

TOWN OF JUPITER ISLAND, FLORIDA



Audited Financial Statements And Supplementary Financial Information

SEPTEMBER 30, 2016

TOWN OF JUPITER ISLAND, FLORIDA

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL INFORMATION

SEPTEMBER 30, 2016

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Town Commissioners
Town of Jupiter Island, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the Town of Jupiter Island, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Jupiter Island, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the Town of Jupiter Island, Florida, as of September 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 to 17, budgetary comparison schedules on pages 73 to 83, schedules of changes in the net pension liability and related ratios and employer contributions for the defined benefit plan on pages 84 to 85, and schedule of funding progress for other postemployment benefits on page 87 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 Jupiter Island, Florida's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.550, *Rules of the Auditor General of the State of Florida* but are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2017, on our consideration of the Town of Jupiter Island, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Jupiter Island, Florida's internal control over financial reporting and compliance.



Morrison, Brown, Argiz & Farra, LLC
Palm Beach, Florida

February 10, 2017

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Management's Discussion and Analysis

The Town of Jupiter Island, Florida's (the Town) management discussion and analysis (MD&A) is designed to offer readers of the Town's financial statements an objective and easy-to-read analysis of the Town's financial activities based on currently available information. This narrative overview is only a component of the entire financial statement report. Readers should review and evaluate all sections of the report, including the footnotes and the other required supplementary information that is provided in addition to this MD&A for the fiscal year ended September 30, 2016.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities at the close of the most recent fiscal year by \$75,449,136. Of this amount, \$14,945,698 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
 - Governmental net position was \$36,392,489.
 - Business-type net position was \$39,056,647.
- The total revenue from all sources was \$36,874,967 and the total cost of all Town programs was \$22,203,876.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$11,144,514 which was a decrease of \$3,308,480 from the prior year balance of \$14,452,994. Approximately 46% of this fund balance is restricted or assigned for specific purposes; the remaining 54% is available for spending at the Town's discretion from the General Fund.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,060,583, or 83% of the total General Fund expenditures for the year ended September 30, 2016.
- The Town's outstanding long-term debt (excluding compensated absences, other postemployment benefits, and net pension liability) decreased from \$53,299,025 to \$52,147,789 during the current fiscal year, representing a net decrease of \$1,151,236 (3%).

Overview of the Financial Statements

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

Government-wide Financial Statements: The *government-wide financial statements*, which consist of the following two statements, are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net position* and the *statement of activities* report information about the Town as a whole and about its activities in a way that helps to determine if the year's activities contributed positively to its overall financial well being. Both statements represent an overview of the Town as a whole, separating its operations between *governmental activities* and *business-type activities*.

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other factors should be considered, however, such as the condition of the Town's capital assets to assess the overall health of the Town.

The *statement of activities* presents information showing how the government'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 flow*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues 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 revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, roads, sanitation, and building and land development. The business-type activity of the Town includes the water and wastewater utility.

The government-wide financial statements include only the Town itself (known as the *primary government*). The Jupiter Island Beach Protection District, although a legally separate entity, functions for all practical purposes as a department of the Town, and therefore has been included as an integral part of the primary government. The government-wide financial statements can be found on pages 21 to 23 of this report.

Fund Financial Statements: Conventional users of governmental financial statements will find the fund financial statements presentation more familiar. 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, 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 can be divided into three categories: governmental funds, enterprise 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 maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balances for the General Fund, Beach Protection Fund (Jupiter Island Beach Protection District) and in total for the nonmajor governmental funds which include the Electric Underground Fund and the Special Law Enforcement Fund. The basic governmental fund financial statements can be found on pages 24 to 31 of this report.

Enterprise Funds: The Town maintains one enterprise fund, which is used to report the same functions presented as the *business-type activity* in the government-wide financial statements. The Town's enterprise fund accounts for the South Martin Regional Utility (SMRU) water and wastewater utility operations. The basic enterprise fund financial statements can be found on pages 32 to 37 of this report. The schedule of water and wastewater revenue refunding bond coverage for the enterprise fund can be found on page 96 of this report.

Fiduciary Funds: Fiduciary funds, including trust and agency funds, are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The

accounting basis used for trust and agency funds is accrual, much like that used for enterprise funds. Agency funds are held for others and report only assets and liabilities. The basic fiduciary fund financial statements can be found on pages 38 to 39 of this report. Combining and individual fund statements for the fiduciary funds can be found on pages 97 to 101 of this report.

Notes to the Financial Statements: The notes to the financial statements 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 the financial statements can be found on pages 40 to 69 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. A budgetary comparison schedule has been provided as required supplementary information for the General Fund and the Beach Protection Fund on pages 73 to 83 to demonstrate compliance with the adopted budget for these major governmental funds. Information concerning the Town's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees can be found on pages 84 to 87 of this report.

The combining and individual fund financial statements and schedules are presented as other supplementary information on pages 94 to 95 of this report immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, governmental activity assets and deferred outflows of resources exceeded liabilities by \$36,392,489. Business-type activity assets and deferred outflows of resources exceeded liabilities by \$39,056,647. The Town-wide total net position was \$75,449,136 at the close of the fiscal year ended September 30, 2016. The Statement of Net Position is on page 21 of this report.

At the end of the current fiscal year, the Town reported positive balances in net position for the government as a whole, as well as for its separate business-type activity. The governmental activities reported a deficit balance in unrestricted net position at September 30, 2016. This deficit is attributable to construction costs incurred in 2010 for the electrical underground project in the approximate amount of \$8.8 million. Pursuant to conversion agreements executed by the Town with an electric utility company, these assets were transferred to the electric utility upon completion. The project was substantially completed at September 30, 2010. The transfer of assets was recorded in the statement of activities as a special item for the year ended September 30, 2010, thus reducing unrestricted net position by the amount of the construction costs.

The largest portion of the Town's net position is reflected in the net investment in capital assets (e.g., land, buildings, machinery and equipment; less any related debt used to acquire those assets that is still outstanding). Capital assets total \$100,120,720 or 76% of all assets, which total \$130,923,941. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net position (\$5,476,931 or 7.3%) represents resources that are subject to restrictions on how they may be used.

The following table reflects the condensed statement of net position for the current year as compared to the prior year.

Net Position (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 12,145	\$ 14,963	\$ 18,659	\$ 15,631	\$ 30,804	\$ 30,594
Capital assets	34,965	19,206	65,155	66,378	100,120	85,584
Total assets	\$ 47,110	\$ 34,169	\$ 83,814	\$ 82,009	\$ 130,924	\$ 116,178
Total deferred outflows of resources						
	\$ 2,247	\$ 1,872	\$ 3,999	\$ 3,872	\$ 6,246	\$ 5,744
Liabilities						
Long-term liabilities	\$ 11,712	\$ 11,488	\$ 45,048	\$ 45,683	\$ 56,760	\$ 57,171
Other liabilities	1,253	779	3,708	3,195	4,961	3,974
Total liabilities	\$ 12,965	\$ 12,267	\$ 48,756	\$ 48,878	\$ 61,721	\$ 61,145
Net position						
Net investment in capital assets	\$ 34,965	\$ 19,206	\$ 20,061	\$ 20,660	\$ 55,026	\$ 39,866
Restricted	2,259	6,593	3,218	3,261	5,477	9,854
Unrestricted	(832)	(2,025)	15,778	13,082	14,946	11,057
Total net position	\$ 36,392	\$ 23,774	\$ 39,057	\$ 37,003	\$ 75,449	\$ 60,777

The following table reflects the condensed statement of changes in net position for the current year as compared to the prior year.

Changes in Net Position (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 2,679	\$ 2,562	\$ 11,056	\$ 10,152	\$ 13,735	\$ 12,714
Operating grants and contributions	41	46	-	-	41	46
Capital grants and contributions	13,190	-	526	183	13,716	183
General revenues:						
Taxes	9,074	9,031	-	-	9,074	9,031
Intergovernmental	140	140	-	-	140	140
Investment earnings	62	26	107	76	169	102
Total revenues	25,186	11,805	11,689	10,411	36,875	22,216

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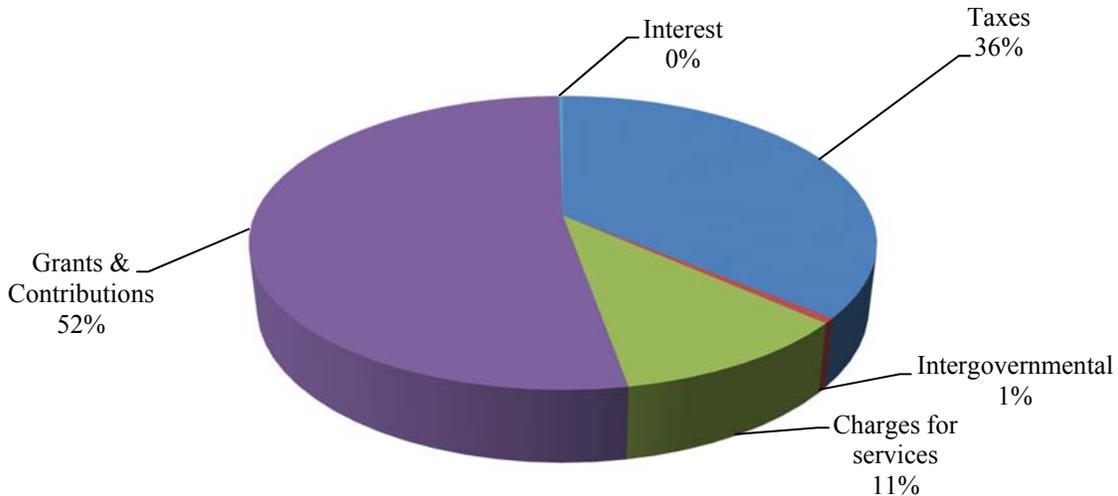
Changes in Net Position (Continued)
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Expenses						
General government	\$ 1,999	\$ 1,869	\$ -	\$ -	\$ 1,999	\$ 1,869
Public safety	3,943	3,209	-	-	3,943	3,209
Building	715	545	-	-	715	545
Public works	1,298	1,192	-	-	1,298	1,192
Environmental	4,305	2,603	-	-	4,305	2,603
Interest on long-term debt	308	326	2,043	2,062	2,351	2,388
Water and wastewater	-	-	7,593	7,552	7,593	7,552
Total expenses	12,568	9,744	9,636	9,614	22,204	19,358
Change in net position	12,618	2,061	2,053	797	14,672	2,858
Net position – beginning of year, as previously reported	23,774	22,972	37,004	36,206	60,778	59,178
Prior period adjustment	-	(1,259)	-	-	-	(1,259)
Net position – beginning of year, as restated	23,774	21,713	37,004	36,206	60,778	57,919
Net position – end of year	\$ 36,392	\$ 23,774	\$ 39,057	\$ 37,003	\$ 75,450	\$ 60,777

Governmental Activities: Governmental activities increased the Town’s net position by \$12,618,026. The largest sources of governmental revenue received for 2016 was \$9,074,194 from taxes and \$13,190,046 from grants (federal, state, and local) for the beach re-nourishment project.

The sources of governmental activities revenue as a percentage of total governmental revenue for 2016 are summarized as follows:

Revenues by Source - Governmental Activities



Expenses in the governmental activities increased by approximately \$2.8 million and was mainly attributable to the beach re-nourishment project.

Business-type Activity: The Town's business-type activity increased net position by \$2,053,065 for 2016. Charges for services for the business-type activity increased slightly from the previous fiscal year. The increase of approximately \$904,004 or 8.9% resulted primarily from increased demand during the year. Developer capital contributions in 2016 increased approximately \$343,335 and is a direct result of an increase in development activity.

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$11,144,514 a decrease of \$3,308,480 from the prior year balance of \$14,452,994. Of this amount \$5,048,900 is restricted or assigned for specific purposes as follows:

- ❖ \$2,137,802 restricted for beach protection district
- ❖ \$1,000,000 assigned for emergencies
- ❖ \$900,000 assigned for road paving
- ❖ \$501,800 assigned for conservation projects
- ❖ \$165,465 assigned for beautification and maintenance projects
- ❖ \$120,524 restricted for debt repayment
- ❖ \$115,000 assigned for compensated absences
- ❖ \$80,000 assigned for uninsured losses
- ❖ \$17,627 assigned for the art committee
- ❖ \$9,963 assigned for public safety training and education
- ❖ \$719 restricted for public safety equipment and training

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, in accordance with GASB Statement No. 54, the unassigned fund balance of the general fund was \$6,060,583, while the total general fund balance reached \$8,883,656. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures of \$7,320,703. Unassigned fund balance represents 83% of total general fund expenditures, while total fund balance represents 153% of that same amount.

The fund balance of the Town's general fund increased by \$1,025,699 during the current fiscal year.

Enterprise Fund: Enterprise funds present the same functions as presented for business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and wastewater operations, doing business as South Martin Regional Utility (SMRU). The enterprise fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and wastewater utility at the end of the year amounted to \$15,778,151, representing an increase of \$2,696,589 from the prior year balance of \$13,081,561.

Budgetary Highlights

General Fund

Overall actual revenues were more than the anticipated amounts by \$1,298,673 and expenditures were \$550,085 less than the appropriated budget. Accordingly, the Town had a favorable budget variance for 2016 of \$1,848,758. The largest budget variance for revenue was building permits, which exceeded the budgeted amount by \$1,077,518. Expenditures were under-budget in all departments for the year, with the largest variances of \$165,099 in Administration and \$140,257 in Public Works Solid Waste.

Beach Protection Fund

The Town completed its largest beach re-nourishment project in 2016 at a project cost of \$19,903,638. \$13,190,046 or 66% of the revenue to fund the project was provided by Federal, State and local grants. Actual revenues were less than the anticipated amounts by \$108,059, and expenditures were \$2,257,865 less than the appropriated budget. At year end, \$2,086,115 rolled into reserves for a future beach re-nourishment project.

Capital Assets and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities at September 30, 2016, amounts to \$100,120,720 (net of accumulated depreciation). Depreciation on capital assets is recognized in the government-wide financial statements. This investment in capital assets includes land, buildings and improvements, water distribution system, wastewater collection system, wells, machinery and equipment, beach renourishment, roads and construction in progress.

The Town's investment in capital assets is summarized as follows:

	Capital Assets					
	(In Thousands)					
	(net of accumulated depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 10,985	\$ 10,985	\$ 14,390	\$ 14,390	\$ 25,375	\$ 25,375
Building and improvements	2,681	2,712	5,779	5,950	8,460	8,662
Water distribution system	-	-	23,083	23,737	23,083	23,737
Wastewater collection system	-	-	15,812	16,241	15,812	16,241
Wells	-	-	2,717	2,833	2,717	2,833
Equipment	884	854	3,216	3,215	4,100	4,069
Beach re-nourishment	19,173	3,389	-	-	19,173	3,389
Roads	1,217	1,266	-	-	1,217	1,266
Construction in progress	25	-	158	12	183	12
Total capital assets	\$ 34,965	\$ 19,206	\$ 65,155	\$ 66,378	\$100,120	\$ 85,584

The Town's total investment in capital assets increased for the current fiscal year by approximately \$14,536,000. This was mainly attributable to the 2016 beach re-nourishment project.

