

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**FINANCIAL STATEMENTS WITH INDEPENDENT**  
**AUDITOR'S REPORT THEREON**  
**ANNUAL AUDIT FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2021**

**TOWN OF PALM BEACH SHORES, FLORIDA  
SEPTEMBER 30, 2021**

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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, 2021, 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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the required supplementary information on pages 53 through 59 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022, 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 and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Palm Beach Shores, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Palm Beach Shores, Florida's internal control over financial reporting and compliance.

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
June 15, 2022

## 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, 2021. 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, 2021:

- The Town's net position increased by \$278,254, from the prior year. The Town's total assets and deferred outflows were less than its liabilities and deferred inflows on September 30, 2021 by \$262,809 (net position). Of this amount, there is a deficit of \$4,914,249 in unrestricted net position. Normally, unrestricted net position would be used to meet the Town's ongoing obligations to citizens and creditors. The components that put the Town in a deficit position are the debt to funding the undergrounding project and the debt related to the pension.
  - The undergrounding project benefits Town residents, but the assets created will not be owned by the Town. Upon completion of the project, the assets are turned over to the utility companies who will also maintain them. This leaves the Town with debt, but no assets. The undergrounding debt service is funded with future ad valorem taxes and utility taxes.
  - The net pension liability and related items result from the Town's participation in the Florida Retirement System (FRS). FRS is one of the largest pension plans in the nation. The Town's share of the net pension liability and related items is based on the proportion of contributions made. Funding for FRS is determined actuarially at the state level.
- The Town's revenues for governmental activities were \$5,714,987 an increase of 9% from the prior year. The expenses for governmental activities were \$5,436,733, a decrease of 13% from the prior year. This decrease is attributable to a reduction in the amount spent on the underground utilities project. There were \$654,042 of grants and aid on the project this year compared to \$825,381 in the previous year.
- The General Fund unassigned fund balance as of September 30, 2021, was \$2,076,777 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 14 and 15) 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, liabilities, and deferred inflows/outflows of resources 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 16) 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 60-62.

The Town has five other governmental funds: Public Buildings Impact Fund, Parks and Recreation Impact Fund, Fire Impact Fund, Police Impact Fund, and Underground Utilities Fund. The impact fee funds are capital projects funds used to account for impact fees that

must be spent on specific types of capital expenditures. All of the impact fee funds are non-major funds. The Underground Utilities Fund is a special revenue fund used to account for the costs associated with relocating the utility lines throughout town underground. The Underground Utilities Fund is a major fund.

*Notes to the Financial Statements* (beginning on page 20) 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. The Town had a deficit net position of \$262,809 as of September 30, 2021.

<b>Net Position</b>			
(In thousands of dollars)			
<b>Governmental Activities</b>			
	2021	2020	Increase (Decrease)
<b>Assets:</b>			
Current and other assets	\$ 4,548	\$ 4,590	\$ (42)
Capital	3,757	3,955	(198)
<b>Total assets</b>	<b>\$ 8,305</b>	<b>\$ 8,545</b>	<b>\$ (240)</b>
<b>Deferred Outflows:</b>			
Pension related items	\$ 399	\$ 916	\$ (517)
<b>Liabilities:</b>			
Long-term debt outstanding	\$ 5,727	\$ 6,050	\$ (323)
Net pension liability	480	2,538	(2,058)
OPEB liability	47	78	(31)
Other liabilities	671	495	176
<b>Total liabilities</b>	<b>\$ 6,925</b>	<b>\$ 9,161</b>	<b>\$ (2,236)</b>
<b>Deferred Inflows:</b>			
Pension related items	\$ 2,036	\$ 837	\$ 1,199
Unearned revenue	6	3	3
<b>Total deferred inflows</b>	<b>\$ 2,042</b>	<b>\$ 840</b>	<b>\$ 1,202</b>
<b>Net Position:</b>			
Net investment in capital assets	\$ 3,655	\$ 3,815	\$ (160)
Restricted	996	706	\$ 290
Unrestricted	(4,914)	(5,062)	\$ 148
<b>Total net position</b>	<b>\$ (263)</b>	<b>\$ (541)</b>	<b>\$ 278</b>

Unrestricted net position normally would be used to meet the Town's ongoing obligations to citizens and creditors. The Town has a deficit unrestricted net position. Unrestricted net position changed dramatically in 2019 due to the issuance of \$6 million in debt to fund the undergrounding project. This debt will be repaid with ad valorem taxes and utility taxes. These taxes are levied for the purpose of repaying the debt. Another contributing factor on the deficit unrestricted net position is the net pension liability. The Town participates in the Florida Retirement System (FRS) for its pension. The liability allocated to the Town is directly attributable to its proportionate share of contributions to FRS.

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 impact fees received but not used, discretionary sales tax to be used on infrastructure, and a bequest to be used for public safety.

**Governmental Activities**

Governmental activities increased the Town’s net position by \$278,254. Key elements of this increase are as follows:

<b>Change in Net Position</b>			
(In thousands of dollars)			
<b>Governmental Activities</b>			
	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>
<b>Revenue:</b>			
Program revenue:			
Charges for services	\$ 353	\$ 317	\$ 36
Grants and contributions	272	60	212
General revenue:			
Property taxes	4,122	3,961	161
Utility taxes and franchise fees	628	618	10
Intergovernmental	281	253	28
Investment earnings	10	39	(29)
Miscellaneous	49	17	32
<b>Total revenue</b>	<b>\$ 5,715</b>	<b>\$ 5,265</b>	<b>\$ 450</b>
<b>Expenses:</b>			
Program expenses:			
General government	\$ 902	\$ 1,265	\$ (363)
Public safety	2,847	3,095	(248)
Physical environment	394	406	(12)
Culture and recreation	432	422	10
Grants and aid	654	825	(171)
Interest on long term debt	208	220	(12)
<b>Total expenses</b>	<b>\$ 5,437</b>	<b>\$ 6,233</b>	<b>\$ (796)</b>
Change in net position before special item	\$ 278	\$ (968)	\$ 1,246
Special item - transfer of police department	\$ -	\$ (291)	291
Change in net position	\$ 278	\$ (1,259)	\$ 1,537
Net position - October 1	(541)	718	(1,259)
<b>Net position - September 30</b>	<b>\$ (263)</b>	<b>\$ (541)</b>	<b>\$ 278</b>

Property taxes remain the main source of revenues and represent approximately 72 percent of the revenue for governmental activities. Property taxes increased by approximately \$161,000 over the prior year. The Town’s assessed value increased by \$23 million, or 4%, and the operating millage rate of 6.3500 mills remained unchanged.

Total expenses decreased by approximately \$796,000. Expenses for Public Safety continue to represent the largest category of Governmental activity expenses. Public Safety includes the Police, Fire, Dispatch, Emergency Medical Service, Emergency Disaster, and Building departments. Public Safety expenses decreased by 8% compared to the prior year. General government expense fell by \$363,000 or 29% compared with last year. General government consists of Administration, Legal, Public Works, Risk Management. Declines in both Public Safety and General Government are attributable to improved performance in the pension reducing the Town's expense. The Town also reduced Grants and Aid which represent the costs of the underground utility project. The installation of conduit and the electric portion of the project are complete. The two communication companies continue with their installation and conversion. The last step in the process will be to remove the utility poles, hopefully in this next year.

