

**Town of Palm Beach, Florida
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2015**



COMPREHENSIVE ANNUAL FINANCIAL REPORT
TOWN OF PALM BEACH, FLORIDA
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015



Prepared by the Finance Department

Jane Struder, CPA
Finance Director

TOWN OF PALM BEACH, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 SEPTEMBER 30, 2015

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TOWN OF PALM BEACH

Finance Department

March 25, 2016

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, 2015, 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, 2015. 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, 2015. 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 8,041 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.

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.

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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 360 employees, including 70 sworn police officers and 66 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 values began to increase and continued to increase through FY15 with a single year increase of 7.53% for a taxable value total of \$13,421,075,355. The Town increased the millage rate to 3.4058 resulting in an increase in tax revenue of \$4,776,600. This increase was used to begin to fund the 10 year coastal protection plan. In FY16, taxable value increased by 9.74% to \$14,687,090,837, well over the FY09 peak.

Per capita personal income for the Town of Palm Beach is \$125,537, 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 2015 the following accomplishments occurred:

- Construction continued for projects associated with Phase 2 of the accelerated capital improvement program. These projects included replacement of the North Ocean Boulevard Seawall, D4 and D10 pump station improvements, Memorial Fountain Replacement and Phase 1 of the Town Hall Square project.
- The Town increased property taxes to fund the Coastal Protection program by \$4,777,000 in anticipation of projects beginning in FY15.
- The Town completed the Mid-Town Beach renourishment project.
- The Town lowered the actuarial investment return assumption from 8% to 7.5% for the pension plan.
- Two positions were added to the personnel count in the IT department. The FY15 budget was \$1,888,851 (2.9%) more than the FY14 budget. The increase was due the increase in the transfer to the Coastal Protection Fund offset by cuts in other areas. The millage rate increased to 3.4058.

For the Future

The Palm Beach County economy continued to improve and property values in Palm Beach increased by 9.74% for FY16. The Town increased property tax revenue by \$3,706,700 to supplement the funding for the coastal protection financing plan. The millage rate decreased 0.82% to 3.3779.

The FY16 budget reflected an increase of 6.9% from the FY15 budget. The portion of the increase was due to an increase in personnel of 4.91 FTE, increases in the cost of the pension system and an increase in salary and benefits. The balance of the increase reflects an increase in the transfer to the coastal protection fund of \$3,238,220.

Projects from Phase 2 of the accelerated capital improvement program are continuing and the Town Hall Square project will be completed in FY16.

The Town Council is reviewing plans to do a Town-wide utility undergrounding project. A referendum on March 15, 2016, was approved by the voters to issue up to \$90,000,000 in GO Bonds to finance the project and to be paid for by non ad valorem assessments pursuant to the provisions of Florida Statute 197.3632.

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 \$22,267,051 as of September 30, 2015, represents 30.96% of FY16 general fund operating expenditures.

Long Term Financial Planning

Since FY2004, Town staff has prepared a Long Term Financial Plan. The Town prepares annual updates of the long term financial plan that encompass a 10 year time horizon. The FY16 update will be presented in the FY16 budget. 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 2015. 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, 2014. This was the 27th 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, 2015.

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,



Thomas G. Bradford
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, 2014

Executive Director/CEO



TOWN OF PALM BEACH ORGANIZATIONAL STRUCTURE

CITIZENS OF PALM BEACH

ELECT



MAYOR
Gail L. Coniglio

TOWN COUNCIL



PRESIDENT
Michael J. Pucillo



PRESIDENT PRO-TEM
Richard M. Kleid



Bobbie Lindsay



Danielle H. Moore



Margaret A. Zeidman

APPOINTS



TOWN ATTORNEY
John C. Randolph



TOWN MANAGER
Thomas G. Bradford

**ADVISORY BOARD
AND COMMISSIONS**



**DEPUTY TOWN
MANAGER**
Jay Boodheshwar



**DIRECTOR OF
RECREATION**
Beth Zickar



**DIRECTOR OF
PUBLIC SAFETY**
Kirk W. Blouin



**DIRECTOR OF PUBLIC
WORKS**
H. Paul Brazil



**DIRECTOR OF
Human Resources**
Danielle Olson



**DIRECTOR OF
PLANNING, ZONING
AND BUILDING**
John Page



**DIRECTOR OF
FINANCE**
Jane Struder



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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JANET R. BARICEWICH, CPA
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N. RONALD BERNETT, CPA, ABV, CFP, CPA
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TIMOTHY H. SCHMEDEB, CFP, CPA
WELAN, CPA
WILLIAM C. RISKER, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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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, 2015, 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 72 percent, 73 percent, and 8 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, 2015, 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.

Change in Accounting Principle

As discussed in Note Q to the financial statements, the Town implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an Amendment of GASB No. 68*, during the fiscal year ended September 30, 2015. The net position of the governmental activities, the business-type activities, and the Recreation Enterprise Fund as of October 1, 2014 have been restated. Our opinions are not modified with respect to this matter.

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 96 through 99, the schedule of funding progress – other postemployment benefits on page 100, and the pension schedules on pages 101 through 110 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 schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Florida Auditor General and is also not a required part of the basis financial statements.

The combining and individual nonmajor fund financial statements and schedules, debt service requirements, and the schedule of expenditures of state financial assistance 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, debt service requirements, and the schedule of expenditures of state financial assistance 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 25, 2016, 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 & Mimer, P.A.

West Palm Beach, Florida
March 25, 2016

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, 2015. 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-iv 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 and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$133,376,587 (net position). Of this amount, \$4,251,045 (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 \$94,682,188, a decrease of \$27,094,413 in comparison with the prior year. The decrease is due to the expenditure of bond proceeds in the 2013 Capital Fund and expenditures for the Mid-town Beach renourishment project. Approximately 22% 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 \$20,708,827.
4. The Town's total government-wide revenue was \$80,549,332, while total expenses were \$78,665,170.
5. Governmental Activities generated \$75,780,536 in revenue (including transfers in) with \$74,232,431 in expenses.
6. Business-type Activities generated \$4,768,796 in revenue (net of transfers out) with \$4,432,739 in expenses.
7. The Town's long-term debt decreased by \$2,260,000 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between them 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 16-18 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 fifteen 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, Special Assessment Fund, Beach Restoration Project Fund, and CIP 2013 Bond 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 19-22 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 23-27 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 28-29.

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 30-90 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 Schedule of Funding Progress for the OPEB Trust fund, and schedules relating to the Town's retirement plan for the three employee groups. The required supplementary information can be found on pages 98-112 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 113-129 of this report.

Debt service requirements are detailed on pages 130-133 of this report.

The statistical section contains information on financial trends, revenue capacity, debt capacity, demographic and economic information and operating information. These schedules can be found on pages 134-156 of this report.

Government-wide Financial Analysis

Net Position. On the following page, is a summary of the fiscal year 2015 Statement of Net Position found on page 16 and comparative information for fiscal year 2014.

Town of Palm Beach, Florida
Net Position
September 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014 (1)	2015	2014	2015	2014
ASSETS						
Current and other assets	\$158,344,285	\$179,377,482	\$ 7,000,035	\$ 5,732,520	\$165,344,320	\$185,110,002
Capital assets, net	<u>158,970,784</u>	<u>130,584,109</u>	<u>17,072,347</u>	<u>17,740,802</u>	<u>176,043,131</u>	<u>148,324,911</u>
Total assets	317,315,069	309,961,591	24,072,382	23,473,322	341,387,451	333,434,913
DEFERRED OUTFLOWS OF RESOURCES						
	<u>28,804,794</u>	<u>445,322</u>	<u>1,371,273</u>	<u> </u>	<u>30,176,067</u>	<u>445,322</u>
LIABILITIES						
Current liabilities	12,259,262	9,842,597	873,436	863,019	13,132,698	10,705,616
Long-term liabilities	<u>221,128,703</u>	<u>189,616,001</u>	<u>3,194,416</u>	<u>1,570,557</u>	<u>224,323,119</u>	<u>191,186,558</u>
Total liabilities	233,387,965	199,458,598	4,067,852	2,433,576	237,455,817	201,892,174
DEFERRED INFLOWS OF RESOURCES						
	<u>731,114</u>	<u>495,636</u>	<u> </u>	<u> </u>	<u>731,114</u>	<u>495,636</u>
NET POSITION						
Net investment in capital assets	74,251,960	55,346,920	17,072,347	17,740,802	91,324,307	73,087,722
Restricted	37,801,235	50,785,559			37,801,235	50,785,559
Unrestricted	<u>(52,411)</u>	<u>4,320,200</u>	<u>4,303,456</u>	<u>3,298,944</u>	<u>4,251,045</u>	<u>7,619,144</u>
Total net position	<u>\$112,000,784</u>	<u>\$110,452,679</u>	<u>\$21,375,803</u>	<u>\$21,039,746</u>	<u>\$133,376,587</u>	<u>\$131,492,425</u>

(1) Restated for implementation of GASB 68

The Town implemented Governmental Accounting Standard Boards (“GASB”) Statement No. 68 “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68” (collectively “the Statements”) in 2015. The Statements require the Town to recognize a net pension liability, deferred outflows of resources and deferred inflows of resources for its retirement plan, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the statement of net position) and presents more extensive note disclosures. The adoption of the Statements had no impact on the Town’s governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions. However, the adoption has resulted in the restatement of the Town’s net position as of September 30, 2014 for its Governmental Activities, Business-type Activities, and Recreation Enterprise Fund to reflect the reporting of net pension liabilities, deferred outflows of resources, and deferred inflows of resources for its retirement plan in accordance with the provisions of the Statements. As of September 30, 2014, net position of the Town’s Governmental Activities was decreased by \$58,111,235 and the net position of the Business-type Activities and Recreation Enterprise Fund were decreased by \$1,421,642 reflecting the cumulative change in accounting principle related to the adoption

of the Statements. See Note P in the notes to the basic financial statements for more information regarding the Town's the adoption of the Statements.

Net position may serve over time as a useful indicator of a government's financial position. At September 30, 2015, the Town's assets plus deferred outflows exceeded liabilities plus deferred inflows by \$133,376,587. Total net position for the fiscal year increased by \$1,884,162 as a result of a \$1,548,105 increase in governmental activities and an increase of \$336,057 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 \$4,251,045, reflecting a decrease in the government activities of \$4,372,611 and an increase in the business type activities of \$1,004,512.

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 \$91,324,307. 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.

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, 2015, as compared to September 30, 2014:

Town of Palm Beach, Florida
Changes in Net Position
For the Fiscal Years Ended September 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue:						
Charges for services	\$16,749,495	\$14,366,977	\$ 5,809,804	\$ 5,278,444	\$22,559,299	\$19,645,421
Operating grants and contributions	855,079	376,936			855,079	376,936
Capital grants and contributions	1,066,522	642,863	25,000		1,091,522	642,863
General revenue:						
Property taxes	43,869,888	39,110,926			43,869,888	39,110,926
Local option gas tax	329,481	310,290			329,481	310,290
Franchise fees	2,168,171	2,172,540			2,168,171	2,172,540
Utility service taxes	5,558,660	5,463,267			5,558,660	5,463,267
Business tax receipts	682,428	702,711			682,428	702,711
Intergovernmental	945,915	939,801			945,915	939,801
Investment earnings	1,460,232	1,486,459	17,024	14,615	1,477,256	1,501,074
Miscellaneous	43,456	559,883	4,168		47,624	559,883
Insurance recoveries	964,009	331,745			964,009	331,745
Total revenue	<u>74,693,336</u>	<u>66,464,398</u>	<u>5,855,996</u>	<u>5,293,059</u>	<u>80,549,332</u>	<u>71,757,457</u>
Expenses						
General government	14,710,957	10,303,043			14,710,957	10,303,043
Public safety	29,315,807	26,082,520			29,315,807	26,082,520
Physical environment	21,525,593	18,044,387			21,525,593	18,044,387
Transportation	1,070,730	1,407,173			1,070,730	1,407,173
Economic environment	232,490	196,888			232,490	196,888
Culture and recreation	1,912,995	1,841,595			1,912,995	1,841,595
Interest on long-term debt	5,463,859	5,017,586			5,463,859	5,017,586
Debt issue cost		330,638				330,638
Recreation Enterprise			<u>4,432,739</u>	<u>4,066,532</u>	<u>4,432,739</u>	<u>4,066,532</u>
Total expenses	<u>74,232,431</u>	<u>63,223,830</u>	<u>4,432,739</u>	<u>4,066,532</u>	<u>78,665,170</u>	<u>67,290,362</u>
Change in Net Position						
Before Transfers	460,905	3,240,568	1,423,257	1,226,527	1,884,162	4,467,095
Transfers	<u>1,087,200</u>	<u>(207,700)</u>	<u>(1,087,200)</u>	<u>207,700</u>		
Change in net position	1,548,105	3,032,868	336,057	1,434,227	1,884,162	4,467,095
Net position at beginning of year (1)	<u>110,452,679</u>	<u>107,419,811</u>	<u>21,039,746</u>	<u>19,605,519</u>	<u>131,492,425</u>	<u>127,025,330</u>
Net position at end of year	<u>\$112,000,784</u>	<u>\$110,452,679</u>	<u>\$21,375,803</u>	<u>\$21,039,746</u>	<u>\$133,376,587</u>	<u>\$131,492,425</u>

(1) Restated for implementation of GASB 68

The Town's combined net position increased by \$1,884,162 or 1.4% during 2015. This increase can be attributed to governmental activities that increased \$1,548,105 and an increase of \$336,057 for the business-type activities. The increase in net position of the governmental activities is attributable to an increase in property taxes, building permit revenue, grant revenue and insurance recoveries.

Financial Analysis

Governmental funds. The fund financial statements for the governmental funds are provided on pages 19-22. 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 \$94,682,188, which decreased by \$27,094,413 from September 30, 2014. This decrease was primarily due to expenditures from the accelerated capital improvement program, Phase I and II, and beach renourishment projects.

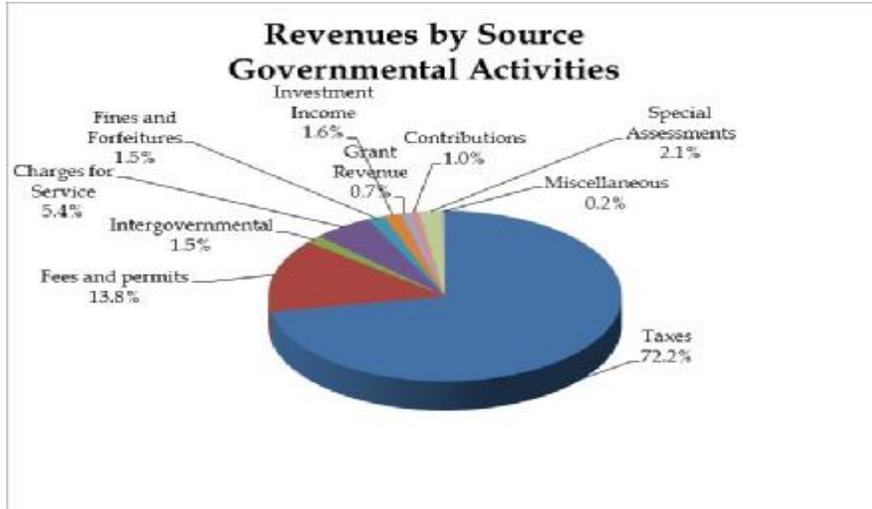
The following schedule presents a summary of all governmental fund revenue for the fiscal year ended September 30, 2015, and the amount and percentage of increases and decreases in relation to prior year revenues:

Revenue	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2014</u>	<u>Percent Increase (Decrease)</u>
Taxes	\$ 52,608,628	72.2%	\$ 4,848,894	10.2%
Fees and permits	10,020,118	13.8%	2,618,803	35.4%
Intergovernmental	1,074,234	1.5%	17,731	1.7%
Charges for services	3,957,603	5.4%	216,418	5.8%
Fines and forfeitures	1,115,240	1.5%	(808,943)	-42.0%
Investment income	1,184,939	1.6%	558,644	89.2%
Grant revenue	490,367	0.7%	131,562	36.7%
Contributions	736,770	1.0%	315,404	74.9%
Special Assessments	1,538,098	2.1%	354,877	30.0%
Miscellaneous	<u>177,606</u>	<u>0.2%</u>	<u>(486,361)</u>	-73.3%
Total Revenue	<u>\$ 72,903,603</u>	<u>100.0%</u>	<u>\$ 7,767,029</u>	11.9%

The most significant changes in revenue are described below:

- Property taxes increased resulting from an increase in the millage rate to begin to fund the 10 year coastal protection plan.
- License and permit revenue increased due to improvements in building permit activity.
- Intergovernmental revenue recorded a slight increase due to improved sales tax collections and an increased 911 reimbursement.
- Charges for services increased due to increased parking meter and permit revenue as well as increases in EMS revenue.
- Fine and forfeiture income decreased due to a large code enforcement fine received in FY14.
- Investment income increased due to improvements in investment income from certificates of deposit and increased reserve balances.
- Grant revenue increased due to grant funds received for beach projects and the Memorial Fountain project.

- Contributions increased due to increased donations received from citizens for the Town Hall Square project.
- Special assessment revenue increased due to new assessments for undergrounding and streetscape projects.
- Miscellaneous revenue decreased due to the one time sale of property in FY14.



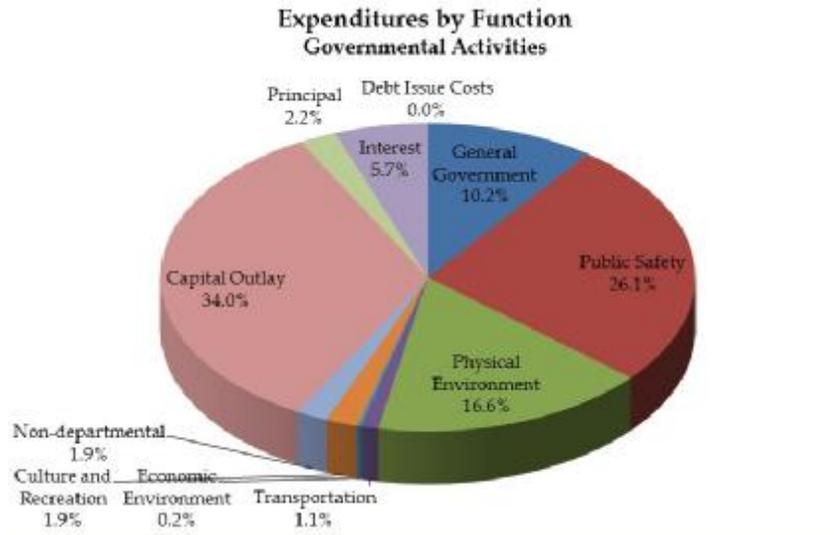
The following schedule presents a summary of all governmental funds expenditures for the fiscal year ended September 30, 2015, and the percentage of increases and decreases in relation to prior year amounts:

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2014</u>	<u>Percent Increase (Decrease)</u>
Expenditures				
Current:				
General government	\$ 10,349,294	10.2%	\$ 866,560	9.1%
Public safety	26,328,383	26.1%	525,141	2.0%
Physical environment	16,836,864	16.7%	3,988,812	31.0%
Transportation	1,084,764	1.1%	(198,087)	-15.4%
Economic Environment	232,490	0.2%	35,602	18.1%
Culture and recreation	1,931,194	1.9%	60,593	3.2%
Non-departmental	1,925,555	1.9%	45,304	2.4%
Capital Outlay	34,409,565	34.0%	22,836,032	197.3%
Debt Service:				
Principal	2,260,000	2.2%	940,000	71.2%
Interest	5,727,107	5.7%	1,203,080	26.6%
Debt issue costs	<u>0</u>	<u>0.0%</u>	<u>(330,638)</u>	100.0%
Total Expenditures	<u>\$ 101,085,216</u>	<u>100.0%</u>	<u>\$ 29,972,399</u>	42.1%

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

- General government expenditures decreased due to an increase in the transfer to the OPEB trust, increase in compensated absence payouts due to a high level of retirements, higher legal fees, and contractual plan review and inspection services.
- Public safety expenditures increased due to increases in personnel and retirement costs.
- Physical environment costs increased due mostly to an increase in the transfer to the coastal projection fund.
- Transportation expenditures decreased due to decreases in personnel costs.

- Economic environment expenditures increased due to increased maintenance costs in the Worth Avenue Special Assessment District.
- 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 decreased due to a decrease in the risk insurance costs.
- Capital outlay increased due to an increase in expenditures related to the accelerated capital improvement program projects completed during FY15 and the completion of the Mid-Town Beach renourishment project.
- Debt service payments increased due to the debt service on the 2013 Revenue Bond.
- Debt issue costs are related to the issuance of the 2013 Revenue Bond.



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 \$22,267,050 while the total fund balance was \$28,566,908. The total fund balance of the General Fund decreased by \$195,227 due, in part, to transfers of unassigned fund balance to the Beach Restoration Project Fund offset by 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 66.1% of total General Fund expenditures including transfers out.

The restricted fund balance of the CIP 2013 Bond Fund was \$34,967,926. This fund was established as a result of the 2013 Revenue Bond issue. The fund balance decreased in the CIP Bond Fund due to the expenditure of funds for capital projects.

The assigned fund balance of the Beach Restoration Fund is \$24,072,085. These funds have been accumulated for coastal protection projects and also include bond proceeds from the 2013 bond relating to coastal projects. The balance decreased due to the construction of the Mid-Town beach renourishment project.

Other governmental funds which include debt service, special revenue and capital projects funds had restricted fund balances totaling \$2,619,809 and assigned fund balances of \$6,013,683.