Additional information on the Town's capital assets can be found in Note 6 on pages 51 to 53 of this report.

Long-term Debt: The Town’s total outstanding debt (excluding compensated absences, other post employment benefits, and net pension liability with no fixed maturity dates) decreased by \$1,151,236 (2.6%) during the current fiscal year. The Town’s outstanding debt is summarized as follows:

	Outstanding Debt (In Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Notes payable	\$ 7,857	\$ 8,387	\$ 14,265	\$ 14,842	\$ 22,122	\$ 23,229
Revenue bonds	-	-	30,025	30,070	30,025	30,070
Total outstanding debt	\$ 7,857	\$ 8,387	\$ 44,290	\$ 44,912	\$ 52,147	\$ 53,299

The revenue bonds of the utility system have been rated “AA” by S&P and “Aa2” by Moody’s Investor Services. The remaining debt has not been rated.

Governmental Activities Debt: In 2008 the Town issued two promissory notes to a financial institution with a total principal amount of \$11.0 million to finance the electric underground project. A portion of the new borrowing was used to repay an outstanding balance of \$400,000 on the note obtained in 2006 to finance the pilot project for the electric underground project. The notes issued in 2008 were approved by the Town’s voters in November 2007.

Business-type Activity Debt: In August 2010, the Town issued \$30,085,000 Utility System Refunding Bonds, Series 2010 for the principal purpose of refunding all of the Town’s outstanding Series 1998 Bonds. Net proceeds of \$27,789,738 from the Series 2010 Bonds plus \$1,986,335 of sinking fund monies from the Series 1998 Bonds were deposited in an irrevocable trust with an escrow agent and all of the Series 1998 Bonds (\$29,060,000) were called on October 1, 2010.

At the end of the current fiscal year, the Town had bonded debt outstanding of \$30,025,000 and notes payable outstanding of \$14,265,329 in the utility system for a total of \$44,290,329. Two of the notes payable totaling \$12,778,462 at September 30, 2016 are secured by all non-ad valorem revenues of the governmental activities. The remaining outstanding debt of the utility system is secured solely by specified revenue sources of the water and wastewater utility system.

Additional information on the Town’s long-term debt can be found in Note 9 on pages 54 to 59 of this report.

Economic Factors and Next Year’s Budgets and Rates

The following economic factors were considered in establishing the Town’s budgets and charges for services for the 2016-2017 fiscal year.

- Ad valorem taxes (property taxes) are the single most significant governmental revenue source for the Town. These revenues are generated by a millage rate set annually by the Town Commission. When creating the budget, the primary objective was to provide Town services while at the same time keeping the projected tax levy the same. The General Fund millage rate adopted for 2016-2017 remained flat at 2.6127 mills. This millage rate results in a total projected tax levy of \$5,579,099.
- General Fund revenues and expenditures for the 2016-2017 budget year increased \$143,000 from the 2015-2016 budget.
- The Beach Protection District millage rate for 2016-2017 decreased from 1.4123 to 1.3202. This millage rate results in a total projected tax levy of \$2,800,000.

- The Town will continue the voted debt millage in 2017 in order to pay the promissory notes issued for the electric undergrounding project. The millage rate for 2016-2017 decreased to .3758 mills.
- Many other factors with less significant impacts other than those above were also considered in preparing the Town's budget for the 2016-2017 fiscal year.

South Martin Regional Utility operations are primarily supported by user fees. In 2016-2017, the operating budget increased \$243,000 or 4%.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Deputy Town Manager/Finance Director, 2 Bridge Road, Hobe Sound, FL 33455.



BASIC FINANCIAL STATEMENTS

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Net Position

September 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 10,069,665	\$ 9,889,722	\$ 19,959,387
Investments	1,990,979	2,986,468	4,977,447
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$81,234, respectively	4,832	1,011,157	1,015,989
Interest receivable	-	10,176	10,176
Prepaid items	35,031	63,353	98,384
Interfund balances	21,087	(21,087)	-
Due from other governments	22,979	-	22,979
Restricted assets:			
Cash and cash equivalents	-	461,812	461,812
Investments	-	3,262,219	3,262,219
Notes receivable	-	880,837	880,837
Inventory	-	113,991	113,991
Capital assets:			
Capital assets not being depreciated	11,009,837	14,548,499	25,558,336
Depreciable capital assets, net	23,956,060	50,606,324	74,562,384
Total assets	\$ 47,110,470	\$ 83,813,471	\$ 130,923,941
Deferred outflow of resources			
Accumulated decrease in fair value of derivative instruments	\$ -	\$ 2,719,062	\$ 2,719,062
Deferred amounts on refunding	-	1,280,063	1,280,063
Deferred outflow of resources for pensions	2,247,517	-	2,247,517
Total deferred outflow of resources	\$ 2,247,517	\$ 3,999,125	\$ 6,246,642
Liabilities			
Accounts payable	\$ 395,528	\$ 387,679	\$ 783,207
Accrued liabilities	596,407	34,824	631,231
Accrued interest payable	253,775	60,407	314,182
Due to other governments	8,124	-	8,124
Liabilities payable from restricted assets	-	506,145	506,145
Derivative instrument - interest rate swap	-	2,719,062	2,719,062
Long-term liabilities:			
Due within one year	564,324	411,758	976,082
Due in more than one year	11,147,340	44,636,074	55,783,414
Total liabilities	\$ 12,965,498	\$ 48,755,949	\$ 61,721,447
Net position			
Net investment in capital assets	\$ 34,965,897	\$ 20,060,610	\$ 55,026,507
Restricted	2,259,045	3,217,886	5,476,931
Unrestricted	(832,453)	15,778,151	14,945,698
Total net position	\$ 36,392,489	\$ 39,056,647	\$ 75,449,136

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Activities

Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities				
General government	\$ 1,998,502	\$ 713,824	\$ 40,048	\$ -
Public safety	3,942,894	7,701	-	-
Building	715,342	1,877,518	1,000	-
Public works	1,298,014	80,250	-	-
Environmental	4,305,257	-	-	13,190,046
Interest on long-term debt	307,879	-	-	-
Total governmental activities	12,567,888	2,679,293	41,048	13,190,046
Business-type activity				
Water and wastewater	9,635,988	11,056,282	-	526,050
Total	\$ 22,203,876	\$ 13,735,575	\$ 41,048	\$ 13,716,096
General revenues				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for beach protection				
Property taxes, levied for electric underground				
Local option gas tax				
Communications tax				
Intergovernmental not restricted to specific programs				
Investment income				
Total general revenues				
Change in net position				
Net position, beginning of year				
Net position, end of year				

See notes to basic financial statements.

**Net Revenue (Expense) and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (1,244,630)	\$ -	\$ (1,244,630)
(3,935,193)	-	(3,935,193)
1,163,176	-	1,163,176
(1,217,764)	-	(1,217,764)
8,884,789	-	8,884,789
(307,879)	-	(307,879)
3,342,499	-	3,342,499
-	1,946,344	1,946,344
3,342,499	1,946,344	5,288,843
5,253,894	-	5,253,894
2,820,561	-	2,820,561
808,384	-	808,384
114,412	-	114,412
76,943	-	76,943
139,810	-	139,810
61,523	106,721	168,244
9,275,527	106,721	9,382,248
12,618,026	2,053,065	14,671,091
23,774,463	37,003,582	60,778,045
\$ 36,392,489	\$ 39,056,647	\$ 75,449,136

TOWN OF JUPITER ISLAND, FLORIDA

Balance Sheet - Governmental Funds

September 30, 2016

	Major Governmental Funds	
	General Fund	Beach Protection Fund
Assets		
Cash and cash equivalents	\$ 7,675,796	\$ 2,272,639
Investments	1,990,979	-
Accounts receivable	4,832	-
Prepaid items	33,218	1,813
Due from other governments	22,979	-
Due from other funds	59,706	-
Total assets	\$ 9,787,510	\$ 2,274,452
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 280,009	\$ 115,519
Accrued liabilities	593,115	3,292
Due to other governments	8,124	-
Due to other funds	22,606	16,026
Total liabilities	903,854	134,837
Fund balance		
Nonspendable	33,218	1,813
Restricted	-	2,137,802
Assigned	2,789,855	-
Unassigned	6,060,583	-
Total fund balance	8,883,656	2,139,615
Total liabilities and fund balance	\$ 9,787,510	\$ 2,274,452

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 121,230	\$ 10,069,665
-	1,990,979
-	4,832
-	35,031
-	22,979
13	59,719
\$ 121,243	\$ 12,183,205
\$ -	\$ 395,528
-	596,407
-	8,124
-	38,632
-	1,038,691
-	35,031
121,243	2,259,045
-	2,789,855
-	6,060,583
121,243	11,144,514
\$ 121,243	\$ 12,183,205



TOWN OF JUPITER ISLAND, FLORIDA

Reconciliation of the Balance Sheet of Governmental Funds

to the Statement of Net Position

September 30, 2016

Total governmental fund balance (page 25)		\$ 11,144,514
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Cost of assets	\$ 50,208,470	
Accumulated depreciation	<u>(15,242,573)</u>	
		34,965,897
Deferred outflows of resources related to pension expense are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		
		2,247,517
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
		(3,577,554)
Accrued interest on long-term debt is not due and payable in the current period and is not reported in governmental funds.		
		(253,775)
Long-term liabilities, including notes, other postemployment benefits and compensated absences payable are not due and payable in the current period and therefore are not reported in governmental funds. Long-term liabilities at year-end consist of:		
Notes payable	(7,857,460)	
Other postemployment benefits	(98,606)	
Compensated absences	<u>(178,044)</u>	
		(8,134,110)
Total net position (page 21)		\$ 36,392,489

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Revenue, Expenditures and Changes in Fund Balance

Governmental Funds

Year Ended September 30, 2016

	Major Governmental Funds	
	General Fund	Beach Protection Fund
Revenue		
Taxes	\$ 5,445,249	\$ 2,820,561
Licenses and permits	1,880,416	-
Intergovernmental	140,810	-
Charges for services	138,808	-
Fines and forfeitures	11,230	-
Investment income	37,613	23,891
Donations	40,048	-
Miscellaneous	652,228	-
Capital contributions and grants	-	13,190,046
Total revenue	8,346,402	16,034,498
Expenditures		
Current:		
General government:		
Administration	1,450,047	367,261
Public safety	3,628,367	-
Building	661,721	-
Public works:		
Solid waste	834,928	-
Grounds	296,705	-
Roads	21,794	-
Environmental:		
Lethal yellowing program	149,681	-
Beach protection and monitoring	-	53,516
Beautification and maintenance	15	-
Conservation	40,287	-
Capital outlay	237,158	19,903,638
Debt service:		
Principal	-	50,000
Interest	-	296
Total expenditures	7,320,703	20,374,711
Net change in fund balance	1,025,699	(4,340,213)
Fund balance, beginning of year	7,857,957	6,479,828
Fund balance, end of year	\$ 8,883,656	\$ 2,139,615

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 808,385	\$ 9,074,195
-	1,880,416
-	140,810
-	138,808
143	11,373
18	61,522
-	40,048
-	652,228
-	13,190,046
808,546	25,189,446
-	1,817,308
-	3,628,367
-	661,721
-	834,928
-	296,705
-	21,794
-	149,681
-	53,516
-	15
-	40,287
-	20,140,796
479,799	529,799
322,713	323,009
802,512	28,497,926
6,034	(3,308,480)
115,209	14,452,994
\$ 121,243	\$ 11,144,514



TOWN OF JUPITER ISLAND, FLORIDA

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended September 30, 2016

Net change in fund balance - total governmental funds (page 29)		\$ (3,308,480)
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 allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Expenditures for capital assets	\$ 20,169,896	
Less current year depreciation	<u>(4,406,720)</u>	
		15,763,176
In the statement of activities, the gain or loss on disposal of capital assets is reported, whereas in governmental funds, the proceeds from the disposal increases financial resources. The difference is the depreciated cost of the capital assets dispositions.		(3,531)
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		529,799
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when the payment is due. This is the change in accrued interest payable.		15,130
Some revenues, expenses and gains reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in other postemployment benefits payable		3,175
Change in compensated absences		82,230
Cash pension contributions reported in the governmental funds were less than the calculated pension expense on the statement of activities and therefore decreased net position.		(463,473)
Change in net position of governmental activities (page 23)		\$ 12,618,026

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Net Position

Enterprise Fund

September 30, 2016

Assets	
Current assets	
Cash and cash equivalents	\$ 9,889,722
Investments	2,986,468
Accounts receivable, net of allowance for doubtful accounts of \$81,234	1,011,157
Notes receivable - current	48,503
Interest receivable	10,176
Due from other funds	12,226
Inventory	113,991
Prepaid items	63,353
Total current assets	14,135,596
Noncurrent assets	
Restricted assets:	
Cash and cash equivalents	461,812
Investments	3,262,219
Total restricted assets	3,724,031
Other assets	
Notes receivable - long-term	832,334
Total other assets	832,334
Capital assets	
Land and improvements	14,390,177
Buildings and improvements	10,289,336
Water distribution systems	32,609,784
Wastewater distribution systems	24,612,834
Wells	4,651,535
Equipment	7,484,885
Construction in progress	158,322
Total capital assets	94,196,873
Less accumulated depreciation	(29,042,050)
Total capital assets	65,154,823
Total assets	\$ 83,846,784
Deferred outflows of resources	
Accumulated decrease in fair value of derivative instruments	\$ 2,719,062
Deferred amounts on refunding	1,280,063
Total deferred outflows of resources	\$ 3,999,125

Continued on the following page.

TOWN OF JUPITER ISLAND, FLORIDA*Statement of Net Position (Continued)**Enterprise Fund**September 30, 2016*

Liabilities and net assets	
Current liabilities	
Accounts payable	\$ 387,675
Accrued liabilities	34,824
Due to other funds	33,312
Accrued interest payable	60,407
Current portion of notes payable	411,758
Total current liabilities	927,976
Current liabilities payable from restricted assets	
Accounts payable	85,054
Accrued interest payable	235,323
Current portion of notes payable	185,768
Total current liabilities payable from restricted assets	506,145
Noncurrent liabilities	
Compensated absences payable	61,965
Other postemployment benefits payable	77,422
Derivative instrument - interest rate swap	2,719,062
Notes payable	13,667,803
Revenue bonds payable, net of unamortized premium	30,828,884
Total noncurrent liabilities	47,355,136
Total liabilities	\$ 48,789,257
Net position	
Net investment in capital assets	\$ 20,060,610
Restricted	3,217,886
Unrestricted	15,778,151
Total net position	\$ 39,056,647

See notes to basic financial statements.