## **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.

As of September 30, 2021, the Town's governmental funds reported ending fund balances of \$3.97 million, a decrease of \$226,341 in comparison with the prior year. Approximately 52% of ending fund balances (\$2,076,777) 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: \$137,002 for hurricanes; \$125,375 for debt service; \$68,427 for future sewer system repairs; and \$20,000 for the compensated absences. The restricted portion of the general fund balance is composed of the following: \$392,432 discretionary sales tax to be used on infrastructure and \$542,254 from grants and donations to be used for public safety. The non-spendable portion of fund balance is not available because it has already been spent on inventories and prepaid items. Fund balance in the other governmental funds is restricted or assigned 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 53). 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, 2021 amounted to \$3.8 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 \$198,000 during the current fiscal year, largely due to depreciation. Purchases during the year totaled \$211,000.

- The largest capital project this year was the purchase and installation of tidal outfall valve on the stormwater outlet at Bamboo Road. The new valve prevents high tides from entering the stormwater pipe in the lake. The intersection of Bamboo Road and Lake Drive had experienced flooding during high king tides prior to the valve installation. The cost of the project was \$58,747.
- The beach boardwalk was rehabilitated by replacing the substructure that supports it which will prolong its service to the Town. This was completed for \$13,709.
- The Fire Department replaced five sets of turnout gear for \$12,475. This is an ongoing program to maintain the gear in good condition.
- A new concrete tile roof was installed on the Fire Annex building for \$10,650.
- The remaining capital outlay consists of a variety of items of smaller scale than those identified herein.

<b>Capital Assets</b>			
(In thousands of dollars)			
<b>Governmental Activities</b>			
	2021	2020	Increase (Decrease)
Land	\$ 101	\$ 101	\$ -
Construction in progress	14	6	8
Buildings and improvements	3,762	3,741	21
Parks and beach improvements	778	746	32
Equipment	1,081	1,042	39
Vehicles	623	656	(33)
Streets and sewers	3,921	3,862	59
<b>Total capital assets</b>	<b>10,280</b>	<b>10,154</b>	<b>126</b>
<b>Less accumulated depreciation</b>	<b>(6,523)</b>	<b>(6,199)</b>	<b>(324)</b>
<b>Capital assets, net of depreciation</b>	<b>\$ 3,757</b>	<b>\$ 3,955</b>	<b>\$ (198)</b>

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

## Debt Outstanding

No new debt was issued during the year. All scheduled debt service payments were made on existing debt reducing the Town's long-term liabilities. The following table summarizes the Town's debt as of September 30, 2021.

<b>Outstanding Debt</b>			
<b>(In thousands of dollars)</b>			
<b>Governmental Activities</b>			
	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>
Notes payable	\$ 566	\$ 628	\$ (62)
Loans payable	5,107	5,371	(264)
Compensated absences	54	51	3
OPEB liability	46	78	(32)
Net pension liability	481	2,538	(2,057)
<b>Total debt</b>	<b>\$ 6,254</b>	<b>\$ 8,666</b>	<b>\$ (2,412)</b>

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

## NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Town's 2022 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 Town's facilities.

Property taxes are the main source of revenues for governmental activities and represent approximately 73% of the General Fund budgeted revenues. The Town's assessed value increased by approximately \$5.2 million or 0.8%. The Town Commission maintained the operating millage rate of 6.3500 mills and the debt millage rate of 0.4290 mills. The millage rates meet all State imposed requirements. The 2022 budget will provide sufficient revenue to cover expenditures for the upcoming fiscal year. The budget gives the Town the ability to continue to provide the expected level of governmental services.

## **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, 2021**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,335,097
Investments	1,068,944
Receivables (net)	
Accounts	37,856
Special assessments	4,077
Due from other governments	69,041
Prepaid items	32,368
Inventories	291
Capital assets	
Non-depreciable	115,292
Depreciable (net of depreciation)	<u>3,641,926</u>
Total assets	<u>8,304,892</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	<u>399,336</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	214,408
Accrued payroll	22,319
Accrued interest	101,133
Unearned revenue	332,820
Non-current liabilities	
Due within one year	358,477
Due in more than one year	5,368,490
OPEB liability	46,627
Net pension liability	<u>480,587</u>
Total liabilities	<u>6,924,861</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related items	2,036,266
Deferred revenue	<u>5,910</u>
Total deferred inflows of resources	<u>2,042,176</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,655,122
Restricted for capital improvements	61,632
Restricted for infrastructure	392,432
Restricted for public safety	542,254
Unrestricted	<u>(4,914,249)</u>
Total net position	<u>\$ (262,809)</u>

See notes to the financial statements



**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Statement of Activities**  
**Year Ended September 30, 2021**

Function / Program Activities	Expenses	Program Revenues			Total Governmental Activities
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 901,921	\$ 21,940	\$ 17,230	\$	\$ (862,751)
Public safety	2,846,777	256,779	52,575	201,756	(2,335,667)
Physical environment	394,348	53,917			(340,431)
Culture recreation	432,094	20,457			(411,637)
Grants and aid	654,042				(654,042)
Interest on long term debt	207,551				(207,551)
Total governmental activities	<u>\$ 5,436,733</u>	<u>\$ 353,093</u>	<u>\$ 69,805</u>	<u>\$ 201,756</u>	<u>(4,812,079)</u>
General revenues					
					4,121,829
					627,758
					281,597
					9,927
					14,778
					34,444
Total general revenues					<u>5,090,333</u>
Change in net position					278,254
Net position, beginning of year					<u>(541,063)</u>
Net position, end of year					<u>\$ (262,809)</u>

See notes to the financial statements

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2021**

	General	Underground Utilities	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,744,896	\$ 528,569	\$ 61,632	\$ 3,335,097
Investments	1,068,944			1,068,944
Receivables				
Accounts	37,856			37,856
Special assessments	4,077			4,077
Due from other governments	69,041			69,041
Due from other funds	16,987			16,987
Prepaid items	32,368			32,368
Inventories	291			291
Total assets	<u>\$ 3,974,460</u>	<u>\$ 528,569</u>	<u>\$ 61,632</u>	<u>\$ 4,564,661</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 214,408	\$	\$	\$ 214,408
Accrued payroll	22,319			22,319
Due to other funds		16,987		16,987
Unearned revenue	332,820			332,820
Total liabilities	<u>569,547</u>	<u>16,987</u>		<u>586,534</u>
<b>Deferred inflows of resources</b>				
Deferred revenue	5,910			5,910
Unavailable revenue	4,077			4,077
Total deferred inflows of resources	<u>9,987</u>			<u>9,987</u>
<b>Fund balances</b>				
<b>Nonspendable</b>				
Prepaid items and inventories	32,659			32,659
<b>Restricted</b>				
Underground utilities/debt service		511,582		511,582
Capital improvements			61,632	61,632
Infrastructure	392,432			392,432
Public safety	542,254			542,254
<b>Assigned</b>				
Sewer service	68,427			68,427
Compensated absences	20,000			20,000
Debt service	125,375			125,375
Hurricane	137,002			137,002
Unassigned	2,076,777			2,076,777
Total fund balances	<u>3,394,926</u>	<u>511,582</u>	<u>61,632</u>	<u>3,968,140</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,974,460</u>	<u>\$ 528,569</u>	<u>\$ 61,632</u>	<u>\$ 4,564,661</u>

