

TOWN OF PALM BEACH SHORES, FLORIDA
FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT THEREON
ANNUAL AUDIT FOR THE YEAR ENDED
SEPTEMBER 30, 2014

TOWN OF PALM BEACH SHORES, FLORIDA
 SEPTEMBER 30, 2014

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Commission
Town of Palm Beach Shores, Florida

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Palm Beach Shores, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Palm Beach Shores, Florida'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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Palm Beach Shores, Florida as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the required supplementary information on pages 39 through 41 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 of Palm Beach Shores, Florida's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2015, on our consideration of the Town of Palm Beach Shores, Florida'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 the 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 of Palm Beach Shores, Florida's internal control over financial reporting and compliance.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
January 16, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Palm Beach Shores' discussion and analysis is designed to assist the reader by providing a narrative overview and analysis of the financial activities of the Town for the year ended September 30, 2014. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Town's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ended September 30, 2014:

- The Town's net position decreased by \$3,875 from the prior year. The Town's total assets exceeded its liabilities and deferred inflows at September 30, 2014 by \$6,906,097 (net position). Of this amount, \$1,915,735 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's revenues for governmental activities were \$3,894,149, an increase of 3.3% from the prior year. The expenses for governmental activities were \$3,898,024, a decrease of 2.8% over the prior year.
- The General Fund unassigned fund balance at September 30, 2014 was \$1,502,309 or 39% of total general fund expenditures. The ideal financial position for the Town would be an unreserved fund balance equal to 25% of total general fund expenditures. The reason for this is property taxes are not received until December and 25% of fund balance represents enough funds for three months of expenditures. This money also serves as an emergency fund for unanticipated costs, such as hurricanes or other disasters.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition to these basic financial statements, this report contains other supplementary information.

Government-wide Financial Statements

The government-wide financial statements (pages 12 and 13) are designed to provide the reader with a broad overview of the Town's finances, in a manner similar to private-sector business. These statements include the statement of net position and the statement of activities which are designed to provide a broad overview of the Town as a whole.

The *statement of net position* shows the total assets, deferred outflows, liabilities, and deferred inflows for the Town with the difference reported as net position. The change in net position over time may be an indicator of the Town's financial health. The *statement of activities* provides a breakdown of revenues and expenditures by function. The functions primarily supported by taxes and intergovernmental revenues, such as police, fire and other public services are considered governmental activities.

Fund Financial Statements

The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal obligations. The fund financial statements focus on major funds. The Town uses governmental funds to account for all of its activities.

Governmental Funds (beginning on page 14) are used 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 requirement. All of the Town's basic services are reported in the governmental 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 on pages 42-44.

The Town has four other governmental funds: Public Buildings Impact Fund, Parks and Recreation Impact Fund, Fire Impact Fund, and Police Impact Fund. These are capital projects funds used to account for impact fees that must be spent on specific types of capital expenditures. These are non-major funds.

Notes to the Financial Statements (beginning on page 18) 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 a government's financial position. In the case of the Town, assets exceeded liabilities by \$6,906,097 as of September 30, 2014.

Net Position (In thousands of dollars)

| | Governmental Activities | | |
|----------------------------------|-------------------------|-----------------|------------------------|
| | 2014 | 2013 | Increase (Decrease) |
| Assets: | | | |
| Current and other assets | \$ 2,358 | \$ 2,271 | \$ 87 |
| Capital assets | 4,934 | 4,978 | (44) |
| Total assets | \$ 7,292 | \$ 7,249 | \$ 43 |
| Liabilities: | | | |
| Long-term debt outstanding | \$ 124 | \$ 148 | \$ (24) |
| Other liabilities | 254 | 184 | 70 |
| Total liabilities | \$ 378 | \$ 332 | \$ 46 |
| Deferred Inflows: | | | |
| Unearned revenue | \$ 8 | \$ 7 | \$ 1 |
| Net Position: | | | |
| Net investment in capital assets | \$ 4,934 | \$ 4,978 | \$ (44) |
| Restricted | 56 | 40 | 16 |
| Unrestricted | 1,916 | 1,892 | 24 |
| Total net position | \$ 6,906 | \$ 6,910 | \$ (4) |

The largest portion of the Town's net position reflects its investment in capital assets (e.g. land, building, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently these assets are not available for future spending. It should also be noted that the resources required to repay the related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents unspent funds with legal restrictions on their use. The restricted net position represents unspent donations required to be used on public safety and impact fees received but not used. The remaining balance of unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental Activities

Governmental activities decreased the Town's net position by \$3,875. Key elements of this increase are as follows:

Changes in Net Position (In thousands of dollars)

| Governmental Activities | | | |
|------------------------------------|-----------------|-----------------|--------------------------------|
| | 2014 | 2013 | Increase (Decrease) |
| Revenue: | | | |
| Program revenue: | | | |
| Charges for services | \$ 231 | \$ 229 | \$ 2 |
| Grants and contributions | 101 | 112 | (11) |
| General revenues: | | | |
| Property taxes | 3,077 | 2,962 | 115 |
| Utility taxes | 284 | 262 | 22 |
| Intergovernmental | 162 | 153 | 9 |
| Investment earnings | 12 | 17 | (5) |
| Miscellaneous | 27 | 32 | (5) |
| Total revenue | \$ 3,894 | \$ 3,767 | \$ 127 |
| Expenses: | | | |
| Program expenses: | | | |
| General government | \$ 900 | \$ 831 | \$ 69 |
| Public safety | 2,308 | 2,463 | (155) |
| Physical environment | 378 | 379 | (1) |
| Culture and recreation | 312 | 336 | (24) |
| Interest on long-term debt | - | 3 | (3) |
| Total expenses | \$ 3,898 | \$ 4,012 | \$ (114) |
| Increase(decrease) in net position | \$ (4) | \$ (245) | \$ 241 |
| Net position – October 1 | 6,910 | 7,155 | (245) |
| Net position – September 30 | \$ 6,906 | \$ 6,910 | \$ (4) |

Property taxes are the main source of revenues and represent approximately 79 percent of the revenue for governmental activities. Property taxes increased by approximately \$115,000 over the prior year. This is due to an increase in the Town's assessed value of approximately \$24 million, or 5%. This is the first increase following six consecutive years of declining property values. The Town Commission held the millage rate steady at 6.2000 mills.