TOWN OF JUPITER ISLAND, FLORIDA

Statement of Revenue, Expenses and Changes in Fund Net Position

Enterprise Fund

Year Ended September 30, 2016

Operating revenue	
Water	\$ 7,176,166
Wastewater	3,164,534
Other	693,834
Total operating revenue	11,034,534
Operating expenses	
Personal services	2,600,129
Operating expenses	2,797,227
Depreciation	1,991,708
Total operating expenses	7,389,064
Operating income	3,645,470
Nonoperating revenue (expenses)	
Interest income	106,721
Other income	21,748
Loss on disposal of assets	(72,482)
Interest expense	(2,042,616)
Amortization	(131,826)
Total nonoperating revenue (expenses)	(2,118,455)
Income before capital contributions	1,527,015
Capital contributions	526,050
Change in net position	2,053,065
Net position, beginning of year	37,003,582
Net position, end of year	\$ 39,056,647

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA*Statement of Cash Flows**Enterprise Fund**Year Ended September 30, 2016*

Cash flows from operating activities	
Cash received from customers	\$ 10,502,527
Cash received for interfund services provided	48,343
Cash received from others	21,748
Cash paid to suppliers and contractors	(2,060,881)
Cash paid to employees	(2,655,008)
Cash paid for interfund services	(460,241)
Net cash provided by operating activities	5,396,488
Cash flows from capital and related financing activities	
Capital contributions	458,983
Principal received on notes receivable	58,704
Principal paid on revenue bonds payable	(45,000)
Principal paid on notes payable	(576,437)
Acquisition and construction of capital assets	(841,316)
Payment of interest	(2,053,312)
Net cash used in capital and related financing activities	(2,998,378)
Cash flows from investing activities	
Interest received	89,689
Proceeds from sale of investments	6,277,000
Purchase of investments	(6,248,687)
Net cash provided by investing activities	118,002
Net increase in cash and cash equivalents	2,516,112
Cash and cash equivalents, beginning of year	7,835,416
Cash and cash equivalents, end of year	\$ 10,351,528
Reconciliation of cash and cash equivalents to statement of net position:	
Unrestricted cash and cash equivalents	\$ 9,889,722
Restricted cash and cash equivalents	461,812
Cash and cash equivalents at September 30, 2016	\$ 10,351,534

Continued on the following page.

TOWN OF JUPITER ISLAND, FLORIDA*Statement of Cash Flows (Continued)**Enterprise Fund**Year Ended September 30, 2016*

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,645,470
Adjustments to reconcile operating income to net cash provided by operating activities:	
Provision for uncollectible accounts	(2,793)
Depreciation	1,991,708
Other income	21,748
Changes in operating assets and liabilities:	
Accounts receivable	(489,677)
Inventory	(36,444)
Prepaid items	6,144
Due from other funds	8,806
Accounts payable	306,405
Accrued liabilities	(48,223)
Compensated absences payable	(4,378)
Other postemployment benefits payable	(2,278)
Net cash provided by operating activities	\$ 5,396,488
Supplemental disclosure of noncash capital and related financing activities:	
Amortization of deferred amounts on refunding	\$ (131,826)
Notes receivable for capital contributions	67,067

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA*Statement of Fiduciary Net Position**Fiduciary Funds**September 30, 2016*

	Pension Trust Funds	Private- Purpose Trust Fund	Agency Fund
Assets			
Cash and cash equivalents	\$ 144,261	\$ 36,796	\$ 15,399
Unallocated cash in transit	26,180	-	-
Investments	12,919,566	-	-
Employer contributions receivable	478,920	-	-
Loans receivable	17,542	-	-
Total assets	\$ 13,586,469	\$ 36,796	\$ 15,399
Liabilities			
Due to employees	\$ -	\$ -	\$ 15,399
Total liabilities	\$ -	\$ -	\$ 15,399
Net position			
Net position restricted for pensions and other purposes	\$ 13,586,469	\$ 36,796	\$ -

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA*Statement of Changes in Fiduciary Net Position**Fiduciary Funds**Year Ended September 30, 2016*

	Pension Trust Funds	Private- Purpose Trust Fund
Additions		
Contributions:		
Employer	\$ 920,062	\$ -
Other	-	1,000
Investment income	1,236,826	17
Total additions	2,156,888	1,017
Deductions		
Payments to retirees and employees	1,204,474	-
Investment fee expense	7,349	-
Scholarships	-	7,000
Bank charges	-	15
Total deductions	1,211,823	7,015
Change in net position	945,065	(5,998)
Net position, beginning of year	12,641,404	42,794
Net position, end of year	\$ 13,586,469	\$ 36,796

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA

Notes to Basic Financial Statements

September 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Jupiter Island, Florida, (the “Town”) is a political subdivision incorporated under the authority of Chapter 165, Florida Statutes, and was established by House Bill 582, Laws of Florida, 1953. The Town is governed by five Commissioners elected by residents of the Town. The Town’s major governmental activities include general government, public safety, roads, sanitation, and building and land development. The business-type activity of the Town includes the water and wastewater utility.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (“GASB”).

The more significant of the Town’s accounting policies are described below.

Financial Reporting Entity

As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. 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 reporting entity’s financial statements to be misleading or incomplete.

Based on the application of the criteria set forth by GASB, Jupiter Island Beach Protection District (the “District”) is included in the Town’s financial reporting entity as a blended component unit reported in a governmental (special revenue) fund, the *Beach Protection Fund*. The District is a special taxing district created on April 9, 1982, by the Laws of Florida, Chapter 82-331, to protect and maintain the Town’s beaches. The governing body of the District is the Town Commission and the Town handles the management and administration of the District’s financial matters. Separate financial statements of the District are not prepared. Furthermore, the Town is not aware of any entity that would consider the Town to be a component unit.

Jointly Governed Organization

The Town participates in the Treasure Coast Regional Utilities Organization (“TCRU”) which includes seven local governments in Martin and St. Lucie counties. TCRU was formed to develop joint plans for the treatment and disposal of wastewater biosolids and additional utility plans or projects as needed and agreed upon by the members. The Town has no ongoing financial interest or obligation.

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 and its component unit. 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. Exceptions to this general rule are charges between the Town’s enterprise fund operations and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. All internal balances in the statement of net position have

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, all interfund transactions have been eliminated except for the charges between the Town's governmental activities and business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. *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*. The Town does not allocate indirect costs, however, an administrative service fee is charged by the general fund to other operating funds that is eliminated like a reimbursement (reducing revenue and expense in the general fund) to recover the direct costs of general fund services provided (such as finance, legal, human resources, information systems, etc.).

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 that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

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*, *enterprise* and *fiduciary*. Separate financial statements are provided for governmental funds, enterprise funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Town's major governmental funds and enterprise fund 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 balance for all major governmental funds and nonmajor funds in the aggregate. An accompanying schedule is presented to reconcile and explain the differences in fund balance and changes in fund balance as presented in these statements, to the net position and changes in net position presented in the government-wide financial statements. The Town's major governmental funds are:

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 *Beach Protection Fund* accounts for the operations of the Jupiter Island Beach Protection District, which is included as a blended component unit within the Town's financial statements.

Additionally, the Town reports the following nonmajor funds:

The *Electric Underground Fund* accounts for the proceeds of property tax revenue designated for the repayment of principal and interest on general obligation debt reported in governmental activities in the statement of net position.

The *Special Law Enforcement Fund* accounts for the proceeds from law enforcement forfeitures. Expenditures from this fund are made only for public safety purposes.

Enterprise Fund Financial Statements – Enterprise fund reporting focuses on the determination of operating income, changes in net position, and cash flows. The Town's sole enterprise fund is described below:

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The *Water and Wastewater Fund* is used to account for operations of South Martin Regional Utilities (SMRU), the Town's water and wastewater utility system.

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 by type: *pension*, *private-purpose* and *agency*. 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 *Pension Trust Funds* are used to account for assets held in a trustee capacity for the retirement pensions of Town employees.

The *Private-Purpose Trust Fund* is used to account for donations made by citizens to provide college scholarships and emergency assistance to Town employees and their families.

The *Town Employees Agency Fund* accounts for donations made by citizens for Christmas gifts to Town employees.

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 enterprise fund and fiduciary fund 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. The agency fund does not have a measurement focus.

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. 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, charges for services and investment income are all considered susceptible to accrual and have been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the Town.

Enterprise fund financial statements distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's principal ongoing operations. The principal operating revenue of the water and wastewater enterprise fund is charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for the water and wastewater enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Town's investments for all funds, except the pension trust funds, consist of U.S. Government securities with a maturity greater than three months and are carried at fair value. Investments also include Florida Prime (an investment pool administered by the Florida State Board of Administration). Florida Prime currently meets all of the necessary criteria to measure all of the investments in Florida Prime at amortized cost. The amortized cost account balance should also be considered the fair value of the investment. The principal and any part thereof is subject to payment at any time from the moneys in the trust fund. However, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, a maximum 15 day limit may be imposed on contributions and withdrawals. The State Board of Administration administers the Florida Prime investments pursuant to Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of Florida Prime. Investments in the Town's pension funds consist of mutual funds. All investments are reported at fair value using quoted market prices or the best estimate available. The difference between cost and fair value of investments held is recorded as net unrealized gains or losses and is included in net investment earnings.

Accounts Receivable

General government accounts receivable include amounts due from other governments and charges for miscellaneous services. Accounts receivable reported in the enterprise fund represent amounts due for water and wastewater services to utility customers, who are local businesses and residents. 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 uncollectible.

Unbilled Accounts Receivable

The enterprise fund recognizes revenue on the basis of monthly cycle billings to customers for services provided. As a result of this cycle billing method, there are unbilled receivables at the end of each fiscal year with respect to services provided, but not billed at such date. The estimated value of services provided but unbilled at year end has been included in the accompanying financial statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets

Certain assets of the enterprise fund are restricted by bond and loan covenants for construction, and other amounts legally required to be set aside for debt service, operations renewal and replacement and capital improvements. Restricted resources are used first to fund expenses incurred for restricted purposes.

Inventory

Inventory consists of materials and supplies which are carried at cost in the governmental funds and at the lower of cost (first-in, first-out) or market in the enterprise fund. The Town uses the consumption method, wherein all inventories are maintained by perpetual records, expensed when used, and adjusted by an annual physical count.

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 initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if donated, fair value at the date of donation. 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 enterprise fund 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 change in net position.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is computed using the straight-line method over the estimated useful lives of all reported capital assets, except land. Estimated useful lives assigned to the various categories of assets are as follows:

Buildings and improvements	15-65 years
Water distribution systems	40-75 years
Wastewater collection systems	40-75 years
Wells	50-75 years
Equipment	2-15 years
Roads	10-20 years
Beach renourishment	5 years

Debt Premiums, Discounts and Issuance Costs

On the government-wide statement of net position and the enterprise fund type statement of net position, debt premiums and discounts are netted against debt payable and debt issuance costs are recognized as an outflow of resources in the period incurred.

At the governmental fund reporting level, debt premiums and discounts are reported as other financing sources and uses, separately from the face amount of the debt issued. Debt issuance costs are reported as debt service expenditures.

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.

Compensated Absences

The Town records vacation pay as an expenditure in the year it is earned, including accruals for related payroll taxes. Employees may accumulate up to two years of vacation leave beyond the end of the fiscal year in which it is earned. Employees accrue sick leave at the rate of eight hours per month until retirement or termination, at which time they are paid for 50% of the unused sick leave, subject to certain maximums. Accordingly, the Town accrues 50% of eligible, unused employee sick leave and related payroll taxes and benefits in the year it is earned. The liability for compensated absences attributable to the Town's governmental fund is recorded in the government-wide financial statements and generally liquidated by the general fund. The amount attributable to the business-type activity is charged to expense with a corresponding liability established in the government-wide financial statements as well as the enterprise fund.

Other Postemployment Benefits

The Town is required by Florida Statute 112.0801 to allow retirees to buy healthcare coverage at the same group insurance rates that current employees are charged. Retirees pay the full cost of the insurance. The Town provides no other postemployment benefits to employees.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the government-wide Statement of Net Position, the governmental funds Balance Sheet, and the enterprise fund Statement of Net Position will sometimes report a separate section for deferred outflows or deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The Town has no items that qualify for reporting as deferred inflows of resources.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Town has three items, accumulated decrease in fair value of derivative instruments, refunding loss on bonds payable, and pension resources which qualify for reporting as deferred outflow of resources on the government-wide Statement of Net Position and enterprise fund Statement of Net Position. The accumulated decrease in fair value of derivative instruments was the fair value of the Town's interest rate swap agreement at September 30, 2016. The refunding loss on bonds payable was a loss resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow of pension resources is reported for governmental activities. See Note 14 for more information on this line item.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Governmental Fund Balances

Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. 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 resources can be spent. Fund balances are classified as follows:

Nonspendable – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of the resources are (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restrictions are placed on fund balances when legally enforceable legislation establishes the Town's right to assess, levy, or charge fees to be used for a specific purpose. Legal enforceability means that the Town can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance – Committed fund balances are amounts that can be used for specific purposes as a result of constraints imposed by the Commission of the Town. Committed amounts cannot be used for any other purpose unless the Commission removes those constraints by taking the same type of action (e.g., legislation, resolution, and ordinance). Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Commission.

Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Town itself.

Unassigned Fund Balance – Unassigned fund balance is the residual classification of the general fund. This classification represents general 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.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town Commission has provided otherwise.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The categories of net position are as follows:

Net Investment in Capital Assets – This component of net position consists of the cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

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

Unrestricted – This component of net position consists of net position that does not meet the definition of *Net Investment in Capital Assets* or *Restricted*.

The governmental activities reported on the government-wide statement of net position reports \$2,259,045 as restricted. The total amount is restricted by enabling legislation.

The governmental activities reported on the government-wide statement of net position also reports a deficit unrestricted net position of \$832,453. This is related to the construction of electric utility improvements and the transfer of the improvements to an unrelated utility in accordance with executed agreements in 2010 and 2011.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance for the risks of losses to which it is exposed. Policy limits and deductibles are reviewed annually by management and established at amounts to provide reasonable protection from significant financial loss. The Town is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$200,000/\$300,000 for all claims relating to the same accident. There have been no significant reductions in insurance coverage from the prior year. In addition, there have been no settlements that exceeded insurance coverage for any of the prior three fiscal years.

Interfund Transactions

Transactions between funds during the year consisted of loans, services provided, reimbursements or transfers. Loans are reported as Due from Other Funds and Due to Other Funds as appropriate and 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 are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

presented as transfers. Transfers within the governmental and business-type activities are eliminated in the government-wide financial statements.

Property Tax Revenue

Ad valorem property taxes are assessed on property valuations as of January 1st and levied the following October 1st. Taxes are due by March 31st and become delinquent on April 1st when liens are filed against the subject property. Ad valorem taxes are assessed by the Martin County Property Appraiser and collected by the Martin County Tax Collector, which remits the taxes to the Town.

For the fiscal year ended September 30, 2016, the maximum tax levy allowed by a majority vote of the governing body was generally based on a percentage reduction applied to the prior year (2014/2015) property tax revenue. The percentage reduction is calculated based on the compound annual growth rate in the per capita property taxes levied for five preceding fiscal years. The State law allows local governments to adopt a higher millage rate based on the following approval of the governing body: 1) a two-thirds 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 ended September 30, 2016, the Town adopted a millage rate permitted by a majority vote of the Town Commission under this formula, which was 2.6127 for the general fund, 1.4123 for the Jupiter Island Beach Protection District (the "District"), and 0.4020 for the electric underground fund debt service. This millage rate resulted in a total tax levy of \$5,216,000, \$2,800,000, and \$802,500 for 2016, for the general fund, the District, and the electric underground fund, respectively. The property tax levy represents no increase or decrease for the general fund, the District, or the electric underground debt service when compared to the prior year. Future property tax rate increases are generally limited to the annual growth rate for per capita personal income plus the value of new construction.

