025.40
	Unemployment Rate (1)B	4.4%

Source:

(1) United States Department of Labor - Bureau of Labor Statistics
Broward County, Florida

A. Number of persons, in thousands, not seasonally adjusted

B. In percent, not seasonally adjusted

C. All urban consumers, base: 1982-84=100, not seasonally adjusted

(2) Bureau of Economic Analysis - U.S. Department of Commerce - Florida - Released 12/2/15

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 15
 PRINCIPAL EMPLOYERS
 CURRENT AND TEN YEARS AGO
 SEPTEMBER 30, 2016

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>
			<u>of Total</u>			<u>of Total</u>
			<u>Town</u>			<u>Town</u>
			<u>Employment</u>			<u>Employment</u>
Aruba's Beach Café Restaurant	172	1	NA	NA	NA	NA
Sea Watch Restaurant	145	2	NA	NA	NA	NA
Blue Moon Fish Company - Restaurant	100	3	NA	NA	NA	NA
Village Grill-Restaurant	85	4	NA	NA	NA	NA
Benihana-Restaurant	65	5	NA	NA	NA	NA
Mulligans	59	6	NA	NA	NA	NA
Total	<u>626</u>					

Source: Lauderdale-By-The-Sea Development Services

Note: Information for 2007 was unavailable.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 16
FULL TIME EQUIVALENT GOVERNMENT POSITIONS BY FUNCTION
LAST TEN FISCAL YEARS

<u>Function</u>	Full time Equivalent Positions as of September 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Administration	7.5	8.6	8.6	8.5	8.4	8.3	8.3	8.5	10.0	11.0
General Government	1.4	1.4	1.4	1.5	1.6	-	-	-	-	-
Public Works	15.6	14.6	13.6	13.6	12.0	15.0	15.0	15.0	15.0	16.0
Development services	3.4	3.2	3.5	2.5	4.0	3.8	4.8	4.8	6.0	6.0
Parking	1.5	0.5	0.4	0.4	0.5	4.9	4.0	4.0	4.0	4.0
Project Management	1.1	1.1	1.1	1.1	1.0	-	-	-	-	-
Sewer	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.0	0.5
Stormwater	-	-	-	-	-	-	-	-	1.0	-
Total	31.75	30.55	29.80	28.75	28.65	33.15	33.35	33.50	37.00	37.50

Source: Lauderdale-By-The-Sea Finance Department.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 17
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government:										
Informational calls received	4,595	5,305	6,353	6,840	6,912	8,071	7,413	11,131	13,828	6,250
Public records request	42	46	46	22	90	99	277	294	223	191
Resolutions	42	48	52	46	61	44	39	29	24	21
Ordinances	15	16	14	41	22	20	16	28	16	19
Commission meetings	30	34	21	22	33	36	55	26	36	32
Cash receipts - general operating	5,970	5,370	6,556	4,332	3,263	2,608	2,539	2,346	2,075	2,615
Cash disbursements - general operating	3,425	4,064	5,128	3,140	3,423	2,932	2,110	2,314	2,684	2,204
Payroll disbursements - general operating	3,380	3,353	4,540	1,330	1,326	1,380	1,248	1,082	1,018	1,248
Purchase orders issued	29	57	57	148	140	190	197	208	235	285
Claims processed - gen liability and workers comp	4	10	13	9	10	17	8	13	-	15
Hours of information technology services	153	100	415	329	102	256	111	90	161	93
Public safety:										
Informational calls received	9,116	8,253	7,190	5,179	5,063	4,941	5,185	7,660	4,952	7,764
Public records request	-	-	-	-	-	-	-	32	85	57
Citizen on patrol membership	29	29	30	37	29	26	23	21	19	29
Neighborhood crime watch membership	-	-	-	-	-	-	-	55	26	50
Fire responses	353	408	369	364	339	411	345	349	514	485
Fire medical services (EMS)	1,119	1,101	987	990	943	874	943	1,056	826	874
Notices of violations code compliance	638	180	288	956	158	375	573	844	524	595
Citations issued code compliance	-	-	-	-	-	-	5	13	4	14
Complaints investigated	1,154	1,458	1,252	1,266	505	151	334	246	381	-
Parking citations	8,953	6,720	4,358	4,674	7,565	8,289	6,846	9,555	13,253	16,505
Municipal services:										
Parking maintenance (hours)	-	-	-	520	1,560	359	89	1,221	1,650	2,550
Street maintenance and repairs (hours)	-	-	-	1,547	1,253	952	668	206	226	252
Ground maintenance and repairs (hours)	-	-	-	5,657	5,587	7,508	7,277	1,572	1,507	1,658
Building maintenance and repairs (hours)	-	-	-	2,744	2,496	2,884	3,371	6,784	5,704	3,064
Cultural - recreation:										
Scheduled recreation activities	1,157	1,036	995	969	934	1,002	1,131	804	972	1,047
Recreation Volunteer hours	1,914	1,677	1,538	1,662	1,772	1,769	1,511	356	617	825
Recreation activity participants	2,885	2,487	2,816	2,741	6,065	5,740	4,116	5,263	5,465	5,596
Recreation areas maintenance (hours)	-	-	-	1,965	2,456	3,136	2,771	1,604	1,932	1,932

