Town of Palm Beach, Florida
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TOWN OF PALM BEACH, FLORIDA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Prepared by the Finance Department

Jane Struder, CPA
Finance Director

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SEPTEMBER 30, 2013

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TOWN OF PALM BEACH

Finance Department

March 18, 2014

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

The Comprehensive Annual Financial Report for the Town of Palm Beach's fiscal year ended September 30, 2013, is hereby submitted pursuant to Florida Statute 11.45. This document is the official comprehensive publication of the Town's financial position at September 30, 2013. This report was prepared by the Town's Finance Department. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed data are accurate in all material respects. They are reported in a manner designed to present fairly the financial position and results of operations on a government-wide and fund level. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

Nowlen, Holt and Miner, P.A., independent auditors, have issued an unmodified opinion on the Town of Palm Beach's financial statements for the fiscal year ended September 30, 2013. The independent auditors' report is located at the front of the financial section of this report.

The Town's financial statements have been prepared using the reporting model in accordance with Governmental Accounting Standard Board (GASB) Statement no. 34, Basic Financial Statements – and Management's Discussion and Analysis (MD&A). The MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

THE TOWN OF PALM BEACH

The Town of Palm Beach, Florida, incorporated in 1911, is located on a barrier island in the eastern part of Palm Beach County. Palm Beach is a unique, internationally famous residential community known for its distinctive architecture and landscaping, gracious homes and apartments, golf courses and clubs, and world famous stores and restaurants. The taxable value of properties within the Town provides appropriate support for the Town's authorized indebtedness.

The Town of Palm Beach services a full-time resident population of 8,168 plus an estimated 15,000 additional seasonal residents (November to May), as well as numerous visitors and other individuals who are employed on the island.

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The Town is governed by an elected Mayor and a five-member Council. The Mayor's term is for two years. The five members of the Town Council are elected at large and serve overlapping two-year terms.

The Town operates under the Council-Manager form of government. The Town Council appoints the Town Manager who serves as the Town's Chief Administrative Officer and is responsible for implementing the policies established by the Town Council. The Town has 354 employees, including 70 sworn police officers and 69 full-time firefighters.

The Town provides a full range of services. These services include police and fire protection, emergency medical services, sanitation services, recreational activities, the construction and maintenance of streets, storm water collection systems, sanitary sewer collection system and other infrastructure.

Internal Controls: In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of an internal control system should not exceed the benefits likely to be derived, and that the evaluation of cost and benefits requires estimates and judgments by management.

Budgeting Controls: In addition, the Town maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions implied in the annual budget approved by the Town Council. Activities of the General Fund, Debt Service Funds, Capital Projects Funds, Internal Service Funds, and Enterprise Fund are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the Fund level. The Town also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Unencumbered amounts lapse at year-end. Open encumbrances for outstanding purchase orders are re-appropriated as part of the following year's budget.

THE REPORTING ENTITY

The financial reporting entity includes all of the funds of the Town of Palm Beach. It includes all governmental organizations and activities for which the Town is considered to be financially accountable in accordance with generally accepted accounting principles.

ECONOMIC CONDITIONS AND OUTLOOK

The Town of Palm Beach is primarily a residential community. Commercial activities are restricted primarily to Town-serving establishments including banks, retail shops, hotels and restaurants for the Town's permanent population and seasonal residents. There is no industrial development within the Town. Stringent zoning and land use regulations have limited development and over the long term, will preserve the Town's high quality residential character.

The recent recession has had an impact on Palm Beach. Property values had declined from the FY2009 peak of $13,684,919,443. An upturn in values began in FY13 when the Town's taxable value increased by 2.75% to $11,826,181,671. The Town maintained the same millage rate as it had since FY09 resulting in an increase in tax revenue of $810,191. In FY14, taxable value increased 5.16% showing further recovery in property values.

Per capita personal income for the Town of Palm Beach is $130,891, which is well above the state and national average. In preparation for bonds issued in December 2013, Moody's and Standard and Poor's affirmed the Town's "AAA" general obligation ratings and the AA+ ratings for the Revenue Bonds. The Town's conservative financial policies and strong management of its financial resources were recognized.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

For the Year

During fiscal year 2013 the following accomplishments occurred:

- Construction continued for projects associated with the accelerated capital improvement program. These projects included sanitary pump station improvements, force main replacement and the completion of the subaqueous force main crossing to West Palm Beach. These improvements will allow the Town to leave the Lake Worth wastewater treatment facilities and send flows to the East Central Regional Wastewater Treatment Facility. This change will save the Town approximately $197,000 per year.
- The Town increased funding for Coastal Protection by $1,896,099 in anticipation of projects beginning in FY15.
- Construction began for a new clubhouse at the Par 3 golf course. The total cost of the project is $3,135,000. The Town's portion of the cost is $1,250,000 and the balance is to be funded by the Par 3 foundation. The clubhouse is a two story key-west style building with a restaurant on the second floor that will be leased to a local restaurateur.
- A total of 8.71 positions were eliminated from the budget with no lay-offs, bringing the total reduction in personnel since FY07 to 61.29. The FY13 budget was $1,175,844 (2.01%) more than the FY12 budget. The millage rate remained constant at 3.2512.

For the Future

The Palm Beach County economy continued to improve and property values in Palm Beach increased by 5.16% for FY14. The Town was able to increase property tax revenue by $1,782,300 while lowering the millage rate to 3.2468.

The FY14 budget reflected an increase of 9.5% from the FY13 budget. The portion of the increase was due to an increase in the cost of the pension system. The increase was caused by a change in the investment and wage inflation assumptions and the final year of "smoothing" the 2008 investment losses. In addition, the Town Council approved a modification to the required employee contributions. Personnel decreased an additional 5.0 FTEP from the FY13 budget, bringing the total decrease since FY07 to 66.79. This is the lowest staffing level since 1986.

In order to fund future coastal protection projects $4,000,000 was transferred from the unassigned fund balance in the General Fund, $2,000,000 was transferred from Risk Insurance Fund reserves and $2,858,913 was transferred from excess reserves of the Equipment Replacement Fund in the FY14 budget. This brought the balance in the Coastal Protection Fund to $20,383,545 to fund the planned FY14 costs of $22,136,000. The balance of the costs will be funded with the 2013 bond issue that included funding for the North Ocean Boulevard seawall.

Revenue bonds totaling $55,590,000 were issued in December 2013. This issue included funding of $46,242,007 for Phase 2 of the accelerated capital improvement program, $11,900,000 for bondable portion

of the coastal protection program, and $1,250,000 to reimburse the Recreation Enterprise Fund for the Town's portion of the Par 3 clubhouse.
Projects from Phase 1 of the accelerated capital improvement program will be finalized and Phase 2 projects will begin to be constructed during the summer of 2014, including the renovation of the Memorial Fountain and Town Hall Square.

Three neighborhoods have been approved by the Town Council and are currently working with the Town to bury their overhead utility lines. Other neighborhoods are in the planning stages to bury their overhead utility lines. The Town is contemplating burying utilities in a programmatic manner that may result in large areas of Town being converted if 67% of the affected property owners approve. The full cost will be borne by the citizens in each applicable neighborhood or geographical area and will be paid through special non ad valorem assessments pursuant to the provisions of Florida Statute 197.3632.

The Town Council approved a funding plan for the coastal management program that includes an appropriation of $4,776,607 beginning in FY15 and increasing at 3% per year thereafter. This appropriation will be funded with an ad valorem tax increase beginning in FY15.

Financial Policies

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions in FY11. In addition, the Town has formally adopted other financial policies including reserve policies, contingency policies, budgetary control, debt management, and a revenue shortfall plan. The establishment of specific reserve policies is an important part of prudent financial management. Reserve policies reduce ambiguity and guide the creation, maintenance and use of resources for financial stabilization purposes. The Town maintains a minimum level of unassigned fund balance of 25% of general fund operating expenditures. This provides the Town with 90 days of working capital in the event of an emergency. The ending unassigned fund balance of $20,043,760 as of September 30, 2013, represents 32.75% of FY14 general fund operating expenditures.

Long Term Financial Planning

Since FY2004, Town staff has prepared a Long Term Financial Plan that encompassed a 5 year period. In FY2009, the Town prepared an update of the long term financial plan that encompassed a 10 year time horizon. This plan showed deficits beginning in FY12 through FY20. During the next four years, efforts were made to trim expenses wherever possible. An updated plan was presented in 2013, showing improvement based upon salary and benefit changes, pension reform, debt restructuring, and other cost savings measures. Through attrition, a total of 66.79 positions have been cut from the budget through FY14. The measures taken by the Town since 2009 have significantly reduced the budget and have improved fiscal sustainability. The FY14 budget is $1,929,107 (2.86%) lower than the FY09 budget. The FY14 update will be presented on April 8, 2014. Copies of the Long Term Financial Plan can be found on the Town's website.

Other Information

Independent Audit: State Statutes require an annual audit by independent certified public accountants. The accounting firm of Nowlen, Holt & Miner, P.A., performed this audit for fiscal year 2013. The auditor's report is included in the financial section of this report.

Awards: The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Palm Beach for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2012. This was the 25th consecutive year the Town has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. The contents must conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Town believes the current report continues to conform to the Certificate of Achievement Program requirements, and we are therefore submitting this year's report to the GFOA.

The Town also received the GFOA Award for Distinguished Budget Presentation for the Town's budget for the fiscal year ended September 30, 2013.

Acknowledgements: The preparation of the Comprehensive Annual Financial Report was made possible by the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our genuine appreciation for the contributions made in the preparation of this report. In addition, we acknowledge the efforts of our independent auditors, Nowlen, Holt & Miner, P.A. for their professional work and assistance in producing this report.

We also are grateful to the Mayor and Town Council for their leadership and to the Citizens of Palm Beach for their support in ensuring the financial operations of the Town are conducted in a sound and conservative manner, thus assuring the Town a high level of financial security.

Respectfully submitted,

Peter B. Elwell
Town Manager

Jane Struder, CPA
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Palm Beach

Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

TOWN OF PALM BEACH
ORGANIZATIONAL STRUCTURE

CITIZENS OF PALM BEACH

ELECT

MAYOR
Gail A. Coniglio

TOWN COUNCIL

PRESIDENT
David A. Rosow

PRESIDENT PRO-TEM
Robert N. Wildrick

William J. Diamond

Richard M. Kleid

Michael J. Pucillo

APPOINTS

TOWN ATTORNEY
John C. Randolph

TOWN MANAGER
Peter B. Elwell

ADVISORY BOARD AND COMMISSIONS

SUPERVISES

FINANCE DIRECTOR
Jane Struder

RECREATION AND SPECIAL PROJECTS DIRECTOR
Jay Boodheshwar

HUMAN RESOURCES DIRECTOR
Danielle Olson

PLANNING, ZONING AND BUILDING DIRECTOR
John Page

DIRECTOR OF PUBLIC SAFETY
Kirk W. Blouin

PUBLIC WORKS DIRECTOR
H. Paul Brazil

DEPUTY TOWN MANAGER
Thomas G. Bradford

NOWLEN, HOLT & MINER, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Palm Beach, Florida as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Palm Beach, 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 did not audit the financial statements of the Town of Palm Beach Retirement System, which represents 74 percent, 74 percent, and 55 percent, respectively, of the assets, fund balance/net position, and revenues/additions of the aggregate remaining fund information of the Town of Palm Beach, Florida. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Palm Beach Retirement System, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Palm Beach, Florida as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof 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 14, the budgetary comparison data on pages 90 through 93, the schedule of funding progress – pension plan on page 94, and the schedule of funding progress – other postemployment benefits on page 95 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, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, debt service requirements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and debt service requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and debt service requirements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with ***Government Auditing Standards***, we have also issued our report dated March 18, 2014, on our consideration of the Town of Palm Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing and not to provide an opinion on 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, Florida's internal control over financial reporting and compliance.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
March 18, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Palm Beach, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Palm Beach for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

The information contained within this Management's Discussion and Analysis (MD&A) is only a component of the entire financial statement report. Readers should take time to read and evaluate all sections of the report, including the Notes to Financial Statements and the Required Supplementary Information that is provided in addition to this MD&A.

Financial Highlights

1. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by $187,175,127 (net position). Of this amount, $83,843,858 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

2. At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $64,606,911, a decrease of $5,094,910 in comparison with the prior year. Approximately 29% of the total amount is available for spending at the Town's discretion (unassigned fund balance).

3. At the end of the current fiscal year governmental unassigned fund balance is $19,082,435.

4. The Town's total government-wide revenue was $68,476,028, while total expenses were $64,033,086.

5. Governmental Activities generated $62,082,538 in revenue (excluding transfers) with $60,284,018 in expenses.

6. Business-type Activities generated $6,393,490 in revenue (excluding transfers) with $3,749,068 in expenses.

7. The Town's long-term debt decreased by $1,290,000 during the current fiscal year.

Overview of the Financial Statements

The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

The ***statement of net position*** presents information on all of the Town of Palm Beach's assets and liabilities, with the difference between the two reported as ***net position***. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue ***(governmental activities)*** from other functions that are intended to recover all or a significant portion of their costs through user fees and charges ***(business-type activities)***. The governmental activities of the Town include general government, public safety, physical environment, transportation, and culture and recreation. The business-type activities include the marina, golf course and recreation programs.

The Town's government-wide financial statements are presented on pages 15-17 of this report.

Fund Financial Statements. A ***fund*** is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Palm Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Palm Beach can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The Town of Palm Beach maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Capital Improvement Fund, Accelerated Capital Fund and the Worth Avenue Construction Fund, all of which are considered major funds. Data for the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in the form of ***combining statements*** elsewhere in this report.

The governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds. The Town of Palm Beach maintains two different types of proprietary funds. ***Enterprise funds*** are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Palm Beach uses an enterprise fund to account for its recreation activities including; the Town Docks, the Par 3 Golf Course, Tennis, and Adult and Youth recreational activities. ***Internal service funds*** are an accounting device used to accumulate and allocate costs internally among the Town of Palm Beach's various functions. The Town of Palm Beach uses internal service funds to account for its self-insurance health fund, self-insurance risk fund, and equipment replacement fund.

Because these services predominately benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Recreation Enterprise Fund (enterprise fund) and the internal service funds, which are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the combining financial statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 22-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Palm Beach's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary fund financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net position.

The Town's fiduciary fund financial statements are presented on pages 27-28.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 29-88 of this report.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information containing a comparison between the Town's adopted budget and actual financial results for the General Fund. The required supplementary information can be found on pages 89-94 of this report.

Combining financial statements referred to earlier in connection with nonmajor governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 97-114 of this report.

Debt service requirements are detailed on pages 115-117 of this reports.

Government-wide Financial Analysis

Net Position. On the following page, is a summary of the fiscal year 2013 Statement of Net Position found on page 15 and comparative information for fiscal year 2012. As discussed in Note Q to the financial statements, certain items have been restated to correct depreciation expense for prior years.

Town of Palm Beach, Florida
Net Position
September 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current and other assets	$125,248,723	$127,954,538	$ 5,126,909	$ 4,588,243	$130,375,632	$132,542,781
Capital assets, net	125,007,052	121,024,851	17,243,929	15,694,369	142,250,981	136,719,220
Total assets	250,255,775	248,979,389	22,370,838	20,282,612	272,626,613	269,262,001
LIABILITIES						
Current liabilities	10,195,844	10,512,250	1,190,196	756,692	11,386,040	11,268,942
Long-term liabilities	73,911,965	75,130,693	153,481	130,181	74,065,446	75,260,874
Total liabilities	84,107,809	85,642,943	1,343,677	886,873	85,451,486	86,529,816
NET POSITION						
Net investment in capital assets	71,962,534	76,021,164	17,243,929	15,694,369	89,206,463	91,715,533
Restricted	14,124,806	24,015,235			14,124,806	24,015,235
Unrestricted	80,060,626	63,300,047	3,783,232	3,701,370	83,843,858	67,001,417
Total net position	$166,147,966	$163,336,446	$21,027,161	$19,395,739	$187,175,127	$182,732,185

Net position may serve over time as a useful indicator of a government's financial position. At September 30, 2013, the Town's assets exceeded liabilities by $187,175,127. Net position increased by $4,442,942 as a result of a $2,811,520 increase in governmental activities and an increase of $1,631,422 in business-type activities. Unrestricted net position, the portion of net position that can be used to finance the day-to-day operations of the Town, totaled $83,843,858.

Net position invested in capital assets (e.g., land, buildings, improvements other than buildings, equipment infrastructure and construction in progress) less any related debt used to acquire those assets that is still outstanding and any unspent bond proceeds total $89,206,463. The Town of Palm Beach uses those capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Palm Beach's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the Town of Palm Beach reported positive balances in all categories of net position for both governmental and business-type activities.

Change in Net Position: The table on the following page is a summary of the changes in net position for the year ended September 30, 2013, as compared to September 30, 2012:

Town of Palm Beach, Florida
Changes in Net Position
For the Fiscal Years Ended **September 30, 2013 and 2012**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Program revenue:						
Charges for services	$13,224,395	$12,312,379	$ 4,555,849	$ 4,383,799	$17,780,244	$16,696,178
Operating grants and contributions	385,253	250,864			385,253	250,864
Capital grants and contributions	239,546	766,606	1,835,801	3,000	2,075,347	769,606
General revenue:						
Property taxes	37,473,107	36,662,916			37,473,107	36,662,916
Local option gas tax	299,081	301,240			299,081	301,240
Franchise fees	2,036,065	2,040,443			2,036,065	2,040,443
Utility service taxes	5,098,715	4,954,671			5,098,715	4,954,671
Business tax receipts	666,788	669,095			666,788	669,095
Intergovernmental	875,467	838,855			875,467	838,855
Investment earnings	129,845	660,689	1,840	28,718	131,685	689,407
Miscellaneous	601,624	1,025,368			601,624	1,025,368
Insurance Recoveries	1,052,652	494,502			1,052,652	494,502
Total revenue	62,082,538	60,977,628	6,393,490	4,415,517	68,476,028	65,393,145
Expenses						
General government	11,141,575	10,569,463			11,141,575	10,569,463
Public safety	24,466,050	24,321,116			24,466,050	24,321,116
Physical environment	18,157,640	17,471,774			18,157,640	17,471,774
Transportation	1,691,225	1,427,144			1,691,225	1,427,144
Economic environment	189,158	331,806			189,158	331,806
Culture and recreation	1,624,839	1,488,135			1,624,839	1,488,135
Interest on long-term debt	3,013,531	3,078,046			3,013,531	3,078,046
Recreation Enterprise			3,749,068	3,694,028	3,749,068	3,694,028
Total expenses	60,284,018	58,687,484	3,749,068	3,694,028	64,033,086	62,381,512
Change in Net Position Before Transfers	1,798,520	2,290,144	2,644,422	721,489	4,442,942	3,011,633
Transfers	1,013,000	924,238	(1,013,000)	(924,238)		
Change in net position	2,811,520	3,214,382	1,631,422	(202,749)	4,442,942	3,011,633
Net position at beginning of year	163,336,446	160,122,064	19,395,739	19,598,488	182,732,185	179,720,552
Net position at end of year	$166,147,966	$163,336,446	$21,027,161	$19,395,739	$187,175,127	$182,732,185

The Town's combined net position increased by $4,442,942 or 2.4% during 2013. This increase can be attributed to governmental activities that increased $2,811,520 and an increase of $1,631,422 for the business-type activities. The increase in net position of the governmental activities is attributable to an increase in property taxes and building permit revenue.

Financial Analysis

Governmental funds. The fund financial statements for the governmental funds are provided on pages 18-21. The focus of the Town of Palm Beach's ***governmental funds*** is to provide information on near-term inflows, outflows, and balances of ***spendable*** resources. Such information is useful in assessing the Town of Palm Beach's financing requirements. In particular, ***unassigned fund balance*** may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the Town of Palm Beach's governmental funds reported combined ending fund balances of $64,606,911, which decreased by $5,094,910 from September 30, 2012. This decrease was primarily due to expenditures related to the accelerated capital improvement projects and debt service payments.

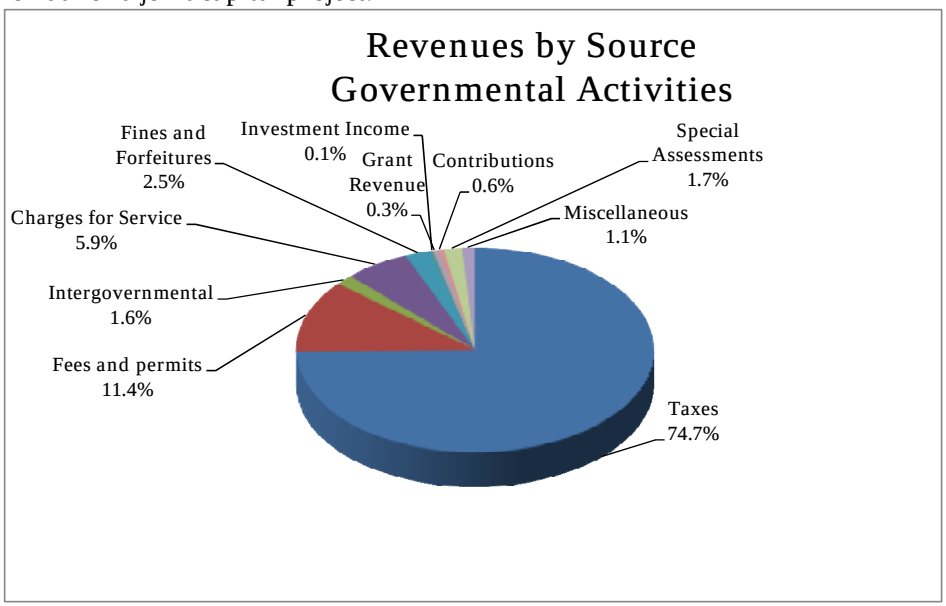
The following schedule presents a summary of all governmental fund revenue for the fiscal year ended September 30, 2013, and the amount and percentage of increases and decreases in relation to prior year revenues:

	Amount	Percent of Total	Increase (Decrease) from 2012	Percent Increase (Decrease)
Revenue				
Taxes	$ 45,573,756	74.7%	$ 926,429	2.1%
Fees and permits	6,959,778	11.4%	1,079,451	18.4%
Intergovernmental	986,853	1.6%	(981,093)	(49.9)%
Charges for services	3,576,155	5.9%	(505,106)	(12.4)%
Fines and forfeitures	1,530,917	2.5%	424,241	38.3%
Investment income	71,066	0.1%	(633,626)	(89.9)%
Grant revenue	212,594	0.4%	(559,315)	(72.5)%
Contributions	362,568	0.6%	(96,482)	(21.0)%
Special Assessments	1,015,907	1.7%	(52,226)	(4.9)%
Miscellaneous	692,198	1.1%	(319,142)	(31.6)%
Total Revenue	$ 60,981,792	100.0%	$ (716,869)	(1.2)%

The most significant changes in revenue are described below:

- Property taxes increased resulting from an increase in the taxable value and maintaining the same millage rate.
- License and permit revenue increased due to improvements in building permit activity.
- Intergovernmental revenue decreased due to the Town's decision to opt out of the State Chapter 175/185 funding for police and firefighter pension benefits.
- Charges for services decreased due to decreases in police special assignment usage and a decrease in EMS revenue.
- Fine and forfeiture income increased due to additional code enforcement fine revenue and increases in parking ticket fines.
- Investment income decreased due to the continued depressed interest rate environment.
- Grant revenue decreased due to funding received in FY12 for beach renourishment projects.
- Contributions to the Town decreased due to receipts in FY12 for a special project at Mid-Town beach.

§ Miscellaneous revenue decreased due to a reimbursement received in FY12 from West Palm Beach Florida for a joint capital project.



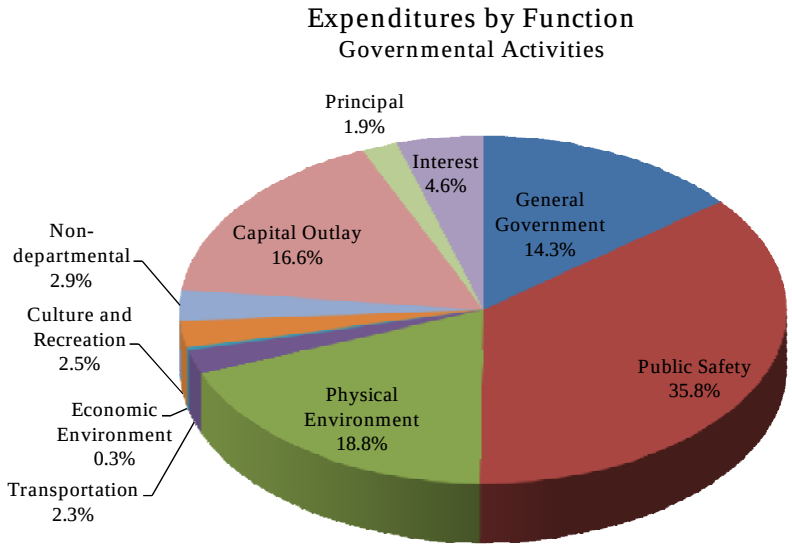
The following schedule presents a summary of all governmental funds expenditures for the fiscal year ended September 30, 2013, and the percentage of increases and decreases in relation to prior year amounts:

	Amount	Percent of Total	Increase (Decrease) from 2012	Percent Increase (Decrease)
Expenditures				
Current:				
General government	$ 9,611,179	14.3%	$ 282,311	3.0%
Public safety	24,045,416	35.8%	(1,049,925)	(4.2)%
Physical environment	12,580,551	18.8%	903,910	7.7%
Transportation	1,528,094	2.3%	428,656	39.0%
Economic Environment	189,158	0.3%	(142,648)	(43.0)%
Culture and recreation	1,649,498	2.5%	141,096	9.4%
Non-departmental	1,922,643	2.9%	118,204	6.6%
Capital Outlay	11,161,869	16.6%	(5,227,235)	(31.9)%
Debt Service:				
Principal	1,290,000	1.9%	(1,595,619)	(55.3)%
Interest	3,111,294	4.6%	(78,902)	(2.5)%
Total Expenditures	$ 67,089,702	100.0%	$ (6,220,152)	(8.5)%

The reasons for the major increases and decreases in expenditures are as follows:

§ General government expenditures increased due to increases in personnel and employee benefit cost.
§ Public safety expenditures decreased due to the decreases in personnel caused by vacancies during the year and the Town's decision to opt-out of Chapter 175/185 funding.
§ Physical environment costs increased due mostly to increases in personnel and employee benefit expenditures and additional contractual costs.
§ Transportation expenditures increased due to increases in personnel and employee benefit costs.
§ Economic environment expenditures decreased due to the completion of the Worth Avenue construction project.

- Culture and recreation expenditures increased due to increases in contractual and personnel costs.
- Non-departmental expenditures represent the transfer to the Internal Service Insurance Funds, these expenditures increased due to personnel and employee benefit costs and risk insurance costs.
- Capital outlay decreased due to the reduction in expenditures related to the accelerated capital improvement program projects completed during FY13.
- Debt service payments decreased due to lower annual debt service payments in FY13 because of a prepayment made during FY12.



General Fund. The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was $20,043,760, while the total fund balance was $30,233,517. The total fund balance of the General Fund increased by $2,010,387 due, in part, to increases in property tax and building permit revenue and personnel reductions and cost savings during the year. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 35% of total General Fund expenditures including transfers out.

The restricted fund balance of the Accelerated Capital Fund was $12,965,362. The fund was established in FY10 as a result of the 2010 Revenue Bond issue. The fund balance decreased due to the expenditure of funds for capital projects.

The assigned fund balance of the Beach Restoration Fund is $15,448,556. These funds have been accumulated for coastal protection projects beginning in FY15.

Other governmental funds which include debt service, special revenue and capital funds had restricted fund balances totaling $1,159,444 and assigned fund balances of $5,761,357.

Proprietary Funds. The Town of Palm Beach's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The enterprise fund of the Town consists of the Recreation Enterprise Fund.