Total expenses decreased by approximately \$114,000, or 2.8%. Expenses for Public Safety represent approximately 59% of Governmental activity expenses. Public Safety includes the Police, Fire, Dispatch, Emergency Medical Service and Building departments. Public Safety expenses decreased by 6.3% compared to the prior year. This was the first full year under leadership of a new Police Chief. In addition to savings in the police department, adjustments made to the work schedule of dispatchers saved nearly \$50,000 in personnel costs in that department.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2014, the Town's governmental funds reported ending fund balances of \$2.1 million, an increase of \$28,000 in comparison with the prior year. Approximately 73% of ending fund balances (\$1,502,309) constitutes unassigned fund balance, which is available for spending at the government's discretion. The unassigned fund balance is within the General Fund, the chief operating fund of the Town. The Town Commission has assigned portions of fund balance for certain future projects: \$209,350 for the subsequent year's budget; \$80,800 for future payouts of compensated absences; and \$18,739 for future sewer system repairs. The non-spendable portion of fund balance is not available for new spending because it has already been spent on inventories and prepaid items. The fund balance in the other governmental funds is restricted due to the nature of the revenue which by law may only be spent for specific purposes.

Budgetary Highlights - Budget to actual comparison schedules are provided in the Required Supplementary Information (RSI) Section of the report (beginning on page 39). The budget and actual schedules show the original budgets, the final revised budget, actual results, and variance between the final budget and actual results for the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of September 30, 2014 amounted to \$5.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment.

The Town's investment in capital assets decreased by \$44,000 during the current fiscal year due to depreciation. Purchases during the year totaled \$429,000. Major capital assets purchased during the current fiscal year included the following:

- The Fire Department purchased an unused 2006 rescue pumper directly from the dealer at an extremely discounted price (\$160,000). It replaces a 25 year old fire engine that was ready to be taken out of service.
- The Police Department purchased 3 used police cruisers from another law enforcement agency at a great value (\$25,000). With donations, they also purchased radios for each officer (\$34,000). At year end, the police department was in the process of replacing its reporting software. It is expected to be operational in early 2015.
- Public Works bought a new tractor, replacing one that was 14 years old. (\$35,000)
- A new generator was purchased for the lift station at Ocean Avenue (\$31,000).
- Renovations were made to the public safety facilities in order to better utilize the space for both the police and fire departments (\$13,000). This project included relocating the firefighter housing which will save future operating costs and improve response time.
- Administration purchased a new network server and 4 new desk top computers (\$12,500).
- The beach vehicle used by the lifeguards and the "turtle patrol" was replaced (\$11,000).
- The remaining capital outlay consists of a variety of items of smaller scale than those identified herein.

Capital Assets
(In thousands of dollars)

| Governmental Activities | | | |
|--|-----------------|-----------------|-------------------|
| | Increase | | |
| | 2014 | 2013 | (Decrease) |
| Land | \$ 101 | \$ 101 | \$ - |
| Buildings and improvements | 3,409 | 3,395 | 14 |
| Parks and beach improvements | 662 | 652 | 10 |
| Equipment | 1,305 | 1,165 | 140 |
| Vehicles | 868 | 707 | 161 |
| Streets and sewers | 3,562 | 3,547 | 15 |
| Total capital assets | 9,907 | 9,567 | 340 |
| Less accumulated depreciation | (4,973) | (4,601) | (372) |
| Capital assets, net of depreciation | \$ 4,934 | \$ 4,966 | \$ (32) |

Additional information on the Town's capital assets can be found in Note 5 of this report.

Debt Outstanding

The Town added no new debt during the fiscal year. Payments on existing debt reduced the Town's long term liabilities. The following table summarizes the Town's debt as of September 30, 2014.

Outstanding Debt
(In thousands of dollars)

| Governmental Activities | | | |
|--------------------------------|-----------------|---------------|-------------------|
| | Increase | | |
| | 2014 | 2013 | (Decrease) |
| Compensated absences | \$ 103 | \$ 130 | \$ (27) |
| Other Post Employment Benefits | 21 | 18 | 3 |
| Total debt | \$ 124 | \$ 148 | \$ (24) |

Additional information on the Town's debt can be found in Note 6 of this report.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Town's 2015 fiscal year budget includes items that continue to accomplish the goals of the Town. These goals include sustaining the level of services, the responsiveness of the local government to the needs of the public, and the technological operation of the Town government as well as maintaining all of the Town's facilities.

Property taxes are the main source of revenues for governmental activities and represent approximately 82% of the General Fund budgeted revenues. The Town's assessed value increased by approximately \$10 million, or 2%. This is the second increase in value following six consecutive years of declining property values. The Town Commission increased the millage rate to 6.3500 mills, with the intention of funding the capital budget. The millage rate meets all of the State imposed requirements. The 2015 budget will provide sufficient revenue to cover expenditures for the upcoming fiscal year. Since the Town has no debt, no debt service is included or necessary in the 2015 budget. The budget gives the Town the ability to continue to provide the expected level of governmental services without adding to its debt.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's Finance Department, at the Town of Palm Beach Shores, 247 Edwards Lane, Palm Beach Shores, Florida, 33404.

TOWN OF PALM BEACH SHORES, FLORIDA
Statement of Net Position
September 30, 2014

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,061,198 |
| Investments | 1,040,452 |
| Receivables (net) | |
| Accounts | 9,194 |
| Special assessments | 20,451 |
| Due from other governments | 18,247 |
| Prepaid items | 198,043 |
| Inventories | 10,698 |
| Capital assets | |
| Non-depreciable | 100,792 |
| Depreciable (net of depreciation) | <u>4,833,351</u> |
| Total assets | <u><u>\$ 7,292,426</u></u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | |
| Current liabilities | |
| Accounts payable | \$ 132,145 |
| Accrued payroll | 97,921 |
| Unearned revenue | 24,061 |
| Non-current liabilities | |
| Due within one year | 13,000 |
| Due in more than one year | <u>111,655</u> |
| Total liabilities | <u>378,782</u> |
| Deferred inflows of resources | |
| Unearned revenue | <u>7,547</u> |
| Net position | |
| Net investment in capital assets | 4,934,143 |
| Restricted for capital improvements | 14,139 |
| Restricted for public safety | 20,860 |
| Restricted for road improvement | 21,220 |
| Unrestricted | <u>1,915,735</u> |
| Total net position | <u>6,906,097</u> |
| Total liabilities, deferred inflows of resources, and net position | <u><u>\$ 7,292,426</u></u> |

See notes to the financial statements

TOWN OF PALM BEACH SHORES, FLORIDA
Statement of Activities
For the Fiscal Year Ended September 30, 2014

| Function / Program Activities | Expenses | Program Revenues | | | Total Governmental Activities |
|----------------------------------|------------|----------------------------|--|--|-------------------------------|
| | | Charges For Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities | | | | | |
| General government | \$ 899,800 | \$ 4,298 | \$ | \$ 76,185 | \$ (895,502) |
| Public safety | 2,307,891 | 129,124 | 25,068 | 76,185 | (2,077,514) |
| Physical environment | 378,536 | 44,422 | | | (334,114) |
| Culture recreation | 311,797 | 52,687 | | | (259,110) |
| Total governmental activities | 3,898,024 | 230,531 | 25,068 | 76,185 | (3,566,240) |
| General revenues | | | | | |
| | | | | | 3,077,398 |
| Property taxes | | | | | 283,792 |
| Utility taxes and franchise fees | | | | | 161,683 |
| Intergovernmental | | | | | 12,560 |
| Investment earnings | | | | | 26,932 |
| Miscellaneous | | | | | 26,932 |
| Total general revenues | | | | | 3,562,365 |
| Change in net position | | | | | (3,875) |
| Net position, beginning of year | | | | | 6,909,972 |
| Net position, end of year | | | | | \$ 6,906,097 |