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, 2021**

Fund balances total governmental funds		\$ 3,968,140
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	\$ 10,280,382	
Less accumulated depreciation	<u>(6,523,164)</u>	3,757,218
Revenues earned but not collected within 60 days are not current financial resources and therefore, are not reported in the governmental fund.		
Unavailable revenue		4,077
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:		
Net pension liability	(480,587)	
OPEB liability	(46,627)	
Compensated absences	(53,961)	
Notes payable	(5,673,006)	
Accrued interest on long-term debt	<u>(101,133)</u>	(6,355,314)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:		
Pension related deferred outflows	399,336	
Pension related deferred inflows	<u>(2,036,266)</u>	<u>(1,636,930)</u>
Net position of governmental activities		<u>\$ (262,809)</u>

See notes to the financial statements

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Governmental Funds**  
**Year Ended September 30, 2021**

	General	Underground Utilities	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 4,749,587	\$	\$	\$ 4,749,587
Special assessments and impact fees			7,605	7,605
Licenses and permits	231,385			231,385
Intergovernmental	351,401			351,401
Fines and forfeitures	25,394			25,394
Charges for services	96,314			96,314
Interest	9,904		24	9,928
Contributions	201,756			201,756
Miscellaneous	42,796			42,796
<b>Total revenues</b>	<u>5,708,537</u>	<u></u>	<u>7,629</u>	<u>5,716,166</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,048,265			1,048,265
Public safety	2,936,827			2,936,827
Physical environment	262,232			262,232
Culture and recreation	290,128			290,128
<b>Debt service</b>				
Principal	326,159			326,159
Interest	213,489			213,489
Capital outlay	211,365			211,365
Grants and aid		654,042		654,042
<b>Total expenditures</b>	<u>5,288,465</u>	<u>654,042</u>	<u></u>	<u>5,942,507</u>
<b>Excess (deficiency) of revenues ov sources (uses)</b>	420,072	(654,042)	7,629	(226,341)
<b>Fund balances, beginning of year</b>	<u>2,974,854</u>	<u>1,165,624</u>	<u>54,003</u>	<u>4,194,481</u>
<b>Fund balances, end of year</b>	<u>\$ 3,394,926</u>	<u>\$ 511,582</u>	<u>\$ 61,632</u>	<u>\$ 3,968,140</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**  
**Year Ended September 30, 2021**

Net change in fund balances - total governmental funds \$ (226,341)

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

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.

Expenditures for capital assets	\$ 211,365	
Less: current year depreciation	<u>(407,876)</u>	(196,511)
Net book value of capital asset disposals		(1,179)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on debt	<u>326,159</u>	326,159
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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.

Change in accrued interest	5,938	
Change in OPEB liability	31,763	
Change in net pension liability and related deferred amounts	341,604	
Change in long-term compensated absences	<u>(3,179)</u>	<u>376,126</u>

Change in net position		<u><u>\$ 278,254</u></u>
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See notes to the financial statements

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**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, 2021**

**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.

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, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Governmental Funds* (Continued)

The Town reports the following major governmental funds:

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.

The Underground Utilities Fund is a special revenue fund used to account for the costs associated with moving the utility lines throughout town underground.

*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.

*Investments*

Investments are reported at fair value as required by generally accepted accounting principles. The fair value of an investment is the amount that the Town could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. The Town categorizes investments reported at fair value in accordance with the fair value hierarchy established by GASB Statement No. 72, Fair Value Measurement and Application.

*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, 2021**

**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, 2021**

**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. The Town reports deferred outflows for pension items in connection with its participation in the Florida Retirement System in the government-wide statement of net position. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods.

*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 three types of items that qualify for reporting in this category:

1. Pension items in connection with the Town's participation in the Florida Retirement System are reported in the government-wide statement of net position. These deferred pension charges are amortized in a systematic and rational method as pension expense in future periods.
2. 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.
3. 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.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Compensated Absences* (Continued)

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.

*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.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*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 to be used for capital improvements, the discretionary sales tax to be used for infrastructure, contributions to be used for public safety, and loan proceeds to be used for the underground utility project. .
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 Town. 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. It is also used to report negative fund balances in other governmental funds.

The Town will first use Restricted fund balance, followed by 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.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**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 in accordance with generally accepted accounting principles. 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 Treasurer 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 Mayor or 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.
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. The millage rate assessed by the Town for the year ended September 30, 2021, was 6.350 for operations and 0.4290 for debt service.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

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

*Property Taxes* (Continued)

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.

**NOTE 3 – CASH AND INVESTMENTS**

*Deposits*

As of September 30, 2021, the carrying amount of the Town's deposits was \$3,334,997 and the bank balances totaled \$3,490,346. The Town also had cash on hand of \$100 resulting in a total cash and cash equivalents of \$3,335,097. Deposits are either covered by insurance provided by the Federal Depository Insurance Corporation or are qualified public deposits 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.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 3 – CASH AND INVESTMENTS** (Continued)

*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.

In 2016, the Town implemented GASB Statement No. 72, Fair Value Measurement and Application issued in February 2015. The Town categorizes its investments according to the fair value hierarchy established by this Statement. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs to include quoted prices for similar assets in active and non-active markets; Level 3 inputs are significant unobservable inputs.

The State Board of Administration (SBA) administers the Florida PRIME investment pool, which is governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME. The investment in Florida PRIME is reported at amortized cost in accordance with GASB Statement No. 79, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 79) and is exempt from reporting under the fair value hierarchy of GASB 72. The investment in the Florida PRIME is not insured by FDIC or any other governmental agency.

GASB 79 requires that if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 3 – CASH AND INVESTMENTS** (Continued)

*Investments* (Continued)

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

As of September 30, 2021, the Town reported the following 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	49 days	<u>\$ 1,068,944</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, 2021, 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.



**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 4 – CAPITAL ASSETS**

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

**Primary Government**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 100,792	\$	\$	\$	\$ 100,792
Construction in progress	5,627	12,238		(3,365)	14,500
Capital assets being depreciated:					
Buildings and improvements	3,740,875	47,530			3,788,405
Parks and beach improvements	746,375	27,852		3,365	777,592
Equipment	1,042,030	47,120	(34,590)		1,054,560
Vehicles	656,144	17,878	(50,655)		623,367
Streets and sewers	3,862,419	58,747			3,921,166
<b>Total at historical cost</b>	<u>10,154,262</u>	<u>211,365</u>	<u>(85,245)</u>		<u>10,280,382</u>
Less accumulated depreciation for:					
Buildings	1,318,215	103,577			1,421,792
Parks and beach improvements	500,204	43,452			543,656
Equipment	592,464	92,058	(33,411)		651,111
Vehicles	480,623	50,000	(50,655)		479,968
Streets and sewers	3,307,848	118,789			3,426,637
<b>Total accumulated depreciation</b>	<u>6,199,354</u>	<u>407,876</u>	<u>(84,066)</u>		<u>6,523,164</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 3,954,908</u>	<u>\$ (196,511)</u>	<u>\$ (1,179)</u>	<u>\$</u>	<u>\$ 3,757,218</u>