Unrestricted net position of the Recreation Enterprise Fund was $3,753,556 at September 30, 2013. Net position for this fund increased $1,605,949. Revenues from the marina and golf operations improved from prior years.

General Fund Budgetary Highlights

The annual General Fund budget is adopted after two public hearings and approval of the Town Council. Any amendments that would exceed the original budget at the fund level would require a formal budget amendment requiring an ordinance and two readings by the Town Council. The General Fund appropriation was amended by ordinance during the year. The FY2013 budget was also increased by the amount of commitments (unpaid purchase orders) from the prior year. Funds were transferred from an appropriated General Fund contingency account to program accounts in the budget to provide for unanticipated expenditures in accordance with specific Town Council authorizations.

Actual revenues, excluding transfers, were 2.7% more than the final budget due to higher than anticipated ad valorem, building permit, utility taxes, code enforcement, license revenue and miscellaneous revenue. Actual expenditures were 10% less than the final budget due to personnel vacancies, the decision to opt-out of Chapter 175/185 funding and other cost containment measures.

Capital Assets and Debt Administration

Capital Assets

Capital assets are those assets (capital assets and infrastructure) that are used in the performance of the Town's functions. As of September 30, 2013, net capital assets of governmental activities totaled $125,007,052 and the net capital assets of the business-type activities totaled $17,243,929 (both net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress.

A summary of the Town of Palm Beach's capital assets (net of depreciation) can be found below. Additional information on the Town's capital assets can be found in Note D to the financial statements.

Town of Palm Beach
Capital Assets
September 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$9,946,951	$ 9,946,951	$ 5,623,777	$ 5,623,777	$15,570,728	$ 15,570,728
Construction in Progress	10,804,019	17,246,406	1,917,313		12,721,332	17,246,406
Buildings	27,902,675	28,529,959	2,055,837	2,187,920	29,958,512	30,717,879
Improvements other than buildings	3,599,940	3,912,276	7,347,314	7,662,126	10,947,254	11,574,402
Equipment	8,781,112	8,641,681	299,688	220,546	9,080,800	8,862,227
Infrastructure	63,831,439	52,576,997			63,831,439	52,576,997
Intangible assets-Facilities rights of use	140,916	170,581			140,916	170,581
	$125,007,052	$121,024,851	$ 17,243,929	$ 15,694,369	$142,250,981	$ 136,719,220

Major capital projects completed during the fiscal year included the following:

- Completed construction of the Mid-Town Beach Restrooms.
- Completed Pendleton Avenue and Pendleton Lane utility and roadway improvements
- Completed construction on the A-39 to A-7 Force Main replacement project.
- Completed work on the S-2 Inline Booster Station to replace the existing wetwell and submersible pump station.
- Completed construction on the D-15 (D-6 & D-7) Pump Station Rehabilitation that will consolidate stormwater infrastructure in the Lakeside Park area.
- Started work on the Par 3 clubhouse which has been partially funded through donations from the Par 3 foundation.
- The Town is continuing to work with the City of West Palm Beach to upgrade water mains throughout the Town that fall either within Town planned projects or stand-alone West Palm Beach Projects.

Debt Administration

As of September 30, 2013, the Town had $66,475,000 par value in revenue bonds outstanding representing a 1.9% decrease due to debt service payments made during 2013. The debt outstanding as of the end of the fiscal year was secured by various revenue sources.

The debt position of the Town is summarized below and more fully explained in Note G to the financial statements.

Town of Palm Beach
Outstanding Debt
September 30, 2013 and 2012

	2013	2012
Revenue Bonds – Par Value	$ 66,475,000	$ 67,765,000
Total	$ 66,475,000	$ 67,765,000

The Town of Palm Beach maintains an AAA issuer's rating by both Moody's and Standard & Poor's.

Subsequent to September 30, 2013, the Town issued the 2013 Revenue Bonds in December 2013 totaling $55,590,000. These bonds will fund the second phase of the Accelerated Capital Improvement Program, a portion of the Coastal Protection Program and reimburse the Recreation Enterprise Fund for the Town's contribution to the Par 3 Clubhouse project.

Economic Factors and Next Year's Budgets and Rates

For FY2014, the Town Council adopted a General Fund budget, including transfers out, of $65,406,493 representing a 9.5% increase from FY2013. The FY2014 budget includes an increase in property tax revenue of $1,782,300 and an anticipated increase in building permit revenue of $323,900 due to improved building activity. The Town Council approved a transfer of $4,000,000 from unassigned fund balance to the coastal protection fund for future coastal projects. Debt service costs increased $2,600,000 to cover the first year debt service on the 2013 Revenue bonds. Pension costs increased by $1,666,151 due to a change in the investment and wage inflation assumptions and a change in the employee contribution. In addition, Town Council approved a 4% discretionary contribution to the defined contribution plan for

employees. The taxable value increased by 5.16% for FY2014 and the Town's millage rate was reduced to 3.2468.

General economic conditions both nationally and in the State of Florida have been improving but will still require the Town to closely monitor revenue and expenditure trends. The Town has annually prepared a Long Term Financial Plan. Since 2009 the Town has reduced projected deficits, by reductions in pension benefits, health insurance benefits, modifications to the compensation program for all Town employees, and reductions in staffing. Pension reform measures were adopted during FY12 that have saved over $5 million per year in pension costs.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning information provided in this report or requests for additional financial information should be directed to:

Finance Department
Town of Palm Beach
360 South County Road
Palm Beach, FL 33480
561-838-5444
www.townofpalmbeach.com

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET POSITION

September 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 61,263	$ 2,300	$ 63,563
Equity in pooled cash and investments	100,011,594	4,773,307	104,784,901
Accounts receivable, net	937,889	1,036	938,925
Interest receivable	85,525	7,400	92,925
Due from other governments	178,109	58,202	236,311
Internal balances	(28,691)	28,691	
Inventory	509,668		509,668
Prepaids	47,106	11,445	58,551
Net OPEB asset	15,527,690		15,527,690
Debt issue costs	616,920		616,920
Investment in joint venture	6,923,795		6,923,795
Equity in pooled cash and investments - restricted	377,855	244,528	622,383
Capital assets			
Land	9,946,951	5,623,777	15,570,728
Construction in progress	10,804,019	1,917,313	12,721,332
Capital assets being depreciated and amortized, net	104,256,082	9,702,839	113,958,921
Total assets	250,255,775	22,370,838	272,626,613
LIABILITIES			
Accounts and contracts payable	4,701,900	486,747	5,188,647
Accrued liabilities	2,664,096	42,324	2,706,420
Accrued interest payable	773,017		773,017
Due to other governments	239,781	35,160	274,941
Payable from restricted assets - deposits	377,855	244,528	622,383
Unearned revenue	1,439,195	381,437	1,820,632
Long-term debt			
Due within one year	1,992,569	39,697	2,032,266
Due in more than one year	71,919,396	113,784	72,033,180
Total Liabilities	84,107,809	1,343,677	85,451,486
NET POSITION			
Net investment in capital assets	71,962,534	17,243,929	89,206,463
Restricted for:			
Debt service	306,437		306,437
Public safety	39,796		39,796
Capital projects	13,252,274		13,252,274
Other purposes	526,299		526,299
Unrestricted	80,060,626	3,783,232	83,843,858
Total net position	$ 166,147,966	$ 21,027,161	$ 187,175,127

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2013

Functions / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Contributions and Grants	Program Revenue: Capital Contributions and Grants
Government activities				
General government	$ 11,141,575	$ 7,070,796	$ 153,274	$ 500
Public safety	24,466,050	2,971,320	199,641	155,592
Physical environment	18,157,640	1,277,457	30,000	83,454
Transportation	1,691,225	1,904,822		
Economic environment	189,158			
Culture and recreation	1,624,839		2,338	
Interest on long-term debt	3,013,531			
Total governmental activities	60,284,018	13,224,395	385,253	239,546
Business-type activities				
Leisure services	3,749,068	4,555,849		1,835,801
Total	$ 64,033,086	$ 17,780,244	$ 385,253	$ 2,075,347

General Revenue
- Property taxes
- Local option gas tax
- Franchise taxes
- Utility service taxes
- Business tax receipts
- Intergovernmental not restricted to specific programs
- Investment earnings
- Miscellaneous
- Insurance recoveries

Transfers

Total general revenue and transfers

Change in net position

Net position - beginning of year, as restated

Net position - end of year

Net Revenue (Expense) and Changes in Net Position		
Governmental Activities	Business-type Activity	Total
$ (3,917,005)	$	$ (3,917,005)
(21,139,497)		(21,139,497)
(16,766,729)		(16,766,729)
213,597		213,597
(189,158)		(189,158)
(1,622,501)		(1,622,501)
(3,013,531)		(3,013,531)
(46,434,824)		(46,434,824)
	2,642,582	2,642,582
(46,434,824)	2,642,582	(43,792,242)
37,473,107		37,473,107
299,081		299,081
2,036,065		2,036,065
5,098,715		5,098,715
666,788		666,788
875,467		875,467
129,845	1,840	131,685
601,624		601,624
1,052,652		1,052,652
1,013,000	(1,013,000)	
49,246,344	(1,011,160)	48,235,184
2,811,520	1,631,422	4,442,942
163,336,446	19,395,739	182,732,185
$ 166,147,966	$ 21,027,161	$ 187,175,127

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2013

	Major Governmental Funds					
	General Fund	Underground Utility Assessment Fund	Beach Restoration Project Fund	Accelerated Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 14,089	$	$	$	$	$ 14,089
Equity in pooled cash and investments	32,008,676		15,633,912	15,023,708	7,654,835	70,321,131
Accounts receivable, net	920,876				17,013	937,889
Interest receivable	33,290		22,223		5,703	61,216
Due from other governments	154,854		23,255			178,109
Due from other funds	10,335			69,955	12,374	92,664
Inventory	509,668					509,668
Prepaid items	24,706					24,706
Equity in pooled cash and investments - restricted	377,855					377,855
TOTAL ASSETS	$ 34,054,349	$	$ 15,679,390	$ 15,093,663	$ 7,689,925	$ 72,517,327
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts and contracts payable	$ 769,809	$ 65,686	$ 206,195	$ 2,128,153	$ 677,593	$ 3,847,436
Accrued liabilities	1,048,700					1,048,700
Restricted payable						
Due to other governments	212,122		1,384			213,506
Due to other funds				148	91,531	91,679
Advance from other funds		868,790				868,790
Payable from restricted assets - deposits	377,855					377,855
Deferred revenue	1,412,346	26,849	23,255			1,462,450
TOTAL LIABILITIES	3,820,832	961,325	230,834	2,128,301	769,124	7,910,416
FUND BALANCES						
Non-spendable:						
Inventory	509,668					509,668
Prepaids	24,706					24,706
Restricted for:						
Capital projects				12,965,362		12,965,362
Public safety					39,796	39,796
Special projects					526,299	526,299
Debt service					306,437	306,437
Worth avenue					286,912	286,912
Committed to:						
Compensated absences	3,390,226					3,390,226
Assigned to:						
Subsequent year's expenditures	6,265,157					6,265,157
Capital projects					4,990,855	4,990,855
Beach restoration			15,448,556			15,448,556
Town facilities					770,502	770,502
Unassigned	20,043,760	(961,325)				19,082,435
TOTAL FUND BALANCES	30,233,517	(961,325)	15,448,556	12,965,362	6,920,801	64,606,911
TOTAL LIABILITIES AND FUND BALANCES	$ 34,054,349	$	$ 15,679,390	$ 15,093,663	$ 7,689,925	$ 72,517,327

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES

September 30, 2013

Total Governmental Fund Balances	$ 64,606,911
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 funds.	116,225,940
Revenue is recognized when earned in the government-wide statements regardless of when it is collected. Governmental funds recognize revenue when both measurable and available.	
Deferred revenue	23,255
Net OPEB asset created through funding of the employer contribution to the defined benefit OPEB plan is not recognized in the funds.	15,527,690
Investment in joint venture is not a financial resource and, therefore is not reported in the funds.	6,923,795
Internal service funds are used by management to charge costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	36,915,133
The internal service funds have operated with cumulative positive income results over the years, primarily due to excess service charges to governmental funds. The excess charges have reduced the total governmental fund balances reported above. Since internal service funds should operate at a breakeven basis, the cumulative excess charges are added back to the above fund balances.	(29,676)
Debt issue costs are reported as expenditures in governmental funds when debt is issued. These items are deferred and amortized over the life of the related debt in the government-wide statements.	
Unamortized debt issue costs	616,920
Long-term liabilities, including accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Revenue bonds payable	(66,475,000)
Bond premiums	(2,488,371)
Bond discounts	342,459
Deferred loss on refunding	483,147
Accrued interest payable	(773,017)
Compensated absences	(3,390,226)
Accrued landfill closure and postclosure care costs	(2,360,994)
Net Position of Governmental Activities	$ 166,147,966

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2013

	Major Governmental Funds					
	General Fund	Underground Utility Assessment Fund	Beach Restoration Project Fund	Accelerated Capital Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 45,573,756	$	$	$	$	$ 45,573,756
Fees and permits	6,959,778					6,959,778
Intergovernmental	986,853					986,853
Charges for services	3,576,155					3,576,155
Fines and forfeitures	1,530,787				130	1,530,917
Investment earnings	32,425		1,397	35,391	1,853	71,066
Grant revenue	3,861		51,126		157,607	212,594
Contributions					362,568	362,568
Special assessments		13,397			1,002,510	1,015,907
Miscellaneous	569,758				122,440	692,198
Total revenues	59,233,373	13,397	52,523	35,391	1,647,108	60,981,792
EXPENDITURES						
Current						
General government	9,482,966			8,849	119,364	9,611,179
Public safety	23,904,663				140,753	24,045,416
Physical environment	10,788,196	619,242	584,616	187,646	400,851	12,580,551
Transportation	1,035,335				492,759	1,528,094
Economic environment					189,158	189,158
Culture and recreation	1,646,310				3,188	1,649,498
Non-departmental	1,922,643					1,922,643
Capital outlay	62,774	57,518	110,212	9,817,217	1,114,148	11,161,869
Debt service						
Principal					1,290,000	1,290,000
Interest and fiscal charges					3,111,294	3,111,294
Total expenditures	48,842,887	676,760	694,828	10,013,712	6,861,515	67,089,702
Revenue over (under) expenditures	10,390,486	(663,363)	(642,305)	(9,978,321)	(5,214,407)	(6,107,910)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets						
Transfers in	885,000		4,765,099		5,607,800	11,257,899
Transfers out	(9,265,099)				(979,800)	(10,244,899)
Total other financing sources (uses)	(8,380,099)		4,765,099		4,628,000	1,013,000
Net Change in Fund Balances	2,010,387	(663,363)	4,122,794	(9,978,321)	(586,407)	(5,094,910)
Fund balances - beginning of year	28,223,130	(297,962)	11,325,762	22,943,683	7,507,208	69,701,821
Fund balances - end of year	$ 30,233,517	$ (961,325)	$ 15,448,556	$ 12,965,362	$ 6,920,801	$ 64,606,911

See notes to the financial statements.

TOWN OF PALM BEACH, 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, 2013

Net change in fund balances - total governmental funds	$ (5,094,910)
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 those assets is depreciated over their estimated useful lives	
Expenditure for capital assets	11,112,927
Less current year depreciation and amortization	(6,559,518)
Net book value of asset disposals	(627,362)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	
Change in investment in joint venture	58,510
Governmental funds report revenue when earned and available. However, the government-wide statements recognize revenue when earned, regardless of availability	
Grant revenues	223
Intergovernmental revenues	(162,102)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets of governmental activities.	
Repayment of debt principal	1,290,000
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.	
Amortization of bond issue costs	(23,501)
Amortization of loss on refunding	(38,235)
Amortization of bond premiums	148,406
Amortization of bond discounts	(20,121)
Change in accrued interest payable	7,713
Change in compensated absences	(75,091)
Change in net OPEB asset	765,879
Change in accrued landfill closure and postclosure care costs	(82,071)
Internal service funds are used to charge the costs of certain activities certain activities to individual governmental and enterprise funds. The net income of certain activities of internal service funds are reported with governmental activities in the Statement of Activities.	
Capital contribution	(83,277)
Consolidation of operating income (loss) related to governmental funds	906,658
Nonoperating revenue	1,287,392
Change in net position of governmental activities	$ 2,811,520

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2013

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Funds
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,300	$ 47,174
Equity in pooled cash and investments	4,773,307	29,690,463
Account receivable	1,036	
Interest receivable	7,238	24,309
Due from other governments	58,202	
Prepaid expenses	11,445	22,400
Restricted cash	244,528	
Total current assets	5,098,056	29,784,346
Noncurrent assets		
Capital assets		
Land	5,623,777	
Construction in progress	1,917,313	
Buildings	3,182,585	
Improvements other than buildings	11,255,958	
Equipment	703,739	18,774,875
	22,683,372	18,774,875
Less accumulated depreciation	(5,439,443)	(9,993,763)
Total capital assets, net of accumulated depreciation	17,243,929	8,781,112
Advance to other funds		868,790
Total Noncurrent assets	17,243,929	9,649,902
Total assets	22,341,985	39,434,248
LIABILITIES		
Current liabilities		
Accounts payable	486,585	854,464
Accrued liabilities	42,324	1,615,396
Due to other governments	35,160	26,275
Due to other funds	985	
Compensated absences payable	39,697	2,110
Payable from restricted - Customer deposits	244,528	
Deferred revenue	381,437	
Total current liabilities	1,230,716	2,498,245
Noncurrent liability		
Compensated absences payable	113,784	20,870
Total liabilities	1,344,500	2,519,115
NET POSITION		
Net investement in capital assets	17,243,929	8,781,112
Unrestricted	3,753,556	28,134,021
Total net position	$ 20,997,485	$ 36,915,133

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

RECONCILIATION OF ENTERPRISE FUND NET POSITION
TO BUSINESS-TYPE ACTIVITIES NET POSITION

September 30, 2013

Amounts reported for the Recreation Enterprise Fund	$ 20,997,485

The Town uses internal service funds to charge the costs of risk management, group health insurance, and equipment replacement to incividual governmental and enterprise funds. The operatig income or loss of certain activities of internal service funds related to the enterprise fund are included with business-type activities in the government-wide statements.

The following reflects the consolidation of internal service fund activities related to the enterprise fund.

Current year adjustment	25,473
Cumulative prior year adjustments	4,203
Amounts reported for the Business-Type Activities	$ 21,027,161

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

Year Ended September 30, 2013

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Golf fees and related revenue	$ 927,820	$
Marina fees and related revenue	3,026,913	
Charges for services	582,539	8,656,780
Other operating revenue	18,577	35,542
Total operating revenues	4,555,849	8,692,322
OPERATING EXPENSES		
Personal services	1,695,491	189,515
Contractual services	479,404	39,375
Repairs and maintenance	196,251	
Equipment rental	2,974	
Materials and supplies	239,005	
Utilities	443,477	
Insurance		1,815,546
Claims		5,082,083
Claims adjustment		(1,036,434)
Depreciation	647,012	1,427,615
Other	69,427	242,491
Total operating expenses	3,773,041	7,760,191
Operating income	782,808	932,131
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	1,840	269
Investment charges		(23,262)
Insurance recoveries		1,052,652
Gain/(Loss) on disposal of assets	(1,500)	74,456
Total nonoperating revenues (expenses)	340	1,104,115
Income (loss) before capital contributions and transfers	783,148	2,036,246
Capital contributions	1,835,801	183,277
Transfers in		
Transfers out	(1,013,000)	
Change in net position	1,605,949	2,219,523
Net position - beginning of year, as restated	19,391,536	34,695,610
Net position - end of year	$ 20,997,485	$ 36,915,133

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

RECONCILIATION OF ENTERPRISE FUND CHANGES IN NET POSITION
TO BUSINESS-TYPE ACTIVITIES CHAGES IN NET POSITION

Year Ended September 30, 2013

Amounts reported for the Recreation Enterprise Fund	$ 1,605,949

The Town uses internal service funds to charge the costs of risk management, group health insurance, and equipment replacement to incividual governmental and enterprise funds. The operatig income or loss of certain activities of internal service funds related to the enterprise fund are included with business-type activities in the government-wide statements.

The following reflects the consolidation of internal service fund activities related to the enterprise fund.

Current year adjustment	25,473
Amounts reported for the Business-Type Activities	$ 1,631,422

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2013

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Fund
OPERATING ACTIVITIES		
Receipts from customers and users	$ 4,608,509	$
Receipts from interfund services provided		7,787,990
Payments to employees	(1,670,443)	(176,696)
Payments to suppliers	(1,256,002)	(6,712,409)
Payments to other funds		(11,532)
Other receipts	18,577	35,542
Net cash provided by operating activities	1,700,641	922,895
NONCAPITAL FINANCING ACTIVITY		
Transfers to other funds	(1,013,000)	
Net cash used in noncapital financing activities	(1,013,000)	
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(2,003,075)	(1,576,905)
Proceeds from sale of assets		183,359
Capital contributions	1,835,801	100,000
Insurance recoveries		1,036,885
Net cash used in capital and related financing activities	(167,274)	(256,661)
INVESTING ACTIVITY		
Investment charges paid	(5,560)	(22,981)
Net cash provided (used) by investing activities	(5,560)	(22,981)
Net decrease in cash and cash equivalents	514,807	643,253
Cash and cash equivalents - beginning of year	4,505,328	29,094,384
Cash and cash equivalents - end of year	$ 5,020,135	$ 29,737,637
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 782,808	$ 932,131
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	647,012	1,427,615
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	8,998	
(Increase) decrease in advance to other funds		(868,790)
(Increase) decrease in due from other governments		
(Increase) decrease in prepaid expenses	306	
Increase (decrease) in accounts payable	174,230	467,086
Increase (decrease) in accrued liabilities	1,748	(1,039,307)
Increase (decrease) in due to other funds	(290)	
Increase (decrease) in customer deposits	44,369	
Increase (decrease) in unearned revenue	18,160	
Increase (decrease) in compensated absences payable	23,300	4,160
Net cash provided by operating activities	$ 1,700,641	$ 922,895
NONCASH ACTIVITIES		
Insurance claims adjustment	$	$ 1,036,434

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

September 30, 2013

	Trust Funds
ASSETS	
Cash and cash equivalents	$ 3,037,230
Equity in pooled cash and investments	2,367,103
Interest and dividends receivable	57,293
Due from broker for securities sold	33,668
Prepaid expenses and other assets	83,245
Investments, at fair value	
U.S. government securities	940,376
Corporate bonds and notes	1,666,071
Municipal obligations	18,956
Mortgage backed securities	1,356,016
Domestic fixed income funds	53,337,548
Common stock	12,641,352
Domestic equity funds	48,432,343
International equity funds	58,566,924
Inflation hedging funds	9,818,357
Hedge funds	25,758,823
Private equity funds	3,367,951
Real estate funds	2,534,792
Al outside the Plan	4,197,503
Total Assets	228,215,551
LIABILITIES	
Accounts payable and other accrued liabilities	415,011
Due to Town of Palm Beach	129,360
Due to broker for securities purchased	2,197,035
Prepaid town contributions	2,169,320
Deferred retirement option plan payable	29,271
Total liabilities	4,939,997
NET POSITION	
Held in trust for pension and retiree health benefits	$ 223,275,554

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION- FIDUCIARY FUNDS

Year Ended September 30, 2013

		Trust Funds
ADDITIONS		
Contributions		
Employer		$ 5,745,907
Employee		2,051,317
Other		83,822
	Total contributions	7,881,046
Investment income (loss)		
Net appreciation in fair value of investments		25,003,930
Interest and dividends		1,760,003
Share investment earnings		188,103
Other		5,055
	Total investment income	26,957,091
Less investment expense		(745,427)
	Net investment income	26,211,664
Other Income		585,086
	Total additions	34,677,796
DEDUCTIONS		
Benefit payments		17,254,219
Transfer to share reserve account		208,695
Share distributions		1,556,274
Refunds of participants' contributions		119,240
Administrative expense		492,048
Other		549
	Total deductions	19,631,025
	Net increase	15,046,771
Net position held in trust for pension and retiree health benefits - beginning of year		208,228,783
	Net position held in trust for pension and retiree health benefits - end of year	$ 223,275,554

See notes to the financial statements.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity: The Town of Palm Beach, Florida, (the "Town") was incorporated as a municipality in 1911. The Town Charter was enacted by the Legislature of the State of Florida by Special Acts 1917, Chapter 7683. Pursuant to authority granted by the Florida Constitution and Florida Statutes Chapter 165, the Town enacted its current charter by Town Ordinance No. 15-78 adopted on December 12, 1978, and approved by referendum held February 6, 1979. The Town is governed by an elected Mayor and Town Council, which appoints a Town Manager. The Town provides the following services: public safety, recreation, sanitation, streets and roads, planning and zoning, and general administrative services.

The basic financial statements of the Town have been prepared in conformity with United States generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board (the "GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's significant accounting policies.

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 organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. The Town is financially accountable for an organization 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.

Based upon the application of these criteria, management has determined that there is one component unit that is required to be included in the Town's financial reporting entity.

Town of Palm Beach Retirement System

The Town of Palm Beach Retirement System (the "Plan") was established May 1, 2012 and is governed by a nine member board of trustees. The trustees consist of (a) one employee who is a member of the benefit group general or benefit group lifeguard elected by the members of those benefit groups (b) one employee who is a member of the benefit group firefighter elected by the members of that benefit group (c) one employee who is a member of the benefit group police officers elected by the members of that benefit group (d) five residents of the Town who are not officers or employees of the Town, retirees or beneficiaries of the retirement system, appointed by the Town Council and (e) the Town Manager or, in the Town Manager's absence, the Acting Town Manager, who shall serve as a voting ex-officio member.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Financial Reporting Entity (Continued)

All employees working in excess of 1040 hours per year are covered by the Plan. The Town Council is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels. The contributions and benefits are segregated between general employees and lifeguards, police officers, and firefighters.

The Plan is included in the Town's financial reporting entity because the Town appoints a voting majority of the Plan's governing board, the Town is able to impose its will on the organization, and there is the potential for the Plan to provide specific financial benefits to the Town or impose specific financial burdens on the Town. The Plan is presented as three pension trust funds in the Town's fiduciary fund financial statements.

The Town has entered into a joint interlocal agreement for the management and operation of the East Central Regional Wastewater Treatment Facilities (the "ECR"). The ECR is reported as a joint venture accounted for using the equity method as discussed in Note E.

Government-wide Financial Statements: The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities and report information on all non-fiduciary activities of the Town. These statements include separate columns for the governmental activities, which are normally supported by taxes and intergovernmental revenue, and business-type activities, which rely primarily on fees and charges for support. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and business-type activities, which are presented as internal balances and eliminated in the Total Column. In the Statement of Activities, interfund services provided and used are not eliminated in the process of consolidation, because elimination of such charges would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activities are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenue includes three categories of transactions: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) operating grants and contributions; and, (3) capital grants and contributions. Taxes and other items not meeting the definition of program revenue are reported as general revenue.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds used by the Town are classified into three categories: governmental, proprietary and fiduciary. Separate financial statements are provided for ***governmental funds, proprietary funds*** and ***fiduciary funds***, even though the latter are excluded from the government-wide financial statements. The Town's major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds in the aggregate. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements, to the net position and changes in net position presented in the government-wide financial statements. The Town reports the following major governmental funds:

The ***General Fund*** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Underground Utility Assessment Fund*** accounts for the proceeds of assessments that are restricted to expenditure for the Underground Utility Project.

The ***Accelerated Capital Fund*** accounts for capital projects financed with the proceeds of the Series 2010A Bonds. The projects are part of a 20 year comprehensive capital improvement program.

The ***Beach Restoration Project Fund*** accounts for beach improvements, restoration and renourishment through the placement of sand and possible groin fields and environmental mitigation for beach stabilization in all or a portion of the beaches located within the Town.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Proprietary Fund Financial Statements - Proprietary Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows for the Town's major proprietary fund and internal service funds as follows:

The ***Recreation Enterprise Fund*** is used to account for the Town's enterprise fund which includes the operations of the Town's Par 3 Golf Course, its 88 slip marina, and all recreation programs and facilities.