Grant Revenue

Federal, State and local reimbursement-type grants are recorded as intergovernmental receivables and revenue when the related expenditures/expenses are incurred.

Other Governmental Revenue

Revenue that is susceptible to accrual includes franchise fees, state shared revenues, charges for Town services and interest income. Revenue which is not both available and measurable, and thus not susceptible to accrual, includes licenses and permits and fines and forfeitures.

Use of 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 revenues and expenditures. Actual results could vary from the estimates that were used.

Implementation of GASB Statements

The Town implemented the following GASB Statements during the fiscal year ended September 30, 2016:

- GASB Statement No. 72, *Fair Value Measurement and Application*, provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

2) CASH, CASH EQUIVALENTS AND INVESTMENTS

At September 30, 2016, the fair value of the Town's cash, cash equivalents and investments, excluding fiduciary funds, included the following:

	Unrestricted	Restricted	Total
Cash and Cash Equivalents			
Deposits with financial institutions	\$ 7,074,343	\$ 430,907	\$ 7,505,250
Money market mutual funds	244,613	9,623	254,236
State Board of Administration Florida Prime Fund	12,640,431	21,282	12,661,713
	19,959,387	461,812	20,421,199
Investments			
U.S. Treasury Bills	4,977,447	3,262,219	8,239,666
	4,977,447	3,262,219	8,239,666
Total cash, cash equivalents and investments	\$ 24,936,834	\$ 3,724,032	\$ 28,660,866

Cash and Cash Equivalents

At September 30, 2016, the bank balances of the Town's cash and cash equivalents included \$8,639,225 on deposit in demand and money market accounts that were held by financial institutions that comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer of Florida. Fiduciary net assets at September 30, 2016, included cash and cash equivalents with a bank balance of \$58,195 on deposit with qualified public depositories. 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. Accordingly, the Town's deposits at year end are considered to be fully insured.

Investments

The Town's investment policy and Florida Statutes authorize the Town to invest in the Florida Prime Investment Pool; negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest bearing time deposits or savings accounts in financial institutions located in Florida and organized under federal or Florida laws; obligations of the federal farm credit banks, or obligations guaranteed by the Government National Mortgage Association; obligations of the Federal National Mortgage Association and any additional investments specifically authorized by Town ordinance or resolution. Pension trust funds are authorized by Town resolution to also invest in insurance company group annuity contracts and self-directed participant accounts holding investments in money market funds, mutual funds, stocks and debt securities of U.S. corporations.

At September 30, 2016, the fair value of cash, cash equivalents and investments of the Town's fiduciary funds included the following:

Pension Trust Funds	
Cash and cash equivalents	\$ 144,261
Investments – mutual funds	12,919,566
Unallocated cash in transit	26,180
Private-purpose Trust Fund	
Cash and cash equivalents	36,796
Agency Fund	
Cash and cash equivalents	15,399
Total cash, cash equivalents and investments	\$ 13,142,202

2) CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. Cash equivalents and U.S. Treasury Bills have a weighted average maturity of less than one year, resulting in minimal interest rate risk. The Town's investment policy does not specifically limit the maturity of investments.

The Florida Prime Investment Pool had a weighted average days to maturity of 50 days, and the weighted average life was 70 days at September 30, 2016.

Credit Risk

Credit risk is the risk that an issuer will not fulfill its obligations. The Town's investment policy addresses credit risk by limiting allowable investments to the Florida Prime Investment Pool, deposits with a financial institution meeting the requirements of a Florida qualified public depository, securities guaranteed by the U.S. Government, or investments that are otherwise fully collateralized or secured. The security rating by a Nationally Recognized Statistical Rating Organization (NRSRO) is also an indication of credit risk.

The NRSRO ratings for the Town's rated investments at September 30, 2016, are summarized as follows:

Investment Type	NRSRO Rating	Fair Value
Florida Prime Investment Pool	AAAm	\$ 12,661,713

Custodial Credit Risk

Custodial credit risk is defined as the risk that the Town may not recover the securities held by another party in the event of a financial failure. The Town's investment policy for custodial credit risk requires all investment securities to be held in the Town's name by a third party safekeeping institution. The investments in money market mutual funds and pension fund investments in mutual funds are considered unclassified pursuant to the custodial credit risk categories of GASB Statement No. 3. All deposits with financial institutions are with qualified public depositories and are considered fully insured or collateralized pursuant to the custodial credit risk categories of GASB Statement No. 3.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The Town's investment policy does not address the concentration of credit risk. Pension mutual fund investments generally limit the securities of a single issuer to no more than 5% of the portfolio fair value.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. There was no exposure to foreign currency risk in the Town's investments at September 30, 2016.

Limitations or Restrictions on Withdrawals – Florida Prime Investment Pool

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the

2) CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees.

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

Risks and Uncertainties

The Town's investments include securities and mutual funds which are exposed to various risks, as outlined above. Due to the level of risk 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.

3) FAIR VALUE MEASUREMENT

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value measurements of the Town's investments are as follows at September 30, 2016:

	9/30/16	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Mutual funds:				
Debt securities				
US Treasury securities	\$ 8,239,666	\$ 8,239,666	\$ -	\$ -
Domestic corporate bonds	1,677,458	1,677,458	-	-
Foreign corporate bonds	312,265	312,265	-	-
Total debt securities	10,229,389	10,229,389	-	-
Mutual funds:				
Equity securities				
Domestic stocks	5,095,781	5,095,781	-	-
International stocks	2,539,370	2,539,370	-	-
Total equity securities	7,635,151	7,635,151	-	-
Mutual funds:				
Other				
Domestic & international stocks & bonds	1,318,986	1,318,986	-	-
Domestic stocks & bonds	1,720,172	1,720,172	-	-
Foreign stocks & bonds	255,534	255,534	-	-
Total other	3,294,692	3,294,692	-	-
Total investments measured at fair value	\$ 21,159,232	\$ 21,159,232	\$ -	\$ -

3) FAIR VALUE MEASUREMENT (continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

4) ACCOUNTS RECEIVABLE

Accounts receivable and the related allowance for doubtful accounts at September 30, 2016, are summarized as follows:

	Gross Accounts Receivable	Allowance For Doubtful Accounts	Net Accounts Receivable
Governmental Activities			
Due from State of Florida	\$ 22,979	\$ -	\$ 22,979
Other miscellaneous services	4,832	-	4,832
Total governmental activities	27,811	-	27,811
Business-type Activities			
Customer receivables	1,092,391	(81,234)	1,011,157
Accrued interest	10,176	-	10,176
Total business-type activities	1,102,567	(81,234)	1,021,333
	\$1,130,378	\$ (81,234)	\$1,049,144

5) NOTES RECEIVABLE

The Town has established a program to finance water and wastewater connection charges and administrative costs for customers connecting to the utility system. The Town has financed approximately \$1.2 million of connection charges and related expenses that are payable to the utility system in monthly installments over terms of 20 to 30 years, with interest at rates ranging from 5.25% to 10.25%. The notes receivable are secured by a lien on the benefited properties. At September 30, 2016, the notes receivable total \$880,837, of which \$48,503 was current.

6) CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2016, is summarized as follows:

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Governmental Activities				
Capital assets not being depreciated:				
Land and improvements	\$ 10,984,753	\$ -	\$ -	\$ 10,984,753
Construction in progress	-	25,084	-	25,084
Total capital assets not being depreciated	10,984,753	25,084	-	11,009,837

6) CAPITAL ASSETS (continued)

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Depreciable capital assets:				
Buildings and improvements	4,360,787	62,543	-	4,423,330
Equipment	2,479,486	193,116	(150,740)	2,521,862
Beach renourishment	27,395,870	19,876,808	(16,224,729)	31,047,949
Roads	1,537,469	12,344	-	1,549,813
Total depreciable capital assets	35,773,612	20,144,811	(16,375,469)	39,542,954
Less accumulated depreciation:				
Buildings and improvements	(1,648,729)	93,664	-	(1,742,393)
Equipment	(1,624,969)	161,038	(148,598)	(1,637,409)
Beach renourishment	(24,007,136)	4,090,858	(16,223,340)	(11,874,654)
Roads	(271,278)	61,160	-	(332,438)
Total accumulated depreciation	\$ (27,552,112)	\$ 4,406,720	\$ (16,371,938)	\$ (15,586,894)
Depreciable assets, net of accumulated depreciation	8,221,500	(15,738,091)	(3,531)	23,956,060
Total net governmental activities capital assets	\$ 19,206,253	\$ 15,763,175	\$ (3,531)	\$ 34,965,897

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 175,271
Public safety	77,151
Building	2,280
Public works	61,160
Environmental	4,090,858
Total governmental activities depreciation expense	\$ 4,406,720

The capital asset activity for the business-type activities for the year ended September 30, 2016, is summarized as follows:

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Business-type Activities				
Capital assets not being depreciated:				
Land and improvements	\$ 14,390,177	\$ -	\$ -	\$ 14,390,177
Construction in progress	11,731	146,591	-	158,322
Total capital assets not being depreciated	14,401,908	146,591	-	14,548,499

6) CAPITAL ASSETS (continued)

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Depreciable capital assets:				
Buildings and improvements	10,250,676	38,660	-	10,289,336
Water distribution system	32,659,406	8,968	(58,590)	32,609,784
Wastewater collection systems	24,480,477	221,352	(88,995)	24,612,834
Wells	4,614,828	36,707	-	4,651,535
Equipment	7,121,454	389,036	(25,605)	7,484,885
Total depreciable capital assets	79,126,841	694,723	(173,190)	79,648,374
Less accumulated depreciation:				
Buildings and improvements	(4,301,204)	209,656	-	(4,510,860)
Water distribution systems	(8,922,477)	640,074	(36,247)	(9,526,304)
Wastewater collection systems	(8,239,230)	612,151	(50,264)	(8,801,117)
Wells	(1,781,812)	153,031	-	(1,934,843)
Equipment	(3,906,327)	376,796	(14,198)	(4,268,925)
Total accumulated depreciation	(27,151,050)	1,991,708	(100,709)	(29,042,049)
Depreciable assets, net of accumulated depreciation	51,975,791	(1,296,985)	(72,481)	50,606,325
Total net business-type activities capital assets	\$ 66,377,699	\$ (1,150,394)	\$ (72,481)	\$ 65,154,824

7) DERIVATIVE INSTRUMENTS

The Town has one interest rate swap agreement in effect at September 30, 2016, for the \$9,600,000 Utility System Note Payable, Series 2006. The fair value balance and notional amount of the Town's derivative instrument outstanding at September 30, 2016, classified by type, and the changes in fair value of such derivative instrument for the year then ended as reported in the 2016 financial statements are as follows:

	Changes in Fair Value		Fair Value at September 30, 2016		
	Classification	Amount	Classification	Amount	Notional Amount
Business-type activity					
Cash-flow hedge:					
Pay fixed interest	Deferred				
rate swap	Outflow	\$ 258,627	Debt	\$ (2,719,062)	\$ 9,495,527

Objectives

As a means to lower their borrowing costs and increase savings, when compared against fixed-rate refunding bonds at the time of issuance in December 2006, the Town entered into an interest rate swap in connection with the Series 2006 Note. The intention of the swap agreement was to effectively change the Town's variable interest rate on the note to a synthetic rate of 4.26%.

Terms, Fair Values and Credit Risk

The following table displays the terms, fair values and credit ratings of the swap as of September 30, 2016.

Type:	Receive-variable/Pay-fixed interest rate swap
Objective:	Hedge of changes in cash flows on the Utility System Note Payable, Series 2006
Notional Amount:	Equivalent to the outstanding principal balance of the Series 2006 Note

7) DERIVATIVE INSTRUMENTS (continued)

Effective Date:	January 12, 2007
Maturity Date:	October 1, 2028
Terms:	Pay 4.26%; receive 63.702% of London Interbank Offered Rate (LIBOR) plus 0.75%
Fair Value:	\$(2,719,062)
Counterparty credit rating:	A1 by Moody's Investors Services, A by Standard and Poor's, and AA- by Fitch Ratings

The Town is exposed to credit risk on hedging derivative instruments that are in asset positions. A potential net asset position for the rate swap agreement will be unsecured and uncollateralized.

Interest Rate Risk

The Town is exposed to interest rate risk on its Receive-variable/pay-fixed interest rate swap. As LIBOR decreases, the Town's net payment on the swap increases, and conversely, as LIBOR increases, the net payment on the swap decreases.

Termination Risk

The Town or its counterparty may terminate the derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a derivative instrument is in a liability position, the Town would be liable to the counterparty for a payment equal to the liability.

Rollover Risk

The Town is not exposed to rollover risk on its hedging derivative instrument. The hedging derivative instrument's term extends to the maturity of the hedgeable debt.

8) LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets in the Water and Wastewater enterprise fund at September 30, 2016, are summarized as follows:

Accounts payable	
Renewal and replacement account	\$ 85,054
Accrued interest payable and current principal maturities	
Debt service account	421,091
Total liabilities payable from restricted assets	\$ 506,145

9) LONG-TERM DEBT

Governmental Activities Debt

On March 20, 2007, the residents of the Town approved a referendum authorizing the issuance of up to \$15 million of general obligation debt to finance the costs of undergrounding the electric distribution system serving the Town. The debt service for the outstanding Series 2007 and 2008 Notes were authorized by the referendum and are payable from ad valorem taxes. The Series 2015 Note Payable and compensated absences are generally liquidated by the General Fund from available non-ad valorem revenues.

Changes in governmental activities long-term debt for the year ended September 30, 2016, are summarized as follows:

9) LONG-TERM DEBT (continued)

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
Compensated absences	\$ 260,274	\$ 264,702	\$ (346,932)	\$ 178,044	\$ 66,343
Note payable, Series 2007	3,627,045	-	(224,328)	3,402,717	231,982
Note payable, Series 2008	4,710,214	-	(255,471)	4,454,743	265,999
Note payable, Series 2015	50,000	-	(50,000)	-	-
Other postemployment benefits payable	\$ 101,781	\$ 19,963	\$ (23,138)	\$ 98,606	\$ -
Net pension liability	2,738,313	1,170,402	(331,161)	3,577,554	-
Governmental activity long-term liabilities	\$ 11,487,627	\$1,455,067	\$(1,231,030)	\$ 11,711,664	\$ 564,324

Note Payable, Series 2007

On December 12, 2007, the Town issued a \$5.0 million promissory note payable to a financial institution to finance the electric underground project within the Town and to currently refund the outstanding balance of the Series 2006 Note. Principal and interest at 3.56% are payable in annual installments of \$353,450, commencing December 1, 2008, and due on each December 1st through maturity on December 1, 2027. The Series 2007 Note is payable from and secured by a pledge of voter approved property taxes, sufficient to pay all principal and interest on the promissory note.