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

<b>Governmental activities:</b>	
General government	\$ 63,144
Public safety	69,521
Physical environment	133,245
Culture and recreation	<u>141,966</u>
<b>Total depreciation expense for governmental activities</b>	<u>\$ 407,876</u>

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 5 – LONG-TERM LIABILITIES**

*Changes in Long-Term Liabilities*

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Placements and Borrowings					
KS State Bank note	\$ 139,693	\$	\$ (37,598)	\$ 102,095	\$ 39,405
CenterState Bank Note	488,289		(24,047)	464,242	24,923
Bond	5,371,183		(264,514)	5,106,669	274,149
Compensated absences	50,782	57,613	(54,434)	53,961	20,000
OPEB liability	78,390		(31,763)	46,627	
Net pension Liability	2,538,383		(2,057,796)	480,587	
	<u>\$ 8,666,720</u>	<u>\$ 57,613</u>	<u>\$(2,470,152)</u>	<u>\$ 6,254,181</u>	<u>\$ 358,477</u>

*KS State Bank Note Payable*

On December 17, 2018, the Town executed a note with KS State Bank for the purchase of three vehicles and three Auto License Plate Recognition cameras. The note was for \$192,882. The Town is required to appropriate funds annually to pay the current amount due. Principal and interest on the note are payable semi-annually on June 17 and December 17 and with a final maturity date of December 17, 2023. The note bears an annual interest rate of 4.749%.

*CenterState Bank Public Service Tax Revenue Note*

On October 31, 2018, the Town issued a \$500,000 Town of Palm Beach Shores, Florida, Public Service Tax Revenue Note. The Note was issued to provide for payment of a portion of the costs of placing the electric, cable television and telephone utility facilities that serve the Town and its inhabitants underground. The Town will pay the accrued interest on April 1, 2019 and October 1, 2019. Commencing April 1, 2020, the Town will pay installments of principal and interest in equal semi-annual payments of \$20,661, due on April 1, 2020 and on the first day of each April and October thereafter. The entire unpaid principal balance, together with all accrued and unpaid interest, shall be due and payable in full on October 1, 2035. The interest rate on the loan is 3.58% and is subject to adjustment in the event of taxability of the interest on this Note.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 5 – LONG-TERM LIABILITIES** (Continued)

*CenterState Bank Public Service Tax Revenue Note* (Continued)

The debt service for the Note is payable from and secured by a lien upon and pledge of the amounts received by the Town pursuant to the tax (the "Public Service Tax") levied on the purchase within the geographic jurisdiction of the Town of electricity, metered natural gas, liquefied petroleum gas either metered or bottled, manufactured gas either metered or bottled, water service and services competitive with the foregoing, pursuant to Florida Statute Section 166.231.

The Bond agreement includes a provision that upon the occurrence of an event of default the lender may declare the Bond to be immediately due and payable without further action of any kind.

*CenterState Bank General Obligation Bond*

On October 31, 2018, the Town issued a \$5,500,000 Town of Palm Beach Shores, Florida, General Obligation Bond, Series 2018. The Bond was issued to provide for payment of a portion of the costs of placing the electric, cable television and telephone utility facilities that serve the Town and its inhabitants underground. The Town will pay the accrued interest on April 1, 2019 and October 1, 2019. Commencing April 1, 2020, the Town will pay installments of principal and interest in equal semi-annual payments of \$227,267, due on April 1, 2020 and on the first day of each April and October thereafter. The entire unpaid principal balance, together with all accrued and unpaid interest, shall be due and payable in full on October 1, 2035. The interest rate on the loan is 3.58% and is subject to adjustment in the event of taxability of the interest on this Bond.

The debt service for the Bond is payable from a separate ad valorem tax levy and is also payable from the Public Service Tax. The pledge of the Public Service Tax to the repayment of this Bond is junior and subordinate to the pledge thereof given to secure the payment of the obligations of the Town pursuant to the Town's Public Service Tax Revenue Note.

The Bond agreement includes a provision that upon the occurrence of an event of default the lender may declare the Bond to be immediately due and payable without further action of any kind.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 5 – LONG-TERM LIABILITIES** (Continued)

*Pledged Revenues and Related Debt Service*

For the fiscal year ended September 30, 2021, pledged Public Service Tax revenues were \$348,760 and the pledged ad valorem tax levy was \$260,814. Principal and interest paid for the year was \$355,327 and principal and interest to maturity is \$6,650,693.

*Annual Maturities*

The aggregate maturities for all long-term debt of the Town with scheduled maturities (excluding compensated absences, net pension liabilities and claims and settlements), are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Amount</u>
2022	\$ 338,477	\$ 201,170	\$ 539,647
2023	351,174	188,473	539,647
2024	342,459	175,293	517,752
2025	332,664	163,190	495,854
2026	344,680	151,174	495,854
2027-2031	1,919,393	559,880	2,479,273
2032-2036	2,044,160	187,186	2,231,346
Total	<u>\$ 5,673,007</u>	<u>\$ 1,626,366</u>	<u>\$ 7,299,373</u>

**NOTE 6 – FLORIDA RETIREMENT SYSTEM**

*General Information*

All full-time employees participate in the Florida Retirement System (FRS). The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the Florida Retirement System Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost sharing multiple-employer defined benefit pension plan, to assist retired members of any state administered retirement system in paying the costs of health insurance.

Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 6 – FLORIDA RETIREMENT SYSTEM** (Continued)

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000 or calling toll free at 877-377-1737. The report is also available at the Florida Department of Management Services web site [www.dms.myflorida.com](http://www.dms.myflorida.com).

*Significant Accounting Policies*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (FRSP) and the Florida Retirement System Health Insurance Subsidy Program and additions to/deduction from the FRSP and HIS fiduciary net position have been determined on the same basis as they are reported by FRSP and HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Pension Plan***

*Plan Description*

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

- Regular Class
- Special Risk Class
- Senior Management Service Class

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service.

Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 6 – FLORIDA RETIREMENT SYSTEM** (Continued)

*Pension Plan* (Continued)

Benefits Provided

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

The following table shows the percentage value for each year of service credit earned:

Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
Special Risk Class	
Service from December 1, 1970 through September 30, 1974	2.00%
Service on or after October 1, 1974	3.00%
Senior Management Service Class	2.00%

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011 will not have a cost-of-living adjustment after retirement.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 6 – FLORIDA RETIREMENT SYSTEM** (Continued)

*Pension Plan* (Continued)

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year.

The employer contribution rates by job class for the fiscal year ended September 30, 2021 were as follows:

Class	10/1/20 through 6/30/21	07/01/21 through 09/30/21
Regular Class	10.00%	10.82%
Senior Management Service Class	27.29%	29.01%
Special Risk Class	24.45%	25.89%
DROP	16.98%	18.34%

Except for the DROP, the employer contribution rates include a 1.66% HIS Plan subsidy. The rates also include 0.06% for administrative costs of the Public Employee Optional Retirement Program.