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 \$4,201,040 at September 30, 2015. Net position for this fund increased \$309,079. 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 FY2015 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 \$4,693,940 more than the final budget due to higher than anticipated ad valorem, building permit, utility taxes, franchise fees, parking meter and permit, and investment earnings. Actual expenditures were \$4,205,362 less than the final budget due to personnel vacancies 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, 2015, net capital assets of governmental activities totaled \$158,970,784 and the net capital assets of the business-type activities totaled \$17,072,347 (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, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$9,946,951	\$9,946,951	\$ 5,623,777	\$ 5,623,777	\$15,570,728	\$15,570,728
Construction in Progress	18,412,395	11,457,302			18,412,395	11,457,302
Buildings	37,615,322	30,251,912	4,695,511	4,904,516	42,310,833	35,156,428
Improvements other than buildings	2,975,268	3,287,604	6,440,870	6,894,092	9,416,138	10,181,696
Equipment	9,627,782	9,934,448	312,189	318,417	9,939,971	10,252,865
Infrastructure	80,311,480	65,594,641			80,311,480	65,594,641
Intangible assets- Facilities rights of use	81,586	111,251			81,586	111,251
	<u>\$158,970,784</u>	<u>\$130,584,109</u>	<u>\$ 17,072,347</u>	<u>\$ 17,740,802</u>	<u>\$176,043,131</u>	<u>\$148,324,911</u>

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

- Completed the Mid-Town Beach renourishment project
- Completed Pump Station improvements and pump station generator installations.
- Completed the ejector pump station upgrade
- Completed the force main improvements for E-3 Garden Road to Cherry Lane.

Debt Administration

As of September 30, 2015, the Town had \$118,485,000 par value in revenue bonds outstanding representing a decrease of 2,260,000 due to principal payments during FY15. 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 found on page 58.

**Town of Palm Beach
Outstanding Debt
September 30, 2015 and 2014**

	2015	2014
Revenue Bonds – Par Value	\$ 118,485,000	\$ 120,745,000
Total	\$ 118,485,000	\$ 120,475,000

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

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 FY2016, the Town Council adopted a General Fund budget, including transfers out, of \$71,914,331 representing a 6.9% increase from FY2015. The FY2016 budget includes an increase in property tax revenue of \$3,706,700, utility tax and franchise fee revenue increase of \$67,500 due to improved revenue collections, and an anticipated increase in building permit revenue of \$267,720 due to improved building activity. The Town Council approved a transfer to the coastal protection fund for future coastal projects of \$8,015,220 representing an increase of 67.79% from FY14. Personnel costs increased in the FY16 budget by \$22,914 due to the addition of 3.5 FTEs and pay for performance increases for all personnel offset by salary decreases due to the retirement of 18 employees. Pension costs increased by \$800,441 due to lower returns and an additional contribution of \$291,855 to begin to accrue funds for the anticipated cost increase due to the Retirement Fund experience study and the changes in the mortality tables. In addition, Town Council approved a 4% discretionary contribution to the defined contribution plan for employees. The taxable value increased by 9.74% for FY2015 and the Town’s millage rate was reduced to 3.3779.

General economic conditions both nationally and in the State of Florida have improved. 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.

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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 130,736	\$ 2,500	\$ 133,236
Investments	30,245,346		30,245,346
Equity in pooled cash and investments	100,301,913	6,548,527	106,850,440
Accounts receivable, net	1,067,454	7,783	1,075,237
Interest receivable	133,853	213	134,066
Due from other governments	852,328	58,202	910,530
Internal balances	(102,416)	102,416	
Inventory	499,026		499,026
Prepays	173,369	14,386	187,755
Net OPEB asset	17,018,781		17,018,781
Investment in joint venture	7,638,588		7,638,588
Equity in pooled cash and investments - restricted	385,307	266,008	651,315
Capital assets			
Land	9,946,951	5,623,777	15,570,728
Construction in progress	18,412,395		18,412,395
Capital assets being depreciated and amortized, net	130,611,438	11,448,570	142,060,008
Total assets	<u>317,315,069</u>	<u>24,072,382</u>	<u>341,387,451</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	407,963		407,963
Pension related items	28,396,831	1,371,273	29,768,104
Total deferred outflows of resources	<u>28,804,794</u>	<u>1,371,273</u>	<u>30,176,067</u>
LIABILITIES			
Accounts and contracts payable	6,099,883	95,571	6,195,454
Accrued liabilities	3,138,215	50,188	3,188,403
Accrued interest payable	1,421,370		1,421,370
Due to other governments	238,397	35,160	273,557
Payable from restricted assets - deposits	385,307	266,008	651,315
Unearned revenue	976,090	426,509	1,402,599
Long-term liabilities			
Due within one year	3,028,361	16,226	3,044,587
Due in more than one year	218,100,342	3,178,190	221,278,532
Total liabilities	<u>233,387,965</u>	<u>4,067,852</u>	<u>237,455,817</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	488,833		488,833
Pension related items	242,281		242,281
Total deferred inflows of resources	<u>731,114</u>		<u>731,114</u>
NET POSITION			
Net investment in capital assets	74,251,960	17,072,347	91,324,307
Restricted for:			
Debt service	1,655,165		1,655,165
Public safety	53,637		53,637
Capital projects	35,528,065		35,528,065
Other purposes	564,368		564,368
Unrestricted	(52,411)	4,303,456	4,251,045
Total net position	<u>\$ 112,000,784</u>	<u>\$ 21,375,803</u>	<u>\$ 133,376,587</u>

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

Functions / Programs	Expenses	Program Revenue		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Government activities				
General government	\$ 14,710,957	\$ 10,116,770	\$ 95,052	\$ 360,593
Public safety	29,315,807	2,810,616	443,902	114,740
Physical environment	21,525,593	2,500,197	302,474	377,689
Transportation	1,070,730	1,321,912	3,077	
Economic environment	232,490			
Culture and recreation	1,912,995		10,574	213,500
Interest on long-term debt	5,463,859			
Total governmental activities	74,232,431	16,749,495	855,079	1,066,522
Business-type activities				
Leisure services	4,432,739	5,809,804		25,000
Total	\$ 78,665,170	\$ 22,559,299	\$ 855,079	\$ 1,091,522

General Revenue

- Property taxes
- Local option gas tax
- Franchise taxes based on gross receipts
- 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
\$ (4,138,542)	\$	\$ (4,138,542)
(25,946,549)		(25,946,549)
(18,345,233)		(18,345,233)
254,259		254,259
(232,490)		(232,490)
(1,688,921)		(1,688,921)
(5,463,859)		(5,463,859)
(55,561,335)		(55,561,335)
	1,402,065	1,402,065
(55,561,335)	1,402,065	(54,159,270)
43,869,888		43,869,888
329,481		329,481
2,168,171		2,168,171
5,558,660		5,558,660
682,428		682,428
945,915		945,915
1,460,232	17,024	1,477,256
43,456	4,168	47,624
964,009		964,009
1,087,200	(1,087,200)	
57,109,440	(1,066,008)	56,043,432
1,548,105	336,057	1,884,162
110,452,679	21,039,746	131,492,425
<u>\$ 112,000,784</u>	<u>\$ 21,375,803</u>	<u>\$ 133,376,587</u>

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2015

	Major Governmental Funds					Total Governmental Funds
	General Fund	Special Assessment Fund	Beach Restoration Project Fund	CIP 2013 Bond Fund	Nonmajor Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 82,532	\$	\$	\$	\$	\$ 82,532
Investments	22,727,233			7,518,113		30,245,346
Equity in pooled cash and investments	7,889,724	360,789	25,254,969	30,397,506	8,844,214	72,747,202
Accounts receivable, net	873,839	25,974	158,825		8,816	1,067,454
Interest receivable	18,064		37,517	62,927	2,916	121,424
Due from other governments	172,498		466,330	213,500		852,328
Due from other funds	26,426					26,426
Inventory	499,026					499,026
Prepaid items	11,018					11,018
Equity in pooled cash and investments - restricted	385,307					385,307
TOTAL ASSETS	\$ 32,685,667	\$ 386,763	\$ 25,917,641	\$ 38,192,046	\$ 8,855,946	\$ 106,038,063
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts and contracts payable	\$ 716,836	\$ 42,600	\$ 1,384,991	\$ 3,010,620	\$ 226,425	\$ 5,381,472
Accrued liabilities	1,337,005		3,304			1,340,309
Due to other governments	212,122					212,122
Due to other funds					26,426	26,426
Advance from other funds		1,858,419			13,570	1,871,989
Payable from restricted assets - deposits	385,307					385,307
Unearned revenue	976,090					976,090
TOTAL LIABILITIES	3,627,360	1,901,019	1,388,295	3,010,620	266,421	10,193,715
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	488,833					488,833
Unavailable revenue	2,566		457,261	213,500		673,327
TOTAL DEFERRED INFLOWS OF RESOURCES	491,399		457,261	213,500		1,162,160
FUND BALANCES						
Non-spendable:						
Inventory	499,026					499,026
Prepays	11,018					11,018
Restricted for:						
Capital projects				34,967,926		34,967,926
Crime prevention					53,637	53,637
Special projects					564,368	564,368
Debt service					1,655,165	1,655,165
Worth avenue					346,639	346,639
Committed to:						
Compensated absences	3,168,790					3,168,790
Assigned to:						
Subsequent year's expenditures	2,621,024					2,621,024
Capital projects					5,690,062	5,690,062
Beach restoration			24,072,085			24,072,085
Town facilities					323,621	323,621
Unassigned	22,267,050	(1,514,256)			(43,967)	20,708,827
TOTAL FUND BALANCES	28,566,908	(1,514,256)	24,072,085	34,967,926	8,589,525	94,682,188
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 32,685,667	\$ 386,763	\$ 25,917,641	\$ 38,192,046	\$ 8,855,946	\$ 106,038,063

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, 2015

Total Governmental Fund Balances	\$ 94,682,188
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	149,343,002
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. Unavailable revenue	673,327
Net OPEB asset created through funding of the employer contribution to the defined benefit OPEB plan is not recognized in the funds.	17,018,781
Investment in joint venture is not a financial resource and, therefore is not reported in the funds.	7,638,588
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.	36,711,730
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.	(102,416)
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	(118,485,000)
Bond premiums	(4,860,305)
Bond discounts	302,899
Deferred loss on refunding	407,963
Accrued interest payable	(1,421,370)
Compensated absences	(3,168,790)
Net pension liability	(92,375,215)
Accrued landfill closure and postclosure care costs	(2,519,148)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	
Pension related deferred outflows	28,396,831
Pension related deferred inflows	<u>(242,281)</u>
Net Position of Governmental Activities	<u><u>\$ 112,000,784</u></u>

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, 2015

	Major Governmental Funds					Total Governmental Funds
	General Fund	Special Assessment Fund	Beach Restoration Project Fund	CIP 2013 Bond Fund	Nonmajor Governmental Funds	
REVENUES						
Taxes	\$ 52,608,628	\$	\$	\$	\$	\$ 52,608,628
Fees and permits	10,020,118					10,020,118
Intergovernmental	1,074,234					1,074,234
Charges for services	3,957,603					3,957,603
Fines and forfeitures	1,099,526				15,714	1,115,240
Investment earnings	597,585	247	329,203	198,257	59,647	1,184,939
Grant revenue	28,454		325,413	136,500		490,367
Contributions				222,500	514,270	736,770
Special assessments		530,394			1,007,704	1,538,098
Miscellaneous	168,236				9,370	177,606
Total revenues	<u>69,554,384</u>	<u>530,641</u>	<u>654,616</u>	<u>557,257</u>	<u>1,606,705</u>	<u>72,903,603</u>
EXPENDITURES						
Current						
General government	10,217,831			10,152	121,311	10,349,294
Public safety	25,991,846				336,537	26,328,383
Physical environment	11,054,897	55,922	4,277,678	367,045	1,081,322	16,836,864
Transportation	969,871				114,893	1,084,764
Economic environment					232,490	232,490
Culture and recreation	1,922,115				9,079	1,931,194
Non-departmental	1,925,555					1,925,555
Capital outlay	75,496		20,964,264	11,897,248	1,472,557	34,409,565
Debt service						
Principal					2,260,000	2,260,000
Interest and fiscal charges					5,727,107	5,727,107
Total expenditures	<u>52,157,611</u>	<u>55,922</u>	<u>25,241,942</u>	<u>12,274,445</u>	<u>11,355,296</u>	<u>101,085,216</u>
Revenue over (under) expenditures	17,396,773	474,719	(24,587,326)	(11,717,188)	(9,748,591)	(28,181,613)
OTHER FINANCING SOURCES (USES)						
Revenue bond issued						
Revenue bond premium						
Transfers in	885,000		11,377,000	3,338,037	8,261,813	23,861,850
Transfers out	(18,477,000)		(734,613)		(3,563,037)	(22,774,650)
Total other financing sources (uses)	<u>(17,592,000)</u>		<u>10,642,387</u>	<u>3,338,037</u>	<u>4,698,776</u>	<u>1,087,200</u>
Net change in fund balances	(195,227)	474,719	(13,944,939)	(8,379,151)	(5,049,815)	(27,094,413)
Fund balances - beginning of year	<u>28,762,135</u>	<u>(1,988,975)</u>	<u>38,017,024</u>	<u>43,347,077</u>	<u>13,639,340</u>	<u>121,776,601</u>
Fund balances - end of year	<u>\$ 28,566,908</u>	<u>\$ (1,514,256)</u>	<u>\$ 24,072,085</u>	<u>\$ 34,967,926</u>	<u>\$ 8,589,525</u>	<u>\$ 94,682,188</u>

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, 2015

Net change in fund balances - total governmental funds \$ (27,094,413)

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	34,212,653
Less current year depreciation and amortization	(5,247,186)
Net book value of asset disposals	(272,126)

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	6,697
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Governmental funds report revenue when earned and available. However, the government-wide statements recognize revenue when earned, regardless of availability

Grant revenues	550,431
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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	2,260,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of loss on refunding	(37,359)
Amortization of bond premiums	301,784
Amortization of bond discounts	(19,665)
Change in accrued interest payable	18,488
Change in compensated absences	287,742
Change in net pension liability and related deferred amounts	(6,109,430)
Change in net OPEB asset	538,791
Change in accrued landfill closure and postclosure care costs	(78,760)

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	274,201
Consolidation of operating income (loss) related to governmental funds	819,626
Nonoperating revenue	1,136,631

Change in net position of governmental activities \$ 1,548,105

See notes to financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2015

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Funds
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,500	\$ 48,204
Equity in pooled cash and investments	6,548,527	27,554,711
Account receivable	7,783	
Interest receivable	213	12,429
Due from other governments	58,202	
Due from other funds		
Prepaid expenses	14,386	162,351
Equity in pooled cash and investments - restricted	266,008	
Total current assets	<u>6,897,619</u>	<u>27,777,695</u>
Noncurrent assets		
Capital assets		
Land	5,623,777	
Buildings	6,221,038	
Improvements other than buildings	11,255,958	
Equipment	802,557	19,680,117
	<u>23,903,330</u>	<u>19,680,117</u>
Less accumulated depreciation	(6,830,983)	(10,052,335)
Total capital assets, net of accumulated depreciation	17,072,347	9,627,782
Advance to other funds		1,871,989
Total noncurrent assets	<u>17,072,347</u>	<u>11,499,771</u>
Total assets	<u>23,969,966</u>	<u>39,277,466</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	1,371,273	
LIABILITIES		
Current liabilities		
Accounts payable	95,571	718,411
Accrued liabilities	50,188	1,797,906
Due to other governments	35,160	26,275
Due to other funds		
Compensated absences payable	16,226	2,508
Payable from restricted - Customer deposits	266,008	
Unearned revenue	426,509	
Total current liabilities	<u>889,662</u>	<u>2,545,100</u>
Noncurrent liability		
Compensated absences payable	119,536	20,636
Net pension liability	3,058,654	
Total noncurrent liabilities	<u>3,178,190</u>	<u>20,636</u>
Total liabilities	<u>4,067,852</u>	<u>2,565,736</u>
NET POSITION		
Net investment in capital assets	17,072,347	9,627,782
Unrestricted	4,201,040	27,083,948
Total net position	<u>\$ 21,273,387</u>	<u>\$ 36,711,730</u>

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, 2015

Amounts reported for the Recreation Enterprise Fund \$ 21,273,387

The Town uses internal service funds to charge the costs of risk management, group health insurance, and equipment replacement to individual governmental and enterprise funds. The operating 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	26,978
Cumulative prior year adjustments	<u>75,438</u>

Amounts reported for the Business-Type Activities \$ 21,375,803

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, 2015

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
OPERATING REVENUES		
Golf fees and related revenue	\$ 1,742,735	\$
Marina fees and related revenue	3,456,103	
Charges for services	603,364	8,545,858
Other operating revenue	7,602	5,771
Total operating revenues	<u>5,809,804</u>	<u>8,551,629</u>
OPERATING EXPENSES		
Personal services	1,966,853	209,706
Contractual services	592,595	68,614
Repairs and maintenance	92,718	
Equipment rental	5,998	
Materials and supplies	331,342	
Utilities	555,481	
Insurance		1,955,223
Claims		3,693,523
Claims adjustment		224,935
Depreciation	735,012	1,447,942
Other	179,718	105,082
Total operating expenses	<u>4,459,717</u>	<u>7,705,025</u>
Operating income	1,350,087	846,604
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	17,024	268,596
Insurance recoveries		964,009
Gain/(Loss) on disposal of assets	4,168	(95,974)
Total nonoperating revenues (expenses)	<u>21,192</u>	<u>1,136,631</u>
Income (loss) before capital contributions and transfers	1,371,279	1,983,235
Capital contributions	25,000	274,201
Transfers in		
Transfers out	<u>(1,087,200)</u>	
Change in net position	309,079	2,257,436
Net position - beginning of year, as restated	<u>20,964,308</u>	<u>34,454,294</u>
Net position - end of year	<u>\$ 21,273,387</u>	<u>\$ 36,711,730</u>

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2015

Amounts reported for the Recreation Enterprise Fund \$ 309,079

The Town uses internal service funds to charge the costs of risk management, group health insurance, and equipment replacement to individual governmental and enterprise funds. The operating 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 26,978

Amounts reported for the Business-Type Activities \$ 336,057

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2015

	Business-type Activities - Recreation Enterprise Fund	Governmental Activities - Internal Service Fund
OPERATING ACTIVITIES		
Receipts from customers and users	\$ 5,807,035	\$
Receipts from interfund services provided		8,545,858
Payments to employees	(1,713,148)	(195,834)
Payments to suppliers	(1,763,442)	(5,706,062)
Payments to other funds		(13,503)
Other receipts	7,602	5,771
	2,338,047	2,636,230
Net cash provided by operating activities		
NONCAPITAL FINANCING ACTIVITIES		
Insurance recoveries		842,567
Transfers to other funds	(885,000)	
	(885,000)	842,567
Net cash used in noncapital financing activities		
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(62,389)	(1,130,252)
Proceeds from sale of assets		167,203
Capital contributions	25,000	
Insurance recoveries		121,442
Transfers to other funds	(202,200)	
	(239,589)	(841,607)
Net cash used in capital and related financing activities		
INVESTING ACTIVITIES		
Investment earnings received	19,301	265,074
	19,301	265,074
Net cash provided (used) by investing activities		
Net decrease in cash and cash equivalents	1,232,759	2,902,264
Cash and cash equivalents - beginning of year	5,584,276	24,700,651
	6,817,035	27,602,915
Cash and cash equivalents - end of year		
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,350,087	\$ 846,604
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	735,012	1,447,942
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(6,565)	
(Increase) decrease in prepaid expenses	337	(134,978)
(Increase) decrease in pension related deferred outflows of resources	(1,371,273)	
Increase (decrease) in accounts payable	(5,927)	251,358
Increase (decrease) in accrued liabilities	1,119	225,481
Increase (decrease) in due to other funds	(3,827)	
Increase (decrease) in customer deposits	(1,320)	
Increase (decrease) in unearned revenue	16,545	
Increase (decrease) in net pension liability	1,637,012	
Increase (decrease) in compensated absences payable	(13,153)	(177)
	2,338,047	2,636,230
Net cash provided by operating activities		
NONCASH ACTIVITIES		
Donated capital assets	\$	\$ 274,201
Insurance claims adjustment	\$	\$ 272,935
	\$	\$ 272,935

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

September 30, 2015

	<u>Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,935,879
Equity in pooled cash and investments	2,072,339
Interest and dividends receivable	29,394
Due from broker for securities sold	139,865
Prepaid expenses and other assets	59,994
Investments, at fair value	
Fixed income securities	50,990,844
Common stock	19,535,346
Domestic equity funds	26,058,133
International equity funds	53,250,912
Inflation hedging funds	9,955,210
Hedge funds	21,691,539
Private equity funds	13,884,186
Real estate funds	14,639,972
Alternative investments	4,895,703
Total assets	<u>219,139,316</u>
LIABILITIES	
Accounts payable and other accrued liabilities	1,201,358
Due to broker for securities purchased	55,739
Total liabilities	<u>1,257,097</u>
DEFERRED INFLOWS OF RESOURCES	
Advanced Town contribution	<u>488,633</u>
NET POSITION	
Held in trust for pension and retiree health benefits	<u>\$ 217,393,586</u>

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION- FIDUCIARY FUNDS

Year Ended September 30, 2015

	<u>Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 7,953,652
Employee	1,776,151
Other	76,569
Total contributions	<u>9,806,372</u>
Investment income (loss)	
Net appreciation in fair value of investments	(11,747,821)
Interest and dividends	2,239,735
Share investment earnings	49,402
Other	53,994
Total investment income	<u>(9,404,690)</u>
Less investment expense	<u>(713,274)</u>
Net investment income	(10,117,964)
Total additions	<u>(311,592)</u>
DEDUCTIONS	
Benefit payments	16,268,626
Transfer to share reserve account	49,402
Share distributions	82,553
DROP distributions	8,860,208
Refunds of participants' contributions	128,899
Administrative expense	534,599
Other	705
Total deductions	<u>25,924,992</u>
Net increase	(26,236,584)
Net position held in trust for pension and retiree health benefits - beginning of year	<u>243,630,170</u>
Net position held in trust for pension and retiree health benefits - end of year	<u>\$ 217,393,586</u>

See notes to the financial statements.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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 *Special Assessment Fund* accounts for the proceeds of assessments that are restricted to expenditures for the Underground Utility Project and other infrastructure projects.