The ***Property, Liability and Workers' Compensation Insurance Fund*** and the ***Group Health Insurance Fund*** are used to account for the Town's internal service funds which provide risk management services to other departments of the Town. In addition, the ***Equipment Replacement Fund*** is used to account for the Town's internal service fund which provides for the accumulation of resources for the procurement and maintenance of major equipment and vehicles.

Fiduciary Fund Financial Statements - Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town's Fiduciary Funds are presented in the fund financial statements. Since by definition these assets are being held for the benefit of third parties (pension participants and Town employees) and cannot be used to finance activities or obligations of the government, these funds are not included in the government-wide financial statements. The Fiduciary Funds of the Town are as follows:

The ***Town of Palm Beach Retirement Fund*** accounts for the General Employees' Pension Trust, the Police Officers' Pension Trust, and the Firefighters' Pension Trust assets held in a trustee capacity for Town employees participating in the Town of Palm Beach Retirement System. The ***OPEB Trust Fund*** is used to account for assets held in a trustee capacity for retiree healthcare benefits.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All franchise fees are based on gross receipts.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the period in which it becomes both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenue to be available if it is collected within 60 days of the end of the current fiscal year. Unearned revenue consists primarily of fees for building permits and other fees collected in advance of the year to which they relate. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Property taxes, intergovernmental revenue, franchise fees (all of which are based on a percentage of gross receipts), charges for services and investment income are all considered susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the Town.

Proprietary fund financial statements distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Recreation Enterprise Fund are charges to customers for greens fees, dockage and recreation programs. Operating expenses for the enterprise fund includes the cost of operating and maintaining the golf course and marina, the cost of providing recreation programs, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

Property Tax Calendar: Ad valorem taxes are levied each November 1st based on the assessed property valuations at January 1st as established by the County Property Appraiser. These taxes are payable November 1st, with discounts of one to four percent allowed for payments prior to March 1st of the following calendar year. Ad valorem taxes are due March 31st, and become delinquent and subject to lien on April 1st. Ad valorem taxes are billed and collected by the Palm Beach County Tax Collector and remitted to the Town.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Reform: During 2007, the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. Local governments that adopt a property tax levy in excess of the limit under State law will lose their Half-Cent Sales Tax distribution from the State for the succeeding twelve months. For the fiscal year ending September 30, 2013, the maximum tax levy allowed by a majority vote of the governing body is generally based on a percentage reduction applied to the prior year (2011/2012) property tax revenue.

The State law allows local governments to adopt a higher millage rate based on the following approval of the governing body: 1) a majority vote to adopt a rate equal to the adjusted current year rolled-back millage rate plus an adjustment for growth in per capita Florida personal income; 2) a two-thirds vote to adopt a rate equal to the adjusted current year rolled-back millage rate plus 10%; or 3) any millage rate approved by unanimous vote or referendum. For the fiscal year ending September 30, 2013 the Town adopted a millage rate of 3.2512. This millage rate results in a total tax levy of $36,865,400 for 2013, representing an increase of 2.41%, from the property tax levy of 2012. Beginning in 2009, property tax growth is limited to the annual growth rate of per capita personal income plus the value of new construction.

Cash and Cash Equivalents: Cash and cash equivalents are defined as deposits with financial institutions, money market accounts and mutual funds and highly liquid investments which are readily convertible to known amounts of cash and have a maturity when purchased of three months or less.

For purposes of the statement of cash flows, cash and cash equivalents also include each respective fund's equity in pooled cash and investments. Each fund is able to withdraw cash at any time without prior notice or penalty and there is sufficient liquidity to meet the daily cash needs of each fund.

Investments: Investments are stated at fair value. Securities and mutual funds held by the Town and traded on a national exchange are valued at the last reported sales price and transactions are recorded on a trade date basis.

Accounts Receivable: Accounts receivable consists primarily of amounts due from local businesses for franchise and utility taxes, amounts due from individuals for parking fines and ambulance fees, and amounts due from Town residents for solid waste disposal fees. The Town does not require collateral for accounts receivable. Accounts receivable are reported net of an allowance for doubtful accounts determined based on the age of the individual receivable, with age categories ranging from 30 days past due to several years past due. Generally, the allowance includes accounts over 90 days past due. Accounts receivable are written off on an individual basis in the year the Town deems them to be uncollectible.

Inventory: Inventory, consisting primarily of expendable materials and supplies, is valued at cost, which approximates fair value, using the first-in, first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses: Payments for insurance premiums and other administrative expenditures/expenses extending over more than one accounting period are accounted for as prepaid expenses and allocated between accounting periods.

Internal Balances: Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net position, except for the residual amount, which is presented as internal balances.

Capital Assets: The Town has reported all capital assets, including infrastructure assets (roads, sidewalks and similar items), in the government-wide statement of net position. Capital assets are defined by the Town as assets with an estimated useful life in excess of one year and the capitalization thresholds presented below. Capital assets are recorded at cost or, if donated, fair value at the date of donation. All infrastructure assets are reported in the accompanying government-wide financial statements. Expenses, which materially extend the useful life of existing assets, are capitalized. Certain costs for professional services and interest associated with the acquisition and construction of capital assets have been capitalized. The cost of capital assets sold or retired is removed from the appropriate accounts and any resulting gain or loss is included in the increase in net position. Depreciation is computed using the straight-line method over the assets' estimated useful lives for all reported capital assets, except land and construction in progress.

The capitalization thresholds and estimated useful lives assigned to the various categories of assets are as follows:

Classification	Capitalization Threshold	Estimated Useful Life In Years
Buildings	$50,000	40
Improvements other than buildings	50,000	25
Infrastructure	50,000	6-50
Computer software	25,000	10
Equipment, furniture and machinery	2,500	2-20
Computer equipment	1,500	3-10

Intangible assets consist of the right of use of the City of Lake Worth, Florida's wastewater facilities. These assets are amortized using the straight-line method over 40 years, the term of the underlying agreement.

Bond Issue Costs, Premiums, Discounts, and Deferred Losses on Refunding: Expenses incurred in connection with the issuance of long-term debt, as well as bond premiums, discounts and losses on refunding, are deferred and amortized over the term of the related debt in the government-wide financial statements. These amounts are amortized using the interest method or the straight-line method, which approximates the interest method.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of ***Net investment in capital assets or Restricted***.

Fund Balance: 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 classifications:

Nonspendable fund balance – This component indicates amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Restricted fund balance – This component indicates amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. It is the Town's policy to have no restricted fund balance in the General Fund. Restricted amounts will be budgeted and reported in special revenue funds, capital projects funds, or debt service funds.

Committed fund balance – This component includes amounts that can be used only for specific purposes pursuant to constraints imposed by the Town Council by the adoption of an ordinance, the Town's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Commitment of fund balance may be made for such purposes including, but not limited to: a) major maintenance and repair projects; b) meeting future obligations resulting from a natural disaster; c) accumulating resources pursuant to stabilization arrangements; d) establishing reserves for disasters; and or e) setting aside amounts for specific projects or purposes.

Assigned fund balance – This component includes amounts intended to be used by the Town for specific purposes, but are neither restricted nor committed. Assignment of fund balance may be a) made for a specific purpose that is narrower then the general purposes of the government itself; and/or b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. In accordance with the Town's fund balance policy, assignments can be made by formal action of the Town Council.

Assigned fund balance shall reflect management's intended use of resources as set forth in the annual budget (and any amendments thereto). Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned fund balance – This component includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

The Town will maintain a minimum level of unassigned fund balance of 25% of general und operating expenditures. If after the annual audit, prior committed or assigned fund balance causes the unassigned fund balance to fall below 25% of general fund operating expenditures, the Town Manager will so advise the Town Council in order for necessary action to be taken to restore unassigned fund balance to 25% of General Fund operating expenditures.

The Town Manager will prepare and submit a plan to the Town Council, that may include expenditure reductions, revenue increases, use of non-recurring revenues, budget surpluses and excess resources in other funds to restore fund balance to the minimum level. The Town shall take action necessary to restore the unassigned fund balance to acceptable levels within two years.

Unrestricted fund balance – The total of committed fund balance, assigned fund balance, and unassigned fund balance

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or assigned) amounts are available, it is the Town's policy to reduce the restricted amounts first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Town's policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts.

Encumbrances: Budgets in governmental funds are encumbered upon issuance of purchase orders, contracts, or other forms of legal commitments. Appropriations expire at year end, even if encumbered, but it is the Town's policy to re-appropriate such amounts at the beginning of the next fiscal year.

Compensated Absences: The Town accrues accumulated vacation and sick leave time for all permanent, full-time employees, subject to certain limitations. The Town's policy provides that employees shall receive 100% of their accrued vacation and 50% of their accrued sick leave over 320 hours for full-time employees and 160 hours for part-time employees, upon termination of service. Upon retirement, an employee will be paid 50% of all accrued and unused sick leave not to exceed 800 hours for full-time employees and 400 hours for part-time employees. The liability for compensated absences attributable to the Town's governmental funds is recorded in the government-wide financial statements. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the government-wide financial statements as well as the Enterprise Fund. The Town includes all applicable payroll taxes and benefits in the accrual for compensated absences.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned / Deferred Revenue: Unearned and deferred revenue consists of license fees and charges for services collected at the end of the fiscal year that relate to and will be earned in the subsequent fiscal year. Governmental revenues that have been earned but did not meet the availability criteria are also considered deferred revenue.

Interfund Transactions: Transactions between funds during the year consisted of loans, services provided, reimbursements or transfers. The current portion of interfund loans are reported as Due from Other Funds and Due to Other Funds as appropriate. The non-current portion of interfund loans are reported as Advances to Other Funds and Advances from Other Funds as appropriate. Interfund loans are subject to elimination in the government-wide financial statements. Services, deemed to be reasonably equivalent in value, are treated as revenue and expenditures / expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers within the governmental and business-type activities are eliminated in the government-wide financial statements.

Implementation of Governmental Accounting Standards Board Statements: The Town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended September 30, 2013:

GASB Statement No. 61, ***The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34***. This statement provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

GASB Statement No. 62, ***Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***. This statement directly incorporates the applicable guidance from FASB and AICPA pronouncements into the state and local government accounting and financial reporting standards, with provisions modified, as appropriate, to recognize the effects of the governmental environment and the needs of governmental financial statement users without affecting the substance of the applicable guidance.

GASB Statement No. 63, ***Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***. This statement improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

Recently Issued Accounting Pronouncements: A brief description of new accounting pronouncements that might have a significant impact on the Town's financial statements is presented below. Management is currently evaluating the impact of the adoption of these new standards on the Town's financial statements.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In March 2012, the GASB issued Statement No. 65, ***Items Previously Reported as Assets and Liabilities***. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for the fiscal year ending September 30, 2014. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In March 2012, the GASB issued Statement No. 66, ***Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62***. GASB 66 improves accounting and financial reporting for a governmental reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, ***Fund Balance Reporting and Governmental Fund Type Definitions*** and Statement No. 62, Codification of ***Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***. This statement is effective for the fiscal year ending September 30, 2014.

In June 2012, the GASB issued Statement No. 67, ***Financial Reporting for Pension Plans – an amendment of GASB Statement 25***. GASB 67 improves financial reporting by state and local governmental pension plans primarily through enhanced note disclosures and schedules of required supplementary information. This Statement is effective for the fiscal year ending September 30, 2014

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

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

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures. Actual results could vary from the estimates that were used.

NOTE B – DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk: Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized. All deposits with financial institutions were entirely covered by a combination of federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions which comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. The Town's deposits are considered insured for custodial credit risk purposes. At September 30, 2013, the carrying amount of the Town's deposits with financial institutions was $11,467,538 and the bank balance was $12,779,958, excluding pension trust funds. The Town also had $4,500 in petty cash.

Equity in Pooled Cash and Investments: The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed as "Equity in pooled cash and investments." Investment earnings are allocated to the participating funds based on each fund's relative percentage of investments.

At September 30, 2013, the Town's pooled cash and investments consisted of the following:

Description	Weighted Average Maturity	Fair Value
Deposits with financial institutions		$ 10,132,578
Commercial paper	258 days	23,596,483
Money market mutual fund	53 days	4,084,212
Money market mutual fund	47 days	17,261,437
U.S. Treasuries	1077 days	7,830,381
Federal Agencies	631 days	9,476,561
Florida Municipal Investment Trust		
1-3 Year High Quality Bond Fund	1.52 years	24,543,307
Intermediate High Quality Bond Fund	3.71 years	10,849,428
Total pooled cash and investments		$107,774,387

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Investments

Investment Authorization: Florida Statutes and the Town Code authorize the Town to invest in the Florida Municipal Investment Trust; negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest-bearing time deposits or savings accounts in financial institutions located in Florida and organized under federal or Florida laws; obligations of the Federal Farm Credit Banks, Freddie Mac, the Federal Home Loan Association; corporate bonds rated B or higher; and any additional investments specifically authorized by the Town Pension Boards for pension funds. Pursuant to the Town Code, the Town Pension Boards have full power and authority to invest and reinvest subject to the general terms, conditions, limitations and restrictions imposed by Florida Statutes on the investments of public employee retirement systems.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town and its pension plans require all securities to be held by a third party custodian in the name of the Town. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a "delivery versus payment" basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Investments in open-end mutual funds and external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Consequently, the Town's investments in mutual funds, alternative investments, and the Florida Municipal Investment Trust are not exposed to custodial credit risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. Rating by a nationally recognized statistical rating organization ("NRSRO") is an indication of credit risk. The Town requires that all investments in debt securities be rated A or higher by a NRSRO. The Town's pension plans investment policies address credit risk by limiting investments to bonds or preferred stocks rated investment grade or above, unless specifically approved by the Board. Securities which are unrated may be purchased, if in the judgment of the investment manager, they would carry an investment grade rating. Short-term money market instruments are restricted to those with a rating not less than A-1 or P-1.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have any specific policy for concentration of credit risk, although it does provide for diversification to limit the potential losses on individual securities. The Town's pension plans' investment policies provide that no investment manager may purchase equity or fixed income securities of any one issuer that would cause the holding of that one issuer to exceed 5% of the respective portfolio. In addition, not more than 2% of each investment manager's portfolio shall be invested in the commercial paper of a single issuer or in bank certificates of deposit of a single issuer. Investments in broadly-based index funds, mutual funds, alternative investments, and U.S. Government and Agency securities are excluded from this limitation.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the time to maturity, the greater the exposure to interest rate risks. The Town's investment policy minimizes interest rate risk by structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Operating funds are invested primarily in shorter-term securities, money market mutual funds, or similar investment pools. Generally, investments are limited to instruments maturing within five years of purchase.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. While there was no direct exposure to foreign currency risk in the Town's general operating investments at September 30, 2013, the Town's General Employees' Pension Trust Fund, OPBB Trust Fund, the Police Officers' Retirement Trust Fund, the Firefighters' Retirement Trust Fund, and OPBB Trust Fund held investments in international equity mutual funds.

The Town's investments in international equity mutual funds as of September 30, 2013 are as follows:

Fund	Fair Value
General Employees' Pension Trust Fund	$ 21,183,878
Police Officers' Pension Trust Fund	16,817,998
Firefighters' Pension Trust Fund	15,900,928
OPEB Trust Fund	4,664,120
Total international equity mutual funds	$58,566,924

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

General Operating Investments

As a means of limiting its exposure to interest rate risk, the Town diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities. Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investments by maturity at September 30, 2013:

		Investment Maturities in Years	
Investment	Fair Value	Less than 1	1 to 5
U.S. Treasuries	$ 7,830,381	$ 502,100	$ 7,328,281
Federal agencies	9,476,561	3,947,492	5,529,069
Commercial paper	23,596,483	21,285,124	2,311,359
Money market mutual funds	21,345,649	21,345,649	
Florida Municipal Investment Trust			
1-3 Year High Quality Bond Fund	24,543,307		24,543,307
Intermediate High Quality Bond Fund	10,849,428		10,849,428
Total general operating investments	$ 97,641,809	$ 47,080,365	$ 50,561,444

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

General Operating Investments (Continued)

The Town's investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. Credit rating is also an indication of credit risk. The ratings for the general operating investments at September 30, 2013 are summarized below:

Investment Type	S&P Rating	Moody's Rating	Fair Value
U.S. Treasuries	AA+	Aaa	$ 7,830,381
Federal Agencies	AA+	Aaa	9,476,561
Commercial paper	AAA	Aaa	311,690
Commercial paper	AA+	Aa-1	188,670
Commercial paper	AA+	A-1	826,005
Commercial paper	AA	Aa-2	254,629
Commercial paper	AA-	Aa-3	541,002
Commercial paper	A+	A-2	351,267
Commercial paper	A	A-2	4,610,515
Commercial paper	A-1+	P-1	9,979,675
Commercial paper	A-1	P-1	6,533,030
Money market mutual funds	AAAm	Aaa-mf	4,084,212
Money market mutual funds	AAAm	Not Rated	17,261,437
Florida Municipal Investment Trust			
1-3 Year High Quality Bond Fund	Not Rated	Not Rated	24,543,307
Intermediate High Quality Bond Fund	Not Rated	Not Rated	10,849,428
Total investments			$ 97,641,809

The Florida Municipal Investment Trust (the "Trust") is an external investment pool established in 1993 and administered by the Florida League of Cities, Inc. pursuant to the laws of the State of Florida. The Trust is exempt from registration under the Securities Act of 1933, the Investment Company Act of 1940 and the Florida Securities and Investors Protection Act. Participants in the Trust are limited to governmental entities in the State of Florida. The Trust operates four portfolios with differing investment goals. The Town invests in the 1-3 Year High Quality Bond portfolio and the Intermediate High Quality Bond portfolio. These bond portfolios are designed to provide an investment horizon and yield greater than that of money market instruments. As of September 30, 2013, the 1-3 Year High Quality Bond Fund was rated AAA/V2 and the Intermediate High Quality Bond Fund was rated AAA/V3 by Fitch. The Trust has adopted GASB Statement No. 31 and the fair value of the Town's position in the Trust is the same as the fair value of the Trust shares. Purchases and redemption of shares in the Trust may only be made on or about the end of each month and the Town must maintain an account balance of at least $50,000.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

OPEB Trust Fund Investments

Investment Authorization: In addition to the Town's investment policy, the OPEB Trust Fund is authorized to invest in domestic and international equity securities, corporate bonds, mutual funds, and investment partnerships and other alternative investments within certain limitations established by the Town Code.

As of September 30, 2013, the OPEB Trust Fund had the following investments:

Investment	Fair Value
State Street Government STIF	$ 164,607
Domestic equity funds	7,461,337
International equity funds	4,664,120
Domestic fixed income funds	5,248,528
Inflation hedging funds	993,645
Alternative investments	
Forester Offshore LTD	1,870,446
Archstone Market	2,327,057
Total OPEB investments	$ 22,729,740

At September 30, 2013, approximately 18.5% of the OPEB Trust Fund investments were invested in alternative investments. These alternative investment funds invest primarily in domestic and foreign private equity partnerships and other alternative investment equity funds. The investments in the underlying funds are generally valued at fair value as determined by the management of the fund by reference to the value of the underlying fund's assets, if available, or by the valuations of a fund's underlying assets as provided by the general partner or investment manager, if the assets are not publicly traded. The funds may also hold certain investments which may be valued by a single market maker. While the fund managers use their best judgment in estimating the fair values of underlying funds, there are inherent limitations in any estimation technique. Accordingly, the fair values of alternative investment funds have been estimated by the Town's management and investment advisors in the absence of readily ascertainable market values. Therefore, the values of such funds are not necessarily indicative of the amount that could be realized in a current transaction. The fair values may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and the differences could be material. Future confirming events will also affect the estimates of fair value, and the effect of such events on the estimates of fair value could be material.

In addition to interest rate risk, credit risk, custodial credit risk, and concentration of credit risk, the alternative investment funds expose the fiduciary funds to certain other risks, including liquidity risks, counterparty risks, foreign political, economic, and governmental risks, and market risk. In addition, these investments may have restrictions for liquidating positions in these funds. The value, liquidity, and related income of certain securities with contractual cash flows, such as asset backed securities collateralized by

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

OPEB Trust Fund Investments (Continued)

mortgage obligations, commercial mortgage backed securities, and mutual funds investing in these securities or entities, are particularly sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

Due to the various risks associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

As a means of limiting its exposure to interest rate risk, the OPEB Trust Fund diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities. Information about the sensitivity of the fair values of the Trust Fund's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity at September 30, 2013:

		Investment Maturities in Years			
Investment	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
State Street Government STIF	$ 164,607	$ 164,607	$	$	$
Domestic fixed income funds	5,248,528		4,040,403	1,208,125	
Total fixed income	$ 5,413,135	$ 164,607	$ 4,040,403	$ 1,208,125	$

The Trust Fund's investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. Credit rating is also an indication of credit risk. As of September 30, 2013, the OPEB Trust Fund investments have not been rated by a nationally recognized statistical rating organization ("NRSRO"). The underlying investments for the Domestic fixed income funds and State Street Government STIF have been rated by S&P and range from a rating a AA to AAA.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Town of Palm Beach Retirement System Investments

Type of Investments: Florida statutes and the Plan investment policy authorize the Trustees to invest funds in various investments. The current target allocation of these investments at market as of September 30, 2013 is as follows:

Authorized Investments	
Domestic equity funds	15.0%
Developed equity funds	15.0%
Emerging markets equity funds	10.0%
Fixed income funds	20.0%
TIPS (Treasury Inflation Protected Securities / Bond Mutual Funds)	2.5%
Alternative investments	15.0%
Inflation hedging funds	2.5%
Real estate funds	10.0%
Private equity funds	10.0%

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rates. As a means to limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holding in any one type of investment with any one issuer with various durations of maturities.

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Plan's investments by maturity at September 30, 2013:

		Investment Maturities in Years			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasuries	$ 574,199	$	$ 212,204	$ 144,137	$ 217,858
U.S. Federal agencies	366,177		366,177		
U.S. mortgaged backed securities	1,187,061		194,428	37,049	955,584
Municipal obligations	18,956				18,956
Corporate obligations	1,666,071	266,292	705,350	297,617	396,812
Collaterized mortgage obligations	168,955			45,142	123,813
Domestic fixed income funds	48,089,020	16,537,989	21,922,449	9,628,582	
Total fixed income securities	$ 52,070,439	$16,804,281	$ 23,400,608	$ 10,152,527	$ 1,713,023

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Town of Palm Beach Retirement Investments (Continued)

Credit Risk: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

The following table discloses credit ratings by investment type, at September 30 2013, as applicable:

Credit Rating by Standard & Poor's	Fair Value	Corporate	Municipal	U.S. Government	Domestic Fixed Income Funds
AAA	$ 26,662,487	$	$	$ 123,813	$ 26,538,674
AA+	1,588,652	35,414		1,553,238	
AA	1,989,262	66,240			1,923,022
AA-	97,244	97,244			
A+	267,256	248,300	18,956		
A	5,814,018	429,557			5,384,461
A-	399,300	399,300			
BBB+	245,178	245,178			
BBB	10,530,998	134,179			10,396,819
BBB-	10,659	10,659			
BB	769,209				769,209
Not rated	3,696,176			619,341	3,076,835
Total fixed income securities	$ 52,070,439	$ 1,666,071	$ 18,956	$ 2,296,392	$ 48,089,020

Concentration of Credit Risk: The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net asset at September 30, 2013.

Custodial Credit Risk: Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Plan's deposits are covered by depository insurance or are collateralized by securities held with a financial institution in the Plan's name. The Plan is only exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance.

Custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Plan, and are held either by the counterparty or the counterparty's trust department or agent but not in the Plan's name.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Town of Palm Beach Retirement Investments (Continued)

Custodial Credit Risk (Continued)

Consistent with the Plan's investment policy, the investments are held by Plan's custodial banks and registered in the Plan's name. All of the Plan's deposits are insured and or collateralized by a financial institution separate from the Plan's depository financial institution.

Risk and Uncertainties: The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of fiduciary net position. The Plan, through its investment advisor, monitors the Plan's investment and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

NOTE C – RECEIVABLES

Accounts receivable at September 30, 2013, are comprised of the following:

Fund	Accounts Receivable	Allowance For Doubtful Accounts	Net Receivable
Governmental Funds			
General Fund	$ 1,552,825	$ (631,949)	$ 920,876
Capital Improvement Fund	17,013		17,013
Enterprise Funds			
Recreation Enterprise Fund	1,036		1,036

NOTE D - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2013 was as follows:

Governmental Activities	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land	$ 9,946,951	$	$	$ 9,946,951
Construction in progress	17,246,406	11,029,650	(17,472,037)	10,804,019
Total capital assets not being depreciated	27,193,357	11,029,650	(17,472,037)	20,750,970
Capital assets being depreciated				
Buildings	36,565,051	362,008		36,927,059
Improvements other than buildings	4,696,126			4,696,126
Equipment	17,912,411	1,675,949	(813,485)	18,774,875
Infrastructure	95,685,133	17,028,421	(1,522,832)	111,190,722
Intangible assets – facilities rights of use	1,186,607			1,186,607
Total capital assets being depreciated	156,045,328	19,066,378	(2,336,317)	172,775,389
Less accumulated depreciation and				
Buildings	(8,035,092)	(989,292)		(9,024,384)
Improvements other than buildings	(783,850)	(312,336)		(1,096,186)
Equipment	(9,270,730)	(1,427,615)	704,582	(9,993,763)
Infrastructure	(43,108,136)	(5,228,225)	977,078	(47,359,283)
Intangible assets – facilities rights of use	(1,016,026)	(29,665)		(1,045,691)
Total accumulated depreciation	(62,213,834)	(7,987,133)	1,681,660	(68,519,307)
Total capital assets being depreciated, net	93,831,494	11,079,245	(654,657)	104,256,082
Governmental activities capital assets, net	$121,024,851	$22,108,895	$(18,126,694)	$125,007,052

Depreciation and amortization expense was charged to functions / programs as follows:

Governmental Activities	
General government	$ 694,836
Public safety	1,738,857
Physical environment	5,494,946
Transportation	58,494
Total depreciation and amortization Expense – governmental activities	$7,987,133

NOTE D - CAPITAL ASSETS (Continued)

Business-type Activities	Balance at Beginning of Year, As Restated	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land	$ 5,623,777	$	$	$ 5,623,777
Construction in progress		1,917,313		1,917,313
Total capital assets not being depreciated	5,623,777	1,917,313		7,541,090
Capital assets being depreciated				
Buildings	3,182,585			3,182,585
Improvements other than buildings	11,125,292	130,666		11,255,958
Equipment	563,908	150,093	(10,262)	703,739
Total capital assets being depreciated	14,871,785	280,759	(10,262)	15,142,282
Less accumulated depreciation				
Buildings	(994,665)	(132,083)		(1,126,748)
Improvements other than buildings	(3,463,166)	(445,478)		(3,908,644)
Equipment	(343,362)	(69,451)	8,762	(404,051)
Total accumulated depreciation	(4,801,193)	(647,012)	8,762	(5,439,443)
Total capital assets being depreciated, net	10,070,592	(366,253)	(1,500)	9,702,839
Business-type activities capital assets, net	$ 15,694,369	$ 1,551,060	$ (1,500)	$ 17,243,929

NOTE E - INVESTMENT IN JOINT VENTURE

In September 1992, the Town entered into a joint interlocal agreement (the "Agreement") with Palm Beach County and three municipalities (West Palm Beach, Riviera Beach and Lake Worth) whereby prior separate agreements were consolidated into a single unified agreement to establish rules and procedures for the operation and management of the existing East Central Regional Wastewater Treatment Facilities (the "ECR") in which each participating entity had a financial interest. The ECR was created to receive, treat, and dispose of sewage generated within each municipality and the County. The initial term of the Agreement is for thirty years with a renewable term of thirty years. In the event the ECR is sold or disposed of, proceeds of the sale or disposition shall be prorated among the entities, based on their reserve capacity as of the date of disposition. As of September 30, 2013, the Town had a 7.1429% interest in the ECR. Under generally accepted accounting principles, the Town is required to account for this joint venture using the equity method. Accordingly, the Town recorded its initial investment at cost and is required to record its proportionate share of the ECR's income or loss as well as additional contributions made or distributions received. At September 30, 2013, the Town's 7.1429% equity interest in the ECR totaled $6,923,795. This investment is reported in the Governmental Activities Statement of Net Position as Investment in Joint Venture. The Town's investment in ECR was estimated using unaudited ECR financial information for the fiscal year ended September 30, 2013. The Town's management believes the investment in ECR, as reported, is fairly stated.