For the fiscal year ended September 30, 2021, the Town made contributions of \$89,010 to the Pension Plan and the Town's employees made contributions of \$16,098 for total contributions of \$105,109.

Pension Liabilities and Pension Expense

At September 30, 2021, the Town reported a liability of \$199,393 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The Town's proportionate share of the net pension liability was based on the Town's 2020-21 plan year contributions relative to the 2020-21 plan year contributions of all participating members. At June 30, 2021, the Town's proportionate share was 0.00002639619 percent, which was an decrease of 0.00002269215 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the Town recognized pension expense of \$(203,533) related to the Plan.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 6 – FLORIDA RETIREMENT SYSTEM** (Continued)

*Pension Plan* (Continued)

*Deferred Outflows and Inflows of Resources Related to Pensions*

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Outflows of Resources	Inflows of Resources
Difference between expected and actual experience	\$ 34,176	\$
Change of assumptions	136,435	
Net difference between projected and actual earnings on Pension Plan investments		695,633
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	128,545	1,091,875
Pension Plan contributions subsequent to the measurement date	31,592	
Total	<u>\$ 330,748</u>	<u>\$ 1,787,508</u>

The deferred outflows of resources related to the Pension Plan, totaling \$31,592 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022.

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

Fiscal Year Ending September 30	Amount
2022	\$ (306,284)
2023	(318,958)
2024	(364,285)
2025	(412,857)
2026	(85,969)
Thereafter	<u>\$ (1,488,353)</u>



**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 6 – FLORIDA RETIREMENT SYSTEM** (Continued)

*Pension Plan* (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2021
Measurement date	June 30, 2021
Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation
Mortality	PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2021; valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return on investments is not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	(1) Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	178.0%
Real Estate (Property)	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
Total	100.0%			
Assumed Inflation - Mean			2.4%	1.2%

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

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 6 – FLORIDA RETIREMENT SYSTEM** (Continued)

*Pension Plan* (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.80%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Town’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Proportionate share of the net pension liability	\$ 891,700	\$ 199,393	\$ (379,297)
	<u>                    </u>	<u>                    </u>	<u>                    </u>

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2021, the Town had \$10,398 payable for outstanding contributions to the Pension Plan for the fiscal year ended September 30, 2021.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 6 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Retiree Health Insurance Subsidy (HIS) Program***

**Plan Description**

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**Benefits Provided**

For the fiscal year ended September 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**Contributions**

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2021, the HIS contribution was 3.00%. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town's contributions to the HIS Plan totaled \$13,627 for the fiscal year ended September 30, 2021.

**Pension Liabilities and Pension Expense**

At September 30, 2021, the Town reported a liability of \$281,194 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 6 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Retiree Health Insurance Subsidy (HIS) Program*** (Continued)

**Pension Liabilities and Pension Expense** (Continued)

The Town's proportionate share of the net pension liability was based on the Town's 2020-21 plan year contributions relative to the 2020-21 plan year contributions of all participating members. At June 30, 2021, the Town's proportionate share was 0.00002292374 percent, which was an decrease of 0.00001072303 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the Town recognized pension expense of \$(16,636).

**Deferred Outflows and Inflows of Resources Related to Pensions**

In addition, the Town reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Outflows of Resources	Inflows of Resources
Difference between expected and actual experience	\$ 9,409	\$ 118
Change of assumptions	22,096	11,586
Net difference between projected and actual earnings on Pension Plan investments	293	
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	32,928	237,054
Pension Plan contributions subsequent to the measurement date	3,862	
Total	<u>\$ 68,588</u>	<u>\$ 248,758</u>

For the July 1, 2021 valuation, the municipal bond rate decreasing from 2.21% to 2.16.

The deferred outflows of resources related to the HIS Plan, totaling \$3,862 resulting from Town contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 6 – FLORIDA RETIREMENT SYSTEM** (Continued)

*Retiree Health Insurance Subsidy (HIS) Program* (Continued)

Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

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

Fiscal Year Ending September 30:	Amount
2022	\$ (31,163)
2023	(35,996)
2024	(31,704)
2025	(34,258)
2026	(39,211)
Thereafter	(11,700)
	<u>\$ (184,032)</u>

Actuarial Assumptions

The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2020
Measurement date	June 30, 2021
Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.16%
Long-term expected rate of return	N/A
Mortality	Generational PUB-2010 with Projection Scale MP 2018
Actuarial cost method	Individual Entry Age

The actuarial assumptions that determined the total pension liability as of June 30, 2021, were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 2.16%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 6 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Retiree Health Insurance Subsidy (HIS) Program*** (Continued)

**Discount Rate** (Continued)

Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**Sensitivity of the Town’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate**

The following represents the Town’s proportionate share of the net pension liability calculated using the discount rate of 2.16%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Proportionate share of the net pension liability	\$ 325,088	\$ 281,194	\$ 245,233

**Pension Plan Fiduciary Net Position**

Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**Payables to the Pension Plan**

At September 30, 2021, the Town had \$1,152 payable for outstanding contributions to the HIS Plan for the fiscal year ended September 30, 2021.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 6 – FLORIDA RETIREMENT SYSTEM** (Continued)

*Summary Data*

The following table provides a summary of significant information related to the Florida Retirement System defined benefit plans for the year ended September 30, 2021.

Description	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	\$ 5,533,593	\$ 291,570	\$ 5,825,163
Proportionate share of plan fiduciary net position	5,334,200	10,376	5,344,576
Proportionate share of net pension liability	199,393	281,194	480,587
Proportionate share of deferred outflows of resources	330,748	68,588	399,336
Proportionate share of deferred inflows of resources	1,787,508	248,758	2,036,266
Pension expense	(203,533)	(16,636)	(220,169)

*Investment Plan*

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. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 6 – FLORIDA RETIREMENT SYSTEM** (Continued)

*Investment Plan* (Continued)

Funding Policy

The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the defined benefit Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

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, 2021, are as follows:

Class	10/1/20 through 6/30/21	07/01/21 through 09/30/20
Regular Class	10.00%	10.82%
Senior Management Service Class	27.29%	29.01%
Special Risk Class	24.45%	25.89%
DROP	16.98%	18.34%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Town.



**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 6 – FLORIDA RETIREMENT SYSTEM** (Continued)

*Investment Plan* (Continued)

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

The Town’s Investment Plan pension expense totaled \$24,283 for the fiscal year ended September 30, 2021, and as of the fiscal year end, the Town reported a payable in the amount of \$2,233 for outstanding contributions to the Investment Plan.

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

Effective October 1, 2017, the Town implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. 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 less than they would pay on their own. This implied subsidy constitutes other postemployment benefits (OPEB) under GASB 75.

*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.

*Employees Covered by Benefit Terms*

At September 30, 2021, the following employees were covered by benefit terms:

Participants	
Active employees	13
Inactive employees currently receiving benefits	
Inactive employees entitled to but not receiving benefits	-
Total	13

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB)** (Continued)

Contribution Requirements

The Town does not make direct contributions to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group health rates as active employees. 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 annual age-adjusted costs paid by the Town, or its active employees, for coverage of the retirees and their dependents net of the retiree’s own payments for the year.

Total OPEB Liability

The Town’s total OPEB liability of \$46,627 was measured as of September 30, 2021 and was determined by the actuarial valuation as of that date.