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.

The *CIP 2013 Bond Fund* accounts for capital projects financed with the proceeds of the Series 2013 Bonds. The projects are part of a 20 year comprehensive capital improvement program.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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 and internal service 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2015, 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 (2013/2014) 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, 2015 the Town adopted a millage rate of 3.4058. This millage rate results in a total tax levy of \$43,424,024 for 2015, representing an increase of 18.49%, from the property tax levy of 2014. 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items: Payments for insurance premiums and other administrative expenditures/expenses extending over more than one accounting period are accounted for as prepaid expenditures/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:

<u>Classification</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life In Years</u>
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.

Unearned Revenue: Unearned revenue arises when resources are obtained prior to revenue recognition. In subsequent periods, when revenue recognition criteria are met the unearned revenue is removed and revenue is recognized. Unearned 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows of Resources: A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period.

Deferred Inflows of Resources: A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Bond Discounts, Bond Premiums, and Issuance Costs: In the governmental funds, bond discounts and bond premiums are reported as "Other Financing Sources (Uses)" in the year of the issue. In the proprietary fund financial statements and the government-wide financial statements, the bond discounts and premiums are amortized over the term of the related debt using the interest method or the straight line-line method, which approximates the interest method. Issuance costs, except any portion related to prepaid insurance costs, are recognized as an expenditure/expense in the period incurred.

Deferred Losses on Refunding of Debt: In the proprietary fund financial statements and the government-wide financial statements the difference between the re-acquisition price of new debt and the net carrying value of old debt refunded is recorded as a deferred outflow of resources and recognized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the interest method or the straight line method, which approximates the interest method.

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. 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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.

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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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 than 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. A negative unassigned fund balance may be reported only after any amount reported as assigned fund balance has been eliminated.

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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.

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, 2015:

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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements (Continued)

pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The cumulative effect of applying this statement is required to be reported as a restatement of beginning net position. See Note P.

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

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.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value of certain investments and disclosures related to all fair value measurements. This Statement is effective for the fiscal year ending September 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Certain sections of this Statement are effective for the fiscal year ending September 30, 2016 and the remaining sections are effective for the fiscal year ending September 30, 2017.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. This Statement is effective for the fiscal year ending September 30, 2017.

In June 2015 the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for the fiscal year ending September 30, 2018.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In June 2015 the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement identifies – in the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles. This Statement is effective for the fiscal year ending September 30, 2016.

In August 2015 the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. This Statement is effective for the fiscal year ending September 30, 2017.

In December 2015 the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement is effective for the fiscal year ending September 30, 2017.

In December 2015 the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for the fiscal year ending September 30, 2017.

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, 2015, the carrying amount of the Town's deposits with financial institutions was \$43,544,375 and the bank

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

balance was \$43,649,893, excluding pension trust funds. Deposits include \$30,245,346 in certificates of deposit that are classified as investments in the financial statements. The Town also had \$4,900 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, 2015, the Town’s pooled cash and investments consisted of the following:

Description	Weighted Average Maturity	Fair Value
Deposits with financial institutions		\$ 13,170,692
Municipal bonds	707 days	899,336
Corporate notes	1247 days	3,811,802
Money market mutual fund	22 days	7,468,554
Money market mutual fund	50 days	1,303,010
U.S. Treasuries	458 days	36,460,299
Federal Agencies	717 days	10,161,335
Florida Municipal Investment Trust		
1-3 Year High Quality Bond Fund	1.37 years	24,865,069
Intermediate High Quality Bond Fund	3.60 years	11,398,799
Total pooled cash and investments		\$109,538,896

Investments

Investment Authorization: Florida Statutes and the Town Council adopted investment policies authorize the Town to invest surplus funds in the Florida Municipal Investment Trust; negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest-bearing time deposits, savings accounts, or certificates of deposits in financial institutions located in Florida and organized under federal or Florida laws (provided that any such deposits are secured by the Florida Security for Public Deposits Act); obligations of the Federal Farm Credit Banks, Freddie Mac, the Federal Home Loan Association; corporate notes rated A or higher; commercial paper; and any additional investments authorized by the investment policy. Pursuant to the Town Code and Town Council adopted investment policies, the Town Retirement Board has full power and authority to invest and reinvest funds subject to the general terms, conditions, limitations and restrictions imposed by Florida Statutes on the investments of public employee retirement systems.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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, 2015, the Town’s General Employees’ Pension Trust Fund, the Police Officers’ Retirement Trust Fund, the Firefighters’ Retirement Trust Fund, and OPEB Trust Fund held investments in international equity mutual funds.

The Town’s investments in international equity mutual funds as of September 30, 2015 are as follows:

<u>Fund</u>	<u>Fair Value</u>
General Employees’ Pension Trust Fund	\$ 18,810,034
Police Officers’ Pension Trust Fund	15,044,170
Firefighters’ Pension Trust Fund	14,364,289
OPEB Trust Fund	<u>4,520,171</u>
Total international equity mutual funds	<u>\$ 52,738,664</u>

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, 2015:

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>	
		<u>Less than 1</u>	<u>1 to 5</u>
U.S. Treasuries	\$ 36,460,299	\$ 20,587,307	\$ 15,872,992
Federal agencies	10,161,335		10,161,335
Corporate notes	3,811,802	350,872	3,460,930
Municipal bonds	899,336	449,969	449,367
Money market mutual funds	8,771,564	8,771,564	
Florida Municipal Investment Trust			
1-3 Year High Quality Bond Fund	24,865,069		24,865,069
Intermediate High Quality Bond Fund	11,398,799		11,398,799
Certificates of deposit	<u>30,245,346</u>	<u>21,553,282</u>	<u>8,692,064</u>
Total general operating investments	<u>\$ 126,613,550</u>	<u>\$ 51,712,994</u>	<u>\$ 74,900,556</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2015 are summarized below:

Investment Type	S&P Rating	Moody’s Rating	Fair Value
U.S. Treasuries	AA+	Aaa	\$ 36,460,299
Federal Agencies	AA+	Aaa	10,161,335
Corporate notes	AA+	A1	514,976
Corporate notes	AA	Aa3	100,064
Corporate notes	AA-	A1	406,112
Corporate notes	AA-	Aa3	511,453
Corporate notes	A+	A1	594,934
Corporate notes	A+	A2	1,249,346
Corporate notes	A	A2	434,917
Municipal bonds	AA	Aa2	449,367
Municipal bonds	AA	Aa3	449,969
Money market mutual funds	AAAm	Aaa-mf	7,468,554
Money market mutual funds	AAAm	Not Rated	1,303,010
Florida Municipal Investment Trust			
1-3 Year High Quality Bond Fund	Not Rated	Not Rated	24,865,069
Intermediate High Quality Bond Fund	Not Rated	Not Rated	11,398,799
Total investments			\$ 96,368,204

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 Fund and the Intermediate High Quality Bond Fund. These bond funds are designed to provide an investment horizon and yield greater than that of money market instruments. As of September 30, 2014, 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2015, the OPEB Trust Fund had the following investments:

Investment	Fair Value
State Street Government STIF	\$ 164,606
Domestic equity funds	7,650,710
International equity funds	4,520,171
Domestic fixed income funds	6,018,689
Inflation hedging funds	1,700,739
Alternative investments	
Forester Offshore LTD	2,142,300
Archstone Market	2,753,403
Total OPEB investments	\$ 24,950,618

At September 30, 2015, approximately 19.6% 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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2014:

Investment	Fair Value	Investment Maturities in Years			
		Less Than 1	1 to 5	6 to 10	More Than 10
Domestic fixed income funds	\$6,018,689	\$	\$3,102,182	\$2,916,507	\$
State Street Government STIF	164,606	164,606			
Total fixed income	\$6,183,295	\$164,606	\$3,102,182	\$2,916,507	\$

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, 2015, 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2015 is as follows:

<u>Authorized Investments</u>	
Domestic equity funds	15.0%
Developed equity funds	15.0%
Emerging markets equity funds	10.0%
Fixed income funds	17.5%
High yield fixed income funds	2.5%
TIPS (Treasury Inflation Protected Securities / Bond Mutual Funds)	2.5%
Hedge funds	15.0%
Commodities	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, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Fixed income securities	<u>\$ 45,741,365</u>	<u>\$ 21,738,786</u>	<u>\$ 3,365,743</u>	<u>\$ 20,636,836</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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 2015, as applicable:

Credit Rating by Standard & Poor's	Fair Value	Fixed Income Securities
AAA	\$ 13,390,298	\$ 13,390,298
AA	2,023,599	2,023,599
A	5,316,212	5,316,212
AA-	3,618,693	3,618,693
BBB	6,253,984	6,253,984
BB	3,211,301	3,211,301
B	664,783	664,783
Not rated	11,262,495	11,262,495
Total fixed income securities	<u>\$ 45,741,365</u>	<u>\$ 45,741,365</u>

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, 2015.

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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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.

Rate of Return: For the year ended September 30, 2014, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expenses was negative 4.22%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the dollar-weighted rate of return valuation are determined on a monthly basis.

NOTE C - RECEIVABLES

Accounts receivable at September 30, 2015, are comprised of the following:

Fund	Accounts Receivable	Allowance For Doubtful Accounts	Net Receivable
Governmental Funds			
General Fund	\$ 1,650,875	\$ (777,036)	\$ 873,839
Donations Fund	8,816		8,816
Special Assessment Fund	25,974		25,974
Beach Restoration Fund	158,825		158,825
Enterprise Funds			
Recreation Enterprise Fund	7,783		7,783

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE D - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2015 was as follows:

<u>Governmental Activities</u>	<u>Balance at Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at End of Year</u>
Capital assets not being depreciated				
Land	\$ 9,946,951	\$	\$	\$ 9,946,951
Construction in progress	11,457,302	34,211,320	(27,256,227)	18,412,395
Total capital assets not being depreciated	21,404,253	34,211,320	(27,256,227)	28,359,346
Capital assets being depreciated				
Buildings	40,321,674	8,624,085		48,945,759
Improvements other than buildings	4,696,126			4,696,126
Equipment	20,397,719	1,507,260	(2,224,862)	19,680,117
Infrastructure	117,565,957	18,361,349	(10,420,728)	125,506,578
Intangible assets - facilities rights of use	1,186,607			1,186,607
Total capital assets being depreciated	184,168,083	28,492,694	(12,645,590)	200,015,187
Less accumulated depreciation and				
Buildings	(10,069,762)	(1,260,675)		(11,330,437)
Improvements other than buildings	(1,408,522)	(312,336)		(1,720,858)
Equipment	(10,463,271)	(1,447,942)	1,858,878	(10,052,335)
Infrastructure	(51,971,316)	(3,644,510)	10,420,728	(45,195,098)
Intangible assets - facilities rights of use	(1,075,356)	(29,665)		(1,105,021)
Total accumulated depreciation	(74,988,227)	(6,695,128)	12,279,606	(69,403,749)
Total capital assets being depreciated, net	109,179,856	21,797,566	(365,984)	130,611,438
Governmental activities capital assets, net	<u>\$130,584,109</u>	<u>\$56,008,886</u>	<u>\$(27,622,211)</u>	<u>\$158,970,784</u>

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

<u>Governmental Activities</u>	
General government	\$ 585,533
Public safety	1,022,091
Physical environment	5,058,112
Transportation	<u>29,392</u>
Total depreciation and amortization	
Expense - governmental activities	<u>\$6,695,128</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE D - CAPITAL ASSETS (Continued)

<u>Business-type Activities</u>	<u>Balance at Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at End of Year</u>
Capital assets not being depreciated				
Land	\$ 5,623,777	\$	\$	\$ 5,623,777
Construction in progress				
Total capital assets not being depreciated	<u>5,623,777</u>			<u>5,623,777</u>
Capital assets being depreciated				
Buildings	6,221,038			6,221,038
Improvements other than buildings	11,255,958			11,255,958
Equipment	754,217	67,057	(18,717)	802,557
Total capital assets being depreciated	<u>18,231,213</u>	<u>67,057</u>	<u>(18,717)</u>	<u>18,279,553</u>
Less accumulated depreciation				
Buildings	(1,316,522)	(209,005)		(1,525,527)
Improvements other than buildings	(4,361,866)	(453,222)		(4,815,088)
Equipment	(435,800)	(72,785)	18,217	(490,368)
Total accumulated depreciation	<u>(6,114,188)</u>	<u>(735,012)</u>	<u>18,217</u>	<u>(6,830,983)</u>
Total capital assets being depreciated, net	<u>12,117,025</u>	<u>667,955</u>	<u>(500)</u>	<u>11,448,570</u>
Business-type activities capital assets, net	<u>\$ 17,740,802</u>	<u>\$ 667,955</u>	<u>\$ (500)</u>	<u>\$ 17,072,347</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2014, the Town had an 8.57140% 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, 2014, the Town's 8.57140% equity interest in the ECR totaled \$7,638,588. 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 audited ECR financial information for the fiscal year ended September 30, 2014. 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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2014. 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, 2014 is as follows:

Net Position

September 30, 2014

Current and other assets	\$ 34,513,362
Capital assets, net	95,114,778
Total assets	<u>129,628,140</u>
Current liabilities	6,823,914
Non-current liabilities	23,460,000
Total liabilities	<u>30,283,914</u>
Net position	<u>\$ 99,344,226</u>

**Change in Net Assets
Year Ended September 30, 2014**

Charges for services	\$ 14,125,638
Other operating revenue	4,090,932
Total operating revenue	<u>18,216,570</u>
Operating expenses	17,565,649
Operating income	<u>650,921</u>
Non-operating expense, net	(182,078)
Gain before capital contributions	<u>468,843</u>
Capital contributions	7,161,117
Change in net position	<u>7,629,960</u>
Net position - beginning of year	91,714,266
Net position - end of year	<u>\$ 99,344,226</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE E - INVESTMENT IN JOINT VENTURE (Continued)

At September 30, 2014, the ECR participants and their respective interest in the ECR were as follows:

<u>Participant</u>	<u>Reserve Capacity Percentages</u>
City of West Palm Beach	29.28570%
Palm Beach County	34.28570%
City of Lake Worth	16.42860%
City of Riviera Beach	11.42860%
Town of Palm Beach	<u>8.57140%</u>
Total	<u>100.00000%</u>

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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Interfund receivables and payables and interfund transfers at September 30, 2015 are summarized as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Special Assessment Maintenance Fund	\$ 26,426
		\$ 26,426

Advance to/from other funds

Receivable Fund	Payable Fund	Amount
Equipment Replacement Fund	Special Assessment Fund	\$1,858,419
	Special Assessment Maintenance Fund	13,570
		\$1,871,989

Interfund transfers:

Transfers Out Reported In	Transfers In - Reported In				Total
	General Fund	Beach Restoration Project Fund	CIP 2013 Fund	Nonmajor Funds	
General Fund	\$	\$ 11,377,000	\$	\$ 7,100,000	\$ 18,477,000
Beach Restoration Project Fund				734,613	734,613
Recreation Enterprise Fund	885,000			202,200	1,087,200
Nonmajor Funds			3,338,037	225,000	3,563,037
	\$ 885,000	\$ 11,377,000	\$ 3,338,037	\$ 8,261,813	\$ 23,861,850

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G - LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities for the year ended September 30, 2015 are summarized as follows:

	Balance at Beginning of Year (1)	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
<u>Governmental Activities</u>					
Revenue bonds payable	\$ 120,745,000	\$	\$ (2,260,000)	\$ 118,485,000	\$ 2,340,000
Unamortized bond premiums	5,162,089		(301,784)	4,860,305	
Unamortized bond discounts	(322,564)		19,665	(302,899)	
Total bonds payable	125,584,525		(2,542,119)	123,042,406	2,340,000
Compensated absences	3,479,853	637,175	(925,094)	3,191,934	688,361
Net pension liability	58,111,235	34,263,980		92,375,215	
Landfill closure and postclosure	2,440,388	78,760		2,519,148	
Total long-term liabilities	\$ 189,616,001	\$ 34,979,915	\$ (3,467,213)	\$ 221,128,703	\$ 3,028,361
<u>Business-type Activities</u>					
Net pension liability	\$ 1,421,642	\$ 1,637,012	\$	\$ 3,058,654	\$
Compensated absences	148,915	1,069	(14,221)	135,763	16,226
Total long-term liabilities	\$ 1,570,557	\$ 1,638,081	\$ (14,221)	\$ 3,194,417	\$ 16,226

(1) As restated, see Note P.

The compensated absences, net pension liability, and landfill closure and postclosure liabilities of the governmental activities are liquidated primarily by the Town's General Fund.

Interest Expense: Total interest costs incurred and paid on all Town debt for the year ended September 30, 2015 totaled \$5,459,209 and \$ 5,722,457, respectively. No interest was capitalized in the enterprise fund for the year ended September 30, 2015.

Defeased Debt: 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, 2015, Series 2003B Revenue Bonds in the amount of \$4,560,000 are outstanding and considered defeased.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G - LONG-TERM LIABILITIES (Continued)

Pledged Revenues: The Town has pledged future non-ad valorem revenues to pay principal and interest on the Series 2010A, Series 2010B, and Series 2013 Revenue Bonds. At September 30, 2015, principal and interest to maturity on March 30, 2043 to be paid from pledged future revenues totaled \$210,774,691. Principal and interest paid for the current fiscal year on these Bonds totaled \$7,982,457 and pledged non-ad valorem revenue totaled \$25,308,328 for the year. It is estimated that based on the total fiscal year 2015 pledged non-ad valorem revenue, that annual principal and interest payments will require approximately 31% of pledged revenues.

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.

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

Year Ending September 30	Principal	Interest	Total
2016	\$ 1,110,000	\$ 2,510,938	\$ 3,620,938
2017	1,160,000	2,465,538	3,625,538
2018	1,205,000	2,418,238	3,623,238
2019	1,255,000	2,369,038	3,624,038
2020	1,310,000	2,311,188	3,621,188
2021-2025	7,635,000	10,475,813	18,110,813
2026-2030	9,765,000	8,351,969	18,116,969
2031-2035	12,480,000	5,630,000	18,110,000
2036-2040	16,030,000	2,083,750	18,113,750
	\$ 51,950,000	\$ 38,616,472	\$ 90,566,472

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G - LONG-TERM LIABILITIES (Continued)

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.

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

Year Ending September 30	Principal	Interest	Total
2016	\$ 295,000	\$ 480,678	\$ 775,678
2017	300,000	473,050	773,050
2018	310,000	464,275	774,275
2019	320,000	454,825	774,825
2020	330,000	444,663	774,663
2021-2025	1,835,000	2,037,109	3,872,109
2026-2030	2,225,000	1,640,509	3,865,509
2031-2035	2,765,000	1,339,538	4,104,538
2036-2040	3,465,000	701,663	4,166,663
	<u>\$ 11,845,000</u>	<u>\$ 8,036,310</u>	<u>\$ 19,881,310</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE G - LONG-TERM LIABILITIES (Continued)

Town of Palm Beach, Florida, Public Improvement Revenue Bonds, Series 2013

On December 19, 2013, the Town issued \$55,590,000 of the Public Improvement Revenue Bonds, Series 2013 (Capital Improvement and Coastal Management Program) 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. The Series 2013 Bonds were issued at a net original issue premium of \$2,904,720 and bear interest at rates ranging from 4.125% to 5.0%. The principal of and interest on the Series 2013 Bonds are payable from and secured solely by a pledge of non-ad valorem revenues. Principal payments are due on March 30, and interest payments are due on March 30, and September 30 until maturity on March 30, 2043.

The debt service requirements for the Series 2013 Bonds are as follows:

Year Ending September 30	Principal	Interest	Total
2016	\$ 935,000	2,644,788	3,579,788
2017	985,000	2,596,788	3,581,788
2018	1,035,000	2,546,288	3,581,288
2019	1,095,000	2,493,038	3,588,038
2020	1,145,000	2,437,038	3,582,038
2021-2025	6,670,000	11,242,063	17,912,063
2026-2030	8,535,000	9,382,175	17,917,175
2031-2035	10,660,000	7,259,481	17,919,481
2036-2040	13,645,000	4,269,875	17,914,875
2041-2043	9,985,000	765,375	10,750,375
	<u>\$ 54,690,000</u>	<u>\$ 45,636,909</u>	<u>\$ 100,326,909</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2015, the intangible assets had a net book value of \$81,586 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 Town's actual usage, and a pro rata share of the renewal and replacement costs. For the year ended September 30, 2014, the Town made payments of \$109,012 to the City pursuant to the agreement.

NOTE I - TOWN OF PALM BEACH RETIREMENT SYSTEM

General Information

The Town of Palm Beach Retirement System (the Town) is the administrator of a single-employer Public Employee Retirement System hybrid defined benefit and defined contribution 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

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

General Information (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"). A portion of the assets of the Plan are legally restricted for the payment of benefits of one of the three membership classes.

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. 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 Plan issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to the Town of Palm Beach, Post Office Box 2029, Palm Beach, Florida 33480 or by calling (561) 838-5444.

At September 30, 2014, the plan membership consisted of the following:

Classification	General	Police Officers	Firefighters	Total
Inactive plan members and beneficiaries currently receiving benefits	197	97	101	395
Inactive plan members entitled to but not yet receiving benefits	19	23	25	67
Active plan members	166	49	50	265
	<u>382</u>	<u>169</u>	<u>176</u>	<u>727</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Significant Accounting Policies

The financial statements of the Plan are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Town 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. For purposes of measuring the net pension liability, the Plan's fiduciary net position has been determined on the same basis as that used by the Plan.