The Agreement provides for the establishment of a Governing Board (the "Board"), comprised of one representative from each entity participating in the Agreement, to administer ECR. Under the Agreement, the Board has the power to enter into contracts, employ personnel and enter into debt in accordance with Section 163.01(7) of Florida Statutes. In accordance with the Agreement, the City of West Palm Beach operates and manages ECR on behalf of the Board.

All costs of operating the ECR, excluding depreciation, are shared by each of the entities based on actual flows of wastewater. Costs associated with capital projects, renewal and replacement, and debt service are shared among the participating governments based on their pro-rata share of reserve capacity. The ECR Board is updating an engineering report on processing and disposal of biosolids at the facility, including the possibility of generating electricity on site. The initial study was prompted by changes in regulations regarding biosolids disposal. A substantial capital investment will be necessary to update the facilities. However, anticipated savings in the operation and maintenance costs as a result of the improvements should significantly reduce the impact of the increased debt service.

Based on a "Participatory Agreement" signed by all participants in April 1993, the ECR constructed improvements amounting to approximately $22,377,000, which was financed by the State of Florida, Department of Environmental Protection Revolving Loan Fund. Pledged revenue consisting of all fees and payments received by ECR will be used to repay the debt. As of September 30, 2011, the outstanding balance due to the State Loan Fund was $6,507,923 and the Town's share of this debt was $540,924 which was reflected as a liability in the Governmental Activities Statement of Net Position. On September 14, 2012, the ECR, utilizing part of the proceeds of a $14,000,000 bank loan, advance refunded the outstanding balance of the State Revolving Loan thereby extinguishing the Town's portion of the related debt.

NOTE E - INVESTMENT IN JOINT VENTURE (Continued)

The above referenced bank loan is a debt of the ECR and its debt service will be included in ECR operations and maintenance costs (and billed to the Town as such).

The ECR issues separate financial statements which are audited by other accountants. The latest available audited financial statements for the ECR are for the fiscal year ending September 30, 2012. Other accountants issued an unqualified opinion on those financial statements, which may be obtained from the City of West Palm Beach, Finance Department, 401 Clematis Street, West Palm Beach, Florida 33401.

Summarized financial information relating to the ECR as of and for the year ended September 30, 2012 is as follows:

Net Assets
September 30, 2012

Current and other assets	$ 30,035,921
Capital assets, net	75,881,994
Total assets	105,917,915
Current liabilities	3,538,855
Non-current liabilities	14,000,000
Total liabilities	17,538,855
Net assets	$ 88,379,060

Change in Net Assets
Year Ended September 30, 2012

Charges for services	$ 12,756,528
Other operating revenue	1,758,328
Total operating revenue	14,514,856
Operating expenses	16,972,431
Operating loss	(2,457,575)
Non-operating expense, net	(4,976,176)
Loss before capital contributions	(7,433,751)
Capital contributions	5,346,900
Decrease in net assets	(2,086,851)
Net assets - beginning of year	90,465,911
Net assets - end of year	$ 88,379,060

NOTE E - INVESTMENT IN JOINT VENTURE (Continued)

At September 30, 2012, the ECR participants and their respective interest in the ECR were as follows:

Participant	Reserve Capacity Percentages
City of West Palm Beach	29.28570%
Palm Beach County	34.28570%
City of Lake Worth	17.85710%
City of Riviera Beach	11.42860%
Town of Palm Beach	7.14290%
Total	100.00000%

NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Transactions between funds during the year consisted of loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination in the government-wide financial statements and are referred to as either Due from Other Funds and Due to Other Funds (i.e., the current portion of interfund loans) or Advances to Other Funds and Advances from Other Funds. Services, deemed to be reasonably equivalent in value, are treated as revenue and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are presented as transfers. Transfers primarily consist of moving money from one fund to another to be used for a specific purpose within the receiving fund. Transfers from the General Fund to the Capital Improvement Fund and Beach Restoration Project Fund were used to fund various capital projects. Transfers from the General Fund and the Beach Restoration Project Fund to the nonmajor funds were used to fund debt service. Transfers from the Recreation Enterprise Fund to the General Fund were used to pay for services supporting various culture and recreation projects. Transfers within the governmental and business-type activities are eliminated in the government-wide financial statements.

NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund receivables and payables and interfund transfers at September 30, 2013 are summarized as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Worth Avenue Construction Fund	$ 9,202
	Recreation Enterprise Fund	985
	Accelerated Capital Fund	148
Accelerated Capital Fund	Capital Improvement Fund	69,955
Worth Avenue Construction Fund	Worth Avenue Assessment Fund	12,374
		$ 92,664

Advance to/from other funds

Receivable Fund	Payable Fund	Amount
Equipment Replacement Fund	Underground Utility Assessment Fund	$ 868,790
		$ 868,790

Interfund transfers:

	Transfers In – Reported In			
	General Fund	Beach Restoration Project Fund	Nonmajor Funds	Total
Transfers out:				
Reported in				
General Fund	$	$ 4,765,099	$ 4,500,000	$ 9,265,099
Recreation Enterprise Fund	885,000		128,000	1,013,000
Nonmajor Funds			979,800	979,800
	$ 885,000	$ 4,765,099	$ 5,607,800	$ 11,257,899

NOTE G - LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities for the year ended September 30, 2013 are summarized as follows:

Governmental Activities	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
Revenue bonds payable	$ 67,765,000	$	$ (1,290,000)	$ 66,475,000	$ 1,320,000
Unamortized bond premiums	2,636,777		(148,406)	2,488,371	
Unamortized bond discounts	(362,580)		20,121	(342,459)	
Unamortized loss on refunding	(521,382)		38,235	(483,147)	
Total bonds, notes, and loans payable	69,517,815		(1,380,050)	68,137,765	1,320,000
Compensated absences	3,333,955	656,621	(577,370)	3,413,206	672,569
Landfill closure and postclosure	2,278,923	82,071		2,360,994	
Total long-term liabilities	$ 75,130,693	$ 738,692	$ (1,957,420)	$ 73,911,965	$ 1,992,569
Business-type Activities					
Compensated absences	$ 130,181	$ 40,895	$ (17,595)	$ 153,481	$ 39,697

The compensated absences liability of the governmental activities is liquidated primarily by the Town's General Fund.

Town of Palm Beach, Florida, Public Improvement Revenue and Refunding Bonds, Series 2010A

On February 25, 2010, the Town issued $57,035,000 of the Public Improvement Revenue and Refunding Bonds, Series 2010A (Capital Improvement Program) to (i) finance or refinance (a) replacements and improvements to portions of the Town's sanitary sewer, storm water, street lighting and traffic signal infrastructure (the "Town Infrastructure Project"); (b) renovation of the Town's par 3 golf course (the "Golf Course Project"); (ii) refund the Town's Revenue Refunding Bonds, Series 2003B (Capital Improvement Project) and prepay the Town's Public Improvement Revenue Note, Series 2008; (iv) pay capitalized interest on the Bonds through July 2010; and (v) pay the costs of issuing the Bonds. The Series 2010A Bonds were issued at a net original issue premium of $2,990,255 and bear interest at rates ranging from 2.0% to 5.0%. Principal payments are due on January 1, and interest payments are due on January 1 and July 1 until maturity on January 1, 2040. The Series 2010A bonds are payable solely from and secured by a pledge of non-ad valorem revenue.

NOTE G - LONG-TERM LIABILITIES (Continued)

The debt service requirement for the Series 2010A Bonds are as follows:

Year Ending September 30	Principal	Interest	Total
2014	$ 1,040,000	$ 2,580,988	$ 3,620,988
2015	1,075,000	2,549,263	3,624,263
2016	1,110,000	2,510,937	3,620,937
2017	1,160,000	2,465,538	3,625,538
2018	1,205,000	2,418,238	3,623,238
2019-2023	6,915,000	11,196,286	18,111,286
2024-2028	8,865,000	9,248,843	18,113,843
2029-2033	11,295,000	6,818,125	18,113,125
2034-2038	14,505,000	3,609,375	18,114,375
2039-2040	6,895,000	349,125	7,244,125
	$ 54,065,000	$ 43,746,718	$ 97,811,718

Town of Palm Beach, Florida, Public Improvement Revenue Bonds, Series 2010B

On February 25, 2010, the Town issued $14,770,000 of the Public Improvement Revenue Bonds, Series 2010B (Worth Avenue Commercial District Project) to (i) finance or refinance public capital improvement in the Worth Avenue Commercial District (the "Worth Avenue Project"); (ii) prepay amounts drawn on the Town's Public Improvement Revenue Note, Series 2009; (iii) pay capitalized interest on the Bonds through July 2010; and (iv) pay the costs of issuing the Bonds. The Series 2010B Bonds were issued at a net original issue discount of $410,712 and bear interest at rates ranging from 2.0% to 4.25%. Principal payments are due on January 1, and interest payments are due on January 1 and July 1 until maturity on January 1, 2040. The Series 2010B bonds are payable from and secured by a pledge of non-ad valorem revenue and non-ad valorem capital special assessments that the Town levies on real property located in the Worth Avenue Commercial District.

The final cost of the Worth Avenue Project was $1,485,944 less than anticipated. In accordance with the Bond Resolution and Bond Purchase Agreement, the Town used to excess funds for a pro rata extraordinary mandatory redemption of $1,485,000 of the Bonds on January 1, 2012.

NOTE G - LONG-TERM LIABILITIES (Continued)

The debt service requirement for the Series 2010B Bonds are as follows:

Year Ending September 30	Principal	Interest	Total
2014	$ 280,000	$ 492,681	$ 772,681
2015	285,000	487,031	772,031
2016	295,000	480,678	775,678
2017	300,000	473,050	773,050
2018	310,000	464,275	774,275
2019-2023	1,710,000	2,162,385	3,872,385
2024-2028	2,055,000	1,813,617	3,868,617
2029-2033	2,530,000	1,442,156	3,972,156
2034-2038	3,165,000	966,263	4,131,263
2039-2040	1,480,000	233,888	1,713,888
	$ 12,410,000	$ 9,016,024	$ 21,426,024

Interest Expense: Total interest costs incurred and paid on all Town debt for the year ended September 30, 2013 totaled $3,009,731 and $3,107,494, respectively. No interest was capitalized in the enterprise fund for the year ended September 30, 2013.

Defeased Debt: As previously discussed, the Town has defeased the Series 2003B Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At September 30, 2013, Series 2003B Revenue Bonds in the amount of $4,875,000 are outstanding and considered defeased.

Pledged Revenues: As previously discussed, the Town has pledged future non-ad valorem revenues to pay principal and interest on the Series 2010A and Series 2010B Revenue Bonds. At September 30, 2013, principal and interest to maturity on January 1, 2040 to be paid from pledged future revenues totaled $119,237,742. Principal and interest paid for the current fiscal year on these Bonds totaled $4,397,494 and pledged non-ad valorem revenue totaled $21,760,266 for the year. It is estimated that annual principal and interest payments will require approximately 21% of pledged revenues.

NOTE H – OBLIGATION UNDER UTILITY AGREEMENT AND INTANGIBLE ASSETS

On July 10, 1978, the Town entered into a utility agreement with the City of Lake Worth (the "City"). Under the terms of the agreement, the City will supply the Town certain wastewater facilities for a period of 40 years. At the option of the Town, the agreement may be extended for three additional periods of ten years after the otherwise normal termination of the agreement.

The City obtained Florida State Bond Loan, Series E for the purpose of constructing and improving existing water and sewer facilities. Town was obligated to pay the City a percentage of its pro rata share, based on sewer reserved capacity, of the debt service of this loan until October 1, 2006 when the loan was paid in full.

The Series E Loan was originally issued by the City on October 1, 1976, at a face value of $7,585,000. The loan matured in varying amounts through June 30, 2006. The Town's pro rata share of the loan was 11.7625%. The present value, discounted at the same rate as the Series E Loan, of the Town obligation to the City was $1,186,607 at issuance. Intangible wastewater usage rights were recorded at the same amount and are being amortized over the 40-year contract period that the Town is entitled to use the City's wastewater facilities. At September 30, 2013, the intangible assets had a net book value of $140,916 and are recorded with the capital assets of the governmental activities.

Under the terms of the agreement, the Town makes annual payments to the City for flow charges, operations and maintenance costs based on the Towns actual usage, and a pro rata share of the renewal and replacement costs. For the year ended September 30, 2013, the Town made payments of $1,244,776 to the City pursuant to the agreement.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM

Plan Description

The Town of Palm Beach Retirement System (the Town) is the administrator of a single-employer Public Employee Retirement System defined benefit pension plan established to provide pension benefits for its employees. The Town's retirement system was established on July 1, 1947, by an ordinance of the Town of Palm Beach. The Plan is considered part of the Town's financial reporting entity and is included in the Town's financial statements as a pension trust fund. The plan was amended by ordinance 4-2012, effective April 1, 2012 which required that the retirement system be administered by a single board of trustees and ordinance No. 6-2012, effective May 1, 2012 which amended participant benefits.

Prior to April 1, 2012 separate pension plans were maintained for the general and lifeguard employees, police officers, and firefighters. Effective April 1, 2012, the general employees and lifeguard employees board of trustees, police officer board of trustees, and firefighter board of trustees were eliminated and a new consolidated board of trustees was created. The existing contracts, investment holdings, assets and liabilities of the general employees' and lifeguard employees', police officers', and firefighters' retirement plans were transferred and became contracts, investment holdings, assets and liabilities of the new board. In conjunction

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Plan Description (Continued)

with the new board consolidation, effective May 1, 2012, a new consolidated plan was established, covering all employees of the Town. The new plan is known as the Town of Palm Beach Retirement System (the "Plan"). The Plan is a single-employer defined benefit pension plan.

The Plan is administered by the Town of Palm Beach Retirement System Board of Trustees. There are nine members on the board of trustees. The trustees consist of (a) one employee who is a member of the benefit group general or benefit group lifeguard elected by the members of those benefit groups (b) one employee who is a member of the benefit group firefighter elected by the members of that benefit group (c) one employee who is a member of the benefit group police officers elected by the members of that benefit group (d) five residents of the Town who are not officers or employees of the Town, retirees or beneficiaries of the retirement system, appointed by the Town Council and (e) the Town Manager or, in the Town Manager's absence, the Acting Town Manager, who shall serve as a voting ex-officio member.

All employees working in excess of 1040 hours per year are covered by the Plan. The Town Council is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels. The contributions and benefits are segregated between general employees and lifeguards, police officers, and firefighters.

Prior to March 14, 2012, the police officers' and firefighters' portions of the Plan also received payments from the State of Florida pursuant to Chapters 185 and 175 of the Florida Statutes for the benefit of police officers and firefighters, respectively. Monies received pursuant to Chapters 185 and 175 can only be used to finance the benefits of participants who are police officers or firefighters, respectively. Effective March 14, 2012, the Town of Palm Beach withdrew from participation under Chapters 175 and 185.

The police officers' portion and firefighters' portion of the Plan issue publicly available financial reports that include financial statements and required supplementary information. The financial reports may be obtained by writing to the Town of Palm Beach, P. O. Box 2029, Palm Beach, Florida 33480 or by calling (561) 838-5444. The general employees' and lifeguards' portion of the Plan does not issue a stand alone financial report.

The following brief description of the general employees and lifeguards, police officers, and firefighters portions of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more detailed information.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

General Employees and Lifeguards

Prior to May 1, 2012

General employees were eligible for retirement after 30 years of service, or age 55 with 10 or more years of service. Lifeguards were eligible for retirement at age 50 with 10 or more years of service or members with at least 10 years of credited service who retire after 2/9/93 are eligible when the individual's age plus credited service totals 65 years or more. General employees could elect early retirement if the member is at least 50 years old with 10 or more years of service. The retirement benefit was calculated as a normal retirement benefit, but it is reduced 6/10 of 1% for each month early retirement precedes the member's normal retirement date. If the member had 20 years or more of service, the retirement benefit is reduced 3/10 of 1% for each month early retirement precedes the normal retirement date.

General employees' retirement benefits were determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the sum of (a) 2.75% per year for service earned after September 30, 1990, to a maximum of 82.5%, plus 2.35% for service earned on or before September 30, 1990, for the first 30 years of service, plus (b) 1% for service in excess of 30 years.

Lifeguards retirement benefits were determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the sum of (a) 2.85% per year for the first 25 years of service to a maximum of 71.25%, plus (b) 1% for service in excess of 25 years.

A member of the General Employees' Retirement System could elect to enter the Deferred Retirement Option Program ("DROP") within 7 years of the date the member first reaches normal retirement eligibility. The member receives 98% of their accrued benefit at the date of their election to participate in DROP.

For members of the General Employees' Retirement System hired on or after January 1, 1980, the sum of the employer financed portion of the pension benefit and social security benefit could not exceed 100% of average final compensation. Members who retired after September 30, 1968, and prior to October 1, 1990, received an annual 1% increase in their retirement benefit computed on the base benefit. Members who retired after September 30, 1990, received a 2% annual cost of living adjustment subsequent to an initial 3-year deferral period.

The General Employees' Retirement System also provided certain disability, death, and other benefits, which are considered to be retirement benefits for funding and actuarial purposes. Eligible employees become fully vested after 10 years of credited service.

All employees working in excess of 1,040 hours per year were required to participate.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

General Employees and Lifeguards (Continued)

Effective May 1, 2012:

Normal Retirement

General employees who attained normal retirement eligibility based on credited service as of May 1, 2012 and who are employed by the Town and not participating in the DROP on that date, shall be eligible for normal retirement after 30 years of service, or age 55 with 10 years of service. Such general employees retirement benefits are determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the sum of (a) 2.75% per year for service earned after September 30, 1990, to a maximum of 82.5%, plus 2.35% for service earned on or before September 30, 1990, for the first 30 years of service, plus (b) 1% for service in excess of 30 years.

Lifeguards who attained normal retirement eligibility based on credited service as of May 1, 2012 and who are employed by the Town and not participating in the DROP on that date, shall be eligible for normal retirement upon attaining age 50 with 10 or more years of credited service or when the individual's age plus credited service total 65 or more years and the individual has at least 10 years of service. Such lifeguards retirement benefits are determined by multiplying Average Final Compensation (highest two consecutive years out of the last five), times the sum of (a) 2.85% per year for the first 25 years of service to a maximum of 71.25%, plus (b) 1% for service in excess of 25 years.

General employees who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased, and who were employed by the Town and not participating in the DROP on that date, shall be eligible for normal retirement upon attaining age 55, or 30 or more years of credited service without regard to age, and upon such retirement shall be eligible to receive the frozen accrued benefit based on credited service and Average Final Compensation on April 30, 2012 and the above formulas. Such members shall be eligible to receive the accrued benefit based on credited service on and after May 1, 2012 upon attaining age 65 with 10 or more years of credited service. For credited service on or after May 1, 2012, the benefit formula shall be Average Final Compensation multiplied by 1.25% per year of credited service after April 30, 2012. Average Final Compensation after April 30, 2012 will be over a period increasing up to the final 5 years of credited service.

Lifeguards who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased, and who were employed by the Town and not participating in the DROP on that date, shall be eligible for normal retirement upon termination of Town employment and attaining age 50, or when the member's age to last completed month plus credited service totals 65 years or more. Upon such retirement, the member shall be eligible to receive the frozen accrued benefit based on credited service and Average Final Compensation on April 30, 2012. Such member shall be eligible to receive the accrued benefit based on credited service on or after May 1, 2012 upon attaining age 65 with ten or more years of credited service. For credited service on or after May 1, 2012, the benefit formula shall be Average Final Compensation multiplied by 1.25% per year of credited service after April 30, 2012. Average Final Compensation after April 30,

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

General Employees and Lifeguards (Continued)

Effective May 1, 2012 (Continued):

Normal Retirement (Continued)

2012 will be over a period increasing up to the final 5 years of credited service. General employees and lifeguards hired on or after May 1, 2012, shall be eligible for normal retirement upon attaining age 65 with 10 or more years of credited service.

Early Retirement

General Employees 20-Year Early Retirement Option: General employees who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased, and who were employed by the Town and not participating in the DROP on that date, may elect to retire, subject to an early retirement reduction, upon attaining age 50 or older with 20 or more years of credited service.

General Employees 10-Year Early Retirement Option: General employees who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased, and who were employed by the Town and not participating in the DROP on that date, may elect to retire, subject to an early retirement reduction, upon attaining age 50 or older with 10 or more years of credited service.

General Employees Age 60 Early Retirement Option: General employees who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased, and who were employed by the Town and not participating in the DROP on that date, may elect to retire at age 60, subject to an early retirement reduction.

Lifeguards Age 60 Early Retirement Option: Lifeguards who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased, and who were employed by the Town and not participating in the DROP on that date, and members hired on or after May 1, 2012, may elect to retire at age 60, subject to an early retirement reduction.

DROP Retirement

General employees and lifeguards may elect to enter the Deferred Retirement Option Program ("DROP") within 7 years of the date the member first reaches normal retirement eligibility. The member receives 98% of their accrued benefit at the date of their election to participate in DROP.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

General Employees and Lifeguards (Continued)

Effective May 1, 2012 (Continued):

Deferred Retirement (Vested Termination Benefit)

General employees and lifeguards with 10 or more years of service are eligible for a deferred retirement benefit. The pension begins upon meeting the requirements for normal retirement. Contributions must be left on deposit in the Plan. Failure to do so results in forfeiture of the vested benefit. The pension amount is computed as for normal retirement, based upon service and final average compensation at time of termination.

Duty Disability Retirement

There are no age or service requirements for duty disability for general employees or lifeguards. The pension amount to the earliest normal retirement eligibility date is computed as a regular retirement with additional serviced credit granted from the date of disability to the earliest normal retirement eligibility date. The pension amount at the earliest normal retirement eligibility date is computed as a regular retirement. The minimum shall be applicable for 5 years if the member attains such age for retirement less than 5 years after duty disability benefits commence.

Non-Duty Disability Before Retirement

General employees and lifeguards are eligible for non-duty disability benefits before retirement after 10 years or more of credited service. The pension amount is computed as for normal retirement.

Duty Death Before Retirement

There are no age or service requirements for duty death benefits before retirement for general employees or lifeguards. The pension amount to each surviving child is 25% of the member's Average Final Compensation not to exceed 50% or equal share of 75% of the member's Average Final Compensation when there are 4 or more surviving children being paid. The widow shall receive a pension benefit of the difference, if any, between 75% of the member's Average Final Compensation and the aggregate amount paid to the children.

Non-Duty Death Before Retirement

General employees and lifeguards are eligible for non-duty death benefits before retirement after 10 years or more of credited service. The pension amount is computed as 75% of normal retirement benefit to a surviving spouse or equal shares of 75% of the normal retirement benefit to surviving unmarried children under age 18.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

General Employees and Lifeguards (Continued)

Effective May 1, 2012 (Continued):

Automatic Death After Retirement Pension

If the member chooses the standard option, general employees and lifeguards who had attained normal retirement eligibility based on credited service as of May 1, 2012 are eligible for an automatic after death retirement pension. The benefit to surviving children shall be 25% of the retiree's pension payable to age 18, not to exceed an equal share of 75% of the retiree's pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable. The benefit to the surviving spouse shall be the difference, if any, between 75% of the retiree's pension and the aggregate amount paid to any surviving children.

General employees and lifeguards who had not attained retirement eligibility as of May 1, 2012 shall have frozen accrued benefits as described in the preceding paragraph. New plan benefits accrue after April 30, 2012. Reduced optional forms of payment are available.

Post-Retirement Cost-of-Living Adjustment

General employees and lifeguards that retired after September 30, 1968 and prior to October 1, 1990 receive an annual 1.0% increase computed on base benefit. Other adjustments have been made periodically. General employees and lifeguards that retired after September 30, 1990 and before May 1, 2012 receive an annual 2.0% increase based on the total pension payable subsequent to an initial 3-year deferral period.

General employees and lifeguards who had attained normal retirement eligibility based on credited service as of May 1, 2012 will receive an annual 2.0% increase based on pension benefits accrued and frozen as of April 30, 2012, subject to an initial 3-year deferral period.

General employees and lifeguards who had not attained retirement eligibility as of May 1, 2012 do not receive any cost-of-living adjustment for benefits derived from service accrued on or after May 1, 2012. General employees and lifeguards who have accrued service as of April 30, 2012 will receive a 2.0% cost of living adjustment for benefits derived for service accrued to that date.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Police Officers

Prior to May 1, 2012

Police officers were eligible for retirement after 20 or more years of service, regardless of age; or age 50 with 10 or more years of service; or, members with at least 10 years of credited service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more.

Police officers' retirement benefits were determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the greater of 3.5% per year of credited service to a maximum of 25 years, or 2.0% per year of credited service to a maximum of 50 years.

A member of the Police Officers' Retirement System could elect to enter the Deferred Retirement Option Program ("DROP") within 7 years of the date the member first reaches normal retirement eligibility. The member receives 100% of their accrued benefit at the date of their election to participate in DROP.

Members who retired after September 30, 1968, and prior to October 1, 1990, received an annual 1% increase in their retirement benefit computed on the base benefit. Members who retired after September 30, 1990, received a 2% annual cost of living adjustment subsequent to an initial 3-year deferral period.

The Police Officers' Retirement System also provided certain disability, death, and other benefits, which are considered to be retirement benefits for funding and actuarial purposes. Eligible employees become fully vested after 10 years of credited service.

All employees working in excess of 1,040 hours per year were required to participate.

Effective May 1, 2012:

Normal Retirement

Police officers shall be eligible for normal retirement after 20 or more years of service, regardless of age; or age 50 with 10 or more years of service; or, members with at least 10 years of credited service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more Such police officers' retirement benefits are determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the greater of 3.5% per year of credited service to a maximum of 25 years, or 2.0% per year of credited service to a maximum of 50 years.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Police Officers (Continued)

Effective May 1, 2012 (Continued):

Normal Retirement (Continued)

Police officers shall be eligible for normal retirement upon attaining age 50, or 20 or more years of credited service without regard to age, and upon such retirement shall be eligible to receive the frozen accrued benefit based on credited service and Average Final Compensation on April 30, 2012 and the above formulas. Such members shall be eligible to receive the accrued benefit based on credited service on and after May 1, 2012 upon attaining age 65 with 10 or more years of credited service. For credited service on or after May 1, 2012, the benefit formula shall be the Average Final Compensation multiplied by 1.25% per year of credited service after April 30, 2012. Average Final Compensation after April 30, 2012 will be over a period increasing up to the final 5 years of credited service.

DROP Retirement

Police officers may elect to enter the Deferred Retirement Option Program ("DROP") within 7 years of the date the member first reaches normal retirement eligibility. The member receives 100% of their accrued benefit at the date of their election to participate in DROP.

Deferred Retirement (Vested Termination Benefit)

Police officers with 10 or more years of service are eligible for a deferred retirement benefit. The pension begins upon meeting the requirements for normal retirement. Contributions must be left on deposit in the Plan. Failure to do so results in forfeiture of the vested benefit. Frozen accrued benefits as of April 30, 2012 are vested immediately. The pension amount is computed as for normal retirement, based upon service and final average compensation at time of termination.

Duty Disability Retirement

There are no age or service requirements for duty disability for police officers. The pension amount is computed as a regular retirement with additional service credit granted from date of disability to earliest normal retirement eligibility date. Minimum benefit is 60% of average final compensation.