See notes to the financial statements

TOWN OF PALM BEACH SHORES, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2014

| | General | Nonmajor Governmental Funds | Total Governmental Funds |
|--|--------------|-----------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,047,059 | \$ 14,139 | \$ 1,061,198 |
| Investments | 1,040,452 | | 1,040,452 |
| Receivables (net) | | | |
| Accounts | 9,194 | | 9,194 |
| Special assessments | 20,451 | | 20,451 |
| Due from other governments | 18,247 | | 18,247 |
| Prepaid items | 198,043 | | 198,043 |
| Inventories | 10,698 | | 10,698 |
| Total assets | \$ 2,344,144 | \$ 14,139 | \$ 2,358,283 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 132,145 | \$ | \$ 132,145 |
| Accrued payroll | 97,921 | | 97,921 |
| Unearned revenue | 24,061 | | 24,061 |
| Total liabilities | 254,127 | | 254,127 |
| Deferred inflows of resources | | | |
| Unearned revenue | 7,547 | | 7,547 |
| Unavailable revenue | 20,451 | | 20,451 |
| Total deferred inflows of resources | 27,998 | | 27,998 |
| Fund balances | | | |
| Nonspendable | | | |
| Prepaid items | 198,043 | | 198,043 |
| Inventories | 10,698 | | 10,698 |
| Restricted | | | |
| Capital improvements | | 14,139 | 14,139 |
| Public safety | 20,860 | | 20,860 |
| Road and road improvement | 21,220 | | 21,220 |
| Assigned | | | |
| Sewer service | 18,739 | | 18,739 |
| Compensated absences | 80,800 | | 80,800 |
| Subsequent years budget | 209,350 | | 209,350 |
| Unassigned | 1,502,309 | | 1,502,309 |
| Total fund balances | 2,062,019 | 14,139 | 2,076,158 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 2,344,144 | \$ 14,139 | \$ 2,358,283 |

See notes to the financial statements

TOWN OF PALM BEACH SHORES, FLORIDA
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
September 30, 2014

| | | |
|---|--------------------|----------------------------|
| Fund balances total governmental funds | | \$ 2,076,158 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | |
| Governmental capital assets | \$ 9,907,278 | |
| Less accumulated depreciation | <u>(4,973,135)</u> | 4,934,143 |
| Revenues earned but not collected within 60 days are not current financial resources and therefore, are not reported in the governmental fund. | | |
| Unavailable revenue | | 20,451 |
| Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities at year end consist of: | | |
| Compensated absences | (103,457) | |
| Other postemployment benefits | <u>(21,198)</u> | <u>(124,655)</u> |
| Net position of governmental activities | | <u><u>\$ 6,906,097</u></u> |

See notes to the financial statements

TOWN OF PALM BEACH SHORES, FLORIDA
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Fiscal Year Ended September 30, 2014

| | General | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------------------|---------------------|-----------------------------------|--------------------------------|
| Revenues | | | |
| Taxes | \$ 3,361,190 | \$ | \$ 3,361,190 |
| Special assessments and impact fees | 10,604 | 5,210 | 15,814 |
| Licenses and permits | 119,757 | | 119,757 |
| Intergovernmental | 186,751 | | 186,751 |
| Fines and forfeitures | 4,487 | | 4,487 |
| Charges for services | 106,287 | | 106,287 |
| Interest | 12,549 | 11 | 12,560 |
| Contributions | 76,185 | | 76,185 |
| Miscellaneous | 21,722 | | 21,722 |
| Total revenues | <u>3,899,532</u> | <u>5,221</u> | <u>3,904,753</u> |
| Expenditures | | | |
| Current | | | |
| General government | 875,893 | | 875,893 |
| Public safety | 2,185,770 | | 2,185,770 |
| Physical environment | 201,906 | | 201,906 |
| Culture and recreation | 184,191 | | 184,191 |
| Capital outlay | 415,626 | 13,806 | 429,432 |
| Total expenditures | <u>3,863,386</u> | <u>13,806</u> | <u>3,877,192</u> |
| Net change in fund balances | 36,146 | (8,585) | 27,561 |
| Fund balances, beginning of year | <u>2,025,873</u> | <u>22,724</u> | <u>2,048,597</u> |
| Fund balances, end of year | <u>\$ 2,062,019</u> | <u>\$ 14,139</u> | <u>\$ 2,076,158</u> |

See notes to the financial statements

TOWN OF PALM BEACH SHORES, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended September 30, 2014

| | | |
|--|------------------|-------------------|
| Net change in fund balances - total governmental funds | \$ | 27,561 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.</p> | | |
| Expenditures for capital assets | \$ 429,432 | |
| Less: current year depreciation | <u>(466,125)</u> | (36,693) |
| Net book value of capital asset disposals | | (7,234) |
| <p>Revenues earned but not collected within 60 days are not current financial resources and therefore, are not reported in the governmental fund.</p> | | |
| Special assessment revenues collected in current year | <u>(10,604)</u> | (10,604) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> | | |
| Change in other postemployment benefits | (3,179) | |
| Change in long-term compensated absences | <u>26,274</u> | <u>23,095</u> |
| Change in net position | | <u>\$ (3,875)</u> |

See notes to the financial statements

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Palm Beach Shores, Florida (the “Town”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

Reporting Entity

The Town of Palm Beach Shores, Florida is a municipal corporation organized pursuant to Chapter 24792, 1947 Laws of Florida. The Town operates under the Commission/Mayor form of government. The Town's major operations include general government, public safety, streets, sanitation, and culture/recreation.

As required by generally accepted accounting principles, these financial statements include the Town (the primary government) and its component units. Component units are legally separate entities for which the Town is financially accountable. The Town is financially accountable if:

- a) the Town appoints a voting majority of the organization’s governing board and (1) the Town is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town, or
- b) the organization is fiscally dependent on the Town and (1) there is a potential for the organization to provide specific financial benefits to the Town or (2) impose specific financial burdens on the Town.

Organizations for which the Town is not financially accountable are also included when doing so is necessary in order to prevent the Town’s financial statements from being misleading.

Based upon application of the above criteria, the Town of Palm Beach Shores has determined that there are no legally separate entities to consider as potential component units.

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental funds. The Town has no fund types other than governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. The Town does not accrue property tax revenues since the collection of these taxes coincides with the fiscal year in which levied, and since the Town consistently has no material uncollected property taxes at year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds

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 afterwards to pay liabilities of the current period. The Town considers revenues collected within 60 days of the year end to be available to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenues, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

The Town reports the following major governmental fund:

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts, money market accounts, and certificates of deposit with original maturities of three months or less, and money market.