Plan Description

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.

In accordance with Section 82-52 of the Town of Palm Beach, Florida Code of Ordinances, vesting or vested status means the attainment of 10 or more years of credited service. Notwithstanding the preceding sentence, all members of the retirement system who did not attain normal retirement eligibility based on credited service as of May 1, 2012, excluding credited service purchased pursuant to Section 82-54, and who were employed by the Town and not participating in the DROP on that date shall be 100 percent vested in their frozen accrued benefit as of May 1, 2012, regardless of length of credited service.

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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

General Employees and Lifeguards (Continued)

Prior to May 1, 2012 (Continued)

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 100% 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.

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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

General Employees and Lifeguards (Continued)

Effective May 1, 2012 (Continued)

Normal Retirement (Continued)

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,

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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

General Employees and Lifeguards (Continued)

Effective May 1, 2012 (Continued)

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 100% of their accrued benefit at the date of their election to participate in DROP, unless the member was eligible for retirement prior to May 1, 2012, in which case the DROP benefit is grandfathered at 98%.

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 minimum benefit is 60% of average final compensation. 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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

General Employees and Lifeguards (Continued)

Effective May 1, 2012 (Continued)

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. Dependent payment continues not to exceed age 25 when no surviving spouse.

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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

General Employees and Lifeguards (Continued)

Effective May 1, 2012 (Continued)

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

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.

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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Police Officers (Continued)

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.

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. The minimum benefit is 60% of average final compensation.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Police Officers (Continued)

Effective May 1, 2012 (Continued)

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. The minimum benefit is 30% of average final compensation.

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. Dependent payment continues not to exceed age 25 when no surviving spouse.

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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Police Officers (Continued)

Effective May 1, 2012 (Continued)

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.

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

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.

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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Firefighters (Continued)

Effective May 1, 2012

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.

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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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. The 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. The minimum benefit is 30% of average final compensation.

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. Dependent payment continues not to exceed age 25 when no surviving spouse.

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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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.

Contributions

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 table on the following page. 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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Contributions (Continued)

The contribution rates for the fiscal year ended September 30, 2015, as a percentage of the employees' annual compensation, were as follows:

	Member Contributions	Town Contributions
General employees hired before 05/01/92	4.47%	18.15%
General employees hired after 05/01/92	2.47%	18.15%
Lifeguards hired before 05/01/92	5.21%	68.04%
Lifeguards hired after 05/01/92	2.47%	68.04%
Police officers	2.47%	42.14%
Firefighters - Non-Union	2.47%	47.41%
Firefighters - Union	4.82%	47.41%

For the fiscal year ended September 30, 2015, the Town and its employees made the following contributions to the Plan:

Employee Classification	Town Contributions	Employee Contributions	Total Contributions
General employees and lifeguards	\$ 2,008,406	\$ 282,284	\$ 2,290,690
Police officers	2,144,662	98,530	2,243,192
Firefighters	2,223,584	210,233	2,433,817
	\$ 6,376,652	\$ 591,047	\$ 6,967,699

Payable to the Retirement Plan

At September 30, 2015, the Town had no payables for outstanding contributions to the Plan required for the fiscal year ended September 30, 2015.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Investments

Investments of the Plan are reported at fair value. Net appreciation in fair value of investments includes realized and unrealized gains and losses.

Rate of Return

The money weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. Inputs to the dollar-weighted rate of return valuation are determined on a monthly basis. For the year ended September 30, 2015, the annual money-weighted rate of return on Plan investments, net of investment expenses was a negative 4.22%.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the table on the following page.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity funds	15.0%	6.55%
International equity funds	15.0%	7.23%
Emerging market equity funds	10.0%	9.48%
Fixed income securities	17.5%	1.56%
High yield fixed income fund	2.5%	4.35%
Treasury inflation protected securities/bond mutual fund	2.5%	0.98%
Hedge funds	15.0%	3.52%
Commodities	2.5%	3.86%
Real estate funds	10.0%	4.40%
Private equity funds	<u>10.0%</u>	11.53%
	<u>100.0%</u>	

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Net Pension Liability - General Employees and Lifeguards

The components of the net pension liability at September 30, 2015 were as follows:

Description	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance September 30, 2014	\$ 98,887,496	\$(84,908,713)	\$ 13,978,783
Changes due to:			
Service cost	739,734		739,734
Interest on total pension liability	7,096,090		7,096,090
Benefit changes	39,572		39,572
Difference between expected and actual experience	499,433		499,433
Assumption changes	7,152,240		7,152,240
Benefit payments	(9,215,159)	9,215,159	
Refunds	(70,488)	70,488	
Employer contributions		(2,008,406)	(2,008,406)
Employee contributions		(282,284)	(282,284)
Investment income		3,076,859	3,076,859
Investment expense		241,461	241,461
Administrative expense		175,900	175,900
Total changes	<u>6,241,422</u>	<u>10,489,177</u>	<u>16,730,599</u>
Balance September 30, 2015	<u>\$ 105,128,918</u>	<u>\$(74,419,536)</u>	<u>\$ 30,709,382</u>

The amount reported as assumption changes in 2015 is due to a substantial increase in assumed life expectancies. The assumption changes were based on an experience study for the period from July 1, 2010 to June 30, 2014.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Net Pension Liability - Police Officers

The components of the net pension liability at September 30, 2015 were as follows:

Description	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance September 30, 2014	\$ 88,409,367	\$(68,013,491)	\$ 20,395,876
Changes due to:			
Service cost	274,361		274,361
Interest on total pension liability	6,343,197		6,343,197
Benefit changes	83,392		83,392
Difference between expected and actual experience	637,285		637,285
Assumption changes	2,464,150		2,464,150
Benefit payments	(7,918,798)	7,918,798	
Refunds	(22,377)	22,377	
Employer contributions		(2,144,662)	(2,144,662)
Employee contributions		(98,530)	(98,530)
Investment income		2,464,621	2,464,621
Investment expense		193,415	193,415
Administrative expense		140,899	140,899
Total changes	<u>1,861,210</u>	<u>8,496,918</u>	<u>10,358,128</u>
Balance September 30, 2015	<u>\$ 90,270,577</u>	<u>\$(59,516,573)</u>	<u>\$ 30,754,004</u>

The amount reported as assumption changes in 2015 is due to a substantial increase in assumed life expectancies. The assumption changes were based on an experience study for the period from July 1, 2010 to June 30, 2014.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Net Pension Liability - Firefighters

The components of the net pension liability at September 30, 2015 were

Description	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance September 30, 2014	\$ 88,237,386	\$(63,079,168)	\$ 25,158,218
Changes due to:			
Service cost	238,556		238,556
Interest on total pension liability	6,396,715		6,396,715
Benefit changes	35,550		35,550
Difference between expected and actual experience	(299,119)		(299,119)
Assumption changes	2,324,039		2,324,039
Benefit payments	(6,098,229)	6,098,229	
Refunds	(36,034)	36,034	
Employer contributions		(2,269,117)	(2,269,117)
Employee contributions		(210,233)	(210,233)
Investment income		2,285,815	2,285,815
Investment expense		179,383	179,383
Administrative expense		130,676	130,676
Total changes	<u>2,561,478</u>	<u>6,250,787</u>	<u>8,812,265</u>
Balance September 30, 2015	<u>\$ 90,798,864</u>	<u>\$(56,828,381)</u>	<u>\$ 33,970,483</u>

The amount reported as assumption changes in 2015 is due to a substantial increase in assumed life expectancies. The assumption changes were based on an experience study for the period from July 1, 2010 to June 30, 2014.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the Town calculated using the single discount rate of 7.5 percent as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher than the current rate.

<u>Class of Employees</u>	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
General employees	\$ 43,202,031	\$ 30,709,382	\$ 20,321,649
Police officers	41,487,806	30,754,004	21,650,658
Firefighters	45,174,367	33,970,483	24,839,735

Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense

General Employees and Lifeguards

At September 30, 2015, the Town reported a net pension liability of \$30,709,382 for the general employees and lifeguards. The liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 updated to September 30, 2015.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense (Continued)

General Employees and Lifeguards (Continued)

For the fiscal year ended September 30, 2015 the Town recognized a pension expense of \$4,971,200 for the general employees and lifeguards. In addition, the Town reported deferred outflows of resources related to the general employees and lifeguards from the following sources:

Description	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Balance September 30, 2014	\$	\$
Changes due to:		
Difference between expected and actual experience	406,884	
Assumption changes	5,826,868	
Net difference between projected and actual earnings on pension plan investments	7,534,053	
Total changes	<u>13,767,805</u>	
Balance September 30, 2015	<u>\$ 13,767,805</u>	<u>\$</u>

The amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amortization
2016	\$ 3,301,434
2017	3,301,434
2018	3,301,434
2019	3,301,435
2020	562,068
Thereafter	<u>\$ 13,767,805</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense (Continued)

Police Officers

At September 30, 2015, the Town reported a net pension liability of \$30,754,004 for the police officers. The liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 updated to September 30, 2015.

For the fiscal year ended September 30, 2015 the Town recognized a pension expense of \$4,028,265 for the police officers. In addition, the Town reported deferred outflows of resources related to the police officers from the following sources:

Police Officers

Description	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Balance September 30, 2014	\$	\$
Changes due to:		
Difference between expected and actual experience	501,877	
Assumption changes	1,940,576	
Net difference between projected and actual earnings on pension plan investments	6,032,072	
Total changes	8,474,525	

The amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amortization
2016	\$ 2,167,000
2017	2,167,000
2018	2,167,000
2019	1,973,525
2020	
Thereafter	\$ 8,474,525

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense (Continued)

Firefighters

At September 30, 2015, the Town reported a net pension liability of \$33,970,483 for the firefighters. The liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 updated to September 30, 2015.

For the fiscal year ended September 30, 2015 the Town recognized a pension expense of \$3,797,889 for the firefighters. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to the firefighters from the following sources:

Description	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Balance September 30, 2014	\$	\$ 242,281
Changes due to:		
Difference between expected and actual experience		
Assumption changes	1,882,433	
Net difference between projected and actual earnings on pension plan investments	5,643,341	
Total changes	<u>7,525,774</u>	
Balance September 30, 2015	<u>\$ 7,525,774</u>	<u>\$ 242,281</u>

The amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amortization
2016	\$ 1,795,603
2017	\$ 1,795,603
2018	\$ 1,795,603
2019	\$ 1,795,604
2020	101,080
Thereafter	<u>\$ 7,283,493</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

Summary Data

The following table provides a summary of significant information related to the Plan for the year ended September 30, 2015.

	General Employees and Lifeguards	Police Officers	Firefighters	Total
Total pension liability	\$ 105,128,918	\$ 90,270,577	\$ 90,798,864	\$ 286,198,359
Plan fiduciary net position	74,419,536	59,516,573	56,828,381	190,764,490
Net pension liability	30,709,382	30,754,004	33,970,483	95,433,869
Plan fiduciary net position as a percentage of the total pension liability	70.8%	65.9%	62.6%	66.7%
Covered employee payroll	10,075,310	3,354,258	3,403,307	16,832,875
Net pension liability as a percentage of covered-employee payroll	304.8%	916.9%	998.2%	566.9%
Deferred outflows of resources	13,767,805	8,474,525	7,525,774	29,768,104
Deferred inflows of resources			242,281	242,281
Pension expense	4,971,200	4,028,265	3,797,889	12,797,354

Significant Actuarial Assumptions

The latest actuarial valuation of the Plan was performed as of September 30, 2014. The valuation was updated to September 30, 2015 to determine the total pension liability at the September 30, 2015 measurement date. Significant actuarial assumptions used in the actuarial valuation and update are summarized as follows:

Single discount rate	7.50%
Long-term expected investment rate of return	7.50%
Inflation	3.00%
Wage inflation	3.50%
Mortality	
RP-2000 Combined Healthy Mortality Table for males and females	
Mortality for total pension liability	
RP-2014 Healthy Annuitant Mortality Table for males and females projected to 2017 using Projection Scale MP-2014	

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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. For the year ended September 30, 2014, the Town Council approved an additional Town match of up to 4%.

Both the Town and the covered employees made the required contributions of \$648,020 and \$657,295 respectively, for a total of \$1,305,315 for the year ended September 30, 2015.

For the fiscal year ended September 30, 2015, the Town recognized pension expense of \$648,020 for the defined contribution plan, which did not include any forfeitures. At September 30, 2015 the Town had no payables for outstanding contributions to the Plan required for the fiscal year ended September 30, 2015.

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.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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 221 retirees receiving benefits and a total of 338 active participants as of September 30, 2014.

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	\$ 1,114,472
Interest on net OPEB asset	(1,235,999)
Adjustment to annual required contribution	<u>902,567</u>
Annual OPEB cost	781,040
Contributions made	<u>(1,319,831)</u>
Increase in net OPEB asset	(538,791)
Net OPEB asset, October 1, 2014	<u>(16,479,990)</u>
Net OPEB asset, September 30, 2015	<u><u>\$(17,018,781)</u></u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2014. The projected unit credit actuarial cost method was used. The actuarial assumptions included an 7.5% 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 9% 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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
9-30-13	\$1,003,121	1,769,000	176%	\$(15,527,690)
9-30-14	1,090,951	2,043,251	187%	(16,479,990)
9-30-15	781,040	1,319,831	169%	(17,851,410)

Funded Status:

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
10-01-14	\$27,629	\$35,538	\$7,909	77.7%	\$23,221	34.1%

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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2015**

Assets	
Cash and cash equivalents	\$ 164,606
Equity in pooled cash and investments	2,072,339
Interest and dividends receivable	2,573
Investment at fair value	
Domestic equity funds	7,650,710
International equity funds	5,032,419
Inflation hedging funds	1,957,701
Domestic fixed income funds	5,249,479
Alternative investments	4,895,703
Total assets	<u>27,025,530</u>
Liabilities	
Accounts payable	393,855
Accrued liabilities	2,579
Total liabilities	<u>396,434</u>
Net position held in trust for retiree health benefits	<u>\$ 26,629,096</u>

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Statement of Change in Plan Net Position
Year Ended September 30, 2015**

Additions

Contributions	
Employer	\$ 1,577,000
Employee	1,185,104
Other	76,569
Total contributions	2,838,673

Investment income (loss)	
Net depreciation in fair value of investments	(2,047,747)
Interest and dividends	460,848
Total investment income	(1,586,899)
Less investment expense	(99,015)
Net investment income	(1,685,914)

Total additions	1,152,759
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Deductions

Benefit payments	2,064,631
Administrative expense	87,125
Other	705
Total deductions	2,152,461

Net decrease	(999,702)
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Net position held in trust for retiree health benefits – beginning of year	27,628,798
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Net position held in trust for retiree health benefits – end of year	\$ 26,629,096
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TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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 \$1,792,000 is included in accrued liabilities of the Internal Service Funds at September 30, 2015. 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, 2015 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, 2015 are summarized below and on the following pages.

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, 2015, these benefits covered 282 active employees, 156 retirees and 515 dependents. Net costs for the year ended September 30, 2015 were approximately \$3,757,480. 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.

TOWN OF PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE L - INSURANCE PROGRAM (Continued)

Other Liabilities: The Town retains the risk of loss for most exposures as follows:

- Property Liability - \$5,000 deductible per occurrence plus a 5% deductible per insured location for a “named” windstorm.
- General Liability - \$200,000 per occurrence and \$300,000 aggregate.
- Law Enforcement Liability - \$100,000 per occurrence with no aggregate.
- Public Officials Liability - \$200,000 per occurrence with no aggregate.
- Employment Practices Liability - \$200,000 per occurrence with no aggregate.
- Automobile Liability - \$100,000 per occurrence with no aggregate.
- Workers’ Compensation – statutory.
- Cyber Liability - \$25,000 per occurrence with no aggregate.
- An aggregate retention (loss fund) of \$1,100,000 is established each fiscal year for this purpose. The loss fund does not include property claims.

Excess liability coverage is maintained above the Town’s retained risk of loss with commercial carriers as follows:

- Property Liability - \$37,726,113 for buildings and contents.
- General Liability - \$5,000,000 per occurrence and \$10,000,000 aggregate.
- Law Enforcement Liability - \$5,000,000 per occurrence \$10,000,000 aggregate.
- Public Officials Liability - \$5,000,000 per occurrence and \$5,000,000 aggregate.
- Employment Practices Liability - \$5,000,000 per occurrence and \$5,000,000 aggregate.
- Automobile Liability - \$5,000,000 per occurrence with no aggregate.
- Workers’ Compensation – statutory.
- Cyber Liability - \$1,000,000 per occurrence with no aggregate.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE L - INSURANCE PROGRAM (Continued)

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.

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

	Year Ended September 30, 2015	Year Ended September 30, 2014
Accrued claims liability at beginning of fiscal year	\$ 1,568,000	\$ 1,611,000
Current year claims and changes in estimates	3,715,000	3,057,000
Claim payments	(3,491,000)	(3,100,000)
Accrued claims liability at end of fiscal year	<u>\$ 1,792,000</u>	<u>\$ 1,568,000</u>

The accrued claims liability at September 30, 2015 consisted of \$238,000 for group health and accident claims and \$1,554,000 for other claims.

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, 2015 are as follows:

	Revised Contract Amount	Amount Expended at September 30, 2015	Balance at September 30, 2015
CIP 2013 Bond Fund	\$ 25,656,813	\$ 11,547,989	\$ 14,108,824
Beach Restoration Fund	10,665,925	6,179,606	4,486,319
General Fund	841,172	659,451	181,721
Capital Improvement Fund	252,359	179,399	72,960
Special Assessment Fund	206,776	70,533	136,243
Equipment Replacement Fund	169,831		169,831
Total	<u>\$ 37,792,876</u>	<u>\$ 18,636,978</u>	<u>\$ 19,155,898</u>

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE M - COMMITMENTS AND CONTINGENCIES (Continued)

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, 2015, 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.

Encumbrances: At September 30, 2015, the following amounts were encumbered in the governmental funds:

Major Funds	
General Fund	\$ 1,041,438
Special Assessment Fund	118,790
Beach Restoration Project Fund	3,818,023
CIP 2013 Bond Fund	14,266,860
Total Major Funds	<u>19,245,111</u>
Non-Major Governmental Funds	266,745
Total Encumbrances	<u><u>\$ 19,511,856</u></u>

NOTE N - 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, 2015, the estimated liability for landfill closure and postclosure care costs were \$1,469,165 for the Skees Road site and \$1,049,983 for the Okeechobee Boulevard site for a total of \$2,519,148. This represents the cumulative amounts reported to date based on the use of 59.7% of the estimated capacity of the Skees Road site and 80.4% 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 \$992,436 for the Skees Road Site and \$255,966 for the Okeechobee Boulevard site as the remaining estimated capacity is filled. The landfills have remaining estimated lives of 47 years and 13 years for the Skees Road site and Okeechobee Boulevard site, respectively.

TOWN OF PALM BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE N - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

The estimated total current cost of the landfill closure and post closure care is \$2,461,601 for the Skees Road site and \$1,305,949 for the Okeechobee Boulevard site for a total of \$3,767,550. 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, 2015. 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 O - DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

As of September 30, 2015, the Special Assessment Fund and the Special Assessment Maintenance Fund had unassigned fund balance deficits in the amount of \$1,514,256 and \$43,967, respectively. The deficits were caused by expenditures for special assessment projects incurred prior to the levy of the assessments.

NOTE P - CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note A, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27*, and GASB Statement No. 71, *Pension Transition Contributions Made Subsequent to the Measurement Date - an amendment to GASB Statement No. 68*, during the current fiscal year. These standards require employers participating in single employer defined benefit pension plans to report their net pension liabilities and related pension amounts. The cumulative effect of applying GASB 68 has been reported as a restatement of the beginning net position of the governmental activities and the business-type activities on the entity-wide financial statements and the Recreation Enterprise Fund on the fund basis financial statements. A reconciliation of the prior period ending net position to the current year beginning net position is as follows.