Actuarial Assumptions and Methods

The total OPEB liability was determined using the following actuarial assumptions and other methods:

Valuation Date:	September 30, 2021
Measurement Date:	September 30, 2021
Discount Rate:	2.53% per annum
Salary Increase Rate:	2.0%
Age adjustment factor	1.976419
Health Care Trend Rate:	Medical – 4.90% initially trending to 4.30% in 10 years Pharmacy – 5.90% initially trending to 4.30% in 10 years Dental – 3.50% initially trending to 3.00% in 10 years Vision – 3.00%
Actuarial Cost Method:	Entry Age Normal
Plan Participation Percentage:	10%
Mortality Rates:	PUB-2010 Public Retirement Plan Mortality Tables, with mortality improvement projected for 10 years

The valuation was prepared using the Alternate Method in accordance with GASB 75.

Discount Rate

The Town does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate is a yield or index rate for 20-year, tax-exempt municipal bonds. As a result, the calculation used a rate of 2.53%.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB)** (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at September 30, 2020	\$ 78,390
Changes for the Year:	
Service Cost	15,307
Interest Cost	2,033
Changes of Assumptions and Other Inputs	(2,876)
Differences Between Expected and Actual Experience	(46,227)
Benefit Payments	
Net Change in Total OPEB Liability	(31,763)
Balance at September 30, 2021	\$ 46,627

Changes in Assumptions

The discount rate was 2.17% at 10/1/20 and 2.53% at 9/30/21.

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

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.53%) or 1-percentage-point higher (3.53%) than the current discount rate:

	1.0% Decrease (1.53%)	Discount Rate (2.53%)	1.0% Increase (3.53%)
Total OPEB Liability	\$ 55,197	\$ 46,627	\$ 39,687

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trends that are 1-percentage-point lower or 1-percentage-point higher (then the current healthcare cost trend rates:

	1.0% Decrease	Healthcare cost Trend Rates	1.0% Increase
Total OPEB Liability	\$ 38,452	\$ 46,627	\$ 56,951

OPEB Expense

For the year ended September 30, 2021, the Town recognized OPEB expense of \$(31,763).

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 8 – COMMITMENTS**

*Water Management Services*

On September 26, 2017, 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 agreement was effective on October 1, 2017 for a period of five years with two renewal options. Waste Management is paid monthly based on the rate schedule in the contract and the actual number of customers/units. Charges from Waste Management for the year ended September 30, 2021, totaled \$173,756.

*Landscape Services*

On November 1, 2019, the Town entered into an agreement with BrightView Landscape Services, Inc. for lawn maintenance services. The agreement is for a period of three years ending on October 31, 2022 at an initial cost of \$82,313, with 3% annual increases. The contract may be extended three additional years with a rate adjustment based upon the consumer price index if agreed to by both parties. Payments to BrightView Landscape Services, Inc. for the year ended September 30, 2021 totaled \$84,576.

*Fire Services, EMS Services, and Emergency Transport Services*

On August 3, 2016, the Town entered into an agreement with the City of Riviera Beach for emergency medical and supplemental fire protection services with the City for the period beginning on January 1, 2017 and ending December 31, 2022. The fee for the services for the first year will be \$305,736 and will increase three percent per year. Payments to the City for the year ended September 30, 2021 totaled \$341,603.

*Law Enforcement Services*

On August 9, 2019 the Town approved an agreement for Law Enforcement Services with the Palm Beach County Sheriff's Office effective November 1, 2019 thru September 30, 2029. Monthly payments for the first year are \$137,365. The total amount due for all law enforcement services for subsequent years shall be based upon the proposal submitted by the Sheriff during the Town's budget process and approved by the Town Commission. However, for contract years beginning 2021, and 2022, the annual increase shall not be more than 2% for each year; for contract years beginning 2023, and 2024, the annual increase shall be from 2% to 5% for each year; and the annual increase shall not be more than 5% for each contract year beginning 2025 to 2029. Payments for the year ended September 30, 2021 totaled \$1,648,378.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 8 – COMMITMENTS** (Continued)

*Town Undergrounding Project*

On November 2, 2018, the Town entered an agreement with Viking Utility, Inc. for the construction of the underground utility project in the amount of \$4,336,640. The work included conduit for FP&L, AT&T, and Comcast, along with FP&L feeder cable, loop cable, switches & capacitors, transformers, and service line cables. At September 30, 2021, there was \$100,000 remaining to be paid on the contract. Work by Viking and FP&L are complete. Comcast and AT&T are expected to finish next year.

**NOTE 9– RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; 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. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in federal courts.

There have been no significant reductions in insurance coverage from the prior year. No settlements exceeded insurance coverage for the past three years.

**NOTE 10 – RECENT ACCOUNTING PRONOUNCEMENTS**

A brief description of the new accounting pronouncements that might have a significant impact on the Town's financial statements are presented below. Management is currently evaluating the impact of adoption of this statement in the Town's financial statements.

In May 2017 the GASB issued Statement No. 87, Leases. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2022.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2021**

**NOTE 10 – RECENT ACCOUNTING PRONOUNCEMENTS** (Continued)

In January 2020 the GASB issued Statement No. 92, Omnibus 2020. This Statement will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics. The requirements of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements are effective for the fiscal year ending September 30, 2022.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Required Supplemental Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**Year Ended September 30, 2021**

	General Fund			Variance With Final Budget Positive (Negative)
	Original Adopted Budget	Final Revised Budget	Actual	
<b>Revenues</b>				
Taxes	\$ 4,686,946	\$ 4,686,946	\$ 4,749,587	\$ 62,641
Licenses and permits	189,000	211,462	231,385	19,923
Intergovernmental	230,637	230,637	351,401	120,764
Fines and forfeitures	6,575	28,375	25,394	(2,981)
Charges for services	71,500	78,600	96,314	17,714
Interest	23,000	23,000	9,904	(13,096)
Contributions			201,756	201,756
Miscellaneous	10,000	10,000	42,796	32,796
<b>Total revenues</b>	<u>5,217,658</u>	<u>5,269,020</u>	<u>5,708,537</u>	<u>439,517</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,053,985	1,076,665	1,048,265	28,400
Public safety	2,910,760	2,960,318	2,936,827	23,491
Physical environment	250,600	263,210	262,232	978
Culture and recreation	266,684	304,853	290,128	14,725
<b>Debt service</b>				
Principal	318,022	325,948	326,159	(211)
Interest	212,397	213,703	213,489	214
Capital outlay	279,800	419,792	211,365	208,427
Contingency	85,000	4,113		4,113
<b>Total expenditures</b>	<u>5,377,248</u>	<u>5,568,602</u>	<u>5,288,465</u>	<u>280,137</u>
Excess (deficiency) of revenues over (under) expenditures	(159,590)	(299,582)	420,072	719,654
 Net change in fund balance	 <u>\$ (159,590)</u>	 <u>\$ (299,582)</u>	 420,072	 <u>\$ 719,654</u>
Fund balance, beginning of year			<u>2,974,854</u>	
Fund balance, end of year			<u>\$ 3,394,926</u>	

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Notes to the Budgetary**  
**Required Supplementary Information (RSI)**  
**General Fund**  
**September 30, 2021**

**Note 1 - Basis of Accounting**

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

**Note 2 - Stewardship, Compliance, and Accountability**

No departments had an excess of expenditures over appropriations.