Non-Duty Disability Before Retirement

Police officers are eligible for non-duty disability benefits before retirement after 10 or more years of credited service. The pension amount is computed as for normal retirement.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Police Officers (Continued)

Effective May 1, 2012 (Continued):

Duty Death Before Retirement

There are no age or service requirements for duty death benefits before retirement for police officers. The pension amount to each surviving child is 25% of the member's Average Final Compensation not to exceed 50% or equal share of 75% of the member's Average Final Compensation when there are 4 or more surviving children being paid. The widow shall receive a pension benefit of the difference, if any, between 75% of the member's Average Final Compensation and the aggregate amount paid to the children.

Non-Duty Death Before Retirement

Police officers are eligible for non-duty death benefits before retirement after 10 or more years of credited service. The pension amount is computed as 75% of normal retirement benefit to a surviving spouse or equal shares of 75% of the normal retirement benefit to surviving unmarried children under age 18.

Automatic Death After Retirement Pension

If the member chooses the standard option, police officers who had attained normal retirement eligibility based on credited service as of May 1, 2012 are eligible for an automatic after death retirement pension. The benefit to surviving children shall be 25% of the retiree's pension payable to age 18, not to exceed an equal share of 75% of the retiree's pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable. The benefit to the surviving spouse shall be the difference, if any, between 75% of the retiree's pension and the aggregate amount paid to any surviving children.

Police officers who had not attained retirement eligibility as of May 1, 2012 shall have frozen accrued benefits as described in the preceding paragraph. New plan benefits accrue after April 30, 2012. Reduced optional forms of payment are available.

Post-Retirement Cost-of-Living Adjustment

Police officers that retired after September 30, 1968 and prior to October 1, 1990 receive an annual 1.0% increase computed on base benefit. Other adjustments have been made periodically. Police officers that retired after September 30, 1990 and before May 1, 2012 receive an annual 2.0% increase based on the total pension payable subsequent to an initial 3-year deferral period.

Police officers who had attained normal retirement eligibility based on credited service as of May 1, 2012 will receive an annual 2.0% increase based on pension benefits accrued and frozen as of April 30, 2012, subject to an initial 3-year deferral period.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Police Officers (Continued)

Effective May 1, 2012 (Continued):

Post-Retirement Cost-of-Living Adjustment (Continued)

Police officers who had not attained retirement eligibility as of May 1, 2012 do not receive any cost-of-living adjustment for benefits derived from service accrued on or after May 1, 2012. Police officers who have accrued service as of April 30, 2012 will receive a 2.0% cost of living adjustment for benefits derived for service accrued to that date.

Firefighters

Prior to May 1, 2012

Firefighters were eligible for retirement after 20 or more years of service, regardless of age; or age 50 with 10 or more years of service; or, members with at least 10 years of credited service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more.

Firefighters' retirement benefits were determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the greater of 3.5% per year of credited service to a maximum of 25 years, or 2.0% per year of credited service to a maximum of 50 years.

A member of the Firefighters' Retirement System could elect to enter the Deferred Retirement Option Program ("DROP") within 7 years of the date the member first reaches normal retirement eligibility. The member receives 100% of their accrued benefit at the date of their election to participate in DROP.

Members who retired after September 30, 1968, and prior to October 1, 1990, received an annual 1% increase in their retirement benefit computed on the base benefit. Members who retired after September 30, 1990, received a 2% annual cost of living adjustment subsequent to an initial 3-year deferral period.

The Firefighters' Retirement System also provided certain disability, death, and other benefits, which are considered to be retirement benefits for funding and actuarial purposes. Eligible employees become fully vested after 10 years of credited service.

All employees working in excess of 1,040 hours per year were required to participate.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Firefighters (Continued)

Effective May 1, 2012:

Normal Retirement

Firefighters shall be eligible for normal retirement after 20 or more years of service, regardless of age; or age 50 with 10 or more years of service; or, members with at least 10 years of credited service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more.. Such Firefighters' retirement benefits are determined by multiplying the Average Final Compensation (highest two consecutive years out of the last five), times the greater of 3.5% per year of credited service to a maximum of 25 years, or 2.0% per year of credited service to a maximum of 50 years.

Firefighters shall be eligible for normal retirement upon attaining age 50, or 20 or more years of credited service without regard to age, and upon such retirement shall be eligible to receive the frozen accrued benefit based on credited service and Average Final Compensation on April 30, 2012 and the above formulas. Such members shall be eligible to receive the accrued benefit based on credited service on and after May 1, 2012 upon attaining age 65 with 10 or more years of credited service. For credited service on or after May 1, 2012, the benefit formula shall be the Average Final Compensation multiplied by 1.25% per year of credited service after April 30, 2012. Average Final Compensation after April 30, 2012 will be over a period increasing up to the final 5 years of credited service.

DROP Retirement

Firefighters may elect to enter the Deferred Retirement Option Program ("DROP") within 7 years of the date the member first reaches normal retirement eligibility. The member receives 100% of their accrued benefit at the date of their election to participate in DROP.

Deferred Retirement (Vested Termination Benefit)

Firefighters with 10 or more years of service are eligible for a deferred retirement benefit. The pension begins upon meeting the requirements for normal retirement. Contributions must be left on deposit in the Plan. Failure to do so results in forfeiture of the vested benefit. Frozen accrued benefits as of April 30, 2012 are vested immediately. The pension amount is computed as for normal retirement, based upon service and final average compensation at time of termination.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Firefighters (Continued)

Effective May 1, 2012 (Continued):

Duty Disability Retirement

There are no age or service requirements for duty disability for firefighters. The pension amount is computed as a regular retirement with additional service credit granted from date of disability to earliest normal retirement eligibility date. Minimum benefit is 60% of average final compensation.

Non-Duty Disability Before Retirement

Firefighters are eligible for non-duty disability benefits before retirement after 10 or more years of credited service. The pension amount is computed as for normal retirement.

Duty Death Before Retirement

There are no age or service requirements for duty death benefits before retirement for firefighters. The pension amount to each surviving child is 25% of the member's Average Final Compensation not to exceed 50% or equal share of 75% of the member's Average Final Compensation when there are 4 or more surviving children being paid. The widow shall receive a pension benefit of the difference, if any, between 75% of the member's Average Final Compensation and the aggregate amount paid to the children.

Non-Duty Death Before Retirement

Firefighters are eligible for non-duty death benefits before retirement after 10 or more years of credited service. The pension amount is computed as 75% of normal retirement benefit to a surviving spouse or equal shares of 75% of the normal retirement benefit to surviving unmarried children under age 18.

Automatic Death After Retirement Pension

If the member chooses the standard option, firefighters who had attained normal retirement eligibility based on credited service as of May 1, 2012 are eligible for an automatic after death retirement pension. The benefit to surviving children shall be 25% of the retiree's pension payable to age 18, not to exceed an equal share of 75% of the retiree's pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable. The benefit to the surviving spouse shall be the difference, if any, between 75% of the retiree's pension and the aggregate amount paid to any surviving children.

Firefighters who had not attained retirement eligibility as of May 1, 2012 shall have frozen accrued benefits as described in the preceding paragraph. New plan benefits accrue after April 30, 2012. Reduced optional forms of payment are available.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Firefighters (Continued)

Effective May 1, 2012 (Continued):

Post-Retirement Cost-of-Living Adjustment

Firefighters that retired after September 30, 1968 and prior to October 1, 1990 receive an annual 1.0% increase computed on base benefit. Other adjustments have been made periodically. Firefighters that retired after September 30, 1990 and before May 1, 2012 receive an annual 2.0% increase based on the total pension payable subsequent to an initial 3-year deferral period.

Firefighters who had attained normal retirement eligibility based on credited service as of May 1, 2012 will receive an annual 2.0% increase based on pension benefits accrued and frozen as of April 30, 2012, subject to an initial 3-year deferral period.

Firefighters who had not attained retirement eligibility as of May 1, 2012 do not receive any cost-of-living adjustment for benefits derived from service accrued on or after May 1, 2012. Firefighters who have accrued service as of April 30, 2012 will receive a 2.0% cost of living adjustment for benefits derived for service accrued to that date.

Basis of Accounting

The Plans' financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Funding Policy

The contribution requirements of Plan members and the Town are established and may be amended by the Town Council. Plan members are required to contribute a percentage of their annual covered salary as described in the following table. The Town is required to contribute at an actuarially determined rate. Administrative expenses of the Plans are reimbursed on a retrospective basis by an addition to the Town's contribution rate.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Funding Policy (Continued)

The contribution rates for the fiscal year ended September 30, 2013, as a percentage of the employees' annual compensation, were as follows:

	Member Contributions	Town Contributions
General employees hired before 05/01/92	4.47%	11.87%
General employees hired after 05/01/92	2.47%	11.87%
Lifeguards hired before 05/01/92	5.21%	63.59%
Lifeguards hired after 05/01/92	3.21%	63.59%
Police officers	4.98%	25.04%
Firefighters	4.82%	27.72%

Net Pension Obligation

A reconciliation of the Town's beginning and ending net pension obligation to the Plans is presented below.

	General Employees and Lifeguards	Police Officers	Firefighters
Annual required contribution	$ 1,349,164	$ 1,257,107	$ 1,370,636
Interest on net pension obligation	0	0	0
Adjustment to annual required contribution	0	0	0
Annual pension cost	1,349,164	1,257,107	1,370,636
Contributions made	(1,349,164)	(1,257,107)	(1,370,636)
Increase (decrease) in net pension obligation	0	0	0
Net pension obligation, beginning of year	0	0	0
Net pension obligation, end of year	$ 0	$ 0	$ 0

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Actuarial Assumptions

The annual pension cost, net pension obligation and required contribution for the fiscal year ended September 30, 2013 were determined as part of the actuarial valuation of the Plans as of September 30, 2013 using the entry age actuarial cost method. Significant actuarial assumptions used in the latest actuarial valuations of the Plans are summarized as follows:

	General Employees	Police Officers	Firefighters
Valuation date	September 30, 2013	September 30, 2013	September 20, 2013
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	18-30 years	13-30 years	18-30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:			
Investment rate of return	7.50%	7.50%	7.50%
Projected salary increases	7.3% to 3.7%	7.3% to 3.7%	7.3% to 3.5%
Includes inflation and other general increases at	3.5%	3.5%	3.5%
Cost-of-living adjustments	Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members retiring after 9/30/90 will be increased 2.0% annually based on their total pension after a 3-year deferral period. Benefits accrued after 4/30/12 are not adjusted for those not eligible for normal retirement as of 5/1/12. Other adjustments have been made periodically.	Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members retiring after 9/30/90 will be increased 2.0% annually based on their total pension after a 3-year deferral period. Benefits accrued after 4/30/12 are not adjusted for those not eligible for normal retirement as of 5/1/12. Other adjustments have been made periodically.	Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members retiring after 9/30/90 will be increased 2.0% annually based on their total pension after a 3-year deferral period. Benefits accrued after 4/30/12 are not adjusted for those not eligible for normal retirement as of 5/1/12. Other adjustments have been made periodically.

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Annual Pension Cost

Information about the Town's annual pension cost for the last three fiscal years ended September 30th is shown below:

Plan / Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
General Employees			
2011	$2,460,540	100%	$ 0
2012	811,440	100%	0
2013	1,349,164	100%	0
Police Officers			
2011	$2,496,264	100%	$ 0
2012	1,235,000	100%	0
2013	1,257,107	100%	0
Firefighters			
2011	$2,919,314	100%	$ 0
2012	1,415,000	100%	0
2013	1,370,636	100%	0

Funded Status

The funded status of the Plans as of September 30, 2013, the date of the most recent actuarial valuations, is as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
General Employees						
09/30/2013	$73,853	$91,884	$18,031	80.4%	$9,698	185.9%
Police Officers						
09/30/2013	$60,553	$82,416	$21,863	73.5%	$3,454	633.0%
Firefighters						
09/30/2013	$56,007	$82,218	$26,211	68.1%	$3,671	714.0%

NOTE I – TOWN OF PALM BEACH RETIREMENT SYSTEM (Continued)

Funding Progress

The required schedule of funding progress presented following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE J – DEFINED CONTRIBUTION PENSION PLAN

The Town established the Town of Palm Beach Defined Contribution Retirement Plan in the form of the ICMA Retirement Corporation Governmental Money Purchase Plan & Trust effective May 1, 2012 to provide benefits at retirement to the Town's employees. The Plan is a single-employer defined contribution pension plan administered by the ICMA Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

The Plan covers all employees working in excess of 1040 hours per year. Police officers, firefighters, general employees hired before May 1, 1992, and lifeguards hired before May 1, 1992 are required to make mandatory pre-tax contributions equal to 2% of covered compensation. General employees hired on or after May 1, 1992 and lifeguards hired on or after May 1, 1992 are required to make mandatory pre-tax contributions of 4% of covered compensation. The Town is required to match mandatory contributions. Covered compensation includes base pay (inclusive of all leave time) but excludes overtime and bonuses.

Employees are allowed to make voluntary contributions up to the maximum allowable under IRS Regulations. The Town is required to match up to 2% for voluntary contributions by police officers, firefighters, general employees hired before May 1, 1992, and lifeguards hired before May 1, 1992. The Town is not required to match voluntary contributions for general employees hired on or after May 1, 1992 and lifeguards hired on or after May 1, 1992. However, total Town contributions will not exceed 4% for any benefit group and will not be less than $1,000 per fiscal year per enrolled member.

Both the Town and the covered employees made the required contributions of $573,125 and $585,578, respectively, for a total of $1,158,703 for the year ended September 30, 2013.

The Town does not hold or administer resources of the Plan. Consequently, the Plan does not meet the requirements for inclusion in the Town's financial statements as a fiduciary fund. The Plan does not issue a stand-alone financial report. Plan provisions are established and may be amended only by the Town Council.

NOTE K - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: The Town of Palm Beach Other Postemployment Benefits (OPEB) Plan is a single-employer, defined benefit postemployment healthcare plan that is administered by the Town and covers retired employees of the Town and their dependents. The Plan provides for the payment of a portion of the health insurance premiums for eligible retired employees. The Town Council has the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available financial report.

The Plan has 177 retirees receiving benefits and a total of 285 active participants as of September 30, 2013.

Funding Policy: The contribution requirements of Plan members and the Town are established and may be amended by the Town Council. These contributions are neither mandated nor guaranteed. The Town has retained the right to unilaterally modify its payment for retiree health care benefits.

Plan members receiving benefits contribute a percentage of the monthly insurance premium. Prior to January 1, 2010, retiree contributions were 50% of the actuarial premium. Effective January 1, 2010, the retiree contributions were changed to a sliding scale under which the retiree contribution varies depending on years of service and pension benefit. The retiree contributions vary from a minimum of 50% of the actuarial premium to the maximum amount allowed under Florida Statute 112.08.

The State of Florida prohibits the Town from separately rating retirees and active employees. The Town therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the Town has elected to contribute to the Plan at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the Plan.

Net OPEB Asset: A reconciliation of the Town's beginning and ending net OPEB asset is presented below.

Annual required contribution	$1,331,061
Interest on net OPEB asset	(1,180,945)
Adjustment to annual required contribution	853,005
Annual OPEB cost	1,003,121
Contributions made	(1,769,000)
Decrease in net OPEB asset	(765,879)
Net OPEB asset, October 1, 2012	(14,761,811)
Net OPEB asset, September 30, 2013	$(15,527,690)

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk and changes in marital status, could result in actual costs being greater or less than estimated.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The most recent actuarial valuation of the Plan was done as of October 1, 2012. The projected unit credit actuarial cost method was used. The actuarial assumptions included an 8% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the Town's own investments calculated based on the funded level of the plan at the valuation date, an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% in the year 2023 and a salary increase assumption of 3.5% per annum. All three rates included a 3.0% inflation assumption. The actuarial value of assets was determined based on the actual fair value of assets as of the valuation date. The UAAL will be amortized over a period of 30 years as a level percentage of projected payroll on an open basis.

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost: Three-year trend information about the Town's annual OPEB cost is shown below:

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
9-30-11	$1,466,986	$ 1,533,000	104%	$(14,878,014)
9-30-12	1,609,203	1,493,000	93%	(14,761,811)
9-30-13	1,003,121	1,769,000	176%	(15,527,690)

Funded Status:

The funded status of the plan as of most recent actuarial valuation date was as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10-01-12	$20,942	$29,289	$8,347	71.5%	21,754	38.4%

Funding Progress: Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The OPEB Trust Fund does not issue a separate financial report. The Trust Fund's financial statements are presented below.

Statement of Plan Net Position
September 30, 2013

Assets	
Cash and cash equivalents	$ 164,607
Equity in pooled cash and investments	2,367,103
Interest and dividends receivable	5,623
Investment at fair value	
Domestic equity funds	7,461,337
International equity funds	4,664,120
Inflation hedging funds	993,645
Domestic fixed income funds	5,248,528
Alternative investments	4,197,503
Total assets	25,102,466
Liabilities	
Accounts payable	285,580
Accrued liabilities	2,096
Total liabilities	287,676
Net position held in trust for retiree health benefits	$ 24,814,790

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Statement of Change in Plan Net Position
Year Ended September 30, 2013

Additions	
Contributions	
Employer	$ 1,769,000
Employee	1,307,306
Other	83,822
Total contributions	3,160,128
Investment income (loss)	
Net appreciation in fair value of investments	2,009,134
Interest and dividends	477,583
Total investment income	2,486,717
Less investment expense	(106,813)
Net investment income	2,379,904
Other income	585,086
Total additions	6,125,118
Deductions	
Benefit payments	2,177,635
Administrative expense	74,397
Other	549
Total deductions	2,252,581
Net increase	3,872,537
Net position held in trust for retiree health benefits – beginning of year	20,942,253
Net position held in trust for retiree health benefits – end of year	$ 24,814,790

NOTE L - INSURANCE PROGRAM

The Town retains the risk of loss for certain claims related to general liability and property risks, group accident and health, and workers' compensation. These insurance activities are accounted for in the Internal Service Funds. The Internal Service Funds charge departments of the Town for insurance coverage based upon historical claims experience, insurance costs and relative share of total risk. A claims liability of approximately $1,611,000 is included in accrued liabilities of the Internal Service Funds at September 30, 2013. This liability is based on the provisions of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be accrued if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accordingly, the accrued liability for claims includes the estimated future liability on a case-by-case basis for all reported claims and an amount for claims incurred but not reported. The accrued claims liabilities at September 30, 2013 were determined by actuarial valuations performed by Willis Casualty Actuarial Services for group health and Glicksman Consulting, LLC. for general liability, workers' compensation, and property.

The Town's insurance program covers most risks insured by public entities. There are exposures to the Town that are either uninsured or uninsurable that pose a financial risk to the Town. The exposures consist of, but are not limited to, street lights, traffic lights, signs, roads, sidewalks, underground storm and sanitary sewers, seawalls, bulkheads, piling, docks, statues, living wall, clock tower, mold, beaches, shrubs, plants, security cameras not in buildings, acts of terrorism, and debris left from hurricanes. There is also a 5% deductible for named wind storms under the Town's property coverage which is not included in the 75% confidence level provided by the outside actuarial firm. Settled claims have not exceeded commercial insurance coverage in the past three years.

The Town is a party to various claims, legal actions and complaints. In the opinion of Town management, all such matters are adequately covered by claim reserves under its insurance program or if not covered, are without merit or involve such minimal amounts that an unfavorable disposition would not have a material effect on the Town's financial position.

The insurance coverage and accrued claims liability of the Internal Service Funds at September 30, 2013 are summarized on the following page.

NOTE L - INSURANCE PROGRAM (Continued)

	Accrued Claims Liability
Group Accident and Health: Certain employees and retirees of the Town contribute through payroll deductions or deductions from pension payments to the cost of group benefits. The remainder of the necessary funding is contributed by the Town based on an actuarially determined amount. As of September 30, 2013, these benefits covered 285 active employees, 177 retirees and 523 dependents. Net costs for the year ended September 30, 2013 were approximately $4,235,000. The Town retains the risk of loss up to $100,000 per occurrence. Insurance coverage for claims in excess of these specific limits (up to the policy maximum of $2,000,000 per person, per life-time) has been obtained from a commercial carrier. The Town makes available certain health insurance benefits for its retired employees and their dependents in accordance with State Statute. Retiree health care benefits are accounted for in the Town's OPEB plan.	$ 288,000
General Liability, Automobile Liability, Public Official Liability, Workers' Compensation and Property: The Town retains the risk of loss for most exposures and maintains excess insurance coverage above the Town's retained risk of loss of $100,000 per occurrence for Public Official Liability, $200,000 per occurrence, $300,000 aggregate for General Liability, $100,000 per occurrence, $200,000 aggregate for Automobile Liability, and $500,000 per claim for Workers' Compensation. An aggregate retention (Loss Fund) of $1,200,000 applies to each fiscal year. The loss fund does not include any property claims.	
Excess liability coverage of $5,000,000 per occurrence, $10,000,000 aggregate is maintained with commercial carriers for General Liability and Automobile Liability. Public Official Liability coverage of $5,000,000 per occurrence and $5,000,000 in the aggregate is also maintained. Excess Workers' Compensation coverage is maintained with commercial carriers at statutory limits and Property coverage is maintained with commercial carriers at $37,726,113 (a reduction of $1,228,647 from the prior year) for buildings and contents with a $5,000 deductible per occurrence plus a 5% deductible per insured location for a "named" windstorm.	
Florida Statutes limit the Town's maximum loss for most liability claims to $200,000 per person and $300,000 per occurrence under the Doctrine of Sovereign Immunity. 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 the Florida Statutes do not apply to claims filed in Federal courts.	1,323,000
	$ 1,611,000

NOTE L - INSURANCE PROGRAM (Continued)

The claims activity for the last two fiscal years is summarized as follows:

	Year Ended September 30, 2013	Year Ended September 30, 2012
Accrued claims liability at beginning of fiscal year	$ 2,648,000	$ 4,436,000
Current year claims and changes in estimates	3,859,000	2,223,000
Claim payments	(4,896,000)	(4,011,000)
Accrued claims liability at end of fiscal year	$ 1,611,000	$ 2,648,000

NOTE M - COMMITMENTS AND CONTINGENCIES

Contractual Commitments: The Town has various long-term contractual obligations for construction projects on which work has not been completed. The remaining commitments on these obligations at September 30, 2013 are as follows:

	Revised Contract Amount	Amount Expended at September 30, 2013	Balance at September 30, 2013
Accelerated Capital Fund	$ 10,867,306	$ 4,002,793	$ 6,864,513
Recreation Enterprise Fund	3,054,747	1,937,748	1,116,999
Underground Utility Assessment Fund	1,695,156	481,427	1,213,729
Equipment Replacement Fund	879,981	834,207	45,774
Capital Improvement Fund	712,094	647,162	64,932
Total	$ 17,209,284	$ 7,903,337	$ 9,305,947

Grants: Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the Federal government and State of Florida. Any disallowed claims, including amounts already received, might constitute a liability of the Town for the return of those funds. As of September 30, 2013, approximately $240,000 of such amounts to be refunded by the Town is included in “Due to Other Governments” in the accompanying Statement of Net Position of the Town’s governmental activities.

NOTE M - COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies: In September 2010, the City of Lake Worth filed a complaint against the Town of Palm Beach and six other bulk sewer customers claiming that the Town has underpaid the City for sewage transmission service in the City of Lake Worth Subregional Sewer System. The City alleges that in underpaying for service, the Town has breached certain contracts dating back to 1978, has been unjustly enriched, and has violated the terms of the Prompt Payment Act. In July 2012, Florida's Auditor General issued an audit report critical of Lake Worth's accounting and rate setting practices. Later that month, Lake Worth sent a letter to the Auditor General acknowledging most, if not all, of the main points contained in the audit report. In March 2013, an agreement was reached that will resolved all disputes among the parties. Under the terms of the agreement, the Town received a refund in the amount of $262,406.

Encumbrances: At September 30, 2013, the following amounts were encumbered in the governmental funds:

Major Funds	
General Fund	$ 805,557
Underground Utility Assessment Fund	181,062
Beach Restoration Project Fund	1,367,770
Accelerated Capital Fund	7,510,257
Total Major Funds	9,864,646
Non-Major Governmental Funds	1,646,036
Total Encumbrances	$ 11,510,682

NOTE N – POLLUTION REMEDIATION OBLIGATIONS

During the replacement of a fuel storage tank in Phipps Park, non-petroleum contamination was detected. The contaminants include arsenic and chlorinated pesticides in both soil and groundwater samples. As required by state and federal laws and regulations, this information was submitted to Palm Beach County Environmental Resources Management, the authorized regulatory agency. Representatives of the Town have also met with representatives of the Florida Department of Environmental Protection (FDEP) to relay the preliminary information and request guidance. The Town engaged consultants to develop a remediation plan. The removal of the contaminated soil has been completed at an approximate cost of $446,000. Post remediation monitoring of the groundwater was conducted and the results showed that the contaminants were naturally attenuating. The FDEP has allowed the Town to conclude remediation efforts as long as the site is not sold and the groundwater is not used for irrigation or consumption. The documents for concluding the remediation effort with FDEP are currently being prepared and will be submitted in mid-2014.

NOTE O – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town currently operates two vegetative waste landfill sites, one on Skees Road and another on Okeechobee Boulevard. State and federal laws and regulations require that the Town place a final cover on these landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at these sites for a minimum of thirty years after closure. Although the majority of closure and postclosure care costs will be paid only near or after the date that the operating landfills stop accepting waste, in accordance with GASB Statement No. 18***, Landfill Closure and Postclosure Care Costs***, the Town reports a portion of these closure and post closure care costs as an operating expense each fiscal year based on the landfill capacity used during the period.

As of September 30, 2013, the estimated liability for landfill closure and postclosure care costs were $1,386,491 for the Skees Road site and $974,503 for the Okeechobee Boulevard site for a total of $2,360,994. This represents the cumulative amounts reported to date based on the use of 58.0% of the estimated capacity of the Skees Road site and 76.8% of the Okeechobee Boulevard site. The total liability is reported in the Governmental Activities in the entity-wide Statement of Net Position. The Town will recognize the remaining estimated costs of closure and postclosure care of $1,005,248 for the Skees Road Site and $294,381 for the Okeechobee Boulevard site as the remaining estimated capacity is filled. The landfills have remaining estimated lives of 49 years and 15 years for the Skees Road site and Okeechobee Boulevard site, respectively.

The estimated total current cost of the landfill closure and post closure care is $2,391,739 for the Skees Road site and $1,268,884 for the Okeechobee Boulevard site for a total of $3,660,623. This is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of September 30, 2013. However, the actual cost of closure and postclosure may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

In accordance with Rule 62-701.630, Florida Administrative Code, the Town is required to prepare and submit alternate proof of financial assurance to the Florida Department of Environmental Protection on an annual basis showing that the Town has sufficient financial resources to cover, at a minimum, the costs of complying with all state landfill closing and long-term care requirements. The Town is in compliance with this requirement.

NOTE P - DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

As of September 30, 2013, the Underground Utility Assessment Special Revenue Fund had an unassigned fund balance deficit in the amount of $961,325. The deficit was caused by expenditures for the underground utility project incurred prior to the levy of the assessments.