	Governmental Activities	Business-type Activities	Recreation Enterprise Fund
Balance at September 30, 2014, as reported	\$168,563,914	\$ 22,461,388	\$ 22,385,950
Adjustment for adoption of GASB 68	<u>(58,111,235)</u>	<u>(1,421,642)</u>	<u>(1,421,642)</u>
Balance at September 30, 2014, as restated	<u>\$ 110,452,679</u>	<u>\$ 21,039,746</u>	<u>\$ 20,964,308</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad valorem	\$ 43,424,300	\$ 43,424,300	\$ 43,869,888	\$ 445,588
Local option gas tax	310,000	310,000	329,481	19,481
Franchise fees	2,160,000	2,160,000	2,168,171	8,171
Utility service	5,467,500	5,467,500	5,558,660	91,160
Business tax receipts	665,500	665,500	682,428	16,928
Total taxes	52,027,300	52,027,300	52,608,628	581,328
Fees and permits				
Building permits	5,825,100	5,825,100	9,508,850	3,683,750
Fees and other permits	402,000	402,000	511,268	109,268
Total fees and permits	6,227,100	6,227,100	10,020,118	3,793,018
Intergovernmental				
State shared revenue	1,031,000	1,031,000	1,059,194	28,194
Shared revenue-local	20,000	20,000	15,040	(4,960)
Total intergovernmental	1,051,000	1,051,000	1,074,234	23,234
Charges for services				
General government	37,500	37,500	39,053	1,553
Public safety	1,435,500	1,435,500	1,711,090	275,590
Physical environment	1,254,600	1,254,600	1,192,087	(62,513)
Transportation	846,000	846,000	1,015,373	169,373
Total charges for services	3,573,600	3,573,600	3,957,603	384,003
Fines and forfeitures	1,210,000	1,210,000	1,099,526	(110,474)
Investment earnings	578,694	578,694	597,585	18,891
Grant revenue	28,750	28,750	28,454	(296)
Miscellaneous				
Rents and royalties	68,500	68,500	57,599	(10,901)
Other miscellaneous	95,500	95,500	110,637	15,137
Total miscellaneous	164,000	164,000	168,236	4,236
Total revenues	64,860,444	64,860,444	69,554,384	4,693,940

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Town manager	\$ 2,285,240	\$ 2,710,049	\$ 2,403,300	\$ 306,749
Human resources	835,408	863,787	595,058	268,729
Information systems	2,210,216	2,232,109	1,997,839	234,270
Town clerk	316,520	366,780	349,839	16,941
Finance	1,612,708	1,612,928	1,548,362	64,566
Planning, zoning and building	639,316	756,326	703,808	52,518
Permit issuance	1,190,785	1,119,224	1,042,625	76,599
Employee benefits	1,577,000	1,577,000	1,577,000	
Total general government	<u>10,667,193</u>	<u>11,238,203</u>	<u>10,217,831</u>	<u>1,020,372</u>
Public safety				
Inspection and compliance	1,215,516	1,377,624	1,306,268	71,356
Fire-rescue	11,846,083	11,667,710	11,182,424	485,286
Police	13,988,226	14,000,000	13,577,260	422,740
Emergency/disaster response	956,000	709,013	1,390	707,623
Total public safety	<u>28,005,825</u>	<u>27,754,347</u>	<u>26,067,342</u>	<u>1,687,005</u>
Physical environment				
Administration	996,273	984,688	912,146	72,542
Sewer and sanitation	8,255,440	8,285,369	7,636,745	648,624
Public works	2,661,865	3,052,167	2,506,006	546,161
Total physical environment	<u>11,913,578</u>	<u>12,322,224</u>	<u>11,054,897</u>	<u>1,267,327</u>
Transportation				
Streets and repairs	358,760	386,043	336,870	49,173
Traffic control	669,197	689,605	633,001	56,604
Total transportation	<u>1,027,957</u>	<u>1,075,648</u>	<u>969,871</u>	<u>105,777</u>
Culture and recreation				
Recreation	157,581	224,498	185,648	38,850
Library	306,580	306,580	306,580	
Parks and beaches	1,414,268	1,515,611	1,429,887	85,724
Total culture and recreation	<u>1,878,429</u>	<u>2,046,689</u>	<u>1,922,115</u>	<u>124,574</u>
Non-departmental	<u>1,925,362</u>	<u>1,925,862</u>	<u>1,925,555</u>	<u>307</u>
Total expenditures	55,418,344	56,362,973	52,157,611	4,205,362

(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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 885,000	\$ 885,000	\$ 885,000	\$
Transfers Out	<u>(11,877,000)</u>	<u>(18,477,000)</u>	<u>(18,477,000)</u>	
	<u>(10,992,000)</u>	<u>(17,592,000)</u>	<u>(17,592,000)</u>	
Revenue and other sources under expenditures and other uses	<u>\$ (1,549,900)</u>	<u>\$ (9,094,529)</u>	(195,227)	<u>\$ 8,899,302</u>
Fund balances - beginning of year			<u>28,762,135</u>	
Fund balance - end of year			<u>\$ 28,566,908</u>	

See notes to the budgetary comparison schedule.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2015

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, 2015, the Town had commitments related to unperformed contracts, which have been re-appropriated in the 2015-2016 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, 2015, includes \$936,776 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 Special Assessment Special Revenue Fund is not legally required to be budgeted and is not budgeted. For the year ended September 30, 2015, no departments had an excess of expenditures over appropriations.

TOWN OF PALM BEACH, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT BENEFITS

Year Ended September 30, 2015

(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]
10/01/10	\$ 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%
10/01/14	27,629	35,538	7,909	77.7%	23,221	34.1%

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.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

GENERAL EMPLOYEES AND LIFEGUARDS RETIREMENT PLAN

Year Ended September 30, 2015

	2014	2015
Total Pension Liability		
Service cost	\$ 733,095	\$ 739,734
Interest on the total pension liability	7,058,622	7,096,090
Benefit changes		39,572
Differences between expected and actual experience		499,433
Assumption changes		7,152,240
Benefit payments	(5,289,162)	(9,215,159)
Refund	(16,118)	(70,488)
Net Change in Total Pension Liability	2,486,437	6,241,422
Total Pension Liability - Beginning	91,884,309	98,887,496
Prior Period Adjustment	4,516,750	
Total Pension Liability - Ending (a)	\$ 98,887,496	\$ 105,128,918
Plan Fiduciary Net Position		
Employer contributions	\$ 2,018,621	\$ 2,008,406
Employee contributions	289,425	282,284
Pension plan investment income (loss)	5,799,299	(3,076,859)
Investment expense	(243,389)	(241,461)
Benefit payments	(5,289,162)	(9,215,159)
Refunds	(16,118)	(70,488)
Pension plan administrative expense	(162,070)	(175,900)
Not Change in Plan Fiduciary Net Position	2,396,606	(10,489,177)
Plan Fiduciary Net Position - Beginning	77,995,357	84,908,713
Prior Period Adjustment	4,516,750	
Plan Fiduciary Net Position - Ending (b)	\$ 84,908,713	\$ 74,419,536
Net Pension Liability - Ending (a) - (b)	\$ 13,978,783	\$ 30,709,382
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.86%	70.79%
Covered Employee Payroll	\$ 9,689,419	\$ 10,075,310
County's Net Pension Liability as a Percentage of Covered-Employee Payroll	144.27%	304.80%

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

See accompanying notes to required supplementary information

TOWN OF PALM BEACH, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN CONTRIBUTIONS
 GENERAL EMPLOYEES AND LIFEGUARDS RETIREMENT PLAN
 Year Ended September 30, 2015

Fiscal Year Ended September 30	Actuarily Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 1,994,388	\$ 2,018,621	\$ (24,233)	\$ 9,698,419	20.81%
2015	\$ 2,013,723	\$ 2,008,406	\$ 5,317	\$ 10,075,310	19.93%

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

See accompanying notes to required supplementary information

TOWN OF PALM BEACH, FLORIDA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

GENERAL EMPLOYEES AND LIFEGUARDS RETIREMENT PLAN

For the Fiscal Year Ended September 30, 2015

Measurement Date	September 30, 2015
Valuation Date	September 30, 2014
Notes	Actuarially determined contribution rates are calculated as of September 30, which is 12 months prior to the beginning of the fiscal year for which contributions are reported

Methods and Assumptions Used to Determine Contribution Rates for the Fiscal Year Ending September 30, 2015:

Actuarial Cost Method	Entry-age normal
Amortization Method	Level percent-of-payroll, closed
Remaining Amortization Period	17-30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Wage Inflation	3.50%
Salary Increases	7.3% to 3.7% including inflation. For the total pension liability as of September 30, 2015: 3.50% including inflation
Investment Rate of Return	7.50%
Municipal Bond Rate	3.71%
Retirement Age	Age-based tables of rates specific to the type of eligibility condition.
Mortality	RP-200 Combined Healthy Mortality Tables for males and females. For the total pension liability as of September 30, 2015: RP-2014 Healthy Annuitant Mortality Table for males and females projected to 2017 using Projection Scale MP-2014.

Other Information:

Notes	The fiscal year 2015 contributions were determined in the Actuarial Impact Statement dated March 11, 2014.
Cost-of-Living Adjustment	Members who retire after 09/30/68 and prior to 10/01/90 receive an annual 1.0% increase computed on the base benefit. Members after 09/30/90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Benefits accrued after 04/30/12 are not adjusted for those not eligible for normal retirement at 05/01/12. Other adjustments have been made periodically.

The amount reported as assumption changes in 2015 in the Schedule of Changes in the Town's Net Pension Liability and Related Ratios is due to a substantial increase in assumed life expectancies. The assumption changes were based on an experience study for the period from July 1, 2010 to June 30, 2014.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

POLICE OFFICERS RETIREMENT PLAN

Year Ended September 30, 2015

	2014	2015
Total Pension Liability		
Service cost	\$ 311,681	\$ 274,361
Interest on the total pension liability	6,321,297	6,343,197
Benefit changes		83,392
Differences between expected and actual experience		637,285
Assumption changes		2,464,149
Benefit payments	(4,690,744)	(7,918,798)
Refund	(12,726)	(22,377)
Net Change in Total Pension Liability	1,929,508	1,861,209
Total Pension Liability - Beginning	82,415,628	88,409,367
Prior Period Adjustment	4,064,231	
Total Pension Liability - Ending (a)	\$ 88,409,367	\$ 90,270,576
Plan Fiduciary Net Position		
Employer contributions	\$ 1,979,219	\$ 2,144,662
Employee contributions	108,250	98,530
Pension plan investment income (loss)	4,966,209	(2,464,621)
Investment expense	(193,228)	(193,415)
Benefit payments	(4,690,744)	(7,918,798)
Refunds	(12,726)	(22,377)
Pension plan administrative expense	(128,668)	(140,899)
Not Change in Plan Fiduciary Net Position	2,028,312	(8,496,918)
Plan Fiduciary Net Position - Beginning	61,920,948	68,013,491
Prior Period Adjustment	4,064,231	
Plan Fiduciary Net Position - Ending (b)	\$ 68,013,491	\$ 59,516,573
Net Pension Liability - Ending (a) - (b)	\$ 20,395,876	\$ 30,754,003
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.93%	65.93%
Covered Employee Payroll	\$ 3,453,957	\$ 3,354,258
County's Net Pension Liability as a Percentage of Covered-Employee Payroll	590.51%	916.86%

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

See accompanying notes to required supplementary information

TOWN OF PALM BEACH, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN CONTRIBUTIONS
 POLICE OFFICERS RETIREMENT PLAN
 Year Ended September 30, 2015

Fiscal Year Ended September 30	Actuarily Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 1,881,949	\$ 1,979,219	\$ (97,270)	\$ 3,453,957	57.30%
2015	\$ 2,144,662	\$ 2,144,662		\$ 3,354,258	63.94%

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

See accompanying notes to required supplementary information

TOWN OF PALM BEACH, FLORIDA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

POLICE OFFICERS RETIREMENT PLAN

For the Fiscal Year Ended September 30, 2015

Measurement Date	September 30, 2015
Valuation Date:	September 30, 2014
Notes	Actuarially determined contribution rates are calculated as of September 30, which is 12 months prior to the beginning of the fiscal year for which contributions are reported

Methods and Assumptions Used to Determine Contribution Rates for the Fiscal Year Ending September 30, 2015:

Actuarial Cost Method	Entry-age normal
Amortization Method	Level percent-of-payroll, closed
Remaining Amortization Period	12-30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Wage Inflation	3.50%
Salary Increases	7.3% to 3.7% including inflation. For the total pension liability as of September 30, 2015: 3.50% including inflation.
Investment Rate of Return	7.50%
Municipal Bond Rate	3.71%
Retirement Age	Age and experience-based tables of rates specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Mortality Tables for males and females. For the total pension liability as of September 30, 2015: RP-2014 Healthy Annuitant Mortality Table for males and females projected to 2017 using Projection Scale MP-2014.

Other Information:

Notes	The fiscal year 2015 contributions were determined in the Actuarial Impact Statement dated March 11, 2014.
Cost-of-Living Adjustment	Members who retire after 09/30/68 and prior to 10/01/90 receive an annual 1.0% increase computed on the base benefit. Members after 09/30/90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Benefits accrued after 04/30/12 are not adjusted for those not eligible for normal retirement at 05/01/12. Other adjustments have been made periodically.

The amount reported as assumption changes in 2015 in the Schedule of Changes in the Town's Net Pension Liability and Related Ratios is due to a substantial increase in assumed life expectancies. The assumption changes were based on an experience study for the period from July 1, 2010 to June 30, 2014.

TOWN OF PALM BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

FIREFIGHTERS RETIREMENT PLAN

Year Ended September 30, 2015

	2014	2015
Total Pension Liability		
Service cost	\$ 281,248	\$ 238,556
Interest on the total pension liability	6,324,999	6,396,715
Benefit changes		35,550
Differences between expected and actual experience		(299,119)
Assumption changes		2,324,039
Benefit payments	(5,101,421)	(6,098,229)
Refund	(21,692)	(36,034)
Net Change in Total Pension Liability	1,483,134	2,561,478
Total Pension Liability - Beginning	82,218,000	88,237,386
Prior Period Adjustment	4,536,252	
Total Pension Liability - Ending (a)	\$ 88,237,386	\$ 90,798,864
Plan Fiduciary Net Position		
Employer contributions	\$ 2,071,503	\$ 2,223,584
Employee contributions	154,199	210,233
Pension plan investment income	4,308,313	(2,276,311)
Investment expense	(182,692)	(179,383)
Benefit payments	(5,101,421)	(6,062,200)
Refunds	(21,692)	(36,034)
Pension plan administrative expense	(121,652)	(130,676)
Not Change in Plan Fiduciary Net Position	1,106,558	(6,250,787)
Plan Fiduciary Net Position - Beginning	57,436,358	63,079,168
Prior Period Adjustment	4,536,252	
Plan Fiduciary Net Position - Ending (b)	\$ 63,079,168	\$ 56,828,381
Net Pension Liability - Ending (a) - (b)	\$ 25,158,218	\$ 33,970,483
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.49%	62.59%
Covered Employee Payroll	\$ 3,671,337	\$ 3,403,307
County's Net Pension Liability as a Percentage of Covered-Employee Payroll	685.26%	998.16%

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

See accompanying notes to required supplementary information

TOWN OF PALM BEACH, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN CONTRIBUTIONS
 FIREFIGHTERS RETIREMENT PLAN
 Year Ended September 30, 2015

Fiscal Year Ended September 30	Actuarily Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 2,040,491	\$ 2,071,503	\$ (31,012)	\$ 3,671,337	56.42%
2015	\$ 2,223,584	\$ 2,223,584	\$ -	\$ 3,403,307	65.34%

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

See accompanying notes to required supplementary information

TOWN OF PALM BEACH, FLORIDA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FIREFIGHTERS RETIREMENT PLAN

Year Ended September 30, 2015

Measurement Date	September 30, 2015
Valuation Date:	September 30, 2014
Notes	Actuarially determined contribution rates are calculated as of September 30, which is 12 months prior to the beginning of the fiscal year for which contributions are reported

Methods and Assumptions Used to Determine Contribution Rates for the Fiscal Year Ending September 30, 2015:

Actuarial Cost Method	Entry-age normal
Amortization Method	Level percent-of-payroll, closed
Remaining Amortization Period	17-30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Wage Inflation	3.50%
Salary Increases	7.3% to 3.7% including inflation. For the total pension liability as of September 30, 2015: 3.50% including inflation.
Investment Rate of Return	7.50%
Municipal Bond Rate	3.71%
Retirement Age	Age and experience-based tables of rates specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Mortality Tables for males and females. For the total pension liability as of September 30, 2015: RP-2014 Healthy Annuitant Mortality Table for males and females projected to 2017 using Projection Scale MP-2014.

Other Information:

Notes	The fiscal year 2015 contributions were determined in the Actuarial Impact Statement dated March 11, 2014.
Cost-of-Living Adjustment	Members who retire after 09/30/68 and prior to 10/01/90 receive an annual 1.0% increase computed on the base benefit. Members after 09/30/90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Benefits accrued after 04/30/12 are not adjusted for those not eligible for normal retirement at 05/01/12. Other adjustments have been made periodically.

The amount reported as assumption changes in 2015 in the Schedule of Changes in the Town's Net Pension Liability and Related Ratios is due to a substantial increase in assumed life expectancies. The assumption changes were based on an experience study for the period from July 1, 2010 to June 30, 2014.

TOWN OF PALM BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
TOWN OF PALM BEACH RETIREMENT PLAN
Year Ended September 30, 2015

Fiscal Year Ended September 30	Money Weighted Rate of Investment Return
2014	7.09%
2015	-4.22%

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

See accompanying notes to required supplementary information

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 100,000	\$ 100,000	\$ 329,203	\$ 229,203
Grant revenue	50,000	50,000	325,413	275,413
Total revenues	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 654,616</u>	<u>\$ 504,616</u>
EXPENDITURES				
Current				
Physical environment	\$ 158,085	\$ 5,861,003	\$ 4,277,678	\$ 1,583,325
Capital outlay	26,783,800	38,660,832	20,964,264	17,696,568
Total expenditures	<u>\$ 26,941,885</u>	<u>\$ 44,521,835</u>	<u>\$ 25,241,942</u>	<u>\$ 19,279,893</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 4,777,000	\$ 11,377,000	\$ 11,377,000	\$
Transfers out	(734,613)	(734,613)	(734,613)	
Total other financing sources (uses)	<u>\$ 4,042,387</u>	<u>\$ 10,642,387</u>	<u>\$ 10,642,387</u>	<u>\$</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - CIP 2013 BOND FUND

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 100,000	\$ 100,000	\$ 198,257	\$ 98,257
Grant revenue			136,500	136,500
Contributions			222,500	222,500
Total revenues	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 557,257</u>	<u>\$ 457,257</u>
EXPENDITURES				
Current				
General government	\$	\$ 18,000	\$ 10,152	\$ 7,848
Physical environment		962,350	367,045	595,305
Non-departmental	5,000,000	4,454,240		4,454,240
Capital outlay	27,006,217	26,571,627	11,897,248	14,674,379
Total expenditures	<u>\$ 32,006,217</u>	<u>\$ 32,006,217</u>	<u>\$ 12,274,445</u>	<u>\$ 19,731,772</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$	\$	\$ 3,338,037	\$ 3,338,037
Total other financing sources (uses)	<u>\$</u>	<u>\$</u>	<u>\$ 3,338,037</u>	<u>\$ 3,338,037</u>

NONMAJOR GOVERNMENTAL FUNDS

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.

Special Assessment Maintenance Fund - To account for revenue from Special Assessments.

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/2013 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 construction of major capital facilities. The Town reports the following nonmajor capital projects funds.

Capital Improvement Fund

Town Facilities Fund

Worth Avenue Assessment Fund

Accelerated Capital Fund

TOWN OF PALM BEACH, FLORIDA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

September 30, 2015

	Special Revenue			
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund	Special Assessment Maintenance Fund
ASSETS				
Equity in pooled cash and investments	\$ 30,302	\$ 23,335	\$ 567,525	\$
Accounts receivable			8,816	
Interest receivable				
Total assets	<u>\$ 30,302</u>	<u>\$ 23,335</u>	<u>\$ 576,341</u>	<u>\$</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts and contracts payable	\$	\$	\$ 11,973	\$ 3,971
Due to other funds				26,426
Advance from other funds				13,570
Total liabilities			<u>11,973</u>	<u>43,967</u>
FUND BALANCES				
Restricted for:				
Crime prevention	30,302	23,335		
Special projects			564,368	
Debt service				
Worth avenue				
Assigned to:				
Capital projects				
Town facilities				
Unassigned				(43,967)
Total fund balances	<u>30,302</u>	<u>23,335</u>	<u>564,368</u>	<u>(43,967)</u>
Total liabilities and fund balances	<u>\$ 30,302</u>	<u>\$ 23,335</u>	<u>\$ 576,341</u>	<u>\$</u>

Debt Service		Capital Projects				Total Nonmajor Governmental Funds
2010A/2013 Debt Service Fund	2010B Debt Service Fund	Capital Improvement Fund	Town Facilities Fund	Worth Avenue Assessment Fund	Accelerated Capital Fund	
\$ 1,567,384	\$ 87,781	\$ 5,895,858	\$ 323,382	\$ 348,647	\$	\$ 8,844,214
		2,673	243			8,816
						2,916
<u>\$ 1,567,384</u>	<u>\$ 87,781</u>	<u>\$ 5,898,531</u>	<u>\$ 323,625</u>	<u>\$ 348,647</u>	<u>\$</u>	<u>\$ 8,855,946</u>
\$	\$	\$ 208,469	\$ 4	\$ 2,008	\$	\$ 226,425
						26,426
						13,570
		208,469	4	2,008		266,421
						53,637
						564,368
1,567,384	87,781					1,655,165
				346,639		346,639
		5,690,062				5,690,062
			323,621			323,621
						(43,967)
<u>1,567,384</u>	<u>87,781</u>	<u>5,690,062</u>	<u>323,621</u>	<u>346,639</u>		<u>8,589,525</u>
<u>\$ 1,567,384</u>	<u>\$ 87,781</u>	<u>\$ 5,898,531</u>	<u>\$ 323,625</u>	<u>\$ 348,647</u>	<u>\$</u>	<u>\$ 8,855,946</u>

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2015

	Special Revenue			
	State Forfeiture Fund	Federal Forfeiture Fund	Donation Fund	Special Assessment Maintenance Fund
REVENUES				
Fines and forfeitures	\$ 15,714	\$	\$	\$
Investment earnings	34	57		
Contributions			504,270	
Special assessments				
Miscellaneous				
Total revenues	<u>15,748</u>	<u>57</u>	<u>504,270</u>	<u></u>
EXPENDITURES				
Current				
General government			116,306	
Public safety			195,879	
Physical environment			31,876	
Transportation				
Economic Environment				28,236
Culture and recreation			9,079	
Capital outlay			198,705	
Debt service				
Principal retirement				
Interest and fiscal charges				
Total expenditures	<u></u>	<u></u>	<u>551,845</u>	<u>28,236</u>
Revenue over (under) expenditures	15,748	57	(47,575)	(28,236)
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				
Total other financing sources (uses)	<u></u>	<u></u>	<u></u>	<u></u>
Net change in fund balances	15,748	57	(47,575)	(28,236)
Fund balances - beginning of year	<u>14,554</u>	<u>23,278</u>	<u>611,943</u>	<u>(15,731)</u>
Fund balances - end of year	<u>\$ 30,302</u>	<u>\$ 23,335</u>	<u>\$ 564,368</u>	<u>\$ (43,967)</u>