Investments

Investments include certificates of deposit with original maturities greater than three months. Investments in the Local Government Surplus Funds Trust Fund, a 2a-7-like pool, are carried at amortized cost, which approximates market. A 2a-7-like pool is not registered with the 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, this pool operates essentially as a money market fund.

Accounts Receivable

Accounts receivable of the General Fund consists of billed receivables for special assessments, sewer services and other miscellaneous services. The Town has not established an allowance for doubtful accounts because the Town considers all receivables to be collectible.

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.

Inventory

Inventory is valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventory are recorded as expenditures when consumed rather than when purchased.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include plant, property, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks) are reported in the applicable governmental columns in the governmental-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$750. Capital assets are recorded at cost or the fair market value of the assets at the time of purchase or contribution. The Town is a Phase 3 government under GASB 34 and has elected not to report major general infrastructure assets retroactively.

Additions, improvements, and other capital outlay that significantly extend the useful life of the asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation has been provided over the useful lives using the straight line method. The estimated useful lives are as follows:

| | |
|------------------------------|-------------|
| Buildings and improvements | 10-40 years |
| Equipment | 5 - 7 years |
| Vehicles | 5-10 years |
| Streets and sewers | 20 years |
| Parks and beach improvements | 20 years |

Interest Cost

Interest costs in governmental funds are charged to expenditures as incurred. Construction period interest incurred in governmental funds is not capitalized.

Unearned Revenue

The government reports unearned revenue on its government wide statement of net position and governmental funds balance sheet. Unearned revenue arises when resources are obtained prior to revenue recognition. In subsequent periods, when revenue recognition criteria are met the unearned revenue is removed and revenue is recognized.

Unavailable Revenue

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

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflow of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Town does not report any deferred outflows of resources.

Deferred Inflow of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. There are two types of items that qualify for reporting in this category:

1. Business tax receipts that are received by the Town prior to the period for which the taxes are levied are reported as deferred inflows on both the government-wide statement of net position and on the governmental funds balance sheet.
2. Sewer assessments that are not received within 60 days of the end of the fiscal year do not meet the availability criterion of the modified accrual basis of accounting, and therefore are reported as deferred inflows only on the governmental funds balance sheet.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

All vacation and sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Town employees may carry over vacation to the next fiscal year at a rate equal to the maximum time earned during the previous fiscal year. Accumulated vacation is payable to employees upon termination or retirement at the rate of pay on that date. Town employees receive 96 hours of sick time each year. Employees, who reach ten years of service or more, are eligible to receive 50% of their unused sick time up to a 500 hour maximum upon retirement or termination. In addition, any full-time employee who has accrued 960 hours of sick time is eligible to be paid for 40 hours each year. All other employees upon termination do not receive any sick accumulation pay.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Basic types of interfund transactions include transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund. In addition, interfund transactions include transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them. These transactions are recorded as operating transfers in and out. Lastly, interfund transactions include transfers to close funds.

Net Position

Equity in the government-wide statement of net position is displayed in three categories: 1) Net investment in capital assets, 2) restricted, 3) unrestricted. Net investment in capital assets consist of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. Net position is reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net position consist of all net position that do not meet the definition of either of the other two components.

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

Fund Balance

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported under the following categories:

1. Nonspendable fund balance represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. The Town's nonspendable fund balance is for inventories and prepaid items.
2. Restricted fund balance represents amounts that can be spent only for specific purposes stipulated by external providers (e.g. creditors, grantors, contributor, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Restricted fund balance for the Town consists of unspent impact fees that are required to be used for capital improvements, unspent donations required to be spent on public safety, and unspent new local option fuel tax required to be used for capital road improvements.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

3. Committed fund balance represents amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the Town's highest level of decision making authority. The Town has no committed funds.
4. Assigned fund balance includes spendable fund balance amounts that are intended to be used for specific purposes, as expressed by the Town Commission, that are neither considered restricted or committed.
5. Unassigned fund balance is the residual fund balance classification for the general fund.

The Town will first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

Formal budgetary integration is employed as a management control device during the year for the General Fund. All budgets are legally enacted.

An annual appropriated budget for the General Fund is adopted on the cash basis of accounting. For budgeting purposes, current year encumbrances are not treated as expenditures.

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

1. Prior to mid-August, the Town Manager submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution.
4. The Town Manager is authorized to transfer budgeted amounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the Town Commission, by a legally enacted resolution.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Data (Continued)

5. Appropriations along with encumbrances lapse on September 30.
6. Appropriations are controlled at the department level within funds, and expenditures may not legally exceed budgeted appropriation at that level.

Budgeted amounts are as originally adopted, or as amended by appropriate action. During the year, three supplementary appropriations were necessary.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide.

The tax levy of the Town is established by the Town Commission prior to October 1 of each year, and the Palm Beach County Property Appraiser incorporates the Town's millages into the total tax levy, which includes Palm Beach County and Palm Beach County School Board tax requirements.

All property is reassessed according to its fair market value January 1 of each year, which is also the lien date. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all the appropriate requirements of state statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. Taxes may be paid less a discount beginning November 1. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes become delinquent on April 1, following the year in which they are assessed.

On or prior, to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After the sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 3 – CASH AND INVESTMENTS

Deposits

As of September 30, 2014, the carrying amount of the Town's deposits was \$2,086,030 and the bank balances totaled \$2,154,212. Included in deposits is \$1,024,932 certificate of deposits with an original maturity greater than three months that is reported as an investment on the financial statements, the Town also had cash on hand of \$100 resulting in a total cash and cash equivalents of \$1,061,198. Deposits are either covered by insurance provided by the Federal Depository Insurance Corporation or are qualified public depositories held in banking institutions approved by the Treasurer of the State of Florida. Under Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Town's deposits at year end are considered insured for custodial credit risk purposes.

Investments

The Town has not adopted a written investment policy. Florida Statutes authorize units of local government electing not to adopt a written investment policy to invest in the following instruments:

- a. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest-bearing time deposits or savings accounts in qualified public depositories.
- d. Direct obligations of the U.S. Treasury.
- e. Deposits that meet the following conditions (CDARS[®]):
 - The funds are initially deposited in a qualified public depository.
 - The selected depository arranges for depositing the funds in financial deposit instruments insured by the Federal Deposit Insurance Corporation in one or more federally insured banks or saving and loan associations, wherever located, for the account of the unit of local government.
 - The full amount of the principal and accrued interest of each financial deposit instrument is insured by the FDIC.
 - The selected depository acts as custodian for the unit of local government with respect to each financial deposit instrument issued for its account.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

The State Board of Administration is part of the Local Governments Surplus Funds Trust Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Governments Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

The State Board of Administration is divided between two separate pools. Florida PRIME, (Local Government Surplus Funds Trust Fund Investment Pool) consists of all money market appropriate assets and Pool B, (Surplus Funds Trust Fund) consists of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. At September 30, 2014, all the assets from Pool B were liquidated.