NOTE Q – PRIOR PERIOD ADJUSTMENT

Enterprise Fund

The beginning net position of the Recreation Enterprise Fund has been restated on the fund basis financial statements to record depreciation expense on assets misclassified as non-depreciable in prior years. A reconciliation of the prior period ending net position to the current year beginning net position is as follows

Balance at September 30, 2012	$ 19,726,939
Adjustment to correct depreciation	(335,403)
Balance at September 30, 2012, as restated	$ 19,391,536

The above adjustment had no impact on the current year change in net position and decreased the prior year change in net position by $111,801

Business-type Activities

The beginning net position of the Business-type Activities has been restated on the entity-wide financial statements to record depreciation expense on assets misclassified as non-depreciable in prior years. A reconciliation of the prior period ending net position to the current year beginning net position is as follows

Balance at September 30, 2012	$ 19,731,142
Adjustment to correct depreciation	(335,403)
Balance at September 30, 2012, as restated	$ 19,395,739

The above adjustment had no impact on the current year change in net position and decreased the prior year change in net position by $111,801

NOTE R - SUBSEQUENT EVENT

On December 13, 2013, the Town issued the Town of Palm Beach Public Improvement Revenue Bonds, Series 2013 in the principal amount of $55,590,000. The Bonds were issued for the purpose of providing funds to (i) finance all or a portion of the cost of acquiring, constructing, renovating, and equipping components of the Town's capital improvement plan, including, but not limited to, drainage, sanitary sewer, water system, street lighting, street, traffic signal, curb, gutter sidewalk, park, Town Hall Square and Town Par 3 golf course improvements and related capital improvements, and the Town's coastal management program, including, but not limited to, sea wall replacements, groin rehabilitation and related capital improvements; and (ii) pay the costs of issuing the Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes				
Ad valorem	$ 36,865,400	$ 36,865,400	$ 37,473,107	$ 607,707
Local option gas tax	310,000	310,000	299,081	(10,919)
Franchise fees	2,210,000	2,210,000	2,036,065	(173,935)
Utility service	4,957,500	4,957,500	5,098,715	141,215
Business tax receipts	625,000	625,000	666,788	41,788
Total taxes	44,967,900	44,967,900	45,573,756	605,856
Fees and permits				
Building permits	5,333,300	5,333,300	6,500,256	1,166,956
Fees and other permits	306,000	306,000	459,522	153,522
Total fees and permits	5,639,300	5,639,300	6,959,778	1,320,478
Intergovernmental				
State shared revenue	996,600	996,600	944,040	(52,560)
Shared revenue-local	20,000	20,000	42,813	22,813
Total intergovernmental	1,016,600	1,016,600	986,853	(29,747)
Charges for services				
General government	40,850	40,850	41,412	562
Public safety	1,582,700	1,582,700	1,440,533	(142,167)
Physical environment	1,217,566	1,217,566	1,264,060	46,494
Transportation	811,000	811,000	830,150	19,150
Total charges for services	3,652,116	3,652,116	3,576,155	(75,961)
Fines and forfeitures	1,299,000	1,299,000	1,530,787	231,787
Investment earnings	900,500	900,500	32,425	(868,075)
Grant revenue	3,850	3,850	3,861	11
Miscellaneous				
Rents and royalties	95,981	95,981	69,606	(26,375)
Other miscellaneous	94,000	94,000	500,152	406,152
Total miscellaneous	189,981	189,981	569,758	379,777
Total revenues	57,669,247	57,669,247	59,233,373	1,564,126

See notes to the budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
EXPENDITURES				
General government				
Town manager	$ 1,751,039	$ 2,042,026	$ 1,958,026	$ 84,000
Human resources	679,988	712,988	633,448	79,540
Information systems	1,822,385	1,980,289	1,812,591	167,698
Town clerk	307,897	325,488	291,035	34,453
Finance	1,574,526	1,576,261	1,544,072	32,189
Planning, zoning and building	578,842	624,382	561,254	63,128
Permit issuance	1,040,976	1,112,289	918,016	194,273
Employee benefits	1,769,000	1,769,000	1,769,000	
Total general government	9,524,653	10,142,723	9,487,442	655,281
Public safety				
Inspection and compliance	1,127,890	1,196,234	1,003,296	192,938
Fire-rescue	11,023,993	11,034,883	10,628,331	406,552
Police	13,202,058	13,208,068	12,298,116	909,952
Emergency / disaster response	890,950	336,968	5,581	331,387
Total public safety	26,244,891	25,776,153	23,935,324	1,840,829
Physical environment				
Administration	905,013	904,013	837,984	66,029
Sewer and sanitation	7,969,792	8,882,001	7,026,797	1,855,204
Public works	3,031,349	3,563,309	2,951,052	612,257
Total physical environment	11,906,154	13,349,323	10,815,833	2,533,490
Transportation				
Streets and repairs	381,335	402,471	357,866	44,605
Traffic control	736,762	858,366	677,469	180,897
Total transportation	1,118,097	1,260,837	1,035,335	225,502
Culture and recreation				
Recreation	164,100	166,110	156,593	9,517
Library	288,989	288,989	288,989	
Parks and beaches	1,306,517	1,338,821	1,200,728	138,093
Total culture and recreation	1,759,606	1,793,920	1,646,310	147,610
Non-departmental	1,892,780	1,922,780	1,922,643	137
Total expenditures	52,446,181	54,245,736	48,842,887	5,402,849

(continued)

See notes to the budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
OTHER FINANCING SOURCES (USES)				
Transfers In	$ 885,000	$ 885,000	$ 885,000	$
Transfers Out	(7,265,099)	(9,265,099)	(9,265,099)	
	(6,380,099)	(8,380,099)	(8,380,099)	
Revenue and other sources under expenditures and other uses	$ (1,157,033)	$ (4,956,588)	2,010,387	$ 6,966,975
Fund balances - beginning of year			28,223,130	
Fund balance - end of year			$ 30,233,517	

See notes to the budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2013

NOTE A - BUDGETARY ACCOUNTING

Budgets: Budgets are legally adopted for the General Fund, all Debt Service Funds, and all Capital Projects Funds. Special Revenue Funds are not budgeted. All governmental fund budgets are prepared on the modified accrual basis of accounting. Formal budgetary integration is employed within the accounting system as a management control device. Appropriations are legally controlled at the departmental level and expenditures may not legally exceed appropriations at that level.

Under the Laws of the State of Florida and the Town Code, the Town Manager submits to the Mayor and Town Council, prior to July 31st, a proposed Annual Budget and Financial Plan for the fiscal year commencing the following October 1st. The Annual Budget and Financial Plan is prepared by fund, function and activity and includes all proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to October 1st, the budget is legally enacted by the Town Council through passage of an ordinance.

Changes or amendments to increase or decrease the total amount of budgeted revenue or expenditures for a given fund must be approved by a majority vote of the Town Council; however, changes, amendments or transfers within the total revenue or expenditures for functions, activities or departments of a given fund may be approved by the Town Manager.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget based on legally authorized revisions to the original budgets during the year. Unexpended appropriations lapse at year end.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control. Encumbrances lapse at year end and become obligations of the subsequent year's budget. At September 30, 2013, the Town had commitments related to unperformed contracts, which have been re-appropriated in the 2013-2014 annual budget. These amounts are not included in the current year’s expenditures as reported in these financial statements. The amended budget at September 30, 2013, includes $1,799,555 of prior year encumbrances that were re-appropriated.

NOTE B - BUDGET AND ACTUAL COMPARISONS

A budgetary comparison schedule is required to be presented for the General Fund and each budgeted special revenue fund. The Underground Utility Assessment Special Revenue Fund is not legally required to be budgeted and is not budgeted. For the year ended September 30, 2013, no departments had an excess of expenditures over appropriations.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS - PENSION PLAN

September 30, 2013

(In Thousands)

Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
Town of Palm Beach Retirement System - General Employees							
09/30/08		$ 73,732	$ 83,758	$ 10,026	88.0%	$ 12,687	79.0%
09/30/09		72,370	89,658	17,288	80.7%	13,304	129.9%
09/30/10		73,809	93,147	19,338	79.2%	11,580	167.0%
09/30/11	(1)	74,247	82,974	8,727	89.5%	10,926	79.9%
09/30/12	(1)	72,393	90,681	18,288	79.8%	9,884	185.0%
09/30/13	(1)	73,853	91,884	18,031	80.4%	9,698	185.9%
Town of Palm Beach Reitrement System - Police Officers							
09/30/08		$ 61,668	$ 68,525	$ 6,857	90.0%	$ 5,309	129.2%
09/30/09		63,000	74,257	11,257	84.8%	6,187	181.9%
09/30/10		64,079	76,694	12,615	83.6%	6,043	208.8%
09/30/11	(1)	63,554	72,421	8,867	87.8%	5,222	169.8%
09/30/12	(1)	61,028	80,129	19,101	76.2%	4,241	450.4%
09/30/13		60,553	82,416	21,863	73.5%	3,454	633.0%
Town of Palm Beach Retirement System - Firefighters							
09/30/08		$ 57,652	$ 71,813	$ 14,161	80.3%	$ 5,823	243.2%
09/30/09		57,852	78,139	20,287	74.0%	6,398	317.1%
09/30/10		59,219	81,598	22,379	72.6%	6,219	359.8%
09/30/11	(1)	58,899	72,928	14,029	80.8%	5,142	272.8%
09/30/12	(1)	56,304	79,887	23,583	70.5%	4,087	577.0%
09/30/13		56,007	82,218	26,211	68.1%	3,671	714.0%

(1) After changes in benefit provisions and/or actuarial assumptions and/or actuarial cost methods

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS

Year Ended September 30, 2013

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
10/01/08	$ 15,786	$ 26,720	$ 10,934	59.1%	$ 30,878	35.4%
10/01/10	17,701	27,769	10,068	63.7%	26,281	38.3%
10/01/12	20,942	29,289	8,347	71.5%	21,754	38.4%

The schedule of funding progress presented above presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

MAJOR CAPITAL PROJECTS FUNDS
BUDGETARY COMPARISON SCHEDULES

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - BEACH RESTORATION PROJECT FUND

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment earnings	$ 20,000	$ 20,000	$ 1,397	$ (18,603)
Grant revenue			51,126	51,126
Total revenues	$ 20,000	$ 20,000	$ 52,523	$ 32,523
EXPENDITURES				
Current				
Physical environment	$	$ 2,689,527	$ 584,616	$ 2,104,911
Non-departmental	6,932,000	2,277,225		2,277,225
Capital outlay		1,965,248	110,212	1,855,036
Total expenditures	$ 6,932,000	$ 6,932,000	$ 694,828	$ 6,237,172
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 2,738,514	$ 4,738,514	$ 4,765,099	$ 26,585
Total other financing sources (uses)	$ 2,738,514	$ 4,738,514	$ 4,765,099	$ 26,585

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - ACCELERATED CAPITAL FUND

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUE				
Investment earnings	$ 80,000	$ 80,000	$ 35,391	$ (44,609)
Total revenues	$ 80,000	$ 80,000	$ 35,391	$ (44,609)
EXPENDITURES				
Current				
General government	$	$ 27,316	$ 8,849	$ 18,467
Physical environment		607,997	187,646	420,351
Non-departmental	24,797,910	5,629,970		5,629,970
Capital outlay		18,532,627	9,817,217	8,715,410
Total expenditures	$ 24,797,910	$ 24,797,910	$ 10,013,712	$ 14,784,198

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Town reports the following nonmajor special revenue funds.

State Forfeiture Fund - To account for Law Enforcement Trust Fund monies.

Federal Forfeiture Fund - To account for Federal forfeiture receipts.

Donation Fund - To account for monies donated to the Town.

Grants Fund - To account for revenue from ARRA and UASI Grants.

DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for, and the payment of debt principal, interest, and related costs. The Town reports the following nonmajor debt service funds

Series 2010A Debt Service Fund

Series 2010B Debt Service Fund

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources to be used for the acquisition or constructon of major capital facilities. The Town reports the following nonmajor capital projects funds.

Capital Improvement Fund

Town Facilities Fund

Worth Avenue Assessment Fund

Worth Avenue Construction Fund

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

September 30, 2013

	Special Revenue			
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund	Grants Fund
ASSETS				
Equity in pooled cash and investments	$ 14,541	$ 25,255	$ 594,879	$
Accounts receivable				
Interest receivable				
Due from other funds				
Total assets	$ 14,541	$ 25,255	$ 594,879	$
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts and contracts payable	$	$	$ 68,580	$
Due to other funds				
Total liabilities			68,580	
FUND BALANCES				
Restricted for:				
Public safety	14,541	25,255		
Special projects			526,299	
Debt service				
Worth avenue				
Assigned to:				
Capital projects				
Town facilities				
Total fund balances	14,541	25,255	526,299	
Total liabilities and fund balances	$ 14,541	$ 25,255	$ 594,879	$

Debt Service		Capital Projects				
2010A Debt Service Fund	2010B Debt Service Fund	Capital Improvement Fund	Town Facilities Fund	Worth Avenue Assessment Fund	Worth Avenue Construction Fund	Total Nonmajor Governmental Funds
$ 263,400	$ 43,037	$ 5,636,254	$ 770,043	$ 237,887	$ 69,539	$ 7,654,835
		17,013				17,013
		5,228	475			5,703
					12,374	12,374
$ 263,400	$ 43,037	$ 5,658,495	$ 770,518	$ 237,887	$ 81,913	$ 7,689,925
$	$	$ 597,685	$ 16	$ 11,091	$ 221	$ 677,593
		69,955		12,374	9,202	91,531
		667,640	16	23,465	9,423	769,124
						39,796
						526,299
263,400	43,037					306,437
				214,422	72,490	286,912
		4,990,855				4,990,855
			770,502			770,502
263,400	43,037	4,990,855	770,502	214,422	72,490	6,920,801
$ 263,400	$ 43,037	$ 5,658,495	$ 770,518	$ 237,887	$ 81,913	$ 7,689,925

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2013

	Special Revenue			
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund	Grants Fund
REVENUES				
Fines and forfeitures	$ 130	$	$	$
Investment earnings	19	47		
Grant revenue				157,607
Contributions			352,568	
Special assessments				
Miscellaneous				100
Total revenues	149	47	352,568	157,707
EXPENDITURES				
Current				
General government			119,364	
Public safety		10,207	93,629	
Physical environment			30,544	
Transportation				
Economic Environment				
Culture and recreation			3,188	
Capital outlay			53,972	
Debt service				
Principal retirement				
Interest and fiscal charges				
Total expenditures		10,207	300,697	
Revenue over (under) expenditures	149	(10,160)	51,871	157,707
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				
Total other financing sources (uses)				
Net change in fund balances	149	(10,160)	51,871	157,707
Fund balances - beginning of year	14,392	35,415	474,428	(157,707)
Fund balances - end of year	$ 14,541	$ 25,255	$ 526,299	$

Debt Service		Capital Projects				
2010A Debt Service Fund	2010B Debt Service Fund	Capital Improvement Fund	Town Facilities Fund	Worth Avenue Assessment Fund	Worth Avenue Construction Fund	Total Nonmajor Governmental Funds
$	$	$	$	$	$	$ 130
243		1,193	1,067	378	99	3,046
						157,607
				10,000		362,568
				1,002,510		1,002,510
	5,538	109,106		1,257	6,439	122,440
243	5,538	110,299	1,067	1,014,145	6,538	1,648,301
						119,364
		30,269				134,105
		378,148				408,692
		492,759				492,759
				189,158		189,158
						3,188
		1,042,196			17,980	1,114,148
1,010,000	280,000					1,290,000
2,612,453	498,841					3,111,294
3,622,453	778,841	1,943,372		189,158	17,980	6,862,708
(3,622,210)	(773,303)	(1,833,073)	1,067	824,987	(11,442)	(5,214,407)
3,628,000	779,800	1,200,000				5,607,800
			(200,000)	(779,800)		(979,800)
3,628,000	779,800	1,200,000	(200,000)	(779,800)		4,628,000
5,790	6,497	(633,073)	(198,933)	45,187	(11,442)	(586,407)
257,610	36,540	5,623,928	969,435	169,235	83,932	7,507,208
$ 263,400	$ 43,037	$ 4,990,855	$ 770,502	$ 214,422	$ 72,490	$ 6,920,801

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SERIES 2010A DEBT SERVICE FUND

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment earnings	$ 1,000	$ 1,000	$ 243	$ (757)
Total revenues	$ 1,000	$ 1,000	$ 243	$ (757)
EXPENDITURES				
Debt service				
Principal retirement	$ 1,010,000	$ 1,010,000	$ 1,010,000	$
Interest and fiscal charges	2,619,300	2,619,300	2,612,453	6,847
Total expenditures	$ 3,629,300	$ 3,629,300	$ 3,622,453	$ 6,847
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 3,628,000	$ 3,628,000	$ 3,628,000	$
Total other financing sources (uses)	$ 3,628,000	$ 3,628,000	$ 3,628,000	$

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SERIES 2010B DEBT SERVICE FUND

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment earnings	$ 500	$ 500	$	$ (500)
Miscellaneous			5,538	5,538
Total revenues	$ 500	$ 500	$ 5,538	$ 5,038
EXPENDITURES				
Debt service				
Principal retirement	$ 280,000	$ 280,000	$ 280,000	$
Interest and fiscal charges	499,800	499,800	498,841	959
Total expenditures	$ 779,800	$ 779,800	$ 778,841	$ 959
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 841,709	$ 841,709	$ 779,800	$ (61,909)
Total other financing sources (uses)	$ 841,709	$ 841,709	$ 779,800	$ (61,909)

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENT FUND

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUE				
Investment earnings	$ 10,000	$ 10,000	$ 1,193	$ (8,807)
Miscellaneous	800,000	800,000	109,106	(690,894)
Total revenues	$ 810,000	$ 810,000	$ 110,299	$ (699,701)
EXPENDITURES				
Current				
Public safety	$	$ 69,659	$ 30,269	$ 39,390
Physical environment		572,638	378,148	194,490
Transportation		881,436	492,759	388,677
Non-departmental	6,916,500	2,536,140		2,536,140
Capital outlay		2,856,627	1,042,196	1,814,431
Total expenditures	$ 6,916,500	$ 6,916,500	$ 1,943,372	$ 4,973,128
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 1,200,000	$ 1,200,000	$ 1,200,000	$
Total other financing sources (uses)	$ 1,200,000	$ 1,200,000	$ 1,200,000	$

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - TOWN FACILITIES FUND

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment earnings	$ 1,000	$ 1,000	$ 1,067	$ 67
Total revenues	$ 1,000	$ 1,000	$ 1,067	$ 67
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (200,000)	$ (200,000)	$ (200,000)	$
Total other financing sources (uses)	$ (200,000)	$ (200,000)	$ (200,000)	$

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - WORTH AVENUE ASSESSMENT FUND

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment earnings	$ 1,000	$ 1,000	$ 378	$ (622)
Contributions	10,000	10,000	10,000	
Special assessments	1,130,405	1,130,405	1,002,510	(127,895)
Miscellaneous			1,257	1,257
Total revenues	$ 1,141,405	$ 1,141,405	$ 1,014,145	$ (127,260)
EXPENDITURES				
Current				
Economic environment	$ 217,036	$ 270,894	$ 189,158	$ 81,736
Total expenditures	$ 217,036	$ 270,894	$ 189,158	$ 81,736
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (779,800)	$ (779,800)	$ (779,800)	$
Total other financing sources (uses)	$ (779,800)	$ (779,800)	$ (779,800)	$

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - WORTH AVENUE CONSTRUCTION FUND

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUE				
Investment earnings	$ 200	$ 200	$ 99	$ (101)
Miscellaneous			6,439	6,439
Total revenues	$ 200	$ 200	$ 6,538	$ 6,338
EXPENDITURES				
Capital outlay	$	$ 52,987	$ 17,980	$ 35,007
Total expenditures	$	$ 52,987	$ 17,980	$ 35,007
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (61,909)	$ (8,922)	$	$ 8,922

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The Town reports the following internal service funds.

Property, Liability and Workers Compensation Insurance Fund - To account for the Town's property, liability, and workers compensation insurance activities.

Group Health Insurance Fund - To account for the Town's health insurance activities.

Equipment Replacement Fund - To account for the accumulation of financial resources to be used for the acquisition of major capital equipment and vehicles.

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS

September 30, 2013

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 20,000	$ 27,174	$	$ 47,174
Equity in pooled cash and investments	10,040,159	4,819,987	14,830,317	29,690,463
Interest receivable	12,289	1,406	10,614	24,309
Prepaid expenses		22,400		22,400
Total current assets	10,072,448	4,870,967	14,840,931	29,784,346
Noncurrent assets				
Capital assets				
Equipment	63,600		18,711,275	18,774,875
Accumulated depreciation	(25,213)		(9,968,550)	(9,993,763)
Total capital assets, net of accumulated depreciation	38,387		8,742,725	8,781,112
Advance to other funds			868,790	868,790
Total Noncurrent assets	38,387		9,611,515	9,649,902
Total assets	10,110,835	4,870,967	24,452,446	39,434,248
LIABILITIES				
Current liabilities				
Accounts payable	74,180	554,524	225,760	854,464
Accrued liabilities	1,326,105	289,291		1,615,396
Due to other governments	26,275			26,275
Compensated absences payable		2,110		2,110
Total current liabilities	1,426,560	845,925	225,760	2,498,245
Noncurrent liability				
Compensated absences payable	20,870			20,870
Total liabilities	1,447,430	845,925	225,760	2,519,115
NET POSITION				
Net investment in capital assets	38,387		8,742,725	8,781,112
Unrestricted	8,625,018	4,025,042	15,483,961	28,134,021
Total net position	$ 8,663,405	$ 4,025,042	$ 24,226,686	$ 36,915,133

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - INTERNAL SERVICE FUNDS

Year Ended September 30, 2013

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
OPERATING REVENUES				
Charges for services	$ 1,892,780	$ 4,793,031	$ 1,970,969	$ 8,656,780
Other	35,542			35,542
Total operating revenues	1,928,322	4,793,031	1,970,969	8,692,322
OPERATING EXPENSES				
Personal services	123,866	65,649		189,515
Contractual services	12,489	26,886		39,375
Insurance	888,888	926,658		1,815,546
Claims	1,788,131	3,293,952		5,082,083
Claims adjustment	(953,625)	(82,809)		(1,036,434)
Depreciation	2,759		1,424,856	1,427,615
Other	193,677	4,180	44,634	242,491
Total operating expenses	2,056,185	4,234,516	1,469,490	7,760,191
Operating Income (Loss)	(127,863)	558,515	501,479	932,131
NONOPERATING REVENUE (EXPENSE)				
Investment earnings		269		269
Investment charges	(4,246)		(19,016)	(23,262)
Insurance recoveries	804,961	231,924	15,767	1,052,652
Gain on disposal of assets			74,456	74,456
Total nonoperating revenue (expense)	800,715	232,193	71,207	1,104,115
Income before capital contributions	672,852	790,708	572,686	2,036,246
Capital contributions			183,277	183,277
Change in net position	672,852	790,708	755,963	2,219,523
Net position - beginning of year	7,990,553	3,234,334	23,470,723	34,695,610
Net position - end of year	$ 8,663,405	$ 4,025,042	$ 24,226,686	$ 36,915,133

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS

Year Ended September 30, 2013

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
OPERATING ACTIVITIES				
Receipts from interfund services provided	$ 1,892,780	$ 4,793,031	$ 1,102,179	$ 7,787,990
Payments to employees	(108,185)	(68,511)		(176,696)
Payments to suppliers	(2,836,994)	(4,042,458)	167,043	(6,712,409)
Payments to other funds	(11,532)			(11,532)
Other receipts	35,542			35,542
Net cash provided by (used in) operating activities	(1,028,389)	682,062	1,269,222	922,895
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property and equipment			(1,576,905)	(1,576,905)
Proceeds from sale of assets			183,359	183,359
Capital contributions			100,000	100,000
Insurance recoveries	804,961	231,924		1,036,885
Net cash provided by (used in) capital and related financing activities	804,961	231,924	(1,293,546)	(256,661)
INVESTING ACTIVITY				
Investment charges paid	(4,714)	(442)	(17,825)	(22,981)
Net cash provided by (used in) investing activity	(4,714)	(442)	(17,825)	(22,981)
Net increase (decrease) in cash and cash equivalents	(228,142)	913,544	(42,149)	643,253
Cash and cash equivalents - beginning of year	10,288,301	3,933,617	14,872,466	29,094,384
Cash and cash equivalents - end of year	$ 10,060,159	$ 4,847,161	$ 14,830,317	$ 29,737,637
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ (127,863)	$ 558,515	$ 501,479	$ 932,131
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,759		1,424,856	1,427,615
Changes in operating assets and liabilities:				
(Increase) decrease in advance to other funds			(868,790)	(868,790)
Increase (decrease) in accounts payable	46,191	209,218	211,677	467,086
Increase (decrease) in accrued liabilities	(953,409)	(85,898)		(1,039,307)
Increase (decrease) in compensated absences payable	3,933	227		4,160
Net cash provided by (used in) operating activities	$ (1,028,389)	$ 682,062	$ 1,269,222	$ 922,895
NONCASH ACTIVITY				
Insurance claims adjustment	$ 953,625	$ 82,809	$	$ 1,036,434

TRUST FUNDS

Trust funds are used to account for resources that are required to be held in trust for others. The Town reports the following employee benefit trust funds.

General Employees' Pension Trust Fund - To account for the accumulation of resources to be used for retirement benefits payable to eligible Town general employees and lifeguards.

Police Officers' Pension Trust Fund - To account for the accumulation of resources to be used for retirement benefits payable to eligible Town police employees.

Firefighters' Pension Trust Fund - To account for the accumulation of resources to be used for retirement benefits payable to eligible Town fire-rescue employees.

OPEB Trust Fund - To account for the accumulation of resources to be used for Town retiree health care benefits.