The principal and interest requirements to maturity for the Note Payable, Series 2007, are as follows:

Year Ending September 30	Principal	Interest	Total
2017	\$ 231,982	\$ 121,468	\$ 353,450
2018	240,572	112,878	353,450
2019	249,136	104,314	353,450
2020	258,006	95,444	353,451
2021	266,955	86,496	353,451
2022-2026	1,485,414	281,839	1,767,252
2027-2031	670,652	36,249	706,901
	\$ 3,402,717	\$ 838,688	\$ 4,241,405

Note Payable, Series 2008

On September 24, 2008, the Town issued a \$6.0 million promissory note payable to a financial institution to finance the electric underground project within the Town. Principal and interest at 4.11% are payable in annual installments of \$449,061, commencing December 1, 2009, and due on each December 1st through maturity on December 1, 2028. The Series 2008 Note is payable from and secured by a pledge of voter approved property taxes, sufficient to pay all principal and interest on the promissory note.

The principal and interest requirements to maturity for the Note Payable, Series 2008, are as follows:

9) LONG-TERM DEBT (continued)

Year Ending September 30	Principal	Interest	Total
2017	\$ 265,999	\$ 183,062	\$ 449,061
2018	276,932	172,129	449,061
2019	288,314	160,747	449,061
2020	300,163	148,898	449,061
2021	312,500	136,561	449,061
2022-2026	1,766,046	479,259	2,245,305
2027-2029	1,244,789	102,394	1,347,183
	\$ 4,454,743	\$ 1,383,050	\$ 5,837,793

Pledged Tax Revenues

The Town has pledged its future ad valorem tax revenues to repay the outstanding Series 2007 and 2008 Notes issued to finance the electric underground project in the Town. The Series 2007 and 2008 Notes are payable solely from the ad valorem tax revenues received by the Town and are payable through December 1, 2029. Annual principal and interest payments on the notes are expected to require less than 13 percent of ad valorem tax revenues. Total principal and interest remaining to be paid on the Series 2007 and 2008 Notes at September 30, 2016, is \$10,079,198. Principal and interest paid and ad valorem tax revenues received for the current year were \$802,512 and \$6,062,278, respectively.

Business-Type Activity Debt

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
Bonds payable:					
Series 2010 revenue refunding bonds	\$ 30,070,000	\$ -	\$ (45,000)	\$ 30,025,000	\$ -
Unamortized premium	805,436	-	(1,552)	803,884	-
Total bonds payable	30,875,436	-	(46,552)	30,828,884	-
Notes payable:					
Note payable, Series 2005	1,825,332	-	(338,465)	1,486,867	351,446
Note payable, Series 2006	9,507,870	-	(12,343)	9,495,527	11,753
Note payable, Series 2007	3,508,564	-	(225,629)	3,282,935	234,327
Total notes payable	14,841,766	-	(576,437)	14,265,329	597,526
Compensated absences	66,343	154,808	(159,186)	61,965	-
Other postemployment benefits payable	79,700	14,334	(16,612)	77,422	-
Business-type activity long-term liabilities	\$ 45,863,245	\$ 169,142	\$ (798,787)	\$ 45,233,600	\$ 597,526

Series 2010 Utility System Revenue Refunding Bonds Payable

In August 2010, the Town issued \$30,085,000 Utility System Revenue Refunding Bonds, Series 2010 (the Series 2010 bonds) for the principal purpose of refunding all of the Town's Series 1998 Bonds. The Series 2010 bonds were dated August 19, 2010, with interest rates ranging from 3% to 5% until maturity on October 1, 2039. Net proceeds of \$27,789,738 from the Series 2010 Bonds plus \$1,986,335 of sinking fund monies from the

9) LONG-TERM DEBT (continued)

Series 1998 Bonds were deposited in an irrevocable trust with an escrow agent on August 19, 2010, and used to purchase U.S. Government securities. Those securities and the interest earnings thereon provided sufficient funds to call and retire \$29,060,000 Series 1998 Bonds on October 1, 2010. As a result, these bonds were considered to be defeased and the liability was removed from the statement of net assets.

The future principal and interest requirements for the Series 2010 bonds to maturity are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ -	\$ 723,850	\$ 723,850
2018	70,000	1,446,300	1,516,300
2019	100,000	1,442,900	1,542,900
2020	130,000	1,438,300	1,568,300
2021	365,000	1,428,400	1,793,400
2022-2026	2,900,000	6,781,500	9,681,500
2027-2031	3,580,000	6,366,875	9,946,875
2032-2036	11,150,000	4,395,750	15,545,750
2037-2040	11,730,000	1,216,750	12,946,750
	\$ 30,025,000	\$ 25,240,625	\$ 55,265,625

Utility System Note Payable, Series 2005

On April 1, 2005, the Town issued a \$4.6 million Utility System Promissory Note Payable, Series 2005 (the "Series 2005 Note"), to a local financial institution to refinance the Town's \$5 million Utility System Bond Anticipation Note, Series 2001. Principal and interest at 3.71% are payable in semi-annual installments of \$202,075 on April 1 and October 1 through maturity on April 1, 2020. The Series 2005 Note is secured by a pledge of the net revenue of the utility system, subordinate to the pledge for the Utility System Revenue Refunding Bonds, Series 2010. The future principal and interest requirements for the Series 2005 Note to maturity are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 351,407	\$ 52,743	\$ 404,150
2018	364,791	39,359	404,150
2019	378,641	25,509	404,150
2020	392,028	12,122	404,150
	\$ 1,486,867	\$ 129,733	\$ 1,616,600

Utility System Note Payable, Series 2006

On December 29, 2006, the Town issued a \$9.6 million Utility System Note Payable, Series 2006 (the "Series 2006 Note"), to a local financial institution for the purpose of advance refunding \$9,355,000 of the Town's Utility System Revenue Bonds, Series 1998, and to pay certain costs of issuance with respect to the Series 2006 Note and certain costs of issuance with respect to the refunding on January 12, 2007. Principal on the Series 2006 Note is due annually on October 1 and interest is payable monthly at a rate equivalent to 63.7% of the daily London Interbank Offered Rate (LIBOR) plus .75% (1.0833% at September 30, 2016). The Series 2006 Note is secured by a pledge of the Town to budget non-ad valorem revenues for repayment of the Series 2006 Note.

The future principal and interest requirements for the Series 2006 Note to maturity assume that current interest rates on the variable rate note and the current reference rate of the hedging derivative instrument will remain the same for their term.

9) LONG-TERM DEBT (continued)

Year Ending September 30,	Variable-Rate Note			Total
	Principal	Interest	Interest Rate Swap, Net	
2017	\$ 11,753	\$ 114,819	\$ 295,056	\$ 421,628
2018	13,384	105,679	303,653	422,716
2019	13,963	96,407	312,334	422,704
2020	14,566	87,000	322,242	423,808
2021	14,077	77,458	330,050	421,585
2022-2026	789,983	239,227	1,773,800	2,803,010
2027-2030	8,637,801	23,964	546,969	9,208,734
	\$ 9,495,527	\$ 744,554	\$ 3,884,104	\$ 14,124,185

Utility System Note Payable, Series 2007

On December 12, 2007, the Town issued a \$5.0 million Utility System Promissory Note, Series 2007 (the "Series 2007 Note"), to a local financial institution to finance the cost of improvements to the utility system. Principal and interest at 3.67% are payable in semi-annual installments of \$176,345 on April 1 and October 1 through maturity on October 1, 2027. The Series 2007 Note is secured by a pledge of the Town's non-ad valorem revenue and a pledge of the Town to budget non-ad valorem revenues for repayment of the Series 2007 Note. The future principal and interest requirements for the Series 2007 Note to maturity are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 234,327	\$ 118,363	\$ 352,690
2018	243,006	109,684	352,690
2019	252,006	100,684	352,690
2020	261,095	91,595	352,690
2021	271,009	81,680	352,689
2022-2026	1,513,110	250,335	1,763,445
2027-2031	508,382	18,754	527,136
	\$ 3,282,935	\$ 771,095	\$ 4,054,030

Legal Requirements

The Utility System Revenue Refunding Bonds, Series 2010 were authorized by Town Resolution No. 620, adopted on August 3, 2009, as supplemented by Resolution No. 642, adopted on August 3, 2010, and generally provide for the following covenants:

1. Annual debt service funding by monthly transfers of cash to a reserve account.
2. Monthly deposits to a renewal and replacement cash reserve set at 5% of the previous year's gross revenue, or such amount as determined by a certified engineer.
3. A Debt Service Reserve Account equal to 125% of the average annual debt service for all outstanding bonds.
4. Optional redemption for bonds maturing in the years 2021 and thereafter at a redemption price equal to the principal amount thereof, together with accrued interest to the redemption date.
5. Mandatory redemption for bonds maturing in 2030 and 2039 in the amount of \$1,845,000 and \$3,200,000, respectively at a redemption price equal to the unpaid principal amount plus interest to the redemption date.
6. Investing of cash reserves in time deposits, direct obligations of the U.S. government or other authorized investments with varying maturity restrictions.
7. Establishment of rates and charges sufficient to provide either 1) net revenues of at least 110% of the annual debt service on the outstanding bonds and any subordinated indebtedness or, 2)

9) LONG-TERM DEBT (continued)

net revenues and connection fees of at least 120% of the annual debt service, on the outstanding bonds and any subordinated indebtedness.

8. The use of cash and investments are generally restricted to the following priority: operation and maintenance, debt service, reserves, renewal and replacement, and any other lawful purpose.

Pledged Utility Revenues

The Town has pledged the future net revenues (generally customer revenues, net of specific operating expenses) of the utility system to repay the outstanding Series 2010 Bonds and Series 2005 Note issued to finance the acquisition and subsequent improvements to the utility system. The Series 2010 Bonds and Series 2005 Note are payable solely from the utility net revenues and are payable through 2039. Annual principal and interest payments on the Series 2010 Bonds and Series 2005 Note are expected to require approximately 46 percent of utility net revenues. Total principal and interest remaining to be paid on the Series 2010 Bonds and Series 2005 Note at September 30, 2016, is \$57,651,750. Principal and interest paid on the Series 2010 Bonds and Series 2005 Note for the current year and utility system net revenues were \$1,863,776 and \$5,208,657, respectively.

Pledged Non-ad Valorem Revenues

The Town has pledged the future non-ad valorem revenues of its Governmental Funds to repay the outstanding Series 2006 and Series 2007 Utility System Notes Payable issued to finance improvements to the utility system. The Town intends to pay the Series 2006 and Series 2007 Notes from the net revenues of the utility system through maturity on October 1, 2029.

Annual principal and interest payments on the notes constitute a pledge of approximately 40 percent of the Town's non-ad valorem revenues until 2029 and approximately 99 percent thereafter until maturity. Total principal and interest remaining to be paid on the Series 2006 and Series 2007 Notes at September 30, 2016, is \$18,178,215. Principal and interest paid by the utility system and non-ad valorem revenues pledged for the current year were \$506,100 and \$3,113,029 respectively.

Annual Maturities

As of September 30, 2016, aggregate debt service requirements of the Town's debt (fixed-rate and variable-rate) and net receipts/payments on the associated hedging derivative instrument are as follows. These amounts assume that current interest rates and the current reference rates of the hedging derivative instrument will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instrument will vary. Refer to Note 7 for information on derivative instruments.

Year Ending September 30,	Principal	Interest	Interest Rate Swap, Net	Total
2017	1,140,507	2,038,791	295,056	3,474,354
2018	1,208,685	1,986,029	303,653	3,498,367
2019	1,282,061	1,930,560	312,334	3,524,955
2020	1,355,858	1,873,359	322,242	3,551,459
2021	1,229,541	1,810,595	330,050	3,370,186
2022-2026	8,454,553	8,032,159	1,773,800	18,260,512
2027-2031	14,641,596	6,548,264	546,969	21,736,829
2032-2036	11,150,000	4,395,750	-	15,545,750
2037-2040	11,730,000	1,216,750	-	12,946,750
	\$ 52,192,801	\$ 29,832,257	\$ 3,884,104	\$ 85,909,162

For the year ended September 30, 2016, the Town incurred and expensed total interest charges of \$307,879 in the governmental activities. Interest charges incurred for the business-type activity totaled \$2,042,616 which was expensed.

10) FUND BALANCE

In the fund financial statements, governmental funds report fund equity classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds may be spent. The classifications are as follows:

	General Fund	Beach Protection Fund	Nonmajor Governmental Funds
Nonspendable:			
Prepaid items	\$ 33,218	\$ 1,813	\$ -
Restricted:			
Beach protection	-	2,137,802	-
Debt repayment	-	-	120,524
Public safety	-	-	719
Total restricted	-	2,137,802	121,243
Assigned:			
Emergencies	1,000,000	-	-
Compensated absences	115,000	-	-
Uninsured losses and other payments	80,000	-	-
Road paving	900,000	-	-
Conservation	501,800	-	-
Beautification and maintenance	165,465	-	-
Criminal justice education and training	9,963	-	-
Art Committee	17,627	-	-
Total assigned	2,789,855	-	-
Unassigned	6,060,583	-	-
Total fund balance	\$ 8,883,656	\$ 2,139,618	\$ 121,243

11) RESTRICTED NET POSITION

Assets of the Enterprise Fund were restricted for the following purposes as required by the Town's outstanding revenue refunding bonds at September 30, 2016:

	Restricted Assets	Liabilities Payable From Restricted Assets	Restricted Net Position
Debt service account	\$ 421,091	\$ 421,091	\$ -
Debt service reserve account	2,766,216	-	2,766,216
Renewal and replacement account	536,724	85,054	451,670
	\$ 3,724,031	\$ 506,145	\$ 3,217,886

Net position is restricted for the debt service account, debt service reserve account, renewal and replacement account and capital improvement account to the extent that restricted assets exceed the respective liabilities payable from restricted assets.

12) INTERFUND TRANSACTIONS

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

Receivable Fund	Payable Fund	Amount
General Fund	Conservation Fund	\$ 22,594
General Fund	Renewal & Replacement Fund	20,004
General Fund	Utility Enterprise Fund	13,308
Utility Fund	Beach Protection Fund	12,226
General Fund	Beach Protection Fund	3,800
Special Law Enforcement Fund	General Fund	13

The interfund receivables and payables are attributable to reimbursements due to various funds for the disbursement of monies initially made from it that are properly applicable to another fund.

13) CAPITAL CONTRIBUTIONS

The capital contributions to the Water and Wastewater enterprise fund for the year ended September 30, 2016, consisted of connection and other fees of \$526,050. This amount represented \$281,400 for water connections and \$244,650 for wastewater connections.

14) DEFINED BENEFIT PENSION PLAN

Description of the Plan

The Town contributes to a Defined Benefit Pension Plan for Employees of the Town of Jupiter Island (the "Plan"), a single employer plan covering substantially all Town employees not covered by the Town's defined contribution pension plans. The plan is administered by the Town and accounted for as a separate fund. The fiduciaries of the plan consist of the Town Commission and the Committee for the Plan. The Committee for the Plan consists of five individuals appointed by the Town Commission.

The Plan was frozen as of October 1, 2009. Credited service, eligibility service, and average final compensation was frozen for all members except the fourteen (14) employees who were within 5.5 years of age 65 or age 55 with 25 years of service as of that date. Those 14 employees will continue to earn credit toward eligibility for an unreduced early retirement pension benefit. Freezing the Plan decreased the unfunded actuarial liability from \$416,793 to \$95,580.