At September 30, 2014, Florida PRIME was assigned a "AAA(m)" principal stability fund rating by the Standard and Poor's Ratings. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balance should also be considered its fair value. Fund B is not considered a SEC 2a7-like fund and is not rated by any nationally recognized rating agency.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2014 was 39 days. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

As of September 30, 2014, the Town of Palm Beach Shores had \$15,520 invested in Florida PRIME. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2014, the Town held the following deposits that are reported as investments in the balance sheet and statement of net position:

| | <u>Maturity</u> | <u>Fair Value</u> |
|--|-----------------|--------------------|
| State Board of Administration Investment Pool: | | |
| Florida PRIME | 44 days | \$ 15,520 |
| Certificate of Deposit | 36 days | 517,424 |
| Certificate of Deposit | 43 days | <u>507,508</u> |
| | | <u>\$1,040,452</u> |

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill their obligations. The Town’s investment policies limit its investments to high quality investments to control credit risk. At September 30, 2014, Florida PRIME was rated “AAA(m) by Standard and Poor's Ratings Services.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

NOTE 4 – SPECIAL ASSESSMENT

The Town adopted Resolutions 460 and 461 on October 16, 1995, and December 18, 1995, respectively. These resolutions establish the Town’s intention to defray the costs of improvements to the Town’s wastewater collection system through special assessments levied in direct proportion to the benefit received by property owners. Special assessments were calculated on a linear foot basis at the estimated cost of \$53.36 per linear foot as measured along the front property line. Such special assessments were levied following completion of the improvements on July 27, 1997. Property owners were given the option to pay the entire amount of the assessment within 30 days of completion of the improvements or to pay over 20 years in equal annual payments. Property owners electing to pay over 20 years also pay interest on the outstanding balance due at a rate of 3.56% per annum. Outstanding special assessments receivable at September 30, 2014, was \$20,451.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

Primary Government

| | Beginning Balance | Additions | Deletions | Adjustments | Ending Balance |
|--|----------------------|--------------------|-------------------|-------------|---------------------|
| Governmental Activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 100,792 | \$ | \$ | \$ | \$ 100,792 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 3,394,705 | 14,432 | | | 3,409,137 |
| Parks and beach improvements | 651,916 | 10,487 | | | 662,403 |
| Equipment | 1,165,163 | 156,104 | (16,317) | | 1,304,950 |
| Vehicles | 719,214 | 233,602 | (84,471) | | 868,345 |
| Streets and sewers | 3,546,844 | 14,807 | | | 3,561,651 |
| Total at historical cost | <u>9,578,634</u> | <u>429,432</u> | <u>(100,788)</u> | | <u>9,907,278</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | 699,873 | 89,236 | | | 789,109 |
| Parks and beach improvements | 239,334 | 32,588 | | | 271,922 |
| Equipment | 656,292 | 137,335 | (15,468) | | 778,159 |
| Vehicles | 633,747 | 35,771 | (78,086) | | 591,432 |
| Streets and sewers | 2,371,318 | 171,195 | | | 2,542,513 |
| Total accumulated depreciation | <u>4,600,564</u> | <u>466,125</u> | <u>(93,554)</u> | | <u>4,973,135</u> |
| Governmental activities capital assets, net | <u>\$ 4,978,070</u> | <u>\$ (36,693)</u> | <u>\$ (7,234)</u> | <u>\$</u> | <u>\$ 4,934,143</u> |

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions and programs of the primary government as follows:

Governmental activities:

| | |
|---|--------------------------|
| General government | \$ 30,228 |
| Public safety | 131,791 |
| Physical environment | 176,630 |
| Culture and recreation | <u>127,476</u> |
| Total depreciation expense for governmental activities | <u>\$ 466,125</u> |

NOTE 6 – LONG-TERM DEBT

Changes in Long-Term Liabilities

The following is a summary of changes in the long-term debt during the fiscal year.

| | Balance October 1, <u>2013</u> | <u>Additions</u> | <u>Deletions</u> | Balance September 30, <u>2014</u> | Due Within <u>One Year</u> |
|----------------------|--------------------------------------|-------------------|---------------------|---|----------------------------------|
| Compensated absences | \$ 129,731 | \$ 107,733 | \$ (134,007) | \$ 103,457 | \$ 13,000 |
| OPEB (see Note 8) | <u>18,019</u> | <u>3,179</u> | <u> </u> | <u>21,198</u> | <u> </u> |
| | <u>\$ 147,750</u> | <u>\$ 110,912</u> | <u>\$ (134,007)</u> | <u>\$ 124,655</u> | <u>\$ 13,000</u> |

NOTE 7 – FLORIDA RETIREMENT SYSTEM

All full-time employees are eligible to participate in the Florida Retirement System Pension Plan (FRS). The Florida Retirement System includes the Florida Retirement System Pension Plan, the Retiree Health Insurance Subsidy Program, and the Florida Retirement System Investment Plan.

Florida Retirement System Pension Plan - Defined Benefit

Plan Description

The Florida Retirement System Pension Plan is a cost sharing, multiple-employer, public retirement system controlled by the State Legislature and administered by the State of Florida Department of Administration, Division of Retirement. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. A post-employment health insurance subsidy is also provided to eligible employees through the Retiree Health Insurance Subsidy Program. Benefits are established by Chapter 121, Florida Statutes, and Chapter 22B, Florida Administrative Code. Amendments to the law can only be made by an act of the Florida Legislature.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan - Defined Benefit (Continued)

Funding Policy

Participating employers and employees are required to make contributions based upon statewide contribution rates. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. The contribution rates vary by job class. The contribution rates by job class for the Town’s employees for the fiscal year ended September 30, 2014, are as follows:

| Class | 10/01/13 through 06/30/14 | 07/01/14 through 09/30/14 |
|---------------------------------|---------------------------------|---------------------------------|
| Regular Class | 9.95% | 10.37% |
| Senior Management Service Class | 21.31% | 24.14% |
| Special Risk Class | 22.06% | 22.82% |

The above rates include a 3.00% employee contribution, 1.26% for the Retiree Health Insurance Subsidy Program discussed below, and a 0.03% administrative fee.