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF PLAN NET POSITION -
TRUST FUNDS

September 30, 2013

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	OPEB Trust Fund	Total
ASSETS					
Cash and cash equivalents	$ 1,128,944	$ 896,276	$ 847,403	$ 164,607	$ 3,037,230
Equity in pooled cash and investments				2,367,103	2,367,103
Interest and dividends receivable	20,307	16,121	15,242	5,623	57,293
Due from broker for securities sold	13,231	10,505	9,932		33,668
Prepaid expenses and other assets	32,715	25,973	24,557		83,245
Investments, at fair value					
U.S. government securities	369,573	293,402	277,401		940,376
Corporate bonds and notes	654,768	519,824	491,479		1,666,071
Municipal obligations	7,450	5,914	5,592		18,956
Mortgage backed securities	532,916	423,085	400,015		1,356,016
Domestic fixed income funds	18,899,052	15,004,063	14,185,905	5,248,528	53,337,548
Common stock	4,968,069	3,944,178	3,729,105		12,641,352
Domestic equity funds	16,101,663	12,783,200	12,086,143	7,461,337	48,432,343
International equity funds	21,183,878	16,817,998	15,900,928	4,664,120	58,566,924
Inflation hedging funds	3,468,124	2,753,363	2,603,225	993,645	9,818,357
Hedge funds	10,123,254	8,036,907	7,598,662		25,758,823
Private equity funds	1,323,609	1,050,821	993,521		3,367,951
Real estate funds	996,177	790,870	747,745		2,534,792
Alternative investments				4,197,503	4,197,503
Total assets	79,823,730	63,372,500	59,916,855	25,102,466	228,215,551
LIABILITIES					
Accounts payable and other accrued liabilites	50,043	39,729	37,563	287,676	415,011
Due to Town of Palm Beach	50,839	40,361	38,160		129,360
Due to broker for securities purchased	863,440	685,487	648,108		2,197,035
Prepaid town contributions	852,544	676,842	639,934		2,169,320
Deferred retirement option plan payable	11,503	9,133	8,635		29,271
Total liabilities	1,828,369	1,451,552	1,372,400	287,676	4,939,997
NET POSITION HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS	$ 77,995,361	$ 61,920,948	$ 58,544,455	$ 24,814,790	$ 223,275,554

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
TRUST FUNDS

Year Ended September 30, 2013

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	OPEB Trust Fund	Total
ADDITIONS					
Contributions					
Employer	$ 1,349,164	$ 1,257,107	$ 1,370,636	$ 1,769,000	$ 5,745,907
Employee	373,040	180,924	190,047	1,307,306	2,051,317
Other				83,822	83,822
Total contributions	1,722,204	1,438,031	1,560,683	3,160,128	7,881,046
Investment income (loss)					
Net appreciation (depreciation) in fair value of investments	8,935,778	7,135,285	6,923,733	2,009,134	25,003,930
Interest and dividends	498,348	397,935	386,137	477,583	1,760,003
Share investment earnings			188,103		188,103
Other	1,965	1,568	1,522		5,055
Total investment income	9,436,091	7,534,788	7,499,495	2,486,717	26,957,091
Less investment expense	(248,165)	(198,162)	(192,287)	(106,813)	(745,427)
Net investment income	9,187,926	7,336,626	7,307,208	2,379,904	26,211,664
Other income				585,086	585,086
Total additions	10,910,130	8,774,657	8,867,891	6,125,118	34,677,796
DEDUCTIONS					
Benefit payments	5,528,915	4,699,716	4,847,953	2,177,635	17,254,219
Transfer to share reserve account			208,695		208,695
Share distributions		21,664	1,534,610		1,556,274
Refunds of participants' contributions	2,117	117,123			119,240
Administrative expense	162,299	129,597	125,755	74,397	492,048
Other				549	549
Total deductions	5,693,331	4,968,100	6,717,013	2,252,581	19,631,025
Net increase (decrease)	5,216,799	3,806,557	2,150,878	3,872,537	15,046,771
Net position held in trust for pension and retiree health benefits - beginning of year	72,778,562	58,114,391	56,393,577	20,942,253	208,228,783
NET POSITION HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS - END OF YEAR	$ 77,995,361	$ 61,920,948	$ 58,544,455	$ 24,814,790	$ 223,275,554

DEBT SERVICE REQUIREMENTS

TOWN OF PALM BEACH, FLORIDA

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS
PRINCIPAL AND INTEREST TO MATURITY

September 30, 2013

Fiscal Year Ending September 30	Revenue and Refunding Bonds Series 2010A	Revenue Bonds Series 2010B	Total
2014	$ 3,620,988	$ 772,681	$ 4,393,669
2015	3,624,263	772,031	4,396,294
2016	3,620,937	775,678	4,396,615
2017	3,625,538	773,050	4,398,588
2018	3,623,238	774,275	4,397,513
2019	3,624,037	774,825	4,398,862
2020	3,621,187	774,663	4,395,850
2021	3,623,937	773,350	4,397,287
2022	3,623,188	776,188	4,399,376
2023	3,618,937	773,359	4,392,296
2024	3,620,938	774,619	4,395,557
2025	3,623,812	774,594	4,398,406
2026	3,622,438	773,494	4,395,932
2027	3,621,687	771,794	4,393,481
2028	3,624,968	774,116	4,399,084
2029	3,623,750	770,450	4,394,200
2030	3,624,125	775,656	4,399,781
2031	3,619,250	785,350	4,404,600
2032	3,623,750	810,350	4,434,100
2033	3,622,250	830,350	4,452,600
2034	3,624,500	855,350	4,479,850
2035	3,620,250	823,138	4,443,388
2036	3,624,125	785,925	4,410,050
2037	3,620,750	820,925	4,441,675
2038	3,624,750	845,925	4,470,675
2039	3,620,750	880,925	4,501,675
2040	3,623,375	832,963	4,456,338
	$ 97,811,718	$ 21,426,024	$ 119,237,742

TOWN OF PALM BEACH, FLORIDA

DEBT SERVICE REQUIREMENTS
PUBLIC IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010A

September 30, 2013

Fiscal Year Ending September 30	Rate	Principal	Interest	Total	Principal Balance Outstanding End of Year
2014	3.000%	$ 1,040,000	$ 2,580,988	$ 3,620,988	$ 53,025,000
2015	3.000%	1,075,000	2,549,263	3,624,263	51,950,000
2016	4.000%	1,110,000	2,510,937	3,620,937	50,840,000
2017	4.000%	1,160,000	2,465,538	3,625,538	49,680,000
2018	4.000%	1,205,000	2,418,238	3,623,238	48,475,000
2019	4.000%	1,255,000	2,369,037	3,624,037	47,220,000
2020	5.000%	1,310,000	2,311,187	3,621,187	45,910,000
2021	5.000%	1,380,000	2,243,937	3,623,937	44,530,000
2022	5.000%	1,450,000	2,173,188	3,623,188	43,080,000
2023	5.000%	1,520,000	2,098,937	3,618,937	41,560,000
2024	5.000%	1,600,000	2,020,938	3,620,938	39,960,000
2025	5.000%	1,685,000	1,938,812	3,623,812	38,275,000
2026	5.000%	1,770,000	1,852,438	3,622,438	36,505,000
2027	5.000%	1,860,000	1,761,687	3,621,687	34,645,000
2028	4.125%	1,950,000	1,674,968	3,624,968	32,695,000
2029	5.000%	2,040,000	1,583,750	3,623,750	30,655,000
2030	5.000%	2,145,000	1,479,125	3,624,125	28,510,000
2031	5.000%	2,250,000	1,369,250	3,619,250	26,260,000
2032	5.000%	2,370,000	1,253,750	3,623,750	23,890,000
2033	5.000%	2,490,000	1,132,250	3,622,250	21,400,000
2034	5.000%	2,620,000	1,004,500	3,624,500	18,780,000
2035	5.000%	2,750,000	870,250	3,620,250	16,030,000
2036	5.000%	2,895,000	729,125	3,624,125	13,135,000
2037	5.000%	3,040,000	580,750	3,620,750	10,095,000
2038	5.000%	3,200,000	424,750	3,624,750	6,895,000
2039	5.000%	3,360,000	260,750	3,620,750	3,535,000
2040	5.000%	3,535,000	88,375	3,623,375	
		$ 54,065,000	$ 43,746,718	$ 97,811,718	

TOWN OF PALM BEACH, FLORIDA

DEBT SERVICE REQUIREMENTS
PUBLIC IMPROVEMENT REVENUE BONDS, SERIES 2010B

September 30, 2013

Fiscal Year Ending September 30	Rate	Principal	Interest	Total	Principal Balance Outstanding End of Year
2014	2.000%	$ 280,000	$ 492,681	$ 772,681	$ 12,130,000
2015	2.000%	285,000	487,031	772,031	11,845,000
2016	2.375%	295,000	480,678	775,678	11,550,000
2017	2.750%	300,000	473,050	773,050	11,250,000
2018	3.000%	310,000	464,275	774,275	10,940,000
2019	3.000%	320,000	454,825	774,825	10,620,000
2020	3.250%	330,000	444,663	774,663	10,290,000
2021	3.500%	340,000	433,350	773,350	9,950,000
2022	3.500%	355,000	421,188	776,188	9,595,000
2023	3.625%	365,000	408,359	773,359	9,230,000
2024	3.750%	380,000	394,619	774,619	8,850,000
2025	4.000%	395,000	379,594	774,594	8,455,000
2026	4.000%	410,000	363,494	773,494	8,045,000
2027	4.000%	425,000	346,794	771,794	7,620,000
2028	4.125%	445,000	329,116	774,116	7,175,000
2029	4.125%	460,000	310,450	770,450	6,715,000
2030	4.250%	485,000	290,656	775,656	6,230,000
2031	4.500%	505,000	280,350	785,350	5,725,000
2032	4.500%	530,000	280,350	810,350	5,195,000
2033	4.500%	550,000	280,350	830,350	4,645,000
2034	4.500%	575,000	280,350	855,350	4,070,000
2035	4.500%	605,000	218,138	823,138	3,465,000
2036	4.500%	630,000	155,925	785,925	2,835,000
2037	4.500%	665,000	155,925	820,925	2,170,000
2038	4.500%	690,000	155,925	845,925	1,480,000
2039	4.500%	725,000	155,925	880,925	755,000
2040	4.500%	755,000	77,963	832,963	
		$ 12,410,000	$ 9,016,024	$ 21,426,024	

STATISTICAL SECTION

This part of the Town of Palm Beach, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town of Palm Beach, Florida's overall financial health.

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Financial Trends 119

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity 125

These schedules contain information to help the reader assess the Town's most significant local source, the property tax.

Debt Capacity 132

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information 137

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.

Operating Information 139

These schedules contain information about the Town's operations and resources to help the reader understand how the information in the Town's report relates to the services the Town provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

Town of Palm Beach, Florida

Net Position by Component

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	$ 50,906,153	$ 52,423,983	$ 70,412,738	$ 71,453,781	$ 75,658,381	$ 80,983,936	$ 89,404,386	$ 80,099,513	$ 76,021,164	$ 71,962,534
Restricted	250,907	199,674	234,245	276,523	1,184,132	611,489	45,184,112	40,290,335	24,015,235	14,124,806
Unrestricted	80,397,271	86,813,836	83,756,838	94,548,246	90,855,890	91,088,326	36,551,306	39,732,216	63,300,047	80,060,626
Total governmental activities net position	$ 131,554,331	$ 139,437,493	$ 154,403,821	$ 166,278,550	$ 167,698,403	$ 172,683,751	$ 171,139,804	$ 160,122,064	$ 163,336,446	$ 166,147,966
Business-type activities										
Net investment in capital assets	$ 10,515,063	$ 10,679,781	$ 10,965,117	$ 10,971,879	$ 12,635,374	$ 17,120,652	$ 17,020,243	$ 16,521,594	$ 16,029,772	$ 17,243,929
Restricted	0	0	0	0	800,000	0	0	0	0	0
Unrestricted	3,129,161	4,091,466	4,117,835	4,715,002	4,798,209	2,955,244	2,891,749	3,300,496	3,701,370	3,783,232
Total business-type activities net position	$ 13,644,224	$ 14,771,247	$ 15,082,952	$ 15,686,881	$ 18,233,583	$ 20,075,896	$ 19,911,992	$ 19,822,090	$ 19,731,142	$ 21,027,161
Primary government										
Net investment in capital assets	$ 61,421,216	$ 63,103,764	$ 81,377,855	$ 82,425,660	$ 88,293,755	$ 98,104,588	$ 106,424,629	$ 96,621,107	$ 92,050,936	$ 89,206,463
Restricted	250,907	199,674	234,245	276,523	1,984,132	611,489	45,184,112	40,290,335	24,015,235	14,124,806
Unrestricted	83,526,432	90,905,302	87,874,673	99,263,248	95,654,099	94,043,570	39,443,055	43,032,712	67,001,417	83,843,858
Total primary government net position	$ 145,198,555	$ 154,208,740	$ 169,486,773	$ 181,965,431	$ 185,931,986	$ 192,759,647	$ 191,051,796	$ 179,944,154	$ 183,067,588	$ 187,175,127

Town of Palm Beach, Florida

Changes in Net Position

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	$ 12,881,165	$ 10,541,925	$ 10,770,654	$ 11,620,148	$ 14,194,382	$ 11,687,399	$ 13,535,702	$ 11,580,425	$ 10,569,463	$ 11,141,575
Public safety	22,872,573	27,865,411	27,115,822	30,526,540	29,688,750	30,755,445	29,321,521	29,833,142	24,321,116	24,466,050
Physical environment	11,851,242	12,267,718	19,746,156	15,169,120	19,802,683	17,536,687	16,553,051	23,071,088	17,471,774	18,157,640
Transportation	773,122	1,042,556	1,179,979	864,359	1,131,044	1,206,068	898,456	1,459,738	1,427,144	1,691,225
Economic Environment	0	0	0	0	0	0	0	2,369,146	331,806	189,158
Culture and recreation	1,561,430	1,677,604	1,919,405	1,854,023	1,814,544	1,796,409	3,293,395	1,642,346	1,488,135	1,624,839
Interest on long-term debt	1,590,795	1,138,344	1,030,985	913,297	825,899	741,244	2,081,998	3,163,237	3,078,046	3,013,531
Total governmental activities expenses	51,530,327	54,533,558	61,763,001	60,947,487	67,457,302	63,723,252	65,684,123	73,119,122	58,687,484	60,284,018
Business-type activities:										
Leisure services	2,935,651	3,099,168	3,474,250	3,546,363	3,450,003	3,666,342	3,774,682	3,661,337	3,582,227	3,749,068
Total business-type activities expenses	2,935,651	3,099,168	3,474,250	3,546,363	3,450,003	3,666,342	3,774,682	3,661,337	3,582,227	3,749,068
Total primary government expenses	$ 54,465,978	$ 57,632,726	$ 65,237,251	$ 64,493,850	$ 70,907,305	$ 67,389,594	$ 69,458,805	$ 76,780,459	$ 62,269,711	$ 64,033,086
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 6,317,510	$ 7,094,336	$ 6,745,625	$ 7,308,586	$ 8,016,246	$ 5,035,126	$ 4,239,229	$ 5,879,837	$ 6,024,307	$ 7,070,796
Public safety	1,827,503	1,551,196	1,913,437	2,449,825	2,330,239	2,464,558	2,023,808	2,716,885	3,107,463	2,971,320
Physical environment	869,451	925,645	1,354,292	1,022,063	1,041,072	1,131,884	1,098,951	1,219,036	1,260,317	1,277,457
Transportation	433,041	393,012	410,584	540,123	657,135	650,537	1,268,087	1,841,501	1,920,292	1,904,822
Culture and recreation	0	0	0	54,004	84,663	61,388	37,381	55,017	0	0
Operating grants and contributions:										
General government	2,378,073	3,892,522	2,995,182	28,427	847,910	39,649	576,737	68,200	96,850	153,274
Public safety	182,917	1,394,472	963,866	1,214,891	1,253,809	842,282	322,706	145,364	148,133	199,641
Physical environment	60,470	1,612,048	9,672,675	163,213	158,231	319,781	0	5,000	5,000	30,000
Transportation	0	0	78,013	71,204	694,700	42,347	9	0	0	0
Culture and recreation	177,157	32,932	49,728	74,614	15,831	39,894	3,526	5,865	881	2,338
Capital grants and contributions:										
General government	0	0	0	0	0	0	4,421	120,895	239,000	500
Public safety	478,202	68,524	179,952	30,837	10,957	1,885,000	103,102	379,170	304,651	155,592
Physical environment	607,209	0	0	3,154,725	672,290	2,490	396,979	3,512,898	35,321	83,454
Transportation	0	0	0	0	0	0	0	7,192	0	0
Culture and recreation	21,791	0	0	0	0	445,251	10,962	0	187,634	0
Total governmental activities program revenues	13,353,324	16,964,687	24,363,354	16,112,512	15,783,083	12,960,187	10,085,898	15,956,860	13,329,849	13,849,194
Business-type activities:										
Charges for services:										
Leisure Services Fund	3,543,090	3,786,711	3,984,307	4,291,969	4,523,039	4,160,010	4,350,130	4,308,462	4,383,799	4,555,849
Operating grants and contributions	0	0	67,183	0	0	0	0	0	0	0
Capital grants and contributions	0	0	0	0	1,884,649	1,830,934	6,500	0	3,000	1,835,801
Total business-type activities program revenues	3,543,090	3,786,711	4,051,490	4,291,969	6,407,688	5,990,944	4,356,630	4,308,462	4,386,799	6,391,650
Total primary government program revenues	$ 16,896,414	$ 20,751,398	$ 28,414,844	$ 20,404,481	$ 22,190,771	$ 18,951,131	$ 14,442,528	$ 20,265,322	$ 17,716,648	$ 20,240,844
Net (expense)/revenue										
Governmental activities	$ (38,177,003)	$ (37,568,871)	$ (37,399,647)	$ (44,834,975)	$ (51,674,219)	$ (50,763,065)	$ (55,598,225)	$ (57,162,262)	$ (45,357,635)	$ (46,434,824)
Business-type activities	607,439	687,543	577,240	745,606	2,957,685	2,324,602	581,948	647,125	804,572	2,642,582
Total primary government net expense	$ (37,569,564)	$ (36,881,328)	$ (36,822,407)	$ (44,089,369)	$ (48,716,534)	$ (48,438,463)	$ (55,016,277)	$ (56,515,137)	$ (44,553,063)	$ (43,792,242)

Town of Palm Beach, Florida

Changes in Net Position (continued)

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	$ 32,778,331	$ 35,539,136	$ 39,008,774	$ 43,096,605	$ 41,457,249	$ 42,887,217	$ 41,508,570	$ 36,635,343	$ 36,662,916	$ 37,473,107
Local option gas tax	219,755	222,226	360,210	360,853	337,785	324,077	321,246	301,900	301,240	299,081
Franchise fees	1,881,195	1,989,980	2,433,811	2,478,487	2,447,544	2,454,232	2,152,817	2,204,718	2,040,443	2,036,065
Utility service taxes	3,983,261	4,160,185	4,167,844	4,105,957	4,496,507	4,608,088	4,885,696	4,847,146	4,954,671	5,098,715
Business Tax Receipts	0	0	0	0	0	726,239	716,018	694,373	669,095	666,788
Intergovernmental, unrestricted	1,730,628	1,192,382	1,158,415	1,249,609	1,108,340	1,190,409	905,276	937,865	838,855	875,467
Investment earnings	1,676,047	2,661,913	4,709,493	4,891,708	2,666,647	2,728,147	2,061,399	940,069	660,689	129,845
Miscellaneous	1,905,491	0	0	51,565	0	280,004	232,309	2,054,027	1,025,368	1,654,276
Transfers	(1,251,733)	(313,789)	527,428	474,920	580,000	550,000	550,000	764,338	1,418,740	1,013,000
Total governmental activities	42,922,975	45,452,033	52,365,975	56,709,704	53,094,072	55,748,413	53,333,331	49,379,779	48,572,017	49,246,344
Business-type activities										
Investment earnings	56,939	125,691	261,893	333,243	169,017	67,711	26,142	27,311	28,718	1,840
Transfers	1,251,733	313,789	(527,428)	(474,920)	(580,000)	(550,000)	(550,000)	(764,338)	(924,238)	(1,013,000)
Total business-type activities	1,308,672	439,480	(265,535)	(141,677)	(410,983)	(482,289)	(523,858)	(737,027)	(895,520)	(1,011,160)
Total primary government	$ 44,231,647	$ 45,891,513	$ 52,100,440	$ 56,568,027	$ 52,683,089	$ 55,266,124	$ 52,809,473	$ 48,642,752	$ 47,676,497	$ 48,235,184
Changes in Net Position										
Governmental activities	$ 4,745,972	$ 7,883,162	$ 14,966,328	$ 11,874,729	$ 1,419,853	$ 4,985,348	$ (2,264,894)	$ (7,782,483)	$ 3,214,382	$ 2,811,520
Business-type activities	1,916,111	1,127,023	311,705	603,929	2,546,702	1,842,313	58,090	(89,902)	(90,948)	1,631,422
Total primary government	$ 6,662,083	$ 9,010,185	$ 15,278,033	$ 12,478,658	$ 3,966,555	$ 6,827,661	$ (2,206,804)	$ (7,872,385)	$ 3,123,434	$ 4,442,942

Town of Palm Beach, Florida

Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year Pre-GASB 54						
	2004	2005	2006	2007	2008	2009	2010
General Fund							
Reserved	$ 2,881,233	$ 1,213,317	$ 1,379,142	$ 2,188,726	$ 515,591	$ 478,285	$ 512,860
Unreserved	23,413,449	24,761,271	23,010,110	28,447,330	31,858,624	30,304,216	26,919,376
Total General Fund	$ 26,294,682	$ 25,974,588	$ 24,389,252	$ 30,636,056	$ 32,374,215	$ 30,782,501	$ 27,432,236
All other governmental funds							
Reserved	$ 8,233,283	$ 9,932,425	$ 4,569,597	$ 3,879,869	$ 1,184,132	$ 3,645,534	$ 18,579,324
Unreserved, reported in:							
Special Revenue Funds	0	0	0	0	0	0	598,762
Capital Projects funds	42,062,662	35,813,734	34,579,119	22,254,563	29,111,356	18,107,668	42,765,725
Debt Service Funds	0	0	0	0	0	291,518	147,236
Total all other governmental funds	$ 50,295,945	$ 45,746,159	$ 39,148,716	$ 26,134,432	$ 30,295,488	$ 22,044,720	$ 62,091,047

	Fiscal Year Post-GASB 54		
	2011	2012	2013
General Fund			
Non Spendable:			
Non Spendable	567,775	527,146	534,374
Spendable:			
Restricted	0	0	0
Committed	4,196,183	3,315,135	3,390,226
Assigned	2,802,668	2,956,588	6,265,157
Unassigned	18,155,941	21,424,261	20,043,760
Total General Fund	$ 25,722,567	$ 28,223,130	$ 30,233,517
All other governmental funds			
Non Spendable:			
Non Spendable	0	0	0
Spendable:			
Restricted	40,902,673	24,015,235	14,124,806
Committed	0	0	0
Assigned	13,645,491	17,919,125	21,209,913
Unassigned	(254,148)	(455,669)	(961,325)
Total All Other Governmental Funds	$ 54,294,016	$ 41,478,691	$ 34,373,394

Town of Palm Beach, Florida

Tax Revenues by Source, Governmental Funds

Last Ten Fiscal Years

Fiscal Year	Property Taxes*	Local Option Gas Tax	Franchise Fees	Utility Service Taxes	Business Tax Receipts (1)	Total
2004	$ 32,778,331	$ 219,755	$ 1,881,195	$ 3,983,261	$ 0	$ 38,862,542
2005	35,539,136	222,226	1,989,980	4,160,185	0	41,911,527
2006	39,008,774	360,210	2,433,811	4,167,844	0	45,970,639
2007	43,096,605	360,853	2,478,487	4,105,957	0	50,041,902
2008	41,457,249	337,785	2,447,544	4,496,507	0	48,739,085
2009	42,887,217	324,077	2,454,232	4,608,088	726,239	50,999,853
2010	41,508,570	321,246	2,152,817	4,931,205	716,018	49,629,856
2011	36,635,343	301,900	2,204,718	4,892,655	694,373	44,728,989
2012	36,662,916	301,240	2,040,443	4,973,633	669,095	44,647,327
2013	37,473,107	299,081	2,036,065	5,098,715	666,788	45,573,756
Change:						
2004-2013	14.3%	36.1%	8.2%	28.0%	N / A	17.3%

*Property taxes received for both General Fund and Debt Service Fund (debt service taxes ended in FY2005).

(1) In 2009, Occupational Licenses and Business Permits were reclassified from Charges for Services to Taxes.

Town of Palm Beach, Florida

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	$ 38,862,542	$ 41,911,527	$ 45,970,639	$ 50,041,902	$ 48,739,085	$ 50,999,853	$ 49,629,856	$ 44,728,989	$ 44,647,327	$ 45,573,756
Fees and permits	6,116,488	6,913,397	6,473,831	7,147,383	7,835,468	4,865,780	4,102,878	5,749,007	5,880,327	6,959,778
Intergovernmental	1,927,469	2,072,960	2,153,286	2,312,236	2,107,927	1,937,338	1,852,267	1,900,329	1,967,946	986,853
Charges for services	2,054,178	2,097,306	2,487,444	2,448,829	2,808,298	3,277,981	3,194,361	3,461,768	4,081,261	3,576,155
Fines and forfeitures	1,079,973	822,112	874,351	1,572,285	1,194,275	927,863	620,978	1,309,725	1,106,676	1,530,917
Contributions	0	0	0	0	0	0	795,161	222,646	459,050	71,066
Investment earnings	1,282,245	2,119,210	3,663,648	3,618,646	2,036,192	2,389,974	1,814,395	737,696	704,692	212,594
Grant revenue	2,720,018	5,106,760	12,674,928	3,313,649	2,331,850	792,662	83,306	3,678,245	771,909	362,568
Special Assessments	0	0	0	0	0	0	564,419	989,814	1,068,133	1,015,907
Miscellaneous	1,185,826	781,153	495,349	567,739	613,605	568,455	302,124	852,864	1,011,340	692,198
Total revenues	55,228,739	61,824,425	74,793,476	71,022,669	67,666,700	65,759,906	62,959,745	63,631,083	61,698,661	60,981,792
Expenditures										
General government	6,647,556	7,817,780	8,315,398	8,932,304	9,986,924	10,923,177	10,716,676	9,466,491	9,328,868	9,611,179
Public safety	21,444,642	27,088,862	26,417,211	28,458,944	29,464,707	31,367,667	30,556,992	30,511,290	25,095,341	24,045,416
Physical environment	10,350,736	10,928,714	18,557,179	12,773,809	15,175,670	13,252,050	11,576,185	17,281,410	11,676,641	12,580,551
Transportation	769,745	1,043,893	1,185,987	838,808	1,160,600	1,248,445	909,308	1,311,456	1,099,438	1,528,094
Economic Environment	0	0	0	0	0	0	0	2,369,146	331,806	189,158
Culture and recreation	1,561,430	1,678,681	1,938,137	1,748,780	1,829,385	1,858,634	1,640,889	1,642,083	1,508,402	1,649,498
Non-departmental	4,822,927	2,510,033	2,390,000	2,220,201	2,414,968	1,918,051	1,902,388	1,905,398	1,804,439	1,922,643
Capital outlay	7,627,971	8,062,746	20,270,287	8,089,774	7,859,165	11,429,915	23,045,739	4,662,208	16,389,104	11,161,869
Debt service										
Principal	3,825,289	4,135,584	3,564,637	3,672,904	3,811,297	3,875,000	4,020,000	1,372,838	2,885,619	1,290,000
Interest and other fiscal charges	1,372,527	1,014,223	864,847	763,674	614,269	650,150	1,336,179	3,260,692	3,190,196	3,111,294
Bond issue costs	0	0	0	0	30,500	24,303	701,133	27,341	0	0
Total expenditures	58,422,823	64,280,516	83,503,683	67,499,198	72,347,485	76,547,392	86,405,489	73,810,353	73,309,854	67,089,702
Revenues over (under) expenditures	(3,194,084)	(2,456,091)	(8,710,207)	3,523,471	(4,680,785)	(10,787,486)	(23,445,744)	(10,179,270)	(11,611,193)	(6,107,910)
Other financing sources (uses)										
Transfers in	9,761,263	11,392,115	14,210,192	8,602,057	7,039,939	10,606,800	10,758,475	11,309,406	11,774,938	11,257,899
Transfers out	(9,386,855)	(13,805,904)	(13,682,764)	(8,127,137)	(6,459,939)	(10,056,800)	(10,208,475)	(10,554,963)	(10,973,009)	(10,244,899)
Proceeds from sale of capital asset	1,964,879	0	0	0	0	0	1,047,156	0	0	0
Insurance recoveries	0	0	0	0	0	0	0	0	494,502	0
Bonds / Notes proceeds	0	0	0	0	10,000,000	395,004	68,742,596	0	0	0
Redemption of bonds	0	0	0	0	0	0	(10,589,028)	0	0	0
Total other financing sources (uses)	2,339,287	(2,413,789)	527,428	474,920	10,580,000	945,004	59,750,724	754,443	1,296,431	1,013,000
Net change in fund balances	$ (854,797)	$ (4,869,880)	$ (8,182,779)	$ 3,998,391	$ 5,899,215	$ (9,842,482)	$ 36,304,980	$ (9,424,827)	$ (10,314,762)	$ (5,094,910)
Debt service as a percentage of non-capital expenditures	10.23%	9.16%	7.00%	7.47%	6.91%	6.99%	9.39%	6.77%	8.88%	7.08%

Town of Palm Beach, Florida

Historic and Projected General Fund Non-Ad Valorem Revenues

Last Ten Fiscal Years Actual and Next Year Budgeted

	Actual FY2004	Actual FY2005	Actual FY2006	Actual FY2007	Actual FY2008	Actual FY2009	Actual FY2010	Actual FY2011	Actual FY2012	Actual FY2013	Budget FY2014
Franchise Fees	$ 1,881,195	$ 1,989,980	$ 2,433,811	$ 2,478,487	$ 2,447,544	$ 2,454,232	$ 2,152,817	$ 2,204,718	$ 2,040,444	$ 2,036,065	$ 2,050,000
Utility Service Tax	3,983,261	4,160,185	4,167,844	4,105,957	4,496,507	4,608,088	4,931,205	4,892,655	4,973,633	5,397,796	5,007,500
Business Tax Receipts	697,297	695,544	721,659	740,875	741,535	726,238	716,018	694,373	669,095	666,788	665,500
Building Permits	5,273,284	6,073,756	5,628,019	6,201,211	6,844,875	4,701,645	3,934,213	5,535,510	5,514,911	6,500,256	5,610,700
Other License Fees & Permits	145,907	144,097	124,153	205,297	249,058	164,135	168,665	213,497	365,417	459,522	369,000
State Shared Revenue (1)	893,193	954,356	1,029,461	1,142,553	1,072,734	1,081,727	978,259	1,058,101	954,387	944,040	991,000
Grants	150,735	165,216	162,824	135,131	71,745	353,590	9,753	220,815	63,872	3,861	21,000
Local Shared Revenue	196,841	207,581	204,636	40,077	24,700	39,997	46,223	29,536	20,781	42,813	30,000
General Government	46,244	49,565	46,062	41,094	34,413	27,618	33,650	42,628	39,000	41,412	35,850
Public Safety	705,442	729,084	1,065,595	908,376	1,146,921	1,539,385	1,429,333	1,419,660	2,001,026	1,440,533	1,508,500
Physical Environment	869,451	925,645	991,712	1,022,063	1,041,072	1,131,884	1,098,950	1,219,035	1,260,317	1,264,060	1,218,925
Transportation	433,054	393,012	410,584	477,295	585,892	579,292	632,425	780,444	780,917	830,150	789,000
Fines & Forfeitures	846,677	811,038	770,067	1,541,448	1,183,318	1,152,807	594,473	1,297,226	1,106,435	1,530,787	1,181,000
Contributions	150,000	4,035	900	0	10,000	0	0	0	0	0	0
Investment Earnings	527,686	905,025	1,902,793	2,287,127	1,368,751	1,923,224	1,168,997	495,649	495,311	32,425	425,373
Rents & Royalties	72,377	50,460	39,634	80,961	111,320	44,291	102,702	88,202	104,980	69,606	98,845
Sale of Capital Assets	0	0	0	0	0	0	1,047,156	5,874	1,392	0	0
Miscellaneous Other	83,894	140,317	243,602	147,348	190,761	158,625	188,634	671,609	577,151	500,152	92,000
Total Non-Ad Valorem Revenues	$ 16,956,538	$ 18,398,896	$ 19,943,356	$ 21,555,300	$ 21,621,146	$ 20,686,778	$ 19,233,474	$ 20,869,532	$ 20,969,067	$ 21,760,266	$ 20,094,193

(1) Excludes 8th cent motor fuel tax and fuel tax refund.