On April 7, 2016, the Town approved a one-time Early Retirement Incentive Program for eligible employees. To be eligible, employees were required, as of January 31, 2016, to 1) meet the age and service conditions for normal retirement under the frozen Group Retirement Plan, 2) meet the age and service conditions for early retirement under the Retirement Plan, or 3) have completed at least 20 years of employment with the Town, and 4) agree to permanently retire from employment by the Town effective no later than September 30, 2016. The Plan Amendment resulted in an increase in the Town's unfunded actuarially accrued liability in the amount of \$536,779.

At September 30, 2016, the market value of plan assets was less than the actuarial value of plan assets by \$677,984.

The benefit provisions and all other requirements of the Defined Benefit Pension Plan are established by Town ordinance and are summarized as follows:

Plan Eligibility – Full-time employees who are at least age 21 with one year of continuous service.

14) DEFINED BENEFIT PENSION PLAN (continued)

Vesting – Benefits vest after five years of credited service.

Eligibility Requirements and Annual Retirement Benefit:

Normal Retirement – later of age 65 and completion of five years of service. 3% of Final Average Compensation times years of Credited Service.

Reduced Early Retirement – later of age 55 with ten years of credited service. Normal Retirement Benefit reduced by 1/15th per year for the first five years and 1/30th per year for the next five years that the Early Retirement Date precedes the Normal Retirement Date.

Unreduced Early Retirement – later of age 55 with twenty-five years of Credited Service. Normal Retirement Benefit unreduced for Early Retirement.

Other Benefits – The Plan also provides for disability and death benefits.

Plan Membership

Participant data as of October 1, 2016, the date of most recent actuarial valuation, is as follows:

Retirees and beneficiaries receiving benefits	37
Terminated plan members vested but not yet receiving benefits	19
Active plan members	16
Total	72

Investments

The Pension Committee develops and recommends the plan's investment policy statement which is adopted by the Town Commission. The Town's long-term investment objective is to achieve and maintain a fully funded status with regard to current pension liabilities. The following was the asset allocation strategy as of September 30, 2016:

Asset Class	Target Allocation
Growth:	
Domestic Equity	40%
International Equity	20%
Absolute Return	10%
Real Return	5%
Income	20%
Reserves	5%
Total	100%

The following investments represent 5% or more of the defined benefit plan's fiduciary net position at September 30, 2016:

Mutual Fund	Amount
AMG Yacktman Fund-Svc	\$ 970,452
Delafield	979,304
Metro West Total Ret	951,252
Royce Premier	1,031,921
Vanguard Total Stock Market Adm	933,169

14) DEFINED BENEFIT PENSION PLAN (continued)

For the year ended September 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.31%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the Town as of September 30, 2016, were as follows:

Total pension liability	\$ 13,356,965
Plan fiduciary net position	9,779,411
Town's net pension liability	\$ 3,577,554
Plan fiduciary net position as a percentage of the total pension liability	73.22%

Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	September 30, 2016
Discount rate	6.0%
Investment rate of return	6.0%
Projected salary increases, including inflation	6.5%
Includes inflation at	3.0%

Discount Rate

The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to actuarially determined contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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.

Mortality Rates

The mortality rates were based on the RP-2000 Combined Non-Disabled Participant Mortality Table projected to valuation date by Scale BB.

Changes in Assumptions

The mortality table was changed to match the mortality used for the July 1, 2015 Actuarial Valuation for the Florida State Retirement System as required by Florida Statute, Chapter 112.

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

The following presents the net pension liability of the Town, calculated using the discount rate of 6 percent, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percent lower (5 percent) or 1 percent higher (7 percent) than the current rate:

Total Pension Liability (1% Decrease – 5%)	\$14,718,872
Total Pension Liability (Current Rate)	13,356,965
Total Pension Liability (1% Increase – 7%)	12,196,693

14) DEFINED BENEFIT PENSION PLAN (continued)

Changes in Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at September 30, 2015	\$ 12,194,120	\$ 9,455,807	\$ 2,738,313
Changes for the year:			
Service cost	90,976	-	90,976
Interest on total pension liability	708,105	-	708,105
Change in benefit terms	536,779	-	536,779
Change in assumptions	209,885	-	209,885
Experience gains/(losses)	562,872	-	562,872
Contributions – employer	-	331,161	(331,161)
Net investment income	-	941,766	(941,776)
Benefit payments	(945,772)	(945,772)	-
Administrative expenses	-	(3,551)	3,551
Net changes	1,162,845	323,604	839,241
Balances at September 30, 2016	\$ 13,356,965	\$ 9,779,411	\$ 3,577,554

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the year ended September 30, 2016, the Town recognized pension expense of \$794,633. On September 30, 2016, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Actual investment earnings different than assumed	\$ 1,060,842
Differences between actual and expected experience	976,790
Changes of assumptions	209,885
Total	\$ 2,247,517

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Amount
2017	\$ 685,925
2018	447,733
2019	325,796
2020	120,422
2021	191,255
Thereafter	(1,984,948)

15) DEFINED CONTRIBUTION PENSION PLANS

The Town of Jupiter Island Retirement Plan for SMRU Operations Employees

This plan is a voluntary 401(a) defined contribution pension plan established for the employees of the Town's Utility System (SMRU). The Plan was effective October 1, 2007. The Town employees cannot contribute to the Plan. The Town contributes 10.0% of the employees' annual compensation. Effective October 1, 2014, the Town also contributes a matching contribution, on a dollar-for-dollar basis, of the participant's contributions to the Town of Jupiter Island 457 Plan (the 457 Plan) up to 3.5% of eligible compensation. The contributions vest

15) DEFINED CONTRIBUTION PENSION PLANS (continued)

100% in year three. Employer contributions to the Plan for the year ended September 30, 2016, were \$205,124. Plan investments are fully participant directed. Plan provisions and contribution requirements are established by the Town Commission and may be amended by future Commission action.

The Town of Jupiter Island 401(a) Plan

This plan is a voluntary 401(a) defined contribution pension plan established for the employees of the Town, except SMRU employees. The Plan was effective October 1, 2009. The Town employees cannot contribute to the Plan. The Town contributes 10.0% of the employees' annual compensation. The Town also contributes a matching contribution, on a dollar-for-dollar basis, of the participant's contributions to the Town of Jupiter Island 457 Plan (the 457 Plan) up to 3.5% of eligible compensation. In the initial plan year beginning October 1, 2009, the Town matched the amount contributed by the participants to the 457 Plan at the rate of two dollars for each dollar up to a maximum match of 2.5% of compensation. The contributions vest 100% in year three. Employer contributions to the Plan for the year ended September 30, 2016, were \$383,777. Plan investments are fully participant directed. Plan provisions and contribution requirements are established by the Town Commission and may be amended by future Commission action.

Pension Plan Financial Statements

The Town's Defined Benefit Pension Plan, SMRU Defined Contribution Pension Plan, and the Town's Defined Contribution Pension Plan do not issue stand-alone GAAP financial reports. Accordingly, the Town is required to present separate financial statements for each plan in the notes to the financial statements. Financial statements for the Town's Defined Benefit Pension Plan, SMRU Defined Contribution Pension Plan, and the Town's Defined Contribution Pension Plan as of and for the year ended September 30, 2016, are as follows:

Statements of Fiduciary Net Position

	Town Defined Benefit Pension Trust Fund	SMRU Defined Contribution Pension Trust Fund	Town Defined Contribution Pension Trust Fund
Assets			
Cash and cash equivalents	\$ 144,261	\$ -	\$ -
Investments – mutual funds	9,548,774	1,216,817	2,153,975
Unallocated cash in transit	-	16,670	9,510
Employer contributions receivable	-	170,626	308,294
Loans receivable	-	2	17,540
Total assets	\$ 9,693,035	\$ 1,404,115	\$ 2,489,319
Liabilities			
Accrued benefits and other liabilities	\$ -	\$ -	\$ -
Net position			
Net position restricted for pensions	\$ 9,693,035	\$ 1,404,115	\$ 2,489,319

15) DEFINED CONTRIBUTION PENSION PLANS (continued)

Statements of Changes in Fiduciary Net Position

	Town Defined Benefit Pension Trust Fund	SMRU Defined Contribution Pension Trust Fund	Town Defined Contribution Pension Trust Fund
Additions			
Employer contributions	\$ 331,161	\$ 205,124	\$ 383,777
Investment income	933,483	123,612	179,731
Total additions	1,264,644	328,736	563,508
Deductions			
Payments to retirees and employees	1,021,053	92,835	90,586
Investment fee expense	6,363	491	495
Total deductions	1,027,416	93,326	91,081
Change in net position	237,228	235,410	472,427
Net position, beginning of year	9,455,807	1,168,705	2,016,892
Net position, end of year	\$ 9,693,035	\$ 1,404,115	\$ 2,489,319

16) OTHER POSTEMPLOYMENT BENEFITS

The Town adopted GASB Statement No. 45 (“Statement 45”), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended September 30, 2009. Statement 45 establishes the financial reporting and disclosure requirements by employers for other postemployment benefits (“OPEB”). In accordance with Statement 45, the Town set their net OPEB obligation at zero as of the beginning of its transition year ended September 30, 2009, and applied the measurement and recognition requirements of Statement 45 on a prospective basis.

Plan Description

The Town administers a single-employer defined benefit health care plan (the “Plan”) that provides health care benefits to eligible retired employees and their beneficiaries. The Town Commission has the authority to establish and amend the premiums for and the benefit provisions of the Plan. The Plan is financed on a “pay-as-you-go” basis and is not administered as a formal qualifying trust. The Plan does not issue a publicly available financial report.

Funding Policy

The Town is required by Florida Statute 112.0801 to allow retirees to buy healthcare coverage at the same *group insurance rates* that current employees are charged resulting in an *implicit* healthcare benefit. The State of Florida prohibits the Plan from separately rating retirees and active employees. The Plan 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 separated from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. Plan members receiving benefits contribute 100% of the monthly premium ranging from a minimum of \$535 to a maximum of \$1,274.

Annual OPEB Cost and Net OPEB Obligation

The Town has elected to calculate the annual required contribution of the employer (ARC) and related information using the Alternative Measurement Method permitted by GASB Statement 45 for employers in

16) OTHER POSTEMPLOYMENT BENEFITS (continued)

plans with fewer than one hundred total plan members. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Annual required contribution	\$ 36,249
Interest on net pension obligation	4,537
Adjustment to annual required contribution	(6,488)
Annual OPEB cost	34,298
Contributions made	39,750
Decrease in net OPEB obligation	(5,452)
Net OPEB obligation, beginning of year	181,480
Net OPEB obligation, end of year	\$ 176,028

The Employer's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contribu- tion	Percentage Contributed	Net OPEB Obligation
September 30, 2014	\$ 31,992	\$ 18,994	59%	\$ 181,663
September 30, 2015	33,011	33,194	101%	181,480
September 30, 2016	36,249	39,750	110%	176,028

Funded Status and Funding Progress

As of September 30, 2016, the plan assets were \$0; the actuarial accrued liability for benefits was \$432,025; the total unfunded actuarial liability is \$432,025, and the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) is 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$4,778,842, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumption

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 and plan members to that point. The 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.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 2.50% was used. A general price inflation of 2.00% was assumed. In addition, the Entry Age Normal actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at September 30, 2016, was 30 years. As authorized by GASB 45, the Alternative Measurement Method with its simplifications of certain assumptions was employed in measuring actuarial accrued liabilities and the ARC.

17) TERMINATION BENEFITS

During the year, the Town approved a one-time Early Retirement Incentive Program (“ERIP”) for eligible employees. To be eligible, employees were required, as of January 31, 2016, to 1) meet the age and service conditions for normal retirement under the frozen Group Retirement Plan for the Employees of the Town of Jupiter Island (“the Retirement Plan”), 2) meet the age and service conditions for early retirement under the Retirement Plan, or 3) have completed at least 20 years of employment with the Town, and 4) agree to permanently retire from employment by the Town effective no later than September 30, 2016. Employees who took advantage of the ERIP received the following incentives under the program:

- Payment of 100% of unused accrued vacation and sick leave as of the retirement date based upon the base salary or hourly rate on the date of retirement under the Program.
- Unreduced Early Retirement Benefit beginning at age 55 (or immediately upon retirement, if the eligible employee reached age 55 at the date of retirement).
- Ability to continue coverage under the Town’s health, dental and vision plans at the employee’s own cost.

As of September 30, 2016, four employees elected to participate in the ERIP. Expenditures related to the payout of unused accrued and sick leave for these employees totaled \$200,493, and are reported in the governmental funds as of September 30, 2016.

18) COMMITMENTS AND CONTINGENCIES

Fire Rescue Services

The Town receives fire rescue services from Martin County, Florida, through an interlocal agreement. The original term of the agreement was five years from October 1, 2010 to September 30, 2015, and the agreement was extended through September 30, 2017. The cost of the services provided by Martin County totaled \$747,449 for the year ended September 30, 2016.

Grants

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.

19) PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued June 2015, is effective for the Town beginning with its fiscal year ending September 30, 2017. This statement provides financial reporting requirements for state and local government other postemployment benefit (OPEB) plans and conforms OPEB plan reporting to the requirements for pension plan reporting contained in GASB Statement No. 67.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* issued June 2015, is effective for the Town beginning with its fiscal year ending September 30, 2018. This statement establishes measurement criteria for the OPEB liability of state and local governments. The statement intends to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial statements by requiring recognition of the entire OPEB liability and a broader measure of OPEB expense.

GASB Statement No. 77, *Tax Abatement Disclosures* issued August 2015, is effective for the Town beginning with its fiscal year ending September 30, 2017. This statement addresses financial reporting about the nature and magnitude of tax abatements of governmental entities. The statement requires that governments that enter into tax abatements disclose more comprehensive information about the agreements.

19) PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (continued)

GASB Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, ,and No. 73* issued March 2016, is effective for the Town beginning with its fiscal year ending September 30, 2017. This statement addresses the consistency in the application of pension accounting and financial reporting requirement by addressing certain issues that have been raised with respect to *GASB Statements No. 67, No. 68,,and No. 73*.