The Town’s contributions to the Florida Retirement System Pension Plan for the fiscal years ending September 30, 2012 through 2014 were equal to 100% of the required contributions for each fiscal year. The contributions are summarized below:

| | <u>Employer</u> | <u>Employee</u> |
|--------------------|-----------------|-----------------|
| September 30, 2014 | \$ 115,190 | \$ 26,217 |
| September 30, 2013 | 103,861 | 31,759 |
| September 30, 2012 | 89,569 | 30,561 |

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The report may be obtained by writing to the State of Florida Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000; or e-mailing Research & Education at rep@dms.MyFlorida.com, or calling toll free at 877-377-1737.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program

Plan Description

The Retiree Health Insurance Subsidy Program (HIS) is a cost-sharing multiple-employer defined benefit plan. Benefit provisions are established under Chapter 112.363, Florida Statutes, which may be amended by the Florida Legislature. The HIS benefit is a monthly supplemental payment that Florida Retirement System retirees, eligible terminated Investment Plan members, and other state-administered retirement system retirees may be eligible to receive if they have health insurance coverage – which includes Medicare, TriCare, and insurance coverage provided through the Cover Florida Health Care Access Program. Payment of this benefit is not automatic, it must be applied for and the application approved before payment begins.

The amount of the monthly payment is calculated by multiplying the member's total years of creditable service at retirement (up to a maximum of 30 years) by \$5. The minimum monthly HIS payment is \$30 and the maximum monthly payment is \$150. The HIS payment is included in the same payment as the retiree's monthly retirement benefit if a defined benefit plan retiree.

Funding Policy

The State's current funding policy for the HIS is pay-as-you-go and provides for monthly employer contributions currently set as the legislatively determined rate of 1.26% of annual covered payroll. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. The GASB annual required contribution (ARC) calculated by the consulting actuary in the July 1, 2014 actuarial valuation for the fiscal year ending June 30, 2014 is 1.71% of active payroll (including DROP payroll).

The State's funding policy requires a contribution rate that is different than the GASB required ARC, which is an accounting disclosure. To the extent the contribution rate required to fund the HIS Program is different than the computed ARC, adjustments in the Net Pension Obligation (NPO) will occur from year to year.

The Town's contributions to the Retiree Health Insurance Subsidy Program for the fiscal years ending September 30, 2014, 2013, and 2012 were \$16,079, \$15,971, and \$14,751 respectively, which were equal to 100% of the required contributions for each fiscal year.

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the HIS. The report may be obtained by writing to the State of Florida Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000; or e-mailing Research & Education at rep@dms.MyFlorida.com, or calling toll free at 877-377-1737.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Investment Plan – Defined Contribution

Plan Description

The Florida Retirement System Investment Plan is a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code. The Florida Legislature enacted the Plan during the 2000 legislative session, and amendments to the Plan can only be made by an act of the Florida Legislature. The Plan is administered by the State Board of Administration of Florida.

Funding Policy

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the Town’s employees for the fiscal year ended September 30, 2014, are as follows:

| Class | 10/01/13 through 06/30/14 | 07/01/14 through 09/30/14 |
|---------------------------------|---------------------------------|---------------------------------|
| Regular Class | 9.95% | 10.37% |
| Senior Management Service Class | 21.31% | 24.14% |
| Special Risk Class | 22.06% | 22.82% |

The above rate includes a 3% employee contribution, 1.26% for the Retiree Health Insurance Subsidy Program and a 0.03% administrative fee.

The Town’s total payroll for the year ended September 30, 2014 was \$1,500,131 and payroll for employees covered by the Plan was \$395,623. The Town and the covered employees made the required contributions of \$52,191 and \$11,869, respectively.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Retirees of the Town pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. This implied subsidy constitutes other post employment benefits (OPEB) under GASB 45.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Plan Description

The Town provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries, at their own cost, to continue to obtain health, dental and other insurance benefits upon retirement. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The Town’s annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The Town has elected to calculate the ARC and related information using the alternative measurement method permitted under GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The annual OPEB cost and the net OPEB obligation for the Town for the current year and the related information is as follows:

| | |
|--|-------------------|
| Required contribution rates: | |
| Employer | Pay-as-you-go |
| Plan members | N/A |
| Annual required contribution | \$ 3,224 |
| Interest on Net OPEB obligation | 450 |
| Adjustment to annual required contribution | <u>(495)</u> |
| Annual OPEB cost | 3,179 |
| Contributions made | <u> </u> |
| Increase in net OPEB obligation | 3,179 |
| Net OPEB obligation October 1, 2013 | <u>18,019</u> |
| Net OPEB obligation September 30, 2014 | <u>\$ 21,198</u> |

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Trend Information

| Three-Year Trend Information | | | |
|------------------------------|------------------------|---|---------------------------|
| Fiscal Year End | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
| 09/30/12 | \$ 5,160 | 0.00% | \$15,000 |
| 09/30/13 | \$ 3,019 | 0.00% | \$18,019 |
| 09/30/14 | \$ 3,179 | 0.00% | \$21,198 |

Funded Status

The funded status of the plan as of most recent actuarial valuation date was as follows:

| | |
|---|-------------|
| Actuarial valuation date | 09/30/13 |
| Actuarial accrued liability | \$ 16,761 |
| Actuarial value of plan assets | \$ - |
| Unfunded actuarial accrued liability (UAAL) | \$ 16,761 |
| Funded ratio | 0.0% |
| Covered payroll | \$1,373,571 |
| UAAL as a percentage of covered payroll | 1.22% |

Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into 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 with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the fiscal year ended September 30, 2010 was the year of implementation of GASB 45 and the Town elected to apply the statement prospectively, only two years is presented in the schedule at this time. In future years, required trend data will be presented. The Town has not contributed assets to the plan at this time.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions

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. Significant methods and assumptions were as follows:

| | |
|-------------------------------|--|
| Actuarial valuation date | 9/30/13 |
| Actuarial cost method | Entry Age |
| Amortization method | Level percentage of payroll |
| Remaining amortization period | 17 years |
| Asset valuation method | Unfunded |
| Actual assumptions: | |
| Investment rate of return | 2.5% |
| Healthcare cost trend | 8% for 2013 decreasing to 4.7% in 2022 |

NOTE 9 – COMMITMENTS

Water Management Services

On December 3, 2007, the Town entered into an agreement with Waste Management, Inc. of Florida (Waste Management) to collect and dispose of all solid waste, recyclable material, and vegetative waste. The contract was renewed and ends on September 30, 2017. Waste Management will be paid monthly based on the rate schedule in the contract and the actual number of customers/units. The contract also provides for an annual adjustment to fees based on the Consumer Price Index (CPI), with a maximum 3% increase in fees. Charges from Waste Management for the year ended September 30, 2014, totaled \$157,738.