Description of Certain Major Sources of Non-Ad Valorem Revenues As Defined in Bond Document (Unaudited)

Franchise Fees

Public utilities operating within the Town of Palm Beach, Florida must pay the Town a franchise fee in return for the right to do business within the Town and for the right to use public rights-of-way. Franchise agreements currently in effect include: Florida Public Utilities, Florida Power & Light, BellSouth Telecommunications, and Comcast Cable.

Utility Service Tax

The Town levies a utility tax on the purchase of electricity, metered or bottled gas, water service and telecommunication services. The Town levies this tax at the state allowed maximum of 10% for all services.

Business Tax Receipts

Any person engaging in or managing any business, occupation or profession within the limits of the Town of Palm Beach must obtain a business license. All licenses must be secured at the time the business begins operation and are renewed thereafter each October 1. The fee for each license is based on the business in which the entity is engaged.

Building Permits

Building permit fees include all building, electrical, mechanical and plumbing permits as well as architectural fees, variance application fees, and landmark application fees. Building permit fees were reduced in FY2008.

Other License Fees and Permits

These revenues include, right of way permits, parking permits and registrations.

State Shared Revenue

Revenues that are distributed from the State of Florida to the Town of Palm Beach, Florida are included in this line item. A portion of this revenue is State Revenue Sharing. The current structure of the revenue sharing program has three revenue sources for municipalities: Sales & Use Tax, one-cent Municipal Gas Tax and the State Alternative Fuel Decal Users Fee. Of these sources, the one-cent Municipal Gas Tax (Local Option Gas Tax) is restricted to expenditures for roads and has not been included in the ***Historic and Projected Non Ad Valorem Revenue*** Chart. Also included in the State Shared Revenue sections are the following distributions from the State of Florida: Alcoholic Beverage License and Sales Tax.

Grant Revenue

Reflected in the grant total for FY2010 is the receipt of funds from the Florida Department of Law Enforcement for criminal justice assistance and bullet proof vests.

Local Shared Revenue

Local shared revenue includes a portion of the Palm Beach County Occupational License fees and a 911 equipment reimbursement.

General Government Revenues

These revenues include charges for copies, meeting tapes, lien search fees, microfiche, certification of copies and sales of maps and code books.

Public Safety Revenue

Public Safety Revenue includes special detail pay for police and fire officers, EMS transport fees, burglar alarm registration and false alarm fees, police ID cards, and Direct Connect Alarm fees. In FY2006 new fire inspection fees were approved by the Town Council. In FY2008, fees were increased for false alarm charges.

Physical Environment Revenue

Physical Environment Revenue includes solid waste collection fees, (collected through a non-ad valorem assessment), recycling fees and beach cleaning fees.

Transportation

Revenues include parking meter and permit collections. In FY2008, parking meter fees were increased.

Fines and Forfeitures

Fines and penalties received from traffic violations, parking meter violations, right-of-way violations, and code compliance fines.

Contributions

Contributions represent donations by citizens and businesses for various Town projects.

Investment Earnings

Represents interest earnings on cash, cash equivalents, and investments.

Rents and Royalties

Represents revenue from the rental of public property, pay phone and vending machine commissions.

Sale of Capital Assets

Revenue represents proceeds from the sale of capital assets. Revenue in FY10 represents proceeds from the sale of Town owned property.

Miscellaneous Other Revenue

Revenues include a fee paid to the Town for the administration of Kreusler Park parking lot, fees associated with charitable solicitations, a rebate for Town towing, State highway lighting maintenance, insurance proceeds for hurricane damage and other miscellaneous revenues.

Outstanding Town Indebtedness

The Town does not have any general obligation bonds outstanding as of September 30, 2012. In February, 2010, the Town issued Public Improvement Revenue and Refunding Bonds in the principal amount of $57,035,000, which refunded with the Series 2003B bonds, and the 2008 Revenue Note and financed a portion of the Town's 20 year capital improvement program. The 2010A bonds are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue and any unused debt proceeds and related investment income. The Town also issued 2010B Worth Avenue Commercial District Project bonds in the principal amount of $14,770,000. The Town imposed a capital special assessment against real property in the Worth Avenue Commercial District to pay the cost of the Worth Avenue projects. The assessments will be security for the 2010B bonds.

Town of Palm Beach, Florida

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Less: Tax-exempt Property	Total Taxable Value	Total Direct Tax Rate	Total Assessed Value	Assessed Value as a % of Actual Value
2004	$ 8,988,874,192	$ 748,443,954	$ 582,895	$ 216,411,548	$ (1,681,379,665)	$ 8,272,932,924	4.0529	$ 9,954,312,589	83%
2005	9,931,612,775	812,906,404	584,205	213,751,855	(1,945,418,542)	9,013,436,697	4.0287	10,958,855,239	82%
2006	11,779,370,251	847,044,936	613,890	246,102,739	(2,619,553,324)	10,253,578,492	3.9080	12,873,131,816	80%
2007	14,127,084,784	999,659,666	750,509	283,725,731	(3,500,257,437)	11,910,963,253	3.7273	15,411,220,688	77%
2008	14,861,022,194	1,067,802,643	752,116	294,479,830	(3,605,041,339)	12,619,015,444	3.3637	16,224,056,783	78%
2009	16,567,814,740	1,144,245,693	1,283,286	319,200,545	(4,347,624,821)	13,684,919,443	3.2512	17,911,648,549	76%
2010	15,424,701,553	1,055,167,871	1,995,000	411,729,501	(3,796,459,546)	13,097,134,379	3.2512	16,893,593,925	78%
2011	12,548,944,226	926,346,754	1,995,000	365,999,807	(2,312,807,898)	11,530,477,889	3.2512	12,043,094,460	96%
2012	12,455,771,607	917,204,438	1,795,500	348,994,178	(2,213,575,366)	11,510,190,357	3.2512	12,013,987,648	96%
2013	12,914,507,870	916,579,987	1,795,500	364,678,844	(2,371,380,530)	11,826,181,671	3.2512	12,308,604,886	96%

Assessed value is an annual determination of the just or fair market value of the property, or the value of the homestead property as limited pursuant to State law.
Taxable value is the assessed value of property minus the amount of any applicable exemption provided under State law.
Property in Palm Beach County is reassessed every three years on average by the Palm Beach County Property Appraiser.

Town of Palm Beach, Florida

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

	Town Direct Rates			Overlapping Rates			
Fiscal Year	General Fund	Debt Service	Total Direct	School District	Palm Beach County	Special Taxing Districts	Total All
2004	3.9768	0.0761	4.0529	8.5710	4.7910	2.5557	19.9706
2005	3.9594	0.0693	4.0287	8.4320	4.7677	2.5257	19.7541
2006	3.9080	0.0000	3.9080	8.1060	4.7192	2.5042	19.2374
2007	3.7273	0.0000	3.7273	7.8720	4.4775	2.3254	18.4022
2008	3.3637	0.0000	3.3637	7.3560	3.9813	2.1308	16.8318
2009	3.2512	0.0000	3.2512	7.2510	3.9656	2.2569	16.7247
2010	3.2512	0.0000	3.2512	7.9830	4.5614	2.4934	18.2890
2011	3.2512	0.0000	3.2512	8.1540	4.9960	2.5549	18.9561
2012	3.2512	0.0000	3.2512	8.1800	4.9925	2.3433	18.7670
2013	3.2512	0.0000	3.2512	7.7780	4.9902	2.3154	18.3348

Tax rate limits	- Ten mills per Florida Statute 200.81 (one mill equals $1 per $1,000 of assessed valuation).
Scope of tax rate limit	- No municipality shall levy ad valorem taxes for real and tangible personal property in excess of ten mills of the assessed value, except for special benefits and debt service on obligations issued with the approval of those taxpayers subject to ad valorem taxes.
Taxes assessed	- January 1
Taxes due	- March 31
Taxes delinquent	- April 1
Discount allowed	- 4% November; 3% December, 2% January; 1% February
Penalties for delinquent	- 2.5% after April 1, increase .5% each ten days; maximum 5%
Tax collector	- Palm Beach County
Tax collector's commission	- None

Town of Palm Beach, Florida

Principal Property Tax Payers

September 30, 2013 and Nine Years Ago

	2013				2004			
	Taxable Assessed Value	Taxes Paid	Rank	Percentage of Town Taxable Assessed Value	Taxable Assessed Value	Taxes Paid	Rank	Percentage of Town Taxable Assessed Value
The Breaker's	$ 241,544,058	$ 785,308	1	2.03%	$ 188,258,246	$ 762,992	1	2.24%
Nelson Peltz	92,004,274	299,124	2	0.69%	50,759,491	205,723	2	0.60%
County Road Property LLC	69,247,700	225,138	3	0.49%				
PBH LLC	63,428,017	206,217	4	0.44%				
JV Associates	54,702,016	177,847	5	0.43%	49,000,000	198,592	3	0.58%
Sydell Miller	53,396,740	173,603	6	0.40%	42,823,474	173,559	4	0.51%
White Sea Holdings LLC	52,714,580	171,386	7	0.35%				
Dwight Schar	47,707,962	155,108	8	0.35%				
John Thornton	42,689,003	138,790	9	0.31%				
Black Calabash Family Holdings LLC	42,676,358	138,749	10	0.28%				
Thirty Eight East Corporation					36,046,706	146,094	5	0.43%
The Everglades Club					31,355,849	127,082	6	0.37%
Sydney Spiegel Trust					27,500,000	111,455	7	0.33%
Worth Avenue Association					28,500,000	115,508	8	0.34%
Sidney Kimmel					28,460,022	115,346	9	0.34%
Irwin Kramer & Terry Allen					26,719,383	108,291	10	0.32%
Totals	$ 760,110,708	$ 2,471,272		5.77%	$ 509,423,171	$ 2,064,641		6.07%

Source: Palm Beach County Property Appraiser

Town of Palm Beach, Florida

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Net Tax Levy*	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Property Tax Collections	Collections as a Percent of Current Levy
2004	$ 34,130,901	$ 32,778,331	96.04%	$ 57,193	$ 32,835,524	96.20%
2005	36,908,773	35,539,136	96.29%	15,151	35,554,287	96.33%
2006	40,661,213	39,003,587	95.92%	5,187	39,008,774	95.94%
2007	44,882,990	43,028,136	95.87%	68,469	43,096,605	96.02%
2008	43,129,948	41,337,264	95.84%	119,985	41,457,249	96.12%
2009	44,766,064	42,684,473	95.35%	202,744	42,887,217	95.80%
2010	43,506,736	41,076,426	94.41%	432,144	41,508,570	95.41%
2011	38,073,972	36,634,834	96.22%	509	36,635,343	96.22%
2012	37,421,931	36,636,311	97.90%	26,605	36,662,916	97.97%
2013	38,449,282	37,376,601	97.21%	96,506	37,473,107	97.46%

Note: All property taxes are assessed and collected by the Palm Beach County Tax Collector without charge to the Town. Collections are distributed in full as collected.

* Tax levy, net of allowance for discounts.

Town of Palm Beach, Florida

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

	Governmental Activities							
Fiscal Year	General Obligation Bonds	Revenue Refunding Bonds	Revenue Bonds/Notes	Loan Payable ECR	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2004	$ 680,000	$ 18,275,000	$ 6,065,000	$ 1,241,191	$ 349,422	$ 26,610,613	2.52%	$ 2,754
2005	-	18,045,000	5,945,000	1,148,628	263,838	25,402,466	2.41%	2,629
2006	-	14,685,000	5,825,000	1,053,679	179,201	21,742,880	1.71%	2,233
2007	-	11,225,000	5,700,000	956,282	91,297	17,972,579	1.41%	1,844
2008	-	7,630,000	15,575,000	856,374	-	24,061,374	1.88%	2,456
2009	-	3,885,000	15,445,000	753,889	-	20,083,889	1.59%	2,081
2010	-	-	71,805,000	648,762	-	72,453,762	6.78%	8,679
2011	-	-	70,540,000	540,924	-	71,080,924	6.51%	8,515
2012	-	-	67,765,000	-	-	67,765,000	6.19%	8,108
2013	-	-	66,475,000	-	-	66,475,000	6.22%	8,108

Note: Details about the Town's outstanding debt can be found in the notes to the financial statements.

Town of Palm Beach, Florida

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Assessed Value of Taxable Property	Per Capita
2004	$ 680,000	$ 111,000	$ 569,000	0.01%	$ 59
2005	0	0	0	N / A	0
2006	0	0	0	N / A	0
2007	0	0	0	N / A	0
2008	0	0	0	N / A	0
2009	0	0	0	N / A	0
2010	0	0	0	N / A	0
2011	0	0	0	N / A	0
2012	0	0	0	N / A	0
2013	0	0	0	N / A	0

Note: For each fiscal year ending September 30, property is valued as of January 1st of the preceding celendar year.

General Obligation Bonds were retired in 2005

Town of Palm Beach, Florida

Direct and Overlapping Governmental Activities Debt

September 30, 2013

	Total Outstanding	Percentage Applicable to Town of Palm Beach[1]	Amount Applicable to Town of Palm Beach
Direct:			
Town of Palm Beach	$ 66,475,000	100.00%	$ 66,475,000
Overlapping:			
Palm Beach County	$ 932,844,291	9.45%	88,153,785
Palm Beach County School District	1,797,703,000	9.45%	169,882,934
Total overlapping debt	2,730,547,291		258,036,719
Total direct and overlapping debt payable from ad valorem taxes	$ 2,797,022,291		$ 324,511,719
Estimated population			8,168
Total direct and overlapping debt per capita			$ 39,730

[1] Based on 2013 ratio of assessed taxable values.

Source: Finance Department, Town of Palm Beach, Florida
Palm Beach County Property Appraiser
School Board of Palm Beach County

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the County's boundries and multiplying it by the County and School Board General Obligation Debt outstanding.

Town of Palm Beach, Florida

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2008	2010	2011	2012	2013
Debt limit	$ 413,646,646	$ 450,671,835	$ 512,678,925	$ 595,548,163	$ 630,950,772	$ 630,950,772	$ 654,867,189	$ 576,523,894	$ 575,509,518	$ 591,309,084
Total net debt applicable to limit	568,576	0	0	0	0	0	0	0	0	0
Legal debt margin	$ 413,078,070	$ 450,671,835	$ 512,678,925	$ 595,548,163	$ 630,950,772	$ 630,950,772	$ 654,867,189	$ 576,523,894	$ 575,509,518	$ 591,309,084
Total net debt applicable to the limit as a percentage of debt limit	0.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The Town of Palm Beach has a 5% general obligation debt limit as a percent of taxable value per Section 7.02 of the Town Charter.

Town of Palm Beach, Florida

Pledged Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Non-Ad Valorem Revenue Available for Debt Coverage	Current Debt Service			Current Coverage
		Principal	Interest	Total	
2004	$ 16,956,538	$ 3,045,000	$ 2,203,824	$ 5,248,824	3.23
2005	18,398,896	3,370,000	1,884,144	5,254,144	3.50
2006	19,943,356	3,480,000	854,485	4,334,485	4.60
2007	21,555,300	3,585,000	750,354	4,335,354	4.97
2008	21,621,146	3,720,000	612,163	4,332,163	4.99
2009	20,686,778	3,875,000	648,649	4,523,649	4.57
2010	19,278,424	4,020,000	1,331,915	5,351,915	3.60
2011	20,863,658	1,265,000	3,149,663	4,414,663	4.73
2012	20,761,396	2,775,000	3,165,134	5,940,134	3.50
2013	21,760,266	1,290,000	3,111,294	4,401,294	4.94

The Town's revenue bonds and note are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue and any unused debt proceeds and related investment income. Footnote G describes the Town's current bond status.

Town of Palm Beach, Florida

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population[1]	Estimated Total Personal Income	Per Capita Personal Income[2]	Median Age[2]	Education Level in Years of Schooling	School Enrollment[2]	Unemployment Rate[3]
2004	9,662	$ #N/A	$ 109,219	66.6	N/A	382	5.8%
2005	9,662	#N/A	109,219	66.6	N/A	382	5.8%
2006	9,735	#N/A	130,891	66.6	N/A	318	4.7%
2007	9,744	#N/A	130,891	66.6	N/A	468	4.8%
2008	9,797	#N/A	130,891	66.6	N/A	468	7.5%
2009	9,650	#N/A	130,891	66.6	N/A	455	9.5%
2010	8,161	#N/A	130,891	66.6	N/A	477	10.8%
2011	8,348	#N/A	130,891	66.6	N/A	415	9.7%
2012	8,358	#N/A	130,891	66.6	N/A	406	0.0%
2013	8,168	#N/A	130,891	66.6	N/A	414	0.0%

Data Sources:

(1) The population for 2003 through 2009 was obtained from the University of Florida, Bureau of Economic Business Administration. The population for 2002, 2010 and 2011 was obtained from the U.S. Census Bureau count.

(2) Source: U.S. Census Bureau / Palm Beach County School District

(3) Source: Business Development Board of Palm Beach County. Data is for the West Palm Beach to Boca Raton metropolitan area.

N/A - Not Available

Town of Palm Beach, Florida

Principal Employers

September 30, 2013 and Nine Years Ago

	2013			2004		
Employer	Employees[1]	Rank	Percentage of Total Town Employment[2]	Employees	Rank	Percentage of Total Town Employment
Breakers Hotel	2,644	1	18.59%	N / A		N / A
Four Seasons Resort	420	2	2.95%	N / A		N / A
Town of Palm Beach	363	3	2.55%	N / A		N / A
Everglades Club	360	4	2.53%	N / A		N / A
Gunster, Yoakley & Stewart	253	5	1.78%	N / A		N / A
Testa's Restaurant	221	6	1.55%	N / A		N / A
Bath and Tennis	150	7	1.05%	N / A		N / A
Coldwell Banker / Century 21	144	8	1.01%	N / A		N / A
CSC Palm Beach LLP	140	9	0.98%	N / A		N / A
Charley's Crab	130	10	0.91%	N / A		N / A
Totals	4,825		33.92%	N / A		N / A

Source: (1) Various Town employers
(2) Daytime Population Source – Business Development Board of Palm Beach County

N / A - Not Available

Town of Palm Beach, Florida

Full-time Equivalent Town Government Employees by Function / Program

Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	82.02	86.84	86.98	86.45	85.5	84.5	82.43	73.46	75.05	74.85
Public Safety										
Building official	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Land development	8.90	8.90	10.40	10.90	10.90	10.90	12.35	12.35	11.85	11.35
Police officers	78.00	78.00	78.00	78.00	78.00	78.00	77.00	71.00	71.00	70.00
Firefighters	77.00	77.00	79.00	80.00	80.00	80.00	79.00	74.00	71.50	69.00
Civilian Police / Fire	58.20	59.20	59.20	59.20	59.20	59.70	54.45	48.25	46.25	47.25
Physical Environment										
Sanitation	44.26	44.27	44.27	44.24	44.24	44.24	41.51	37.06	37.06	38.05
Storm Sewer Maintenance	15.43	15.32	17.32	17.60	17.66	17.66	17.51	16.94	17.44	17.01
Transportation										
Roads and Streets	6.03	5.91	5.91	5.61	5.61	5.61	5.70	5.79	5.79	6.86
Culture and Recreation										
Leisure services	30.13	29.83	30.28	32.23	29.17	28.78	29.03	27.48	25.71	18.58
Total	400.97	406.27	412.36	415.23	411.28	410.39	399.98	367.33	362.65	353.95

Town of Palm Beach, Florida

Operating Indicators by Function / Program

Last Ten Fiscal Years

Function	Fiscal Year 2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police										
Physical arrests	1,617	2,151	2,134	1,889	1,715	2,120	2,033	1,703	1,404	1,832
Parking violations	23,591	23,060	23,328	21,835	16,832	13,514	12,178	15,936	14,485	12,404
Traffic violations	4,050	6,859	4,904	4,210	4,658	4,989	4,799	4,293	3,529	3,451
Fire										
Number of fire calls	1,471	1,853	1,220	1,364	1,373	1,175	1,092	1,147	1,003	928
Number of EMS Calls	1,383	1,429	1,074	1,644	1,598	1,319	1,372	1,464	1,603	1,478
Physical Environment										
Sanitation										
Refuse collected (tons)	10,407	10,891	10,744	10,534	10,976	9,877	9,341	8,452	8,443	9,175
Recyclables collected (tons)	1,736	1,758	1,751	1,780	1,844	1,579	1,642	1,645	1,624	1,576
Transportation										
Roads and Streets										
Street resurfacing (miles)	2	2	8	7	8	6	5	6	17	5
Pot holes repaired	50	50	50	46	61	72	67	75	26	35
Culture and Recreation										
Leisure Services										
Youth athletic participants	N / A	3,729	4,600	7,628	4,942	3,278	2,395	4,746	3,209	1,954
Camp program participants	N / A	4,567	6,339	10,089	10,243	10,626	10,031	11,525	10,862	10,768
Youth enrichment participants	N / A	5,262	5,469	6,263	9,365	6,759	4,475	3,613	2,841	5,515
Adult Enrichment / Fitness participa	N / A	4,188	4,051	9,202	9,201	3,447	2,250	2,259	2,287	2,483
Special Events Offered	5	5	6	7	6	5	4	3	3	3
Special Events participants	1,175	1,233	1,450	1,461	1,438	1,950	1,515	1,275	1,250	1,225
Tennis Participants	28,338	30,827	35,091	35,136	29,109	29,766	27,074	27,868	26,529	24,294
Rounds of Golf	35,468	33,875	31,118	28,952	25,275	14,226	19,660	26,598	29,308	30,230
Range buckets sold	20,258	20,456	21,080	19,180	14,746	8,313	7,303	8,707	12,712	14,323
Annual Marina Leases	81	82	82	82	81	78	72	68	73	75
Seasonal Marina Leases	3	2	2	2	2	5	5	5	5	7
Total transient vessels	701	785	785	681	626	649	466	387	396	318

Sources: Town departments
N / A: Not available.

Town of Palm Beach, Florida

Capital Asset Statistics by Function / Program

Last Ten Fiscal Years

Function	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety									
Police									
Stations	1	1	1	1	1	1	1	1	1
Patrol Units	22	22	21	21	21	21	21	21	21
Fire									
Fire Stations	3	3	3	3	3	3	3	3	3
Fire Trucks	7	7	7	7	7	7	7	7	7
ALS Rescue Vehicles	5	5	5	5	5	5	5	5	5
Physical Environment									
Sanitation									
Garbage Trucks	17	17	17	17	17	17	17	17	17
Trash Trucks	12	12	12	12	12	12	12	12	12
Transportation									
Roads and Streets									
Street lights	826	826	826	878	922	972	972	985	991
Lane miles	103	103	102.6	103	103	103	103	103	103
Culture and Recreation									
Leisure Services									
Basketball courts	1	1	1	1	1	1	1	1	1
Multi-purpose fields	1	1	1	1	1	1	1	1	1
Tennis courts	12	12	14	14	14	13	13	13	13
Dock slips	88	88	88	88	88	88	88	88	88
Golf courses	1	1	1	1	1	1	1	1	1
Playgrounds	1	1	1	1	1	1	1	1	1
Recreation centers	1	1	1	1	1	1	1	1	1
Tennis pro-shops	2	2	2	2	2	2	2	2	2
Parks	10	10	10	10	10	11	11	11	11

Sources: Town departments

Note: Data is not available for general government.

N / A: Not available.

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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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Palm Beach, Florida, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Palm Beach, Florida's basic financial statements and have issued our report thereon dated March 18, 2014. Our report includes a reference to other auditors who audited the financial statements of the Town of Palm Beach Retirement System, as described in our report on the Town of Palm Beach Florida's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Palm Beach, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

Purpose of this Report

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
March 18, 2014

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

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

We have audited the financial statements of the Town of Palm Beach, Florida, as of and for the year ended September 30, 2013, and have issued our report thereon dated March 18, 2014.

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. 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 Financial Statements Performed in Accordance with ***Government Auditing Standards.*** Disclosures in that report, which is dated March 18, 2014, should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local government entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

PRIOR YEAR COMMENTS

Rules of the Auditor General require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no findings or recommendations in the preceding annual financial report that required corrective actions.

CURRENT YEAR COMMENTS

Investment of Public Funds

Rules of the Auditor General require our audit to include a review of the Town's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

Current Year Recommendations

Rules of the Auditor General require that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Violations of Provisions of Contracts or Grant Agreements, or Abuse

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

Oversight Unit and Component Units

Rules of the Auditor General require 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, but has been repeated here. The Town of Palm Beach, Florida was incorporated as a municipality in 1911. The Town Charter was enacted by the Legislature of the State of Florida by Special Acts 1917, Chapter 7863. Pursuant to authority granted by the Florida constitution and Florida Stateutes Chapter 165, the Town enacted its current charter by Town Ordinance No. 18-99, and approved by referendum held February 9, 2009. Based upon the application of criteria defined in publications cited in Chapter 10.553, Rules of the Auditor General, the Town has determined that the Town of Palm Beach Retirement System is a component unit of the Town.

Consideration of Financial Emergency Criteria

Rules of the Auditor General require a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town of Palm Beach, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Annual Financial Report

Rules of the Auditor General require that we determine whether the annual financial report for the Town of Palm Beach, Florida for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we noted that the two reports were in substantial agreement.

Financial Condition Assessment Procedures

Pursuant to Rules of the Auditor General, we applied financial condition assessment procedures as of the fiscal year end. It is management's responsibility to monitor the Town of Palm Beach, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provide by management. The results of our procedures did not disclose any matters that are required to be reported. Our assessment was made as of the fiscal year end.

Single Audits

The Town expended less than $500,000 of federal awards and less than $500,000 of state financial assistance for the year ended September 30, 2013. Consequently, the Town was not required to have a federal single audit or a state single audit.

Response to Management Letter

There were no items that required a response of management.

Our management letter 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, Federal and other granting agencies, pass-through entities, applicable management, and the Town Council, 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
March 18, 2014