Debt Service		Capital Projects				Total Nonmajor Governmental Funds
2010A/2013 Debt Service Fund	2010B Debt Service Fund	Capital Improvement Fund	Town Facilities Fund	Worth Avenue Assessment Fund	Accelerated Capital Fund	
\$ 100	\$ 777,716	\$ 54,005	\$ 2,448	\$ 372	\$ 2,631	\$ 15,714
				10,000		59,647
				229,988		514,270
		9,370				1,007,704
<u>100</u>	<u>777,716</u>	<u>63,375</u>	<u>2,448</u>	<u>240,360</u>	<u>2,631</u>	<u>1,606,705</u>
					5,005	121,311
		140,658				336,537
		1,013,178			36,268	1,081,322
		114,893				114,893
				204,254		232,490
						9,079
					1,273,852	1,472,557
1,975,000	285,000					2,260,000
5,239,615	487,492					5,727,107
<u>7,214,615</u>	<u>772,492</u>	<u>1,268,729</u>		<u>204,254</u>	<u>1,315,125</u>	<u>11,355,296</u>
(7,214,515)	5,224	(1,205,354)	2,448	36,106	(1,312,494)	(9,748,591)
7,036,813		1,225,000				8,261,813
			(225,000)		(3,338,037)	(3,563,037)
<u>7,036,813</u>		<u>1,225,000</u>	<u>(225,000)</u>		<u>(3,338,037)</u>	<u>4,698,776</u>
(177,702)	5,224	19,646	(222,552)	36,106	(4,650,531)	(5,049,815)
<u>1,745,086</u>	<u>82,557</u>	<u>5,670,416</u>	<u>546,173</u>	<u>310,533</u>	<u>4,650,531</u>	<u>13,639,340</u>
<u>\$ 1,567,384</u>	<u>\$ 87,781</u>	<u>\$ 5,690,062</u>	<u>\$ 323,621</u>	<u>\$ 346,639</u>	<u>\$</u>	<u>\$ 8,589,525</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SERIES 2010A/2013 DEBT SERVICE FUND

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 1,000	\$ 1,000	\$ 100	\$ (900)
Total revenues	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 100</u>	<u>\$ (900)</u>
EXPENDITURES				
Debt service				
Principal retirement	\$ 1,975,000	\$ 1,975,000	\$ 1,975,000	\$
Interest and fiscal charges	<u>5,250,425</u>	<u>5,251,275</u>	<u>5,239,615</u>	<u>11,660</u>
Total expenditures	<u>\$ 7,225,425</u>	<u>\$ 7,226,275</u>	<u>\$ 7,214,615</u>	<u>\$ 11,660</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 7,036,813</u>	<u>\$ 7,036,813</u>	<u>\$ 7,036,813</u>	<u>\$</u>
Total other financing sources (uses)	<u>\$ 7,036,813</u>	<u>\$ 7,036,813</u>	<u>\$ 7,036,813</u>	<u>\$</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SERIES 2010B DEBT SERVICE FUND

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 500	\$ 500	\$	\$ (500)
Special assessments	775,000	775,000	777,716	2,716
Total revenues	<u>\$ 775,500</u>	<u>\$ 775,500</u>	<u>\$ 777,716</u>	<u>\$ 2,216</u>
EXPENDITURES				
Debt service				
Principal retirement	\$ 285,000	\$ 285,000	\$ 285,000	\$
Interest and fiscal charges	489,500	489,500	487,492	2,008
Total expenditures	<u>\$ 774,500</u>	<u>\$ 774,500</u>	<u>\$ 772,492</u>	<u>\$ 2,008</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENT FUND

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 25,000	\$ 25,000	\$ 54,005	\$ 29,005
Miscellaneous	800,000	800,000	9,370	(790,630)
Total revenues	<u>\$ 825,000</u>	<u>\$ 825,000</u>	<u>\$ 63,375</u>	<u>\$ (761,625)</u>
EXPENDITURES				
Current				
Public safety	\$	\$ 251,595	\$ 140,658	\$ 110,937
Physical environment		1,427,431	1,013,178	414,253
Transportation		450,123	114,893	335,230
Non-departmental	5,962,520	3,833,371		3,833,371
Capital outlay	763,613	763,613		763,613
Total expenditures	<u>\$ 6,726,133</u>	<u>\$ 6,726,133</u>	<u>\$ 1,268,729</u>	<u>\$ 5,457,404</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 1,225,000</u>	<u>\$ 1,225,000</u>	<u>\$ 1,225,000</u>	<u>\$</u>
Total other financing sources (uses)	<u>\$ 1,225,000</u>	<u>\$ 1,225,000</u>	<u>\$ 1,225,000</u>	<u>\$</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - TOWN FACILITIES FUND

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 170	\$ 170	\$ 2,448	\$ 2,278
Total revenues	<u>\$ 170</u>	<u>\$ 170</u>	<u>\$ 2,448</u>	<u>\$ 2,278</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (225,000)	\$ (225,000)	\$ (225,000)	\$
Total other financing sources (uses)	<u>\$ (225,000)</u>	<u>\$ (225,000)</u>	<u>\$ (225,000)</u>	<u>\$</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - WORTH AVENUE ASSESSMENT FUND

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Investment earnings	\$ 200	\$ 200	\$ 372	\$ 172
Contributions	10,000	10,000	10,000	
Special assessments	222,925	222,925	229,988	7,063
Total revenues	<u>\$ 233,125</u>	<u>\$ 233,125</u>	<u>\$ 240,360</u>	<u>\$ 7,235</u>
EXPENDITURES				
Current				
Economic environment	\$ 232,925	\$ 296,258	\$ 204,254	\$ 92,004
Total expenditures	<u>\$ 232,925</u>	<u>\$ 296,258</u>	<u>\$ 204,254</u>	<u>\$ 92,004</u>

TOWN OF PALM BEACH, FLORIDA

BUDGETARY COMPARISON SCHEDULE - ACCELERATED CAPITAL FUND

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Investment earnings	\$ 20,000	\$ 20,000	\$ 2,631	\$ (17,369)
Total revenues	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 2,631</u>	<u>\$ (17,369)</u>
EXPENDITURES				
Current				
General government	\$	\$ 5,005	\$ 5,005	\$
Physical environment		36,268	36,268	
Non-departmental	5,615,362	5,649,772		5,649,772
Capital outlay	1,400,000	1,324,317	1,273,852	50,465
Total expenditures	<u>\$ 7,015,362</u>	<u>\$ 7,015,362</u>	<u>\$ 1,315,125</u>	<u>\$ 5,700,237</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$	\$	\$ (3,338,037)	\$ (3,338,037)
Total other financing sources (uses)	<u>\$</u>	<u>\$</u>	<u>\$ (3,338,037)</u>	<u>\$ (3,338,037)</u>

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, 2015

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 23,512	\$ 24,692	\$	\$ 48,204
Equity in pooled cash and investments	9,483,875	6,620,543	11,450,293	27,554,711
Interest receivable	6,283	3,509	2,637	12,429
Prepaid expenses	139,951	22,400		162,351
Total current assets	9,653,621	6,671,144	11,452,930	27,777,695
Noncurrent assets				
Capital assets				
Equipment	63,600		19,616,517	19,680,117
Accumulated depreciation	(30,729)		(10,021,606)	(10,052,335)
Total capital assets, net of accumulated depreciation	32,871		9,594,911	9,627,782
Advance to other funds			1,871,989	1,871,989
Total noncurrent assets	32,871		11,466,900	11,499,771
Total assets	9,686,492	6,671,144	22,919,830	39,277,466
LIABILITIES				
Current liabilities				
Accounts payable	10,624	687,582	20,205	718,411
Accrued liabilities	1,557,877	240,029		1,797,906
Due to other governments	26,275			26,275
Compensated absences payable	1,990	518		2,508
Total current liabilities	1,596,766	928,129	20,205	2,545,100
Noncurrent liability				
Compensated absences payable	18,490	2,146		20,636
Total liabilities	1,615,256	930,275	20,205	2,565,736
NET POSITION				
Net investment in capital assets	32,871		9,594,911	9,627,782
Unrestricted	8,038,365	5,740,869	13,304,714	27,083,948
Total net position	\$ 8,071,236	\$ 5,740,869	\$ 22,899,625	\$ 36,711,730

TOWN OF PALM BEACH, FLORIDA

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

Year Ended September 30, 2015

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
OPERATING REVENUES				
Charges for services	\$ 1,925,362	\$ 4,803,052	\$ 1,817,444	\$ 8,545,858
Other	827	4,944		5,771
Total operating revenues	<u>1,926,189</u>	<u>4,807,996</u>	<u>1,817,444</u>	<u>8,551,629</u>
OPERATING EXPENSES				
Personal services	130,644	79,062		209,706
Contractual services	12,057	56,557		68,614
Insurance	956,061	999,162		1,955,223
Claims	603,057	3,090,466		3,693,523
Claims adjustment	248,935	(24,000)		224,935
Depreciation	2,758		1,445,184	1,447,942
Other	22,498	43,528	39,056	105,082
Total operating expenses	<u>1,976,010</u>	<u>4,244,775</u>	<u>1,484,240</u>	<u>7,705,025</u>
Operating income (loss)	(49,821)	563,221	333,204	846,604
NONOPERATING REVENUE (EXPENSE)				
Investment earnings	100,789	32,806	135,001	268,596
Insurance recoveries	722,859	119,708	121,442	964,009
Gain/(Loss) on disposal of assets			(95,974)	(95,974)
Total nonoperating revenue (expense)	<u>823,648</u>	<u>152,514</u>	<u>160,469</u>	<u>1,136,631</u>
Income before capital contributions	773,827	715,735	493,673	1,983,235
Capital contributions			274,201	274,201
Change in net position	773,827	715,735	767,874	2,257,436
Net position - beginning of year	<u>7,297,409</u>	<u>5,025,134</u>	<u>22,131,751</u>	<u>34,454,294</u>
Net position - end of year	<u>\$ 8,071,236</u>	<u>\$ 5,740,869</u>	<u>\$ 22,899,625</u>	<u>\$ 36,711,730</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS

Year Ended September 30, 2015

	Property, Liability and Workers Compensation Insurance Fund	Group Health Insurance Fund	Equipment Replacement Fund	Total
OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 1,925,362	\$ 4,803,052	\$ 1,817,444	\$ 8,545,858
Payments to employees	(116,525)	(79,309)		(195,834)
Payments to suppliers	(1,752,973)	(3,826,083)	(127,006)	(5,706,062)
Payments to other funds	(13,503)			(13,503)
Other receipts	827	4,944		5,771
Net cash provided by (used in) operating activities	43,188	902,604	1,690,438	2,636,230
NONCAPITAL FINANCING ACTIVITIES				
Insurance recoveries	722,859	119,708		842,567
Net cash provided by (used in) non capital financing activities	722,859	119,708		842,567
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property and equipment			(1,130,252)	(1,130,252)
Proceeds from sale of assets			167,203	167,203
Insurance recoveries			121,442	121,442
Net cash provided by (used in) capital and related financing activities			(841,607)	(841,607)
INVESTING ACTIVITIES				
Investment earnings received	99,009	29,812	136,253	265,074
Net cash provided by (used in) investing activities	99,009	29,812	136,253	265,074
Net increase (decrease) in cash and cash equivalents	865,056	1,052,124	985,084	2,902,264
Cash and cash equivalents - beginning of year	8,642,331	5,593,111	10,465,209	24,700,651
Cash and cash equivalents - end of year	\$ 9,507,387	\$ 6,645,235	\$ 11,450,293	\$ 27,602,915
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ (49,821)	\$ 563,221	\$ 333,204	\$ 846,604
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,758		1,445,184	1,447,942
Changes in operating assets and liabilities:				
Increase (decrease) in prepaid expenses	(134,978)			(134,978)
Increase (decrease) in accounts payable	(24,322)	363,630	(87,950)	251,358
Increase (decrease) in accrued liabilities	249,217	(23,736)		225,481
Increase (decrease) in compensated absences payable	334	(511)		(177)
Net cash provided by (used in) operating activities	\$ 43,188	\$ 902,604	\$ 1,690,438	\$ 2,636,230
NONCASH ACTIVITY				
Donated capital assets	\$	\$	\$ 274,201	\$ 274,201
Insurance claims adjustment	\$ 248,935	\$ 24,000	\$	\$ 272,935

FIDUCIARY FUNDS

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, 2015

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	OPEB Trust Fund	Total
ASSETS					
Cash and cash equivalents	\$ 690,995	\$ 552,619	\$ 527,659	\$ 164,606	\$ 1,935,879
Equity in pooled cash and investments				2,072,339	2,072,339
Interest and dividends receivable	10,463	8,368	7,990	2,573	29,394
Due from broker for securities sold	54,561	43,638	41,666		139,865
Prepaid expenses and other assets	23,404	18,718	17,872		59,994
Investments, at fair value					
Fixed income securities	17,843,706	14,271,306	13,626,353	5,249,479	50,990,844
Common stock	7,623,026	6,093,098	5,819,222		19,535,346
Domestic equity funds	7,180,736	5,743,116	5,483,571	7,650,710	26,058,133
International equity funds	18,810,034	15,044,170	14,364,289	5,032,419	53,250,912
Inflation hedging funds	3,119,828	2,495,223	2,382,458	1,957,701	9,955,210
Hedge funds	8,461,869	6,767,760	6,461,910		21,691,539
Private equity funds	5,416,221	4,331,866	4,136,099		13,884,186
Real estate funds	5,711,053	4,567,671	4,361,248		14,639,972
Mutual funds - DROP					
Alternative investments				4,895,703	4,895,703
Total assets	<u>74,945,896</u>	<u>59,937,553</u>	<u>57,230,337</u>	<u>27,025,530</u>	<u>219,139,316</u>
LIABILITIES					
Accounts payable and other accrued liabilities	314,001	251,136	239,787	396,434	1,201,358
Due to broker for securities purchased	21,743	17,391	16,605		55,739
Total liabilities	<u>335,744</u>	<u>268,527</u>	<u>256,392</u>	<u>396,434</u>	<u>1,257,097</u>
DEFERRED INFLOWS OF RESOURCES					
Advanced Town contribution	190,616	152,453	145,564		488,633
NET POSITION HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS					
	<u>\$ 74,419,536</u>	<u>\$ 59,516,573</u>	<u>\$ 56,828,381</u>	<u>\$ 26,629,096</u>	<u>\$ 217,393,586</u>

TOWN OF PALM BEACH, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
TRUST FUNDS

Year Ended September 30, 2015

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	OPEB Trust Fund	Total
ADDITIONS					
Contributions					
Employer	\$ 2,008,406	\$ 2,144,662	\$ 2,223,584	\$ 1,577,000	\$ 7,953,652
Employee	282,284	98,530	210,233	1,185,104	1,776,151
Other				76,569	76,569
Total contributions	<u>2,290,690</u>	<u>2,243,192</u>	<u>2,433,817</u>	<u>2,838,673</u>	<u>9,806,372</u>
Investment income (loss)					
Net appreciation (depreciation) in fair value of investments	(3,779,454)	(3,027,412)	(2,893,208)	(2,047,747)	(11,747,821)
Interest and dividends	699,268	560,128	519,491	460,848	2,239,735
Share investment earnings			49,402		49,402
Other	3,326	2,664	48,004		53,994
Total investment income	<u>(3,076,860)</u>	<u>(2,464,620)</u>	<u>(2,276,311)</u>	<u>(1,586,899)</u>	<u>(9,404,690)</u>
Less investment expense	(241,461)	(193,415)	(179,383)	(99,015)	(713,274)
Net investment income	(3,318,321)	(2,658,035)	(2,455,694)	(1,685,914)	(10,117,964)
Total additions	<u>(1,027,631)</u>	<u>(414,843)</u>	<u>(21,877)</u>	<u>1,152,759</u>	<u>(311,592)</u>
DEDUCTIONS					
Benefit payments	5,373,751	4,405,633	4,424,611	2,064,631	16,268,626
Transfer to share reserve account			49,402		49,402
Share distributions			82,553		82,553
DROP distributions	3,841,408	3,513,166	1,505,634		8,860,208
Refunds of participants' contributions	70,488	22,377	36,034		128,899
Administrative expense	175,899	140,899	130,676	87,125	534,599
Other				705	705
Total deductions	<u>9,461,546</u>	<u>8,082,075</u>	<u>6,228,910</u>	<u>2,152,461</u>	<u>25,924,992</u>
Net increase (decrease)	(10,489,177)	(8,496,918)	(6,250,787)	(999,702)	(26,236,584)
Net position held in trust for pension and retiree health benefits - beginning of year	<u>84,908,713</u>	<u>68,013,491</u>	<u>63,079,168</u>	<u>27,628,798</u>	<u>243,630,170</u>
NET POSITION HELD IN TRUST FOR PENSION AND RETIREE HEALTH BENEFITS - END OF YEAR	<u>\$ 74,419,536</u>	<u>\$ 59,516,573</u>	<u>\$ 56,828,381</u>	<u>\$ 26,629,096</u>	<u>\$ 217,393,586</u>

DEBT SERVICE REQUIREMENTS

TOWN OF PALM BEACH, FLORIDA

SUMMARY SCHEDULE OF DEBT SERVICE REQUIREMENTS
PRINCIPAL AND INTEREST TO MATURITY

September 30, 2015

Fiscal Year Ending September 30	Revenue and Refunding Bonds Series 2010A	Revenue Bonds Series 2010B	Revenue Bonds Series 2013	Total
2016	\$ 3,620,938	\$ 775,678	\$ 3,579,788	\$ 7,976,404
2017	3,625,538	773,050	3,581,788	7,980,376
2018	3,623,238	774,275	3,581,288	7,978,801
2019	3,624,038	774,825	3,588,038	7,986,901
2020	3,621,188	774,662	3,582,038	7,977,888
2021	3,623,937	773,350	3,578,412	7,975,699
2022	3,623,188	776,188	3,581,788	7,981,164
2023	3,618,937	773,359	3,586,788	7,979,084
2024	3,620,938	774,619	3,583,412	7,978,969
2025	3,623,813	774,594	3,581,662	7,980,069
2026	3,622,438	773,494	3,581,288	7,977,220
2027	3,621,687	771,794	3,586,912	7,980,393
2028	3,624,968	774,115	3,583,413	7,982,496
2029	3,623,750	770,450	3,584,863	7,979,063
2030	3,624,125	775,656	3,580,700	7,980,481
2031	3,619,250	785,350	3,582,325	7,986,925
2032	3,623,750	810,350	3,584,281	8,018,381
2033	3,622,250	830,350	3,583,250	8,035,850
2034	3,624,500	855,350	3,584,500	8,064,350
2035	3,620,250	823,138	3,585,125	8,028,513
2036	3,624,125	785,925	3,584,875	7,994,925
2037	3,620,750	820,925	3,583,500	8,025,175
2038	3,624,750	845,925	3,580,750	8,051,425
2039	3,620,750	880,925	3,581,250	8,082,925
2040	3,623,375	832,963	3,584,500	8,040,838
2041			3,585,125	3,585,125
2042			3,582,875	3,582,875
2043			3,582,375	3,582,375
	<u>\$ 90,566,471</u>	<u>\$ 19,881,310</u>	<u>\$ 100,326,909</u>	<u>\$ 210,774,690</u>

TOWN OF PALM BEACH, FLORIDA

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

September 30, 2015

Fiscal Year Ending September 30	Rate	Principal	Interest	Total	Principal Balance Outstanding End of Year
2016	4.000%	\$ 1,110,000	\$ 2,510,938	\$ 3,620,938	\$ 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	2,369,038	3,624,038	47,220,000
2020	5.000%	1,310,000	2,311,188	3,621,188	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	1,938,813	3,623,813	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	
		<u>\$ 51,950,000</u>	<u>\$ 38,616,471</u>	<u>\$ 90,566,471</u>	

TOWN OF PALM BEACH, FLORIDA

DEBT SERVICE REQUIREMENTS
PUBLIC IMPROVEMENT REVENUE BONDS, SERIES 2010B

September 30, 2015

Fiscal Year Ending September 30	Rate	Principal	Interest	Total	Principal Balance Outstanding End of Year
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	444,662	774,662	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	329,115	774,115	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	
		<u>\$ 11,845,000</u>	<u>\$ 8,036,310</u>	<u>\$ 19,881,310</u>	

TOWN OF PALM BEACH, FLORIDA

DEBT SERVICE REQUIREMENTS
PUBLIC IMPROVEMENT REVENUE BONDS, SERIES 2013

September 30, 2015

Fiscal Year Ending September 30	Rate	Principal	Interest	Total	Principal Balance Outstanding End of Year
2016	5.000%	\$ 935,000	\$ 2,644,788	\$ 3,579,788	\$ 53,755,000
2017	5.000%	985,000	2,596,788	3,581,788	52,770,000
2018	5.000%	1,035,000	2,546,288	3,581,288	51,735,000
2019	5.000%	1,095,000	2,493,038	3,588,038	50,640,000
2020	5.000%	1,145,000	2,437,038	3,582,038	49,495,000
2021	5.000%	1,200,000	2,378,412	3,578,412	48,295,000
2022	5.000%	1,265,000	2,316,788	3,581,788	47,030,000
2023	5.000%	1,335,000	2,251,788	3,586,788	45,695,000
2024	5.000%	1,400,000	2,183,412	3,583,412	44,295,000
2025	5.000%	1,470,000	2,111,662	3,581,662	42,825,000
2026	5.000%	1,545,000	2,036,288	3,581,288	41,280,000
2027	5.000%	1,630,000	1,956,912	3,586,912	39,650,000
2028	5.000%	1,710,000	1,873,413	3,583,413	37,940,000
2029	4.000%	1,790,000	1,794,863	3,584,863	36,150,000
2030	4.125%	1,860,000	1,720,700	3,580,700	34,290,000
2031	4.125%	1,940,000	1,642,325	3,582,325	32,350,000
2032	4.250%	2,025,000	1,559,281	3,584,281	30,325,000
2033	5.000%	2,120,000	1,463,250	3,583,250	28,205,000
2034	5.000%	2,230,000	1,354,500	3,584,500	25,975,000
2035	5.000%	2,345,000	1,240,125	3,585,125	23,630,000
2036	5.000%	2,465,000	1,119,875	3,584,875	21,165,000
2037	5.000%	2,590,000	993,500	3,583,500	18,575,000
2038	5.000%	2,720,000	860,750	3,580,750	15,855,000
2039	5.000%	2,860,000	721,250	3,581,250	12,995,000
2040	5.000%	3,010,000	574,500	3,584,500	9,985,000
2041	5.000%	3,165,000	420,125	3,585,125	6,820,000
2042	5.000%	3,325,000	257,875	3,582,875	3,495,000
2043	5.000%	3,495,000	87,375	3,582,375	
		<u>\$ 54,690,000</u>	<u>\$ 45,636,909</u>	<u>\$ 100,326,909</u>	

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.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	133
Revenue Capacity <i>These schedules contain information to help the reader assess the Town's most significant local source, the property tax.</i>	139
Debt Capacity <i>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.</i>	146
Demographic and Economic Information <i>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.</i>	151
Operating Information <i>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.</i>	153

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.