Landscape Services

On September 30, 2011, the Town entered into an agreement with Bass Property Maintenance, Inc. for lawn maintenance services. The agreement is for a period of five years beginning on October 1, 2011 and ending on September 30, 2016. The Town will pay Bass Property Maintenance, Inc. \$32,795 per year for each of the five years. There is one five year extension adjusted by the CPI that can be agreed to by both parties. Payments to Bass Property Maintenance, Inc. for the year ended September 30, 2014 totaled \$32,795.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 9 – COMMITMENTS (Continued)

Fire Services, EMS Services, and Emergency Transport Services

In January 2010, the Town entered into an agreement with the City of Riviera Beach for the provision of backup fire services, EMS services, and emergency transport services. The agreement is for a period of five years beginning March 1, 2010. Under the terms of the agreement, the City will provide EMS, ALS and BLS transport services to the Town twenty-four hours per day through utilization of City personnel and vehicles. The City will also supplement the volunteer fire service of the Town twenty-four hours per day through utilization of City personnel and vehicles. The minimum fees for the first year are \$202,873 for the EMS and emergency transport services and \$86,945 for the fire services. The fees are payable in two equal semi-annual installments due March 1 and September 1. For subsequent years, the fees will be increased 3% annually, effective on March 1. The fire services fee shall entitle the Town to forty-eight fire responses lasting no longer than two hours. Incidents lasting longer than two hours and any responses over the maximum of forty-eight shall incur additional fees. Payments to the City for the year ended September 30, 2014 totaled \$326,193.

NOTE 10 – 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. The Town is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$200,000/\$300,000 for all claims relating to the same accident. There have been no significant reductions in insurance coverage in the prior year. No settlements exceeded insurance coverage for the past three years.

NOTE 11 – ACCOUNTING CHANGE

The Town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended September 30, 2014:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 11 – ACCOUNTING CHANGE (Continued)

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental reporting entity by resolving conflicting guidance that resulted from the issuance to two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

NOTE 12 – NEW ACCOUNTING STANDARDS

Below is a brief description and effective date of new accounting standards that could have a significant impact on the Town's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement is effective for the fiscal year ending September 30, 2015. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB 68.

TOWN OF PALM BEACH SHORES, FLORIDA
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2014

| | General Fund | | | |
|-------------------------------------|----------------------------|-------------------------|---------------------|---|
| | Original Adopted Budget | Final Revised Budget | Actual | Variance With Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 3,294,437 | \$ 3,294,437 | \$ 3,361,190 | \$ 66,753 |
| Special assessments and impact fees | 9,600 | 9,600 | 10,604 | 1,004 |
| Licenses and permits | 86,200 | 86,200 | 119,757 | 33,557 |
| Intergovernmental | 179,501 | 179,501 | 186,751 | 7,250 |
| Fines and forfeitures | 5,400 | 5,400 | 4,487 | (913) |
| Charges for services | 110,850 | 110,850 | 106,287 | (4,563) |
| Interest | 13,915 | 13,915 | 12,549 | (1,366) |
| Contributions | | 74,000 | 76,185 | 2,185 |
| Miscellaneous | 10,000 | 10,000 | 21,722 | 11,722 |
| Total revenues | <u>3,709,903</u> | <u>3,783,903</u> | <u>3,899,532</u> | <u>115,629</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 867,023 | 906,132 | 875,893 | 30,239 |
| Public safety | 2,325,003 | 2,325,003 | 2,185,770 | 139,233 |
| Physical environment | 219,875 | 219,875 | 201,906 | 17,969 |
| Culture and recreation | 208,002 | 208,002 | 184,191 | 23,811 |
| Capital outlay | 288,600 | 554,200 | 415,626 | 138,574 |
| Contingency | 75,000 | 27,631 | | 27,631 |
| Total expenditures | <u>3,983,503</u> | <u>4,240,843</u> | <u>3,863,386</u> | <u>377,457</u> |
| Net change in fund balance | <u>\$ (273,600)</u> | <u>\$ (456,940)</u> | 36,146 | <u>\$ 493,086</u> |
| Fund balance, beginning of year | | | <u>2,025,873</u> | |
| Fund balance, end of year | | | <u>\$ 2,062,019</u> | |

TOWN OF PALM BEACH SHORES, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2014

Note 1 - Basis of Accounting

Generally accepted accounting principles (GAAP) serve as the budgetary basis of accounting.

Note 2 - Stewardship, Compliance, and Accountability

There were no departments that had an excess of expenditures over appropriations.

TOWN OF PALM BEACH SHORES, FLORIDA
Required Supplemental Information
Schedule of Funding Progress
Other Post Employment Benefits
For the Fiscal Year Ended September 30, 2014

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded Actuarial Accrued Liability as % of Covered Payroll |
|--------------------------------|---------------------------------|-----------------------------------|---|-----------------|--------------------|--|
| 09/30/10 | \$ | \$ 20,322 | \$ 20,322 | 0.0% | \$1,358,549 | 1.50% |
| 09/30/13 | \$ | \$ 16,761 | \$ 16,761 | 0.0% | \$1,373,571 | 1.22% |

The schedule of funding progress presented above will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the fiscal year ended September 30, 2010 was the year of implementation of GASB 45 and the Town elected to apply the statement prospectively, only two years are presented in the schedule at this time. In future years, required trend data will be presented. The Town has not contributed assets to the plan at this time.

TOWN OF PALM BEACH SHORES, FLORIDA
Schedule of Departmental Revenues - Budget to Actual
General Fund
For the Fiscal Year Ended September 30, 2014

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|---------------------|---|
| Taxes | | | |
| Ad valorem taxes | \$ 3,033,000 | \$ 3,077,398 | \$ 44,398 |
| Franchise fees and utility taxes | 261,437 | 283,792 | 22,355 |
| Total taxes | <u>3,294,437</u> | <u>3,361,190</u> | <u>66,753</u> |
| Special assessments | 9,600 | 10,604 | 1,004 |
| Licenses and permits | | | |
| Special permits | 3,200 | 2,566 | (634) |
| Business tax receipts | 11,000 | 16,126 | 5,126 |
| Building permits | 72,000 | 98,981 | 26,981 |
| Development fees | | 2,084 | 2,084 |
| Total licenses and permits | <u>86,200</u> | <u>119,757</u> | <u>33,557</u> |
| Intergovernmental revenues | | | |
| Half-cent sales tax | 80,939 | 84,103 | 3,164 |
| Local option gas tax | 36,086 | 36,541 | 455 |
| State revenue sharing | 26,076 | 28,849 | 2,773 |
| Alcoholic beverage licenses | 3,900 | 3,964 | 64 |
| Recycling revenue sharing | 3,000 | 2,841 | (159) |
| County occupational licenses | 7,000 | 5,218 | (1,782) |
| Grants | 22,500 | 25,068 | 2,568 |
| Other intergovernmental revenues | | 167 | 167 |
| Total intergovernmental revenues | <u>179,501</u> | <u>186,751</u> | <u>7,250</u> |
| Fines and forfeitures | | | |
| Fines and forfeitures | 5,300 | 4,411 | (889) |
| Police education | 100 | 76 | (24) |
| Total fines and forfeitures | <u>5,400</u> | <u>4,487</u> | <u>(913)</u> |
| Charges for services | | | |
| Sewer service | 44,000 | 44,422 | 422 |
| Beach parking | 7,000 | 9,252 | 2,252 |
| Community center rental | 53,000 | 43,435 | (9,565) |
| Special duty police services | 5,000 | 4,880 | (120) |
| Miscellaneous services | 1,850 | 4,298 | 2,448 |
| Total charges for services | <u>110,850</u> | <u>106,287</u> | <u>(4,563)</u> |
| Interest | 13,915 | 12,549 | (1,366) |
| Contributions from private sources | 74,000 | 76,185 | 2,185 |
| Miscellaneous | | | |
| Sale of surplus property | | 3,020 | 3,020 |
| Insurance reimbursement | | 3,089 | 3,089 |
| Other | 10,000 | 15,613 | 5,613 |
| Total miscellaneous | <u>10,000</u> | <u>21,722</u> | <u>11,722</u> |
| Total revenues | <u>3,783,903</u> | <u>3,899,532</u> | <u>115,629</u> |
| Other financing sources | | | |
| Appropriated fund balance | 456,940 | | (456,940) |
| Total revenues and other financing sources | <u>\$ 4,240,843</u> | <u>\$ 3,899,532</u> | <u>\$ (341,311)</u> |