**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Required Supplemental Information**  
**Schedule of Changes in the Total OPEB Liability**

**Last Ten Fiscal Years**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Service cost	\$ 16,035	\$ 14,567	\$ 15,307	\$ 15,307
Interest on total OPEB liability	4,867	4,988	1,664	2,033
Effect of economic/demographic gains or losses	(13,846)	(96,466)	5,309	(46,227)
Effect of assumption changes	<u>3,011</u>	<u>9,545</u>	<u>4,326</u>	<u>(2,876)</u>
Net change in total OPEB Liability	10,067	(67,366)	26,606	(31,763)
Total OPEB liability - beginning	<u>109,083</u>	<u>119,150</u>	<u>51,784</u>	<u>78,390</u>
Total OPEB liability - ending	<u>\$ 119,150</u>	<u>\$ 51,784</u>	<u>\$ 78,390</u>	<u>\$ 46,627</u>
Covered employee payroll	<u>\$ 1,557,382</u>	<u>\$ 1,055,815</u>	<u>\$ 859,141</u>	<u>\$ 795,870</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>7.65%</u>	<u>4.90%</u>	<u>9.12%</u>	<u>5.86%</u>
<u>Change of Assumptions</u>				
Discount rate (3.89% at 10/1/17)	<u>3.73%</u>	<u>2.48%</u>	<u>2.17%</u>	<u>2.53%</u>

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Required Supplemental Information**  
**Schedule of Employer Contributions**  
**Florida Retirement System - Pension Plan**

**Last Ten Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required FRS contribution	\$ 115,190	\$ 131,785	\$ 153,471	\$ 148,444	\$ 189,869
FRS contributions in relation to the contractually required contribution	<u>(115,190)</u>	<u>(131,785)</u>	<u>(153,471)</u>	<u>(148,444)</u>	<u>(189,869)</u>
FRS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 928,290	\$ 960,255	\$ 1,091,487	\$ 1,023,623	\$ 1,177,855
FRS contributions as a percentage of covered payroll	12.41%	13.72%	14.06%	14.50%	16.12%
	<u>2019</u>	<u>2020</u>	<u>2021</u>		
Contractually required FRS contribution	\$ 222,025	\$ 99,482	\$ 89,010		
FRS contributions in relation to the contractually required contribution	<u>(222,025)</u>	<u>(99,482)</u>	<u>(89,010)</u>		
FRS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>		
Town's covered payroll	\$ 1,275,658	\$ 585,455	\$ 536,618		
FRS contributions as a percentage of covered payroll	17.40%	16.99%	16.59%		

This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Required Supplemental Information**  
**Schedule of Proportionate Share of Net Pension Liability**  
**Florida Retirement System - Pension Plan**

**Last Ten Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Proportion of the FRS net pension liability	0.0630379%	0.0061481%	0.0063720%	0.0062743%	0.0072759%
Proportionate share of the FRS net pension liability	\$ 375,750	\$ 794,104	\$ 1,751,648	\$ 1,855,890	\$ 2,191,554
Town's covered payroll	\$ 978,876	\$ 931,550	\$ 1,045,091	\$ 992,549	\$ 1,159,511
Town's proportionate share of the FRS net pension liability as a percentage of covered payroll	38.39%	85.25%	167.61%	186.98%	189.01%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%	83.89%	84.26%
	<u>2019</u>	<u>2020</u>	<u>2021</u>		
Proportion of the FRS net pension liability	0.0077863%	0.0049088%	0.0026396%		
Proportionate share of the FRS net pension liability	\$ 2,681,484	\$ 2,127,561	\$ 199,393		
Town's covered payroll	\$ 1,219,885	\$ 803,676	\$ 520,012		
Town's proportionate share of the FRS net pension liability as a percentage of covered payroll	219.81%	264.73%	38.34%		
FRS Plan fiduciary net position as a percentage of the total pension liability	82.61%	78.85%	96.40%		

NOTE: The above amounts are as of the plan fiscal year, which ends on June 30.

**Assumption Changes**

The discount rate decreased from 7.65% in 2015 to 7.60% in 2016; 7.10% in 2017, 7.00% in 2018, 6.90% in 2019, 6.80% in 2020.

This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Required Supplemental Information**  
**Schedule of Employer Contributions**  
**Florida Retirement System**  
**Retiree Health Insurance Subsidy Program**

**Last Ten Fiscal Years**

<b>Retiree Health Insurance Subsidy Program</b>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required HIS contribution	\$ 16,079	\$ 19,011	\$ 24,557	\$ 23,976	\$ 31,429
HIS contributions in relation to the contractually required contribution	<u>(16,079)</u>	<u>(19,011)</u>	<u>(24,557)</u>	<u>(23,976)</u>	<u>(31,429)</u>
HIS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 1,323,913	\$ 1,404,948	\$ 1,479,321	\$ 1,444,317	\$ 1,593,971
HIS contributions as a percentage of covered payroll	1.21%	1.35%	1.66%	1.66%	1.97%
	<u>2019</u>	<u>2020</u>	<u>2021</u>		
Contractually required HIS contribution	\$ 28,970	\$ 14,850	\$ 13,627		
HIS contributions in relation to the contractually required contribution	<u>(28,970)</u>	<u>(14,850)</u>	<u>(13,627)</u>		
HIS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>		
Town's covered payroll	\$ 1,745,205	\$ 892,003	\$ 820,921		
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%		

This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Required Supplemental Information**  
**Schedule of Proportionate Share of Net Pension Liability**  
**Florida Retirement System**  
**Retiree Health Insurance Subsidy Program**

**Last Ten Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Proportion of the HIS net pension liability	0.0061481%	0.0045808%	0.0046624%	0.0044220%	0.0048131%
Proportionate share of the HIS net pension liability	\$ 420,456	\$ 467,166	\$ 543,380	\$ 472,872	\$ 509,420
Town's covered payroll	\$ 1,322,564	\$ 1,397,393	\$ 1,428,352	\$ 1,404,567	\$ 1,572,329
Town's proportionate share of the HIS net pension liability as a percentage of it covered payroll	31.79%	33.43%	38.04%	33.67%	32.40%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%	0.97%	1.64%	2.15%
	<u>2019</u>	<u>2020</u>	<u>2021</u>		
Proportion of the HIS net pension liability	0.0050416%	0.0033647%	0.0022937%		
Proportionate share of the HIS net pension liability	\$ 564,108	\$ 410,822	\$ 281,194		
Town's covered payroll	\$ 1,664,192	\$ 1,167,789	\$ 811,552		
Town's proportionate share of the HIS net pension liability as a percentage of it covered payroll	33.90%	35.18%	34.65%		
HIS Plan fiduciary net position as a percentage of the total pension liability	2.63%	3.00%	3.56%		

**Assumption Changes**

The discount rate decreased from 4.29% in 2014 to 3.80% in 2015.  
The discount rate decreased to 2.85% in 2016.  
The discount rate increased to 3.58% in 2017.  
The discount rate increased to 3.87% in 2018.  
The discount rate decreased to 3.50% in 2019.  
The discount rate decreased to 2.21% in 2020.  
The discount rate decreased to 2.16% in 2021.