Town of Palm Beach, Florida

Net Position by Component

Last Ten Fiscal Years

Accrual Basis of Accounting

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 70,412,738	\$ 71,453,781	\$ 75,658,381	\$ 80,983,936	\$ 89,404,386	\$ 80,099,513	\$ 76,021,164	\$ 71,962,534	\$ 55,346,920	\$ 74,251,960
Restricted	234,245	276,523	1,184,132	611,489	45,184,112	40,290,335	24,015,235	14,124,806	50,785,559	37,801,235
Unrestricted	83,756,838	94,548,246	90,855,890	91,088,326	36,551,306	39,732,216	63,300,047	80,060,626	62,431,435	26,349
Total governmental activities net position	\$ 154,403,821	\$ 166,278,550	\$ 167,698,403	\$ 172,683,751	\$ 171,139,804	\$ 160,122,064	\$ 163,336,446	\$ 166,147,966	\$ 168,563,914	\$ 112,079,544
Business-type activities										
Net investment in capital assets	\$ 10,965,117	\$ 10,971,879	\$ 12,635,374	\$ 17,120,652	\$ 17,020,243	\$ 16,521,594	\$ 16,029,772	\$ 17,243,929	\$ 17,740,802	\$ 17,072,347
Restricted	0	0	800,000	0	0	0	0	0	0	0
Unrestricted	4,117,835	4,715,002	4,798,209	2,955,244	2,891,749	3,300,496	3,701,370	3,783,232	4,720,586	4,303,456
Total business-type activities net position	\$ 15,082,952	\$ 15,686,881	\$ 18,233,583	\$ 20,075,896	\$ 19,911,992	\$ 19,822,090	\$ 19,731,142	\$ 21,027,161	\$ 22,461,388	\$ 21,375,803
Primary government										
Net investment in capital assets	\$ 81,377,855	\$ 82,425,660	\$ 88,293,755	\$ 98,104,588	\$ 106,424,629	\$ 96,621,107	\$ 92,050,936	\$ 89,206,463	\$ 73,087,722	\$ 91,324,307
Restricted	234,245	276,523	1,984,132	611,489	45,184,112	40,290,335	24,015,235	14,124,806	50,785,559	37,801,235
Unrestricted	87,874,673	99,263,248	95,654,099	94,043,570	39,443,055	43,032,712	67,001,417	83,843,858	67,152,021	4,329,805
Total primary government net position	\$ 169,486,773	\$ 181,965,431	\$ 185,931,986	\$ 192,759,647	\$ 191,051,796	\$ 179,944,154	\$ 183,067,588	\$ 187,175,127	\$ 191,025,302	\$ 133,455,347

Town of Palm Beach, Florida

Changes in Net Position

Last Ten Fiscal Years

Accrual Basis of Accounting

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 10,770,654	\$ 11,620,148	\$ 14,194,382	\$ 11,687,399	\$ 13,535,702	\$ 11,580,425	\$ 10,569,463	\$ 11,141,575	\$ 10,303,043	\$ 14,710,957
Public safety	27,115,822	30,526,540	29,688,750	30,755,445	29,321,521	29,833,142	24,321,116	24,466,050	26,082,520	29,315,807
Physical environment	19,746,156	15,169,120	19,802,683	17,536,687	16,553,051	23,071,088	17,471,774	18,157,640	18,044,387	21,446,833
Transportation	1,179,979	864,359	1,131,044	1,206,068	898,456	1,459,738	1,427,144	1,691,225	1,407,173	1,070,730
Economic Environment	0	0	0	0	0	2,369,146	331,806	189,158	196,888	232,490
Culture and recreation	1,919,405	1,854,023	1,814,544	1,796,409	3,293,395	1,642,346	1,488,135	1,624,839	1,841,595	1,912,995
Interest on long-term debt	1,030,985	913,297	825,899	741,244	2,081,998	3,163,237	3,078,046	3,013,531	5,017,586	5,463,859
Debt issue cost	0	0	0	0	0	0	0	0	330,638	0
Total governmental activities expenses	61,763,001	60,947,487	67,457,302	63,723,252	65,684,123	73,119,122	58,687,484	60,284,018	63,223,830	74,153,671
Business-type activities:										
Leisure services	3,474,250	3,546,363	3,450,003	3,666,342	3,774,682	3,661,337	3,582,227	3,749,068	4,066,532	4,432,739
Total business-type activities expenses	3,474,250	3,546,363	3,450,003	3,666,342	3,774,682	3,661,337	3,582,227	3,749,068	4,066,532	4,432,739
Total primary government expenses	\$ 65,237,251	\$ 64,493,850	\$ 70,907,305	\$ 67,389,594	\$ 69,458,805	\$ 76,780,459	\$ 62,269,711	\$ 64,033,086	\$ 67,290,362	\$ 78,586,410
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 6,745,625	\$ 7,308,586	\$ 8,016,246	\$ 5,035,126	\$ 4,239,229	\$ 5,879,837	\$ 6,024,307	\$ 7,070,796	\$ 7,483,722	\$ 10,116,770
Public safety	1,913,437	2,449,825	2,330,239	2,464,558	2,023,808	2,716,885	3,107,463	2,971,320	3,441,046	2,810,616
Physical environment	1,354,292	1,022,063	1,041,072	1,131,884	1,098,951	1,219,036	1,260,317	1,277,457	2,148,675	2,500,197
Transportation	410,584	540,123	657,135	650,537	1,268,087	1,841,501	1,920,292	1,904,822	1,293,534	1,321,912
Culture and recreation	0	54,004	84,663	61,388	37,381	55,017	0	0	0	0
Operating grants and contributions:										
General government	2,995,182	28,427	847,910	39,649	576,737	68,200	96,850	153,274	148,023	95,052
Public safety	963,866	1,214,891	1,253,809	842,282	322,706	145,364	148,133	199,641	217,125	443,902
Physical environment	9,672,675	163,213	158,231	319,781	0	5,000	5,000	30,000	8,080	302,474
Transportation	78,013	71,204	694,700	42,347	9	0	0	0	0	3,077
Culture and recreation	49,728	74,614	15,831	39,894	3,526	5,865	881	2,338	3,708	10,574
Capital grants and contributions:										
General government	0	0	0	0	4,421	120,895	239,000	500	16,073	360,593
Public safety	179,952	30,837	10,957	1,885,000	103,102	379,170	304,651	155,592	106,020	114,740
Physical environment	0	3,154,725	672,290	2,490	396,979	3,512,898	35,321	83,454	520,770	377,689
Transportation	0	0	0	0	0	7,192	0	0	0	0
Culture and recreation	0	0	0	445,251	10,962	0	187,634	0	0	213,500
Total governmental activities program revenues	24,363,354	16,112,512	15,783,083	12,960,187	10,085,898	15,956,860	13,329,849	13,849,194	15,386,776	18,671,096
Business-type activities:										
Charges for services:										
Leisure Services Fund	3,984,307	4,291,969	4,523,039	4,160,010	4,350,130	4,308,462	4,383,799	4,555,849	5,278,444	5,809,804
Operating grants and contributions	67,183	0	0	0	0	0	0	0	0	0
Capital grants and contributions	0	0	1,884,649	1,830,934	6,500	0	3,000	1,835,801	0	25,000
Total business-type activities program revenues	4,051,490	4,291,969	6,407,688	5,990,944	4,356,630	4,308,462	4,386,799	6,391,650	5,278,444	5,834,804
Total primary government program revenues	\$ 28,414,844	\$ 20,404,481	\$ 22,190,771	\$ 18,951,131	\$ 14,442,528	\$ 20,265,322	\$ 17,716,648	\$ 20,240,844	\$ 20,665,220	\$ 24,505,900
Net (expense)/revenue										
Governmental activities	\$ (37,399,647)	\$ (44,834,975)	\$ (51,674,219)	\$ (50,763,065)	\$ (55,598,225)	\$ (57,162,262)	\$ (45,357,635)	\$ (46,434,824)	\$ (47,837,054)	\$ (55,482,575)
Business-type activities	577,240	745,606	2,957,685	2,324,602	581,948	647,125	804,572	2,642,582	1,211,912	1,402,065
Total primary government net expense	\$ (36,822,407)	\$ (44,089,369)	\$ (48,716,534)	\$ (48,438,463)	\$ (55,016,277)	\$ (56,515,137)	\$ (44,553,063)	\$ (43,792,242)	\$ (46,625,142)	\$ (54,080,510)

Town of Palm Beach, Florida

Changes in Net Position (continued)

Last Ten Fiscal Years

Accrual Basis of Accounting

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 39,008,774	\$ 43,096,605	\$ 41,457,249	\$ 42,887,217	\$ 41,508,570	\$ 36,635,343	\$ 36,662,916	\$ 37,473,107	\$ 39,110,926	\$ 43,869,888
Local option gas tax	360,210	360,853	337,785	324,077	321,246	301,900	301,240	299,081	310,290	329,481
Franchise fees	2,433,811	2,478,487	2,447,544	2,454,232	2,152,817	2,204,718	2,040,443	2,036,065	2,172,540	2,168,171
Utility service taxes	4,167,844	4,105,957	4,496,507	4,608,088	4,885,696	4,847,146	4,954,671	5,098,715	5,463,267	5,558,660
Business tax receipts	0	0	0	726,239	716,018	694,373	669,095	666,788	702,711	682,428
Intergovernmental, unrestricted	1,158,415	1,249,609	1,108,340	1,190,409	905,276	937,865	838,855	875,467	939,801	945,915
Investment earnings	4,709,493	4,891,708	2,666,647	2,728,147	2,061,399	940,069	660,689	129,845	1,486,459	1,460,232
Miscellaneous	0	51,565	0	280,004	232,309	2,054,027	1,025,368	1,654,276	891,628	1,007,465
Transfers	527,428	474,920	580,000	550,000	550,000	764,338	1,418,740	1,013,000	(207,700)	1,087,200
Total governmental activities	<u>52,365,975</u>	<u>56,709,704</u>	<u>53,094,072</u>	<u>55,748,413</u>	<u>53,333,331</u>	<u>49,379,779</u>	<u>48,572,017</u>	<u>49,246,344</u>	<u>50,869,922</u>	<u>57,109,440</u>
Business-type activities										
Investment earnings	261,893	333,243	169,017	67,711	26,142	27,311	28,718	1,840	14,615	17,024
Miscellaneous	0	0	0	0	0	0	0	0	0	4,168
Transfers	(527,428)	(474,920)	(580,000)	(550,000)	(550,000)	(764,338)	(924,238)	(1,013,000)	207,700	(1,087,200)
Total business-type activities	<u>(265,535)</u>	<u>(141,677)</u>	<u>(410,983)</u>	<u>(482,289)</u>	<u>(523,858)</u>	<u>(737,027)</u>	<u>(895,520)</u>	<u>(1,011,160)</u>	<u>222,315</u>	<u>(1,066,008)</u>
Total primary government	<u>\$ 52,100,440</u>	<u>\$ 56,568,027</u>	<u>\$ 52,683,089</u>	<u>\$ 55,266,124</u>	<u>\$ 52,809,473</u>	<u>\$ 48,642,752</u>	<u>\$ 47,676,497</u>	<u>\$ 48,235,184</u>	<u>\$ 51,092,237</u>	<u>\$ 56,043,432</u>
Changes in Net Position										
Governmental activities	\$ 14,966,328	\$ 11,874,729	\$ 1,419,853	\$ 4,985,348	\$ (2,264,894)	\$ (7,782,483)	\$ 3,214,382	\$ 2,811,520	\$ 3,032,868	\$ 1,626,865
Business-type activities	311,705	603,929	2,546,702	1,842,313	58,090	(89,902)	(90,948)	1,631,422	1,434,227	336,057
Total primary government	<u>\$ 15,278,033</u>	<u>\$ 12,478,658</u>	<u>\$ 3,966,555</u>	<u>\$ 6,827,661</u>	<u>\$ (2,206,804)</u>	<u>\$ (7,872,385)</u>	<u>\$ 3,123,434</u>	<u>\$ 4,442,942</u>	<u>\$ 4,467,095</u>	<u>\$ 1,962,922</u>

Town of Palm Beach, Florida

Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year Pre-GASB 54				
	2006	2007	2008	2009	2010
General Fund					
Reserved	\$ 1,379,142	\$ 2,188,726	\$ 515,591	\$ 478,285	\$ 512,860
Unreserved	23,010,110	28,447,330	31,858,624	30,304,216	26,919,376
Total General Fund	<u>\$ 24,389,252</u>	<u>\$ 30,636,056</u>	<u>\$ 32,374,215</u>	<u>\$ 30,782,501</u>	<u>\$ 27,432,236</u>
All other governmental funds					
Reserved	\$ 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	598,762
Capital Projects funds	34,579,119	22,254,563	29,111,356	18,107,668	42,765,725
Debt Service Funds	0	0	0	291,518	147,236
Total all other governmental funds	<u>\$ 39,148,716</u>	<u>\$ 26,134,432</u>	<u>\$ 30,295,488</u>	<u>\$ 22,044,720</u>	<u>\$ 62,091,047</u>
	Fiscal Year Post-GASB 54				
	2011	2012	2013	2014	2015
General Fund					
Non Spendable:					
Non Spendable	567,775	527,146	534,374	520,247	510,044
Spendable:					
Restricted	0	0	0	0	0
Committed	4,196,183	3,315,135	3,390,226	3,456,532	3,168,789
Assigned	2,802,668	2,956,588	6,265,157	2,486,676	2,621,024
Unassigned	18,155,941	21,424,261	20,043,760	22,298,680	22,267,051
Total General Fund	<u>\$ 25,722,567</u>	<u>\$ 28,223,130</u>	<u>\$ 30,233,517</u>	<u>\$ 28,762,135</u>	<u>\$ 28,566,908</u>
All other governmental funds					
Non Spendable:					
Non Spendable	0	0	0	0	0
Spendable:					
Restricted	40,902,673	24,015,235	14,124,806	50,785,559	37,587,735
Committed	0	0	0	0	0
Assigned	13,645,491	17,919,125	21,209,913	44,233,613	30,085,768
Unassigned	(254,148)	(455,669)	(961,325)	(2,004,706)	(1,558,223)
Total All Other Governmental Funds	<u>\$ 54,294,016</u>	<u>\$ 41,478,691</u>	<u>\$ 34,373,394</u>	<u>\$ 93,014,466</u>	<u>\$ 66,115,280</u>

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
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
2014	39,110,926	310,290	2,172,540	5,463,267	702,711	47,759,734
2015	43,869,888	329,481	2,168,171	5,558,660	682,428	52,608,628

Change:

2006-2015 12.5% -8.5% -10.9% 33.4% n/a 14.4%

(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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 45,970,639	\$ 50,041,902	\$ 48,739,085	\$ 50,999,853	\$ 49,629,856	\$ 44,728,989	\$ 44,647,327	\$ 45,573,756	\$ 47,759,734	\$ 52,608,628
Fees and permits	6,473,831	7,147,383	7,835,468	4,865,780	4,102,878	5,749,007	5,880,327	6,959,778	7,401,315	10,020,118
Intergovernmental	2,153,286	2,312,236	2,107,927	1,937,338	1,852,267	1,900,329	1,967,946	986,853	1,056,503	1,074,234
Charges for services	2,487,444	2,448,829	2,808,298	3,277,981	3,194,361	3,461,768	4,081,261	3,576,155	3,741,185	3,957,603
Fines and forfeitures	874,351	1,572,285	1,194,275	927,863	620,978	1,309,725	1,106,676	1,530,917	1,924,183	1,115,240
Contributions	0	0	0	0	795,161	222,646	459,050	71,066	421,366	736,770
Investment earnings	3,663,648	3,618,646	2,036,192	2,389,974	1,814,395	737,696	704,692	212,594	626,295	1,184,939
Grant revenue	12,674,928	3,313,649	2,331,850	792,662	83,306	3,678,245	771,909	362,568	358,805	490,367
Special Assessments	0	0	0	0	564,419	989,814	1,068,133	1,015,907	1,183,221	1,538,098
Miscellaneous	495,349	567,739	613,605	568,455	302,124	852,864	1,011,340	692,198	663,967	177,606
Total revenues	74,793,476	71,022,669	67,666,700	65,759,906	62,959,745	63,631,083	61,698,661	60,981,792	65,136,574	72,903,603
Expenditures										
General government	8,315,398	8,932,304	9,986,924	10,923,177	10,716,676	9,466,491	9,328,868	9,611,179	9,482,734	10,349,294
Public safety	26,417,211	28,458,944	29,464,707	31,367,667	30,556,992	30,511,290	25,095,341	24,045,416	25,803,242	26,328,383
Physical environment	18,557,179	12,773,809	15,175,670	13,252,050	11,576,185	17,281,410	11,676,641	12,580,551	12,848,052	16,836,864
Transportation	1,185,987	838,808	1,160,600	1,248,445	909,308	1,311,456	1,099,438	1,528,094	1,282,851	1,084,764
Economic Environment	0	0	0	0	0	2,369,146	331,806	189,158	196,888	232,490
Culture and recreation	1,938,137	1,748,780	1,829,385	1,858,634	1,640,889	1,642,083	1,508,402	1,649,498	1,870,601	1,931,194
Non-departmental	2,390,000	2,220,201	2,414,968	1,918,051	1,902,388	1,905,398	1,804,439	1,922,643	1,880,251	1,925,555
Capital outlay	20,270,287	8,089,774	7,859,165	11,429,915	23,045,739	4,662,208	16,389,104	11,161,869	11,573,533	34,409,565
Debt service										
Principal	3,564,637	3,672,904	3,811,297	3,875,000	4,020,000	1,372,838	2,885,619	1,290,000	1,320,000	2,260,000
Interest and other fiscal charge	864,847	763,674	614,269	650,150	1,336,179	3,260,692	3,190,196	3,111,294	4,524,027	5,727,107
Bond issue costs	0	0	30,500	24,303	701,133	27,341	0	0	330,638	0
Total expenditures	83,503,683	67,499,198	72,347,485	76,547,392	86,405,489	73,810,353	73,309,854	67,089,702	71,112,817	101,085,216
Revenues over (under) expenditures	(8,710,207)	3,523,471	(4,680,785)	(10,787,486)	(23,445,744)	(10,179,270)	(11,611,193)	(6,107,910)	(5,976,243)	(28,181,613)
Other financing sources (uses)										
Transfers in	14,210,192	8,602,057	7,039,939	10,606,800	10,758,475	11,309,406	11,774,938	11,257,899	32,693,862	23,861,850
Transfers out	(13,682,764)	(8,127,137)	(6,459,939)	(10,056,800)	(10,208,475)	(10,554,963)	(10,973,009)	(10,244,899)	(28,042,649)	(22,774,650)
Proceeds from sale of capital asse	0	0	0	0	1,047,156	0	0	0	0	0
Insurance recoveries	0	0	0	0	0	0	494,502	0	0	0
Bonds/Notes proceeds	0	0	10,000,000	395,004	68,742,596	0	0	0	58,494,720	0
Redemption of bonds	0	0	0	0	(10,589,028)	0	0	0	0	0
Proceeds of refunding note	0	0	0	0	0	0	0	0	0	0
Total other financing sources (uses)	527,428	474,920	10,580,000	945,004	59,750,724	754,443	1,296,431	1,013,000	63,145,933	1,087,200
Net change in fund balances	\$ (8,182,779)	\$ 3,998,391	\$ 5,899,215	\$ (9,842,482)	\$ 36,304,980	\$ (9,424,827)	\$ (10,314,762)	\$ (5,094,910)	\$ 57,169,690	\$ (27,094,413)
Debt service as a percentage of non-capital expenditures	7.00%	7.47%	6.86%	6.95%	8.45%	6.70%	10.67%	7.87%	9.82%	11.98%

Town of Palm Beach, Florida

Historic and Projected General Fund Non-Ad Valorem Revenues

Last Ten Fiscal Years Actual and Next Year Budgeted

	<u>Actual FY2006</u>	<u>Actual FY2007</u>	<u>Actual FY2008</u>	<u>Actual FY2009</u>	<u>Actual FY2010</u>	<u>Actual FY2011</u>	<u>Actual FY2012</u>	<u>Actual FY2013</u>	<u>Actual FY2014</u>	<u>Actual FY2015</u>	<u>Budget FY2016</u>
Franchise Fees	\$ 2,433,811	\$ 2,478,487	\$ 2,447,544	\$ 2,454,232	\$ 2,152,817	\$ 2,204,718	\$ 2,040,444	\$ 2,036,065	\$ 2,172,540	\$ 2,168,171	\$ 2,160,000
Utility Service Tax	4,167,844	4,105,957	4,496,507	4,608,088	4,931,205	4,892,655	4,973,633	5,397,796	5,463,267	5,558,660	5,520,000
Business Tax Receipts	721,659	740,875	741,535	726,238	716,018	694,373	669,095	666,788	702,711	682,429	696,820
Building Permits	5,628,019	6,201,211	6,844,875	4,701,645	3,934,213	5,535,510	5,514,911	6,500,256	6,919,361	9,508,851	6,018,500
Other License Fees & Permits	124,153	205,297	249,058	164,135	168,665	213,497	365,417	459,522	481,955	511,268	445,000
State Shared Revenue (1)	1,029,461	1,142,553	1,072,734	1,081,727	978,259	1,058,101	954,387	944,040	988,578	1,040,960	1,086,000
Local Shared Revenue	204,636	40,077	24,700	39,997	46,223	29,536	20,781	42,813	25,795	15,040	20,000
General Government	46,062	41,094	34,413	27,618	33,650	42,628	39,000	41,412	39,658	39,052	37,000
Public Safety	1,065,595	908,376	1,146,921	1,539,385	1,429,333	1,419,660	2,001,026	1,440,533	1,516,863	1,711,089	1,547,500
Physical Environment	991,712	1,022,063	1,041,072	1,131,884	1,098,950	1,219,035	1,260,317	1,264,060	1,226,434	1,192,087	1,285,888
Transportation	410,584	477,295	585,892	579,292	632,425	780,444	780,917	830,150	958,230	1,015,373	997,000
Fines & Forfeitures	770,067	1,541,448	1,183,318	1,152,807	594,473	1,297,226	1,106,435	1,530,787	1,924,183	1,099,526	1,284,000
Contributions	900	0	10,000	0	0	0	0	0	0	0	0
Investment Earnings	1,902,793	2,287,127	1,368,751	1,923,224	1,168,997	495,649	495,311	32,425	383,727	597,586	700,000
Rents & Royalties	39,634	80,961	111,320	44,291	102,702	88,202	104,980	69,606	42,749	57,599	35,000
Sale of Capital Assets	0	0	0	0	1,047,156	5,874	1,392	0	353,100	0	0
Miscellaneous Other	243,602	147,348	190,761	158,625	188,634	671,609	577,151	500,152	253,347	110,637	231,600
Total Non-Ad Valorem Revenues	\$ 19,780,532	\$ 21,420,169	\$ 21,549,401	\$ 20,333,188	\$ 19,223,721	\$ 20,648,717	\$ 20,905,195	\$ 21,756,405	\$ 23,452,498	\$ 25,308,328	\$ 22,064,308

(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.