TOWN OF PALM BEACH SHORES, FLORIDA
Schedule of Departmental Expenditures - Budget to Actual
Fiscal General Fund
For the Fiscal Year Ended September 30, 2014

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|----------------------------------|-----------------|-----------|---|
| Expenditures | | | |
| General government | | | |
| Legislative | | | |
| Operating expenses | \$ 15,960 | \$ 14,941 | \$ 1,019 |
| Finance and administrative | | | |
| Personal services | 385,415 | 386,856 | (1,441) |
| Operating expenses | 103,024 | 99,852 | 3,172 |
| Total finance and administrative | 488,439 | 486,708 | 1,731 |
| Legal counsel | | | |
| Operating expenses | 85,000 | 76,444 | 8,556 |
| Public works | | | |
| Personal services | 185,853 | 165,713 | 20,140 |
| Operating expenses | 19,830 | 21,041 | (1,211) |
| Total public works | 205,683 | 186,754 | 18,929 |
| Risk management | | | |
| Operating expenses | 111,050 | 111,046 | 4 |
| Total general government | 906,132 | 875,893 | 30,239 |
| Public safety | | | |
| Police | | | |
| Personal services | 1,065,011 | 1,014,630 | 50,381 |
| Operating expenses | 207,010 | 158,598 | 48,412 |
| Total police | 1,272,021 | 1,173,228 | 98,793 |
| 911 dispatch | | | |
| Personal services | 337,618 | 335,613 | 2,005 |
| Operating expenses | 16,223 | 6,526 | 9,697 |
| Total 911 dispatch | 353,841 | 342,139 | 11,702 |
| Fire | | | |
| Personal services | 168,290 | 146,826 | 21,464 |
| Operating expenses | 196,935 | 203,167 | (6,232) |
| Total fire | 365,225 | 349,993 | 15,232 |
| Emergency medical services | | | |
| Operating | 225,566 | 225,566 | |

TOWN OF PALM BEACH SHORES, FLORIDA
Schedule of Departmental Expenditures - Budget to Actual
General Fund
For the Fiscal Year Ended September 30, 2014

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|----------------------------------|-----------------|--------------|---|
| Public safety (continued) | | | |
| Building department | | | |
| Operating expenses | \$ 108,350 | \$ 94,844 | \$ 13,506 |
| Total public safety | 2,325,003 | 2,185,770 | 139,233 |
| Physical environment | | | |
| Garbage/solid waste disposal | | | |
| Operating expenses | 171,650 | 168,677 | 2,973 |
| Lift station sewer service | | | |
| Operating | 16,600 | 14,384 | 2,216 |
| Total lift station sewer service | 16,600 | 14,384 | 2,216 |
| Streets/storm sewers | | | |
| Operating | 31,625 | 18,845 | 12,780 |
| Total physical environment | 219,875 | 201,906 | 17,969 |
| Cultural/recreation | | | |
| Parks/parkway | | | |
| Operating expenses | 83,400 | 73,071 | 10,329 |
| Beach facilities | | | |
| Personal services | 75,302 | 73,463 | 1,839 |
| Operating expenses | 15,200 | 11,256 | 3,944 |
| Total beach facilities | 90,502 | 84,719 | 5,783 |
| Community center | | | |
| Operating expenses | 34,100 | 26,401 | 7,699 |
| Total cultural/recreation | 208,002 | 184,191 | 23,811 |
| Capital Outlay | 554,200 | 415,626 | 138,574 |
| Nondepartmentalized | | | |
| Contingency | 27,631 | | 27,631 |
| Total expenditures | \$ 4,240,843 | \$ 3,863,386 | \$ 377,457 |



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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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

The Honorable Mayor and Members of the Town Commission
Town of Palm Beach Shores, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Palm Beach Shores, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Palm Beach Shores, Florida's basic financial statements, and have issued our report thereon dated January 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Palm Beach Shores, Florida'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 of Palm Beach Shores, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Palm Beach Shores, Florida'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 of Palm Beach Shores, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
January 16, 2015



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

The Honorable Mayor and Members of the Town Commission
Town of Palm Beach Shores

Report on the Financial Statements

We have audited the basic financial statements of the Town of Palm Beach Shores, Florida, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated January 16, 2015.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Processional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 16, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below.

The following comment was in the report the prior two years and still applies in the current year.

Finding: 2009-01 Segregation of Duties

Condition: There is insufficient segregation of duties in the accounting department. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Management Response: The small size of the Town staff limits the options we have to segregate duties. However, we believe that the checks and balances in place restrict the opportunity for fraud to occur.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Town of Palm Beach Shores, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town of Palm Beach Shores, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes, during the fiscal year ended September 30, 2014.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Palm Beach Shores, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Town of Palm Beach Shores, Florida for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

Based on the application of criteria in publications cited in Section 10.553, Rules of the Auditor General, there are no special district component units of the Town of Palm Beach Shores, Florida.

Other Matters

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

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

Response to Management Letter

We did not audit management's response to the Management Letter presented herein and express no opinion on it.

Purpose of this Letter

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

Nowlen Holt & Mimer, P.A.

West Palm Beach, Florida
January 16, 2015



NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT ACCOUNTANT’S REPORT

The Honorable Mayor and Members of the Town Commission
Town of Palm Beach Shores, Florida

We have examined the Town of Palm Beach Shores, Florida’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2014. Management is responsible for the Town of Palm Beach Shores, Florida’s compliance with those requirements. Our responsibility is to express an opinion on the Town of Palm Beach Shores, Florida’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 the Town of Palm Beach Shores, Florida’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town of Palm Beach Shores, Florida’s compliance with specified requirements.

In our opinion, the Town of Palm Beach Shores, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
January 16, 2015