This schedule is intended to present data for 10 years. For years prior to 2014, data is unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report.

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Schedule of Departmental Revenues - Budget to Actual**  
**General Fund**  
**Year Ended September 30, 2021**

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Taxes			
Ad valorem taxes	\$ 4,067,800	\$ 4,121,829	\$ 54,029
Franchise fees and utility taxes	619,146	627,758	8,612
Total taxes	<u>4,686,946</u>	<u>4,749,587</u>	<u>62,641</u>
Licenses and permits			
Special permits	5,500	7,583	2,083
Business tax receipts	17,000	13,392	(3,608)
Building permits	169,462	190,848	21,386
Development fees	19,500	19,562	62
Total licenses and permits	<u>211,462</u>	<u>231,385</u>	<u>19,923</u>
Intergovernmental revenues			
Half-cent sales tax	81,972	104,584	22,612
Infrastructure sur-tax	74,912	95,946	21,034
Local option gas tax	36,497	38,514	2,017
State revenue sharing	27,378	33,685	6,307
Alcoholic beverage licenses	3,328	2,692	(636)
Recycling revenue sharing	400		(400)
County occupational licenses	6,000	5,911	(89)
Grants		69,804	69,804
Other intergovernmental revenues	150	265	115
Total intergovernmental revenues	<u>230,637</u>	<u>351,401</u>	<u>120,764</u>
Fines and forfeitures			
Fines and forfeitures	28,300	25,394	(2,906)
Police education	75		(75)
Total fines and forfeitures	<u>28,375</u>	<u>25,394</u>	<u>(2,981)</u>
Charges for services			
Sewer service	55,000	53,917	(1,083)
Beach parking	11,000	16,665	5,665
Community center rental		3,792	3,792
Miscellaneous services	12,600	21,940	9,340
Total charges for services	<u>78,600</u>	<u>96,314</u>	<u>17,714</u>
Interest	<u>23,000</u>	<u>9,904</u>	<u>(13,096)</u>
Contributions from private sources		<u>201,756</u>	<u>201,756</u>
Miscellaneous			
Sale of surplus property		15,957	15,957
Other	10,000	26,839	16,839
Total miscellaneous	<u>10,000</u>	<u>42,796</u>	<u>32,796</u>
Total revenues	<u>5,269,020</u>	<u>5,708,537</u>	<u>439,517</u>
Other financing sources			
Appropriated fund balance	299,582		(299,582)
Total revenues and other financing sources	<u>\$ 5,568,602</u>	<u>\$ 5,708,537</u>	<u>\$ 139,935</u>

**TOWN OF PALM BEACH SHORES, FLORIDA**  
**Schedule of Departmental Expenditures - Budget to Actual**  
**Fiscal General Fund**  
**Year Ended September 30, 2021**

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures			
General government			
Legislative			
Operating expenses	\$ 18,487	\$ 7,659	\$ 10,828
Finance and administrative			
Personal services	373,584	376,257	(2,673)
Operating expenses	97,255	94,581	2,674
Total finance and administrative	470,839	470,838	1
Legal counsel			
Operating expenses	135,800	135,014	786
Public works			
Personal services	263,344	244,818	18,526
Operating expenses	64,365	66,107	(1,742)
Debt Service	7,579	7,576	3
Total public works	335,288	318,501	16,787
Risk management			
Operating expenses	123,830	123,829	1
Total general government	1,084,244	1,055,841	28,403
Public safety			
Police			
Operating expenses	1,663,558	1,659,965	3,593
Debt Service	18,349	18,349	
Total police	1,681,907	1,678,314	3,593
Fire			
Personal services	500,678	488,716	11,962
Operating expenses	187,770	179,833	7,937
Debt Service	8,636	8,636	
Total fire	697,084	677,185	19,899
Emergency medical services			
Operating	341,603	341,603	

(Continued)

**PALM BEACH SHORES**  
**Schedule of Departmental Expenditures - Budget to Actual**  
**General Fund**  
**Year Ended September 30, 2021**

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Public safety (continued)			
Emergency disaster			
Operating expenses	\$ 7,428	\$ 7,428	\$
Total emergency disaster	<u>7,428</u>	<u>7,428</u>	
Building department			
Personal services	75,341	75,609	(268)
Operating expenses	193,172	192,904	268
Total building department	<u>268,513</u>	<u>268,513</u>	
Total public safety	<u>2,996,535</u>	<u>2,973,043</u>	23,492
Physical environment			
Garbage/solid waste disposal			
Operating expenses	<u>203,500</u>	<u>202,570</u>	930
Lift station sewer service			
Operating	<u>33,975</u>	<u>33,932</u>	43
Streets/storm sewers			
Operating	<u>25,735</u>	<u>25,731</u>	4
Total physical environment	<u>263,210</u>	<u>262,233</u>	977
Cultural/recreation			
Parks/parkway			
Operating expenses	<u>149,542</u>	<u>141,655</u>	7,887
Beach facilities			
Personal services	86,921	86,228	693
Operating expenses	14,300	8,171	6,129
Total beach facilities	<u>101,221</u>	<u>94,399</u>	6,822
Community center			
Operating expenses	<u>54,090</u>	<u>54,074</u>	16
Total cultural/recreation	<u>304,853</u>	<u>290,128</u>	14,725
Capital Outlay	<u>419,792</u>	<u>211,365</u>	208,427
Debt Service	<u>495,855</u>	<u>495,855</u>	
Nondepartmentalized			
Contingencies	<u>4,113</u>		4,113
Total expenditures	<u>\$ 5,568,602</u>	<u>\$ 5,288,465</u>	<u>\$ 280,137</u>





# NOWLEN, HOLT & MINER, P.A.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2021, 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 June 15, 2022.

### 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town 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 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Nowlen, Holt & Miner, P.A.*

West Palm Beach, Florida  
June 15, 2022



# NOWLEN, HOLT & MINER, P.A.

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

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

### Report on the Financial Statements

We have audited the financial statements of the Town of Palm Beach Shores, Florida, as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 15, 2022.

### Auditor's Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 15, 2022, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### **Official Title and Legal Authority**

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

### **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town of Palm Beach Shores, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town of Palm 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, 2021.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town of Palm Beach Shores, Florida. 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 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.

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

### **Special District Component Units**

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit, of a county, municipality, or special district, to provide 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.

**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did note any such findings.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, 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 & Mimes, P.A.*

West Palm Beach, Florida  
June 15, 2022



# NOWLEN, HOLT & MINER, P.A.

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## INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

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

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We have examined the Town of Palm Beach Shores, Florida’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2021. Management of the Town of Palm Beach Shores, Florida is responsible for the Town’s compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Palm Beach Shores, Florida’s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town of Palm Beach Shores, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town of Palm Beach Shores, Florida complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

Our examination does not provide a legal determination on the Town of Palm Beach Shores, Florida’s compliance with the specified requirements.

In our opinion, the Town of Palm Beach Shores, Florida complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2021.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, applicable management, and the Honorable Mayor and Members of 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  
June 15, 2022