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 and FY14 represents proceeds from the sale of Town owned property.

Miscellaneous Other Revenue

Revenues include a fee paid to the Town for the administration of Kreuzler 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, 2015. 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. In December 2013, the Town issued Public Improvement Revenue Bonds in the principal amount of \$55,590,000 to finance a portion of the Town's 20 year capital improvement program. The 2013 bonds are special obligations of the Town payable solely from and secured solely by non-ad valorem revenue.

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
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	12,889,708,323	915,763,620	1,795,500	364,349,859	(2,365,784,414)	11,805,832,888	3.2512	12,288,707,603	96%
2014	13,830,680,923	943,455,273	1,795,500	368,781,059	(2,772,972,410)	12,371,740,345	3.2468	12,862,947,349	96%
2015	15,403,086,966	1,160,442,899	1,885,275	326,783,978	(3,631,110,871)	13,261,088,247	3.4058	13,728,091,553	97%

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

Fiscal Year	Town Direct Rates			Overlapping Rates			Total All
	General Fund	Debt Service	Total Direct	School District	Palm Beach County	Special Taxing Districts	
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
2014	3.2468	0.0000	3.2468	7.5860	4.9852	2.2280	18.0460
2015	3.4058	0.0000	3.4058	7.5940	4.9729	2.1732	18.1459

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, 2015 and Nine Years Ago

	2015				2006			
	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	\$ 283,297,644	\$ 964,855	1	2.14%	\$ 210,015,556	\$ 820,741	1	2.05%
Nelson Peltz	106,766,826	363,626	2	0.81%	66,072,298	258,211	2	0.64%
Wilson 150 Worth Avenue LLC	73,919,484	251,755	3	0.56%				
County Road Property LLC	81,782,172	278,534	4	0.62%				
PBH LLC	72,958,850	248,483	5	0.55%				
JV Associates PB LLC	63,355,098	215,775	6	0.48%	49,000,000	191,492	3	0.48%
700 North Lake LLC	65,119,853	221,785	7	0.49%	44,778,796	174,996	4	0.44%
James H Clark	59,635,058	203,105	8	0.45%	37,285,586	145,712	9	0.36%
White Sea Holdings LLC	63,188,190	215,206	9	0.48%				
Sydell Miller	54,631,851	186,065	10	0.41%				
Trump Properties LLC					41,350,000	161,596	5	0.40%
1300 South Ocean Blvd. Trust					40,442,227	158,048	6	0.39%
The Everglades Club					34,530,026	134,943	7	0.34%
Leonard Lauder					35,742,717	139,683	8	0.35%
Worth Avenue Associates LTD					30,000,000	117,240	10	0.29%
Totals	<u>\$ 924,655,026</u>	<u>\$ 3,149,190</u>		<u>6.97%</u>	<u>\$ 589,217,206</u>	<u>\$ 2,302,661</u>		<u>5.75%</u>

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
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%
2014	40,168,565	39,067,303	97.26%	43,623	39,110,926	97.37%
2015	45,709,498	43,979,362	96.21%	9,128	43,988,490	96.23%

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	
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%	8,878	
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	6.48%	8,138	
2014	-	-	120,745,000	-	-	120,745,000	11.77%	14,779	
2015	-	-	118,485,000	-	-	118,485,000	11.74%	14,735	

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:		Total	Percentage of Assessed Value of Taxable Property	Per Capita
		Amounts Available in Debt Service Fund				
2006	\$ 0	\$ 0	\$ 0	0	N/A	\$ 0
2007	0	0	0	0	N/A	0
2008	0	0	0	0	N/A	0
2009	0	0	0	0	N/A	0
2010	0	0	0	0	N/A	0
2011	0	0	0	0	N/A	0
2012	0	0	0	0	N/A	0
2013	0	0	0	0	N/A	0
2014	0	0	0	0	N/A	0
2015	0	0	0	0	N/A	0

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

General Obligation Bonds were retired in 2005

Town of Palm Beach, Florida

Direct and Overlapping Governmental Activities Debt
September 30, 2015

	Total Outstanding	Percentage Applicable to Town of Palm Beach ⁽¹⁾	Amount Applicable to Town of Palm Beach
Direct:			
Town of Palm Beach	\$ 118,485,000	100.00%	\$ 118,485,000
Overlapping:			
Palm Beach County	\$ 975,044,000	9.53%	92,876,373
Palm Beach County School District	1,732,865,000	9.53%	165,061,491
Total overlapping debt	2,707,909,000		257,937,864
Total direct and overlapping debt payable from ad valorem taxes	\$ 2,826,394,000		\$ 376,422,864
Estimated population			8,041
Total direct and overlapping debt per capita			\$ 46,813

⁽¹⁾ Based on 2015 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 boundaries 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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$ 643,656,591	\$ 770,561,034	\$ 811,202,839	\$ 895,582,427	\$ 844,679,696	\$ 602,154,723	\$ 600,699,382	\$ 614,435,380	\$ 643,147,367	\$ 686,404,578
Total net debt applicable to limit	<u>0</u>									
Legal debt margin	<u>\$ 643,656,591</u>	<u>\$ 770,561,034</u>	<u>\$ 811,202,839</u>	<u>\$ 895,582,427</u>	<u>\$ 844,679,696</u>	<u>\$ 602,154,723</u>	<u>\$ 600,699,382</u>	<u>\$ 614,435,380</u>	<u>\$ 643,147,367</u>	<u>\$ 686,404,578</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>0.00%</u>									

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	
2006	\$ 19,780,532	\$ 3,480,000	\$ 854,485	\$ 4,334,485	4.56
2007	21,420,169	3,585,000	750,354	4,335,354	4.94
2008	21,549,401	3,720,000	612,163	4,332,163	4.97
2009	20,333,188	3,875,000	648,649	4,523,649	4.49
2010	19,223,721	4,020,000	1,331,915	5,351,915	3.59
2011	20,648,717	1,265,000	3,149,663	4,414,663	4.68
2012	20,905,195	2,775,000	3,165,134	5,940,134	3.52
2013	21,756,405	1,290,000	3,111,294	4,401,294	4.94
2014	23,452,498	1,320,000	4,524,027	5,844,027	4.01
2015	25,308,328	2,260,000	5,722,457	7,982,457	3.17

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⁽³⁾	Unemployment Rate⁽⁴⁾
2006	9,735	\$ 1,274,223,885	\$ 130,891	66.6	N/A	318	4.7%
2007	9,744	1,275,401,904	130,891	66.6	N/A	468	4.8%
2008	9,797	1,282,339,127	130,891	66.6	N/A	468	7.5%
2009	9,650	1,263,098,150	130,891	66.6	N/A	455	9.5%
2010	8,161	1,068,201,451	130,891	68.7	N/A	477	10.8%
2011	8,348	1,092,678,068	130,891	68.7	N/A	415	9.7%
2012	8,358	1,093,986,978	130,891	68.7	N/A	406	9.2%
2013	8,168	1,025,386,216	125,537	68.7	N/A	414	7.1%
2014	8,170	1,025,637,290	125,537	68.7	N/A	476	6.0%
2015	8,041	1,009,443,017	125,537	68.7	N/A	406	5.0%

Data Sources:

(1) The population for 2010 was obtained from the U.S. Census Bureau. All remaining populations were obtained from the University of Florida, Bureau of Economic Business Administration.

(2) U.S. Census Bureau

(3) Palm Beach County School District

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

Town of Palm Beach, Florida

Principal Employers

September 30, 2015 and Nine Years Ago

Employer	2015			2006		
	Employees ⁽¹⁾	Rank	Percentage of Total Town Employment	Employees ⁽¹⁾	Rank	Percentage of Total Town Employment
Breakers Palm Beach Inc	4,681	1	32.91%	2,285	1	16.69%
Four Seasons	440	2	3.09%	390	3	2.85%
Everglades Club	360	3	2.53%	250	4	1.83%
Town of Palm Beach	360	4	2.53%	414	2	3.02%
Testa's Restaurant	221	5	1.55%			
Bradley Van Hoek	200	6	1.41%			
Bath and Tennis Club	150	7	1.05%	150	6	1.10%
Saks Fifth Avenue	120	8	0.84%	110	9	0.80%
Colony Palm Beach	120	9	0.84%	120	8	0.88%
NRT Corcoran	120	10	0.84%			
Publix				200	5	1.46%
Neiman Marcus				120	7	0.88%
OC Beach Resort				94	10	0.69%
Totals	<u>6,772</u>		<u>47.61%</u>	<u>4,133</u>		<u>30.19%</u>

Source: (1) Florida Department of Economic Opportunity (DEO), Bureau of Labor Market Statistics

Town of Palm Beach, Florida

Full-time Equivalent Town Government Employees by Function / Program

Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	86.98	86.45	85.5	84.5	82.43	73.46	75.05	74.85	75.62	78.87
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	10.40	10.90	10.90	10.90	12.35	12.35	11.85	11.35	10.85	10.85
Police Officers	78.00	78.00	78.00	78.00	77.00	71.00	71.00	70.00	70.00	70.00
Firefighters	79.00	80.00	80.00	80.00	79.00	74.00	71.50	69.00	66.00	66.00
Civilian Police/Fire	59.20	59.20	59.20	59.70	54.45	48.25	46.25	47.25	45.25	45.25
Physical Environment										
Sanitation	44.27	44.24	44.24	44.24	41.51	37.06	37.06	38.05	38.23	38.23
Storm Sewer Maintenance	17.32	17.60	17.66	17.66	17.51	16.94	17.44	17.01	17.77	17.77
Transportation										
Roads and Streets	5.91	5.61	5.61	5.61	5.70	5.79	5.79	6.86	5.67	5.67
Culture and Recreation										
Recreation	30.28	32.23	29.17	28.78	29.03	27.48	25.71	18.58	18.55	26.04
Total	412.36	415.23	411.28	410.39	399.98	367.33	362.65	353.95	348.94	359.68

Town of Palm Beach, Florida

Operating Indicators by Function / Program

Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police										
Physical arrests	2,134	1,889	1,715	2,120	2,033	1,703	1,404	1,985	1,718	1,828
Parking violations	23,328	21,835	16,832	13,514	12,178	15,936	14,485	13,434	16,691	16,258
Traffic violations	4,904	4,210	4,658	4,989	4,799	4,293	3,529	3,266	2,708	1,679
Fire										
Number of fire calls	1,220	1,364	1,373	1,175	1,092	1,147	1,003	928	943	900
Number of EMS Calls	1,074	1,644	1,598	1,319	1,372	1,464	1,603	1,478	1,691	1,717
Physical Environment										
Sanitation										
Refuse collected (tons)	10,744	10,534	10,976	9,877	9,341	8,452	8,443	9,175	9,186	8,904
Recyclables collected (tons)	1,751	1,780	1,844	1,579	1,642	1,645	1,624	1,576	1,646	1,655
Transportation										
Roads and Streets										
Street resurfacing (miles)	8	7	8	6	5	6	17	5	0	0
Pot holes repaired	50	46	61	72	67	75	26	35	34	30
Culture and Recreation										
Recreation Department										
Youth athletic participants	4,600	7,628	4,942	3,278	2,395	3,164	3,209	2,097	1,723	2,365
Camp program participants	6,339	10,089	10,243	10,626	10,031	11,525	10,862	11,143	11,127	10,192
Youth enrichment participants	5,469	6,263	9,365	6,759	4,475	3,613	2,879	2,515	1,757	1,144
Adult Enrichment/Fitness participants	4,051	9,202	9,201	3,447	2,250	2,259	2,287	2,483	1,922	1,599
Special Events Offered	6	7	6	5	4	3	3	3	3	3
Special Events participants	1,450	1,461	1,438	1,950	1,515	1,275	1,250	1,225	1,290	1,190
Tennis Participants	35,091	35,136	29,109	29,766	26,328	25,603	27,474	24,746	25,961	26,712
Rounds of Golf	31,118	28,952	25,275	14,226	19,379	26,437	29,117	30,366	34,780	35,379
Range buckets sold	21,080	19,180	14,746	8,313	7,303	8,707	12,712	14,323	16,473	17,139
Annual Marina Leases	82	82	81	78	72	68	69	68	70	72
Seasonal Marina Leases	2	2	2	5	5	5	8	8	11	11
Total transient vessels	785	681	626	418	321	387	396	318	374	356

Sources: Town departments

Town of Palm Beach, Florida

Capital Asset Statistics by Function / Program

Last Ten Fiscal Years

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	21	21	21	21	21	21	21	21	21	21
Fire										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Fire Trucks	7	7	7	7	7	7	7	7	7	6
ALS Rescue Vehicles	5	5	5	5	5	5	5	5	5	5
Physical Environment										
Sanitation										
Garbage Trucks	17	17	17	17	17	17	17	16	16	16
Trash Trucks	12	12	12	12	12	12	12	12	12	12
Transportation										
Roads and Streets										
Street lights	826	878	922	972	972	985	991	991	991	991
Lane miles	102.6	103	103	103	103	103	103	103	103	103
Culture and Recreation										
Recreation Department										
Basketball courts	1	1	1	1	1	1	1	1	1	1
Multi-purpose fields	1	1	1	1	1	1	1	1	1	1
Tennis courts	14	14	14	13	13	13	13	13	13	13
Dock slips	88	88	88	88	88	88	88	88	88	88
Golf courses	1	1	1	1	1	1	1	1	1	1
Playgrounds	1	1	1	1	1	1	1	1	1	1
Recreation centers	1	1	1	1	1	1	1	1	1	1
Tennis pro-shops	2	2	2	2	2	2	2	2	2	2
Parks	10	10	10	11	11	11	11	11	11	11

Sources: Town departments

Note: Data is not available for general government.



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

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The Honorable Mayor and Members of the Town 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, 2015, 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 25, 2016. 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 & Mimer, P.A.

West Palm Beach, Florida
March 25, 2016



NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Report on Compliance for Each Major State Project

We have audited the Town of Palm Beach, Florida's compliance with the types of compliance requirements described in the requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Town of Palm Beach, Florida's major State projects for the year ended September 30, 2015. The Town of Palm Beach, Florida's major State projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Palm Beach, Florida's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the Town of Palm Beach, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance of each major State project. However, our audit does not provide a legal determination of the Town of Palm Beach, Florida's compliance.

Opinion on Each State Project

In our opinion, the Town of Palm Beach, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of the Town of Palm Beach, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Palm Beach, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Palm Beach, Florida's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
March 25, 2016

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2015

State Grantor/Program Title	CSFA Number	Agency or Pass-Through Number	State Expenditures	Transfers to Subrecipients
<u>Florida Department of Environmental Protection</u>				
Beach Management Funding Assistance Program	37.003	14PB7	\$ 265,491	\$
Beach Management Funding Assistance Program	37.003	14PB8	10,453	
Beach Management Funding Assistance Program	37.003	15PB2	115,062	
Total Florida Department of Environmental Protection			<u>391,006</u>	
<u>Florida Department of State and Secretary of State</u>				
Acquisition, Restoration of Historic Properties Grant	45.032	SC517	<u>350,000</u>	
<u>Florida Department of Health</u>				
Emergency Medical Services (EMS) Matching Awards Grant Passed through Palm Beach County	64.003	M3034	13,126	
County Grants Awards - Emergency Medical Services Grant	64.005	R2015-0891	8,039	
Total Florida Department of Health			<u>21,165</u>	
		Total State Financial Assistance	<u>\$ 762,171</u>	<u>\$</u>

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Palm Beach and is presented in accordance with the requirements of the Florida Single Audit Act. Therefore, some accounts presented in the schedule may differ from accounts presented in, or used in the preparation of the basic financial statements. Expenditures are recognized on the accrual basis of accounting.

NOTE 2 - CONTINGENCY

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of the Town for the return of those funds. In the opinion of management, all grant expenditures were in compliance with the terms of the grant agreement and applicable state laws and regulations.

TOWN OF PALM BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weakness identified? Yes No
- Reportable condition identified that is not considered to be a material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

State Financial Assistance

Internal control over major projects:

- Material weakness identified? Yes No
- Reportable condition identified that is not considered to be a material weakness? Yes None reported

Type of auditor’s report issued on compliance for major projects: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with section Chapter 10.550 Rules of the Auditor General? Yes No

Identification of Major State Projects

<u>CSFA Number</u>	<u>Name of State Project</u>
37.003	Florida Department of Environmental Protection <ul style="list-style-type: none">• Beach Management Funding Assistance Program
45.032	Florida Department of State and Secretary of State <ul style="list-style-type: none">• Acquisition, Restoration of Historic Properties Grant

Dollar threshold used to distinguish between type A and type B programs: \$228,651

TOWN OF PALM BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2015

Section II – Financial Statement Findings

None

Section III – State Projects Findings and Questioned Costs

Major State Projects

Florida Department of Environmental Protection
Beach Management Funding Assistance Program – CSFA 37.003

None

Florida Department of State and Secretary of State
Acquisition, Restoration of Historic Properties Grant – CSFA 45.032

None

TOWN OF PALM BEACH, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
September 30, 2015

State Summary Schedule of Prior Audit Findings

The Town was not required to have and did not have a single audit in the prior year.



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

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

Report on the Financial Statements

We have audited the financial statements of the Town of Palm Beach, Florida, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated March 25, 2016.

Auditor's Responsibility

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

Other Reports

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*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 25, 2016, should be considered in conjunction with this Management Letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we report the results of our determination as to whether the annual financial report for the Town of Palm Beach, Florida for the fiscal year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that the two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. Based on the application of criteria in publications cited in Section 10.553, Rules of the Auditor General, there are no special district component units of the Town of Palm Beach, Florida.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we noted the following item.

Finding 2015-1 Information Security Policy

Condition: We noted that the Town's Information Security Policy was last revised in November 2010.

Criteria: Security policies and procedures should be reviewed periodically to determine if they are appropriate.

Effect: The Information Security Policy may not contain all aspects needed in the event of an emergency.

Recommendation: We recommend a review of the Information Security Policy be performed as soon as possible. We also recommend the establishment of a schedule for reviews in future years.

Management Response: The Town hired Information Technology consultant Auxis LLC in May, 2015, to complete an organizational assessment and audit for the Town's Office of Information Technology. The results of the audit included a number of recommendations to improve operations, security of the Town's network, and documentation of procedures and policies in a more effective manner. One of the policies identified for updating is the Security Policy. Staff is currently in the process of working with Auxis LLC to complete this task and expects completion by June 1, 2016.

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

Single Audits

For the year ended September 30, 2015, the Town expended less than \$500,000 of federal awards but more than \$500,000 of state financial assistance. The Town was required to have a state single audit but was not required to have a federal single audit.

Response to Management Letter

The Town of Palm Beach, Florida's response to the finding identified in our audit is presented above. The Town of Palm Beach, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representative, the Florida Auditor General, Federal and state awarding agencies, pass-through entities, management of the Town of Palm Beach, and members of the Town Council, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
March 25, 2016



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have examined the Town of Palm Beach, Florida’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2015. Management is responsible for the Town of Palm Beach, Florida’s compliance with those requirements. Our responsibility is to express an opinion on the Town of Palm Beach, Florida’s compliance based on our examination.

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

In our opinion, the Town of Palm Beach, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representative, the Florida Auditor General, applicable management, and the Town 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 25, 2016