N/A - Information not available

Source: Town of Lauderdale-By-The-Sea Fiscal Year 2014 Activity Report

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 18
CAPITAL ASSETS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government Facilities:										
Town Buildings	7	7	7	7	7	7	7	7	7	6
Recreation Facilities:										
Miles of Public Beach	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Parks	3	3	3	3	3	3	3	3	3	1
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Shuffleboard Court	2	2	2	2	2	2	2	2	2	2
Bocci Ball Court	1	1	1	1	1	1	1	1	1	1
Basketball Court	1	1	1	1	1	1	1	1	1	1
Beach Portals	6	6	6	6	6	6	6	6	6	6
Public Safety Facilities:										
Police Station	1	1	1	1	1	1	1	1	1	1
Police Vehicles	30	30	30	30	30	30	30	30	30	30
Fire Stations	1	1	1	1	1	1	1	1	2	2
Fire Rescue Station	1	1	1	1	1	1	1	1	2	1
Fire Vehicles	2	2	2	2	2	2	2	2	2	2
Fire Rescue Vehicle	3	3	3	3	3	2	2	2	1	1
Infrastructure:										
Miles of paved roads	16.68	16.68	16.68	16.68	16.68	16.68	16.68	16.68	16.68	16.68
Cable television	1	1	1	1	1	1	1	1	1	1
Surface Parking Lot	4	4	4	4	3	3	3	3	3	3

Source: Town of Lauderdale-By-The-Sea Municipal Services Department

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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, Town Commission and Town Manager
Town Of Lauderdale-By-The-Sea, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town Of Lauderdale-By-The-Sea, Florida ("Town") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our opinion thereon dated June 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted a matter that we reported to management of the Town in a separate letter dated June 13, 2017.

The Town's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the Town's response and, accordingly, we express no opinion on it.

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.

June 13, 2017



**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**

Honorable Mayor, Town Commission and Town Manager
Town Of Lauderdale-By-The-Sea, Florida

We have examined the Town Of Lauderdale-By-The-Sea, 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, 2016. Management is responsible for Town's compliance with those requirements. Our responsibility is to express an opinion on Town's compliance based on our examination.

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

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2016.

This report is intended solely for the information and use of the Mayor, Town Commission, Town Manager, Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

June 13, 2017



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

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Lauderdale-By-The-Sea, Florida ("Town") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 13, 2017.

Auditor's Responsibility

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

Other Reports and Schedule

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*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 13, 2017, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

Our management letter is intended solely for the information and use of the Mayor, Town Commission, Town Manager, 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, 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 Lauderdale-By-The-Sea, 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.

June 13, 2017

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2016-01 Building Permit Billing - fire application fee:

Observation: While performing procedures, it was noted that on certain building permits a \$29 fire application fee was being charged. No documentation that this fee was approved was able to be provided. Upon discovering this fact, the building department has stopped charging the fee and the Town is in the process of refunding the fees collected to the property owners charged.

Recommendation: The Town has an agreement with C.A.P. Government, Inc. to conduct plan examinations and building inspection services. The Town should perform a review of all fees that C.A.P. Government, Inc. is charging property owners to ensure fees being charged agree with amounts approved in the Town's permit fee schedule.

Management Response: The fire processing fee was discussed with C.A.P. but it was not approved by the Commission, therefore, the payments were stopped as soon as it came to our attention. Refunds are being made to all that paid the fee. The Town has reviewed all the other fees charged by C.A.P. and determined they are consistent with the Town's permit fee schedule.

II. PRIOR YEAR FINDINGS

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, 2015.

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, 2016, except as noted above.

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, except as noted above.

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, 2016, except as noted above.

4. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.
5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2016 financial audit report.

REPORT TO MANAGEMENT (Continued)

6. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. 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.