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



**REQUIRED SUPPLEMENTARY
INFORMATION**

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenue				
Taxes				
Ad valorem property taxes	\$ 5,216,000	\$ 5,216,000	\$ 5,253,894	\$ 37,894
Local option gas tax	110,000	110,000	114,412	4,412
Communications tax	80,000	80,000	76,943	(3,057)
Total taxes	5,406,000	5,406,000	5,445,249	39,249
Licenses and permits				
Building permits	800,000	800,000	1,877,518	1,077,518
Alarm permit fee	1,500	1,500	1,210	(290)
Occupational licenses	500	500	1,688	1,188
Total licenses and permits	802,000	802,000	1,880,416	1,078,416
Intergovernmental revenue				
Payment in lieu of taxes	15,000	15,000	22,189	7,189
State grant revenue	1,000	1,000	1,000	-
State shared revenue:				
Half-cent sales tax	58,000	58,000	87,124	29,124
State revenue sharing	19,000	19,000	22,218	3,218
Fuel tax refund	3,000	3,000	4,948	1,948
Radon fees	1,000	1,000	3,331	2,331
Total intergovernmental revenue	97,000	97,000	140,810	43,810
Charges for services				
Other public safety charges and fees	12,000	12,000	7,558	(4,442)
Brush charges	95,000	95,000	80,250	(14,750)
Board of Adjustment fees	11,000	11,000	20,000	9,000
Impact review fees	12,500	12,500	31,000	18,500
Total charges for services	130,500	130,500	138,808	8,308
Fines and forfeitures				
Fines and forfeitures	3,600	3,600	5,130	1,530
Code enforcement fines	-	-	6,100	6,100
Total fines and forfeitures	3,600	3,600	11,230	7,630
Investment income	2,475	2,475	37,613	35,138
Contributions - Art Fund	-	-	40,048	40,048

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue (continued)				
Miscellaneous				
Lease income	\$ 24,913	\$ 24,913	\$ 24,913	\$ -
Refund	-	-	20,795	20,795
Miscellaneous	20,000	20,000	45,279	25,279
Administrative charges:				
Beach Protection District	101,000	101,000	101,000	-
Administrative charges:				
Utility Fund	460,241	460,241	460,241	-
Total miscellaneous	606,154	606,154	652,228	46,074
Total revenue	7,047,729	7,047,729	8,346,402	1,298,673
Expenditures				
Administration				
Personal services:				
Regular salaries and wages	533,000	607,000	600,432	6,568
Other salaries and wages	157,206	-	-	-
FICA taxes	43,673	38,023	33,288	4,735
Medicare taxes	10,214	9,080	8,857	223
Overtime	1,200	1,500	1,472	28
Auto allowance	18,000	18,500	18,139	361
Pension contributions - DBP	61,373	64,000	63,903	97
Pension contributions	88,453	81,500	81,341	159
Health insurance	82,824	78,814	71,757	7,057
Dental insurance	2,247	2,600	2,583	17
Cafeteria plan insurances	10,950	10,950	10,626	324
Short-term disability	1,470	1,000	907	93
Workers compensation insurance	1,000	1,000	673	327
Employees assistance program	150	150	123	27
Total personal services	1,011,760	914,117	894,101	20,016
Operating expenditures:				
Professional services - legal/employees	75,000	56,000	41,403	14,597
Professional services - legal/general	80,000	95,000	92,964	2,036

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Administration (continued)				
Professional services -				
legal/pension	\$ 8,000	\$ 12,000	\$ 11,815	\$ 185
Professional services - codification	2,500	2,500	1,208	1,292
Professional services - business	10,000	18,000	17,914	86
Professional services - CG property	5,000	-	-	-
Professional services - audit/actuarial	40,000	35,000	22,849	12,151
Professional services - financial	40,000	40,000	39,155	845
Professional services - accounting	6,000	11,000	10,444	556
Professional services - public relations	15,000	12,500	7,813	4,687
Contracted services - archives	3,000	5,500	5,329	171
Contracted services - information technology	15,000	15,000	9,394	5,606
Contracted services - website	500	500	243	257
Travel and per diem	3,000	3,000	759	2,241
Art committee	15,000	5,000	4,052	948
Office supplies	6,500	6,500	4,300	2,200
Personnel training	2,500	2,600	2,836	(236)
Personnel services	2,200	12,200	12,057	143
Postage	10,500	11,500	11,297	203
Telephone	19,500	16,500	12,050	4,450
Legal advertising	4,000	7,000	6,680	320
Utilities - electric	13,000	13,000	10,552	2,448
Utilities - water	5,000	5,000	1,328	3,672
Liability and bond insurance	104,000	88,000	84,912	3,088
Repair and maintenance - equipment	2,000	2,000	700	1,300
Repair and maintenance - building	35,000	50,000	48,028	1,972
Equipment maintenance	3,000	-	-	-
Printing and binding	2,500	2,500	1,678	822
Other miscellaneous charges	4,000	10,000	9,738	262
Bank charges	800	800	527	273
Bad debt	-	2,500	2,450	50
Emergency preparation	3,000	3,000	2,056	944
Computer supplies	1,500	1,500	408	1,092
Lease - copier	2,500	2,500	2,384	116
Travel - commission boards	3,000	2,000	-	2,000
Small tools and equipment	500	500	-	500
Books, publications and subscriptions	4,000	5,500	4,809	691
Art committee - fund expenditures	-	-	66,171	(66,171)
Total operating expenditures	547,000	556,100	550,303	5,797

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Administration (continued)				
Capital outlay:				
Machinery and equipment	\$ 155,000	\$ 155,000	\$ 40,971	\$ 114,029
Total capital outlay	155,000	155,000	40,971	114,029
Other uses:				
Contingency	50,000	30,900	5,643	25,257
Total other uses	50,000	30,900	5,643	25,257
Total administration	1,763,760	1,656,117	1,491,018	165,099
Public safety				
Personal services:				
Regular salaries and wages	1,494,000	1,694,000	1,663,318	30,682
FICA taxes	96,346	110,350	102,358	7,992
Medicare taxes	22,532	25,813	24,805	1,008
Overtime	56,000	74,000	69,329	4,671
Health insurance	321,663	321,663	302,729	18,934
Dental insurance	8,014	8,600	8,537	63
Cafeteria Plan/HRA	38,325	38,325	34,342	3,983
Short-term disability	5,000	5,000	2,618	2,382
Workers compensation insurance	30,000	30,000	22,217	7,783
Unemployment compensation	4,000	4,000	-	4,000
Employees assistance program	500	550	530	20
Telephone allowance	8,226	8,226	7,067	1,159
Clothing and shoe allowance	3,950	3,950	2,700	1,250
Pension contributions - DBP	172,497	172,497	172,113	384
Pension contributions - DCP	201,690	202,000	196,609	5,391
Total personal services	2,462,743	2,698,974	2,609,272	89,702
Operating expenditures:				
Contracted services - ALS	755,000	750,000	747,449	2,551
Contracted services - general operations	27,000	32,500	32,424	76
Investigations	2,500	1,000	802	198
Travel and per diem	6,000	3,000	2,810	190
Utilities - electric	11,000	11,000	10,088	912
Utilities - water	4,500	2,000	1,734	266

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Public safety (continued)				
Operating expenditures (continued)				
Telephone	\$ 27,000	\$ 40,000	\$ 39,789	\$ 211
Lease - copier	2,000	2,500	2,374	126
Repair and maintenance - building	14,000	17,500	17,478	22
Vehicle maintenance - police	16,000	21,000	20,886	114
Vehicle maintenance - fire	3,500	11,500	11,268	232
Equipment maintenance - police	5,000	5,000	3,030	1,970
Equipment maintenance - fire	3,000	2,000	1,002	998
Equipment maintenance - security	9,000	13,000	12,734	266
Equipment maintenance - City Watch	750	650	-	650
Other miscellaneous charges	2,500	5,100	5,039	61
Patrol boats maintenance	8,000	9,600	9,542	58
Accreditation expense	1,000	1,000	495	505
Office supplies	6,000	8,600	8,581	19
Computer supplies	1,500	11,850	11,825	25
Gasoline, diesel and oil	70,000	40,000	35,000	5,000
Uniforms	7,000	7,700	7,630	70
Uniforms - cleaning	3,600	3,600	3,520	80
Small tools and equipment - police	2,000	5,300	5,207	93
Small tools and equipment - fire	500	500	157	343
Small tools and equipment - OPS	750	1,500	1,433	67
Supplies - police	8,000	12,800	12,799	1
Supplies - fire	7,000	1,000	649	351
Supplies - EMT	4,000	4,750	4,617	133
Books, publications and subscriptions	1,000	1,000	836	164
Personnel training - police	6,000	5,000	4,744	256
Personnel training - fire	2,000	500	265	235
Personnel training - EMT	3,250	500	364	136
Personnel services	500	2,600	2,524	76
Total operating expenditures	1,020,850	1,035,550	1,019,095	16,455
Capital outlay:				
Machinery and equipment - police	90,000	98,000	96,984	1,016
Building improvement	15,000	-	-	-
Total capital outlay	105,000	98,000	96,984	1,016
Total public safety	3,588,593	3,832,524	3,725,351	107,173

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Building				
Personal services:				
Regular salaries and wages	\$ 323,000	\$ 345,000	\$ 337,787	\$ 7,213
Overtime	1,000	1,000	796	204
Auto allowance	12,000	12,196	12,092	104
FICA taxes	20,832	22,000	21,260	740
Medicare taxes	4,872	5,800	5,009	791
Pension contributions - DBP	35,452	37,500	37,210	290
Pension contributions - DCP	41,580	45,344	40,523	4,821
Health insurance	54,000	57,000	51,926	5,074
Dental insurance	1,070	1,628	1,291	337
Cafeteria plan	6,500	6,500	5,237	1,263
Short-term disability	1,000	1,000	452	548
Workers' compensation	2,500	2,500	1,347	1,153
Employees' Assistance Program	100	150	108	42
Total personal services	503,906	537,618	515,038	22,580
Operating expenditures:				
Professional services - legal	54,000	85,000	75,932	9,068
Professional services - comp plan	25,000	8,900	1,280	7,620
Professional services - experts (boards)	3,000	3,000	-	3,000
Professional services - engineering	5,000	16,000	14,866	1,134
Professional services - business	30,000	30,000	24,415	5,585
Legal advertising	3,500	3,500	-	3,500
Contracted services - web site	1,000	1,000	-	1,000
Travel and per diem	1,500	1,500	1,460	40
Travel - commssion boards	2,000	1,000	-	1,000
Postage	500	1,500	1,421	79
Telephone	2,500	500	19	481
Lease - copier	8,000	8,000	6,420	1,580
Printing and binding	1,000	1,000	5	995
Other miscellaneous charges	2,000	4,600	4,511	89
Emergency preparation	1,000	1,000	264	736
Mangrove management	50	50	-	50
Office supplies	3,000	3,000	1,777	1,223
Computer supplies	7,000	11,500	11,460	40
Uniforms	300	300	-	300
Small tools and equipment	500	500	258	242
Books, publications and subscriptions	1,500	1,500	1,172	328
Personnel training	2,000	2,000	1,423	577
Total operating expenditures	154,350	185,350	146,683	38,667

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Building (continued)				
Capital outlay:				
Machinery and equipment	\$ 5,000	\$ 15,000	\$ 12,164	\$ 2,836
Total capital outlay	5,000	15,000	12,164	2,836
Total building	663,256	737,968	673,885	64,083
Solid waste				
Personal services:				
Regular salaries and wages	429,000	426,806	402,680	24,126
Overtime	8,000	9,000	8,625	375
FICA taxes	27,466	27,466	25,270	2,196
Medicare taxes	6,424	6,424	5,929	495
Pension contributions - DBP	49,866	49,866	48,840	1,026
Pension contributions - DCP	57,915	57,915	37,022	20,893
Health insurance	135,846	133,846	86,926	46,920
Dental insurance	2,675	2,675	2,439	236
Cafeteria plan	14,625	14,625	11,018	3,607
Short-term disability	2,000	2,000	581	1,419
Workers' compensation insurance	18,000	18,000	14,812	3,188
Unemployment compensation	5,000	5,000	-	5,000
Employees' assistance program	207	207	169	38
Auto allowance	6,000	6,500	6,046	454
Total personal services	763,024	760,330	650,357	109,973
Operating expenditures:				
Utilities	8,000	9,100	8,997	103
Repair and maintenance - building	8,400	6,400	4,927	1,473
Vehicle maintenance	25,000	27,000	26,777	223
Equipment maintenance	5,000	8,000	7,781	219
Other miscellaneous charges	5,000	5,000	1,984	3,016
Safety equipment	1,500	1,500	1,180	320
Mosquito and sandfly control	1,250	2,500	2,104	396
Yardwaste recycling	65,000	66,500	66,449	51
Refuse landfill fees	23,000	23,000	21,051	1,949
Recycling expenditures	500	500	-	500
Gasoline, diesel and oil	45,000	34,650	20,167	14,483
Uniforms	6,000	6,000	3,506	2,494
Animal control	5,000	5,000	1,244	3,756
Telephone	4,000	5,000	4,595	405

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Solid waste (continued)				
Operating expenditures (continued)				
Small tools and equipment	\$ 3,000	\$ 3,000	\$ 3,248	\$ (248)
Supplies	11,000	11,000	10,561	439
Total operating expenditures	216,650	214,150	184,571	29,579
Capital outlay:				
Machinery and equipment	55,000	59,000	58,295	705
Total capital outlay	55,000	59,000	58,295	705
Total solid waste	1,034,674	1,033,480	893,223	140,257
Roads				
Operating expenditures:				
Utilities - street lighting	1,500	1,500	-	1,500
Clearing and trimming	17,500	17,500	15,698	1,802
Road and ramble maintenance	4,000	4,000	362	3,638
Stormwater maintenance	3,000	3,000	2,576	424
Signs	3,500	3,500	3,158	342
Total operating expenditures	29,500	29,500	21,794	7,706
Capital outlay:				
Roads	-	16,500	16,400	100
Drainage and paving	30,000	13,500	12,344	1,156
Total capital outlay	30,000	30,000	28,744	1,256
Total roads	59,500	59,500	50,538	8,962
Grounds				
Personal services:				
Regular salaries and wages	103,000	107,500	107,410	90
Overtime	3,000	250	106	144
FICA taxes	6,572	6,600	6,589	11
Medicare taxes	1,537	1,600	1,541	59
Pension contributions - DBP	11,972	11,972	11,595	377
Pension contributions - DCP	13,905	13,905	12,456	1,449
Health insurance	33,697	30,000	27,421	2,579
Dental insurance	750	800	753	47
Cafeteria plan	3,650	3,650	3,362	288
Short-term disability	-	250	217	33
Workers' compensation insurance	9,000	9,000	6,733	2,267
Employees' assistance program	47	47	41	6
Total personal services	187,130	185,574	178,224	7,350

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Grounds (continued)				
Operating expenditures:				
Utilities - water	\$ 40,000	\$ 40,000	\$ 39,537	\$ 463
Safety equipment	1,000	1,000	600	400
Grounds projects	33,000	33,000	32,731	269
Ficas Alley expenses	30,000	30,000	26,353	3,647
Small tools and equipment	3,000	3,000	2,191	809
Equipment maintenance	1,500	1,500	688	812
Supplies	17,000	17,000	16,381	619
Total operating expenditures	125,500	125,500	118,481	7,019
Total grounds	312,630	311,074	296,705	14,369
Lethal yellowing	137,500	149,750	149,681	69
Beautification and maintenance	40,000	40,000	15	39,985
Conservation	50,375	50,375	40,287	10,088
Total expenditures	7,650,288	7,870,788	7,320,703	550,085
Excess of revenues over expenditures	(602,559)	(823,059)	1,025,699	1,848,758
Other financing sources				
Transfer from reserves	627,559	838,559	-	(838,559)
Total other financing sources	627,559	838,559	-	(838,559)
Net change in fund balance	25,000	15,500	1,025,699	1,010,199
Fund balance, beginning of year	-	-	7,857,957	7,857,957
Fund balance, end of year	\$ 25,000	\$ 15,500	\$ 8,883,656	\$ 8,868,156

See notes to required supplementary information.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

Beach Protection Fund - Non-GAAP Budgetary Basis

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Taxes				
Ad valorem property taxes	\$ 2,800,000	\$ 2,800,000	\$ 2,820,561	\$ 20,561
Investment income	-	-	23,891	23,891
Intergovernmental revenue				
FEMA Reimbursement	2,766,376	2,766,376	2,766,376	-
State Grant-Beach Renourishment	2,380,993	2,380,993	2,317,846	(63,147)
State Disaster Relief	1,920,188	1,920,188	1,830,824	(89,364)
Project cost share - Martin County	6,275,000	6,275,000	6,275,000	-
Total intergovernmental revenue	13,342,557	13,342,557	13,190,046	(152,511)
Total revenue	16,142,557	16,142,557	16,034,498	(108,059)
Expenditures				
General government				
Beach protection administration				
Personal services:				
Regular salaries & wages	185,000	183,000	159,162	23,838
Overtime	-	500	321	179
Auto allowance	6,000	6,500	6,046	454
FICA taxes	11,841	11,841	10,023	1,818
Medicare taxes	2,770	2,770	2,344	426
Pension contributions- DCP	14,900	16,000	15,825	175
Health insurance	18,030	20,500	20,404	96
Dental insurance	-	500	430	70
Cafeteria plan	1,825	1,925	1,903	22
Short-term disability	200	200	185	15
Employees' assistance program	-	100	24	76
Workers' comp insurance	3,500	750	673	77
Total personal services	244,066	244,586	217,340	27,246
Operating expenditures:				
Professional services - legal	50,000	50,000	9,994	40,006
Professional services - lobbying	30,000	30,500	30,010	490
Professional services - accounting	7,500	7,500	2,227	5,273
Public relations	10,000	10,000	2,250	7,750
Other miscellaneous charges	5,000	5,000	3,596	1,404
Bank charges	500	500	110	390
Beach cleaning	26,000	26,000	26,000	-
Books, publications and subscriptions	1,000	1,000	734	266
Administrative charges -				
General fund	75,000	75,000	75,000	-
Total operating expenditures	205,000	205,500	149,921	55,579
Total beach protection administration	449,066	450,086	367,261	82,825

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

Beach Protection Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Environmental				
Beach protection and monitoring				
Operating expenditures:				
Travel and per diem	\$ 3,000	\$ 3,000	\$ 617	\$ 2,383
Equipment maintenance	2,000	2,500	2,258	242
Personnel training	1,000	1,000	703	297
Professional services - engineering	100,000	100,000	46,479	53,521
Beach profile surveys	-	-	3,459	(3,459)
Beach maintenance	20,000	20,000	-	20,000
Turtle monitoring	-	1,000	-	1,000
Total beach protection and monitoring	126,000	127,500	53,516	73,984
Beach protection projects				
Capital outlay:				
Machinery and equipment	-	28,000	26,830	1,170
Reef monitoring	95,000	100,000	95,923	4,077
Dune restoration	60,000	70,000	68,233	1,767
Beach profile surveys	65,000	65,000	31,131	33,869
Beach renourishment project	17,825,000	19,400,000	19,366,300	33,700
Professional services - engineering	450,000	425,000	313,391	111,609
Contingency	3,565,010	1,915,990	1,830	1,914,160
Total beach protection projects	22,060,010	22,003,990	19,903,638	2,100,352
Debt service				
Interest	1,000	1,000	296	704
Principal	50,000	50,000	50,000	-
Total debt service	51,000	51,000	50,296	704
Total expenditures	22,686,076	22,632,576	20,374,711	2,257,865
Excess of revenues over expenditures	(6,543,519)	(6,490,019)	(4,340,213)	2,149,806
Other financing sources/(uses)				
Transfer from reserves	6,543,519	6,543,519	-	(6,543,519)
Total other financing sources	6,543,519	6,543,519	-	(6,543,519)
Net change in fund balance	-	53,500	(4,340,213)	(4,393,713)
Fund balance, beginning of year	-	-	6,479,828	6,479,828
Fund balance, end of year	\$ -	\$ 53,500	\$ 2,139,615	\$ 2,086,115

See notes to required supplementary information.

TOWN OF JUPITER ISLAND, FLORIDA*Required Supplementary Information**Defined Benefit Pension Plan Schedule of Changes**in the Net Pension Liability and Related Ratios**September 30, 2016***Schedule of Changes in the Net Pension Liability and Related Ratios**

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 90,976	\$ 149,385	\$ 192,769
Interest on total pension liability	708,105	696,066	677,086
Change in benefit terms	536,779	-	-
Change in assumptions	209,885	-	-
Experience gains/(losses)	562,872	294,499	288,977
Benefit payments	(945,772)	(855,198)	(736,837)
Net change in total pension liability	1,162,845	284,752	421,995
Total pension liability, beginning	12,194,120	11,909,368	11,487,373
Total pension liability, ending	13,356,965	12,194,120	11,909,368
Plan Fiduciary Net Position			
Contributions	331,161	331,161	360,411
Net investment income	941,766	(729,843)	634,470
Benefit payments	(945,772)	(855,198)	(736,837)
Administrative expenses	(3,551)	(19,520)	-
Net change in plan fiduciary net position	323,604	(1,273,400)	258,044
Plan fiduciary net position, beginning	9,455,807	10,729,207	10,471,163
Plan fiduciary net position, ending	9,779,411	9,455,807	10,729,207
Net pension liability, ending	\$ 3,577,554	\$ 2,738,313	\$ 1,180,161
Plan fiduciary net position as a percentage of the total pension liability	73.22%	77.54%	90.09%
Covered payroll	\$ 1,123,300	\$ 1,389,114	\$ 1,747,560
Net pension liability as a percentage of covered payroll	318.49%	197.13%	67.53%

See notes to required supplementary information.

Note: Information for plan years 2013 and prior is not available.

TOWN OF JUPITER ISLAND, FLORIDA*Required Supplementary Information**Defined Benefit Pension Plan Schedule of**Employer Contributions and Investment Returns**September 30, 2016***Schedule of Employer Contributions and Investment Returns
Last Ten Fiscal Years**

Year Ended	Actuarially Determined Contribution	Actual Contribution	Contribution (Excess)/ Deficiency	Covered Payroll	Contribution Percentage of Covered Payroll	Annual Money Weighted Rate of Return, Net of Investment Expense
September 30, 2016	\$ 312,434	\$331,161	(18,727)	\$1,123,300	29.48%	10.31%
September 30, 2015	316,624	331,161	(14,537)	1,389,114	23.84%	-7.05%
September 30, 2014	337,348	360,411	(23,063)	1,747,560	20.62%	6.23%
September 30, 2013	399,230	349,791	49,439	1,886,510	18.54%	N/A
September 30, 2012	291,583	327,821	(36,238)	2,054,448	15.96%	N/A
September 30, 2011	249,731	420,968	(171,237)	2,132,391	19.74%	N/A
September 30, 2010	195,734	490,490	(294,756)	2,160,574	22.70%	N/A
September 30, 2009	1,139,432	725,798	413,634	2,642,823	27.46%	N/A
September 30, 2008	665,138	226,881	438,257	2,736,327	8.29%	N/A
September 30, 2007	529,449	482,516	46,933	2,210,923	21.82%	N/A

See notes to required supplementary information.

TOWN OF JUPITER ISLAND, FLORIDA*Required Supplementary Information**Defined Benefit Pension Plan Schedule of**Changes in Total Pension Liability**September 30, 2016***Schedule of Changes in Total Pension Liability
Last Ten Fiscal Years**

Year Ended	Amount of Collective Pension Liability	Percentage of Collective Pension Liability	Covered Payroll	Pension Liability Percentage of Covered Payroll
September 30, 2016	\$ 3,577,554	73.22%	\$1,123,300	318.49%
September 30, 2015	2,738,313	77.54%	1,389,114	197.13%
September 30, 2014	1,180,161	90.09%	1,747,560	67.53%
September 30, 2013	N/A	N/A	1,886,510	N/A
September 30, 2012	N/A	N/A	2,054,448	N/A
September 30, 2011	N/A	N/A	2,132,391	N/A
September 30, 2010	N/A	N/A	2,160,574	N/A
September 30, 2009	N/A	N/A	2,642,823	N/A
September 30, 2008	N/A	N/A	2,736,327	N/A
September 30, 2007	N/A	N/A	2,210,923	N/A

See notes to required supplementary information.

TOWN OF JUPITER ISLAND, FLORIDA

*Required Supplementary Information
Other Postemployment Benefits
Schedule of OPEB Funding Progress
September 30, 2016*

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
September 30, 2009	\$ -	\$463,283	\$463,283	0%	\$3,999,796	11.60%
September 30, 2012	-	280,853	280,853	0%	4,467,145	6.30%
September 30, 2015	-	432,025	432,025	0%	4,778,842	9.00%

See notes to required supplementary information.

Note: Data not available prior to fiscal year 2009 implementation of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.



TOWN OF JUPITER ISLAND, FLORIDA

Notes to Required Supplementary Information

September 30, 2016

1) BUDGETARY ACCOUNTING

State of Florida Statutes require that all municipal governments establish budgetary systems and approve annual operating budgets. The Commission annually adopts an operating budget and appropriates funds for the General Fund and Beach Protection Fund on the same modified accrual basis used to record revenue and expenditures, except that for budgetary purposes, capital outlays are reflected as current expenditures within each governmental function. The procedures for establishing budgetary data are as follows:

- ❖ The Town Manager submits to the Commission a proposed operating budget prepared for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- ❖ Public hearings are conducted to obtain taxpayer comments.
- ❖ The Town advises the County Property Appraiser of the proposed millage rate and the date, time and place of the public hearing for budget acceptance.
- ❖ The budget and related millage rate are legally enacted by Town resolution.
- ❖ Changes or amendments to the adopted budget of the fund or a department must be approved by the Commission; however, the Town Manager may approve changes within a department which do not affect the total departmental expenditures. The Town Manager is also authorized to supplement budgeted line items to and from contingency amounts provided that there is no overall increase in the budget. Accordingly, the legal level of control is at the department level.

The reported budgetary data represents the final appropriated budgets after any amendments adopted by the Town Commission. The budgetary comparison schedules for the General Fund and Beach Protection Fund are prepared under the basis of accounting used in preparing the appropriated budget. Unexpended appropriations lapse at year end.

2) DEFINED BENEFIT PLAN

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation was as follows:

Actuarial Valuation Date	September 30, 2016
Actuarial Cost Method	Frozen Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.0%
Investment rate of return	6.0%
Projected salary increases, including inflation at 3%	6.5%
Mortality	
Non-Disabled (pre and post-retirement)	
Male	RP-2000, 50% Annuitant White Collar/50% Annuitant Blue Collar, generational, with Scale BB
Female	RP-2000, 100% Annuitant White Collar, generational, with Scale BB
Disabled Retiree	
Male	RP2000, 100% Disabled Male, setback 4 years, no Projection Scale
Female	RP2000, 100% Disabled Female, set forward 2 years, no Projection Scale

2) DEFINED BENEFIT PLAN (continued)

Termination Rates

Age	Probability of Termination	Age	Probability of Termination
20	10.7%	40	3.1%
25	8.0%	45	2.2%
30	5.9%	50	1.1%
35	4.3%	55	0.0%

Disability Rates

Age	Probability of Disablement	Age	Probability of Disablement
20	0.084%	40	0.180%
25	0.090%	45	0.306%
30	0.108%	50	0.600%
35	0.138%	55	0.930%

Retirement Rates

Age	Probability of Retirement	Age	Probability of Retirement
55	10.0%	61	2.0%
56	2.0%	62	15.0%
57	2.0%	63	2.0%
58	2.0%	64	2.0%
59	2.0%	65	100.0%
60	2.0%		

At the first age at which a participant becomes eligible for an unreduced Early Retirement Benefit, the probability of retirement is increased by 50 basis points. For example, a participant who first becomes eligible for unreduced Early Retirement at age 55 will be assumed to retire with 60% probability.

3) OTHER POSTEMPLOYMENT BENEFIT PLAN

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation was as follows:

Actuarial Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage
Amortization Period:	30 years
Actuarial Assumptions:	
Discount rate	2.5%
Inflation	2.0%

**OTHER SUPPLEMENTARY
INFORMATION**

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Funds

Debt service funds are used to account for accumulations of resources that are restricted, committed, or assigned to expenditure for principal and interest. The nonmajor debt service fund of the Town is as follows:

Electric Underground Fund – This fund accounts for ad valorem taxes collected and assets held for the repayment of principal and interest on general obligation debt reported in governmental activities in the statement of net position.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed for specified purposes, other than debt service or capital projects. The nonmajor special revenue fund of the Town is as follows:

Special Law Enforcement Fund – This fund accounts for proceeds from law enforcement forfeitures which are used for law enforcement equipment and training.

TOWN OF JUPITER ISLAND, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2016

	Debt Service Fund	Special Revenue Fund	Total Nonmajor Governmental Funds
	Electric Underground	Special Law Enforcement	
Assets			
Cash and cash equivalents	\$ 120,524	\$ 706	\$ 121,230
Due from other funds	-	13	13
Total assets	\$ 120,524	\$ 719	\$ 121,243
Liabilities and fund balance			
Liabilities	\$ -	\$ -	\$ -
Fund balance			
Restricted	\$ 120,524	\$ 719	\$ 121,243
Total fund balance	120,524	719	121,243
Total liabilities and fund balance	\$ 120,524	\$ 719	\$ 121,243

TOWN OF JUPITER ISLAND, FLORIDA*Combining Statement of Revenue, Expenditures and Changes in Fund Balance**Nonmajor Governmental Funds**Year Ended September 30, 2016*

	Debt Service Fund	Special Revenue Fund	Total Nonmajor Governmental Funds
	Electric Underground	Special Law Enforcement	
Revenue			
Taxes	\$ 808,385	\$ -	\$ 808,385
Fines and forfeitures	-	143	143
Investment income	18	-	18
Total revenue	808,403	143	808,546
Expenditures			
Current:			
Debt service:			
Principal	479,799	-	479,799
Interest	322,713	-	322,713
Total expenditures	802,512	-	802,512
Net change in fund balance	5,891	143	6,034
Fund balance, beginning of year	114,633	576	115,209
Fund balance, end of year	\$ 120,524	\$ 719	\$ 121,243

TOWN OF JUPITER ISLAND, FLORIDA*Schedule of Water and Wastewater Revenue Refunding Bond Coverage**Enterprise Fund**Year Ended September 30, 2016*

Gross revenue	
Water	\$ 7,176,166
Wastewater	3,164,534
Other	822,303
Total gross revenue	11,163,003
Operating expenses	
Personal services	2,600,129
Operating expenses	2,797,227
Total operating expenses	5,397,356
Net revenue available for debt service before connection fees	5,765,647
Capital contributions	526,050
Net revenue available for debt service including connection fees	\$ 6,291,697
Scheduled debt service	\$ 2,631,550
Debt service coverage before connection fees	
(Minimum required coverage is 1.10)	2.19
Debt service coverage including connection fees	
(Minimum required coverage is 1.20)	2.39

TOWN OF JUPITER ISLAND, FLORIDA*Combining Statement of Fiduciary Net Position**Pension Trust Funds**September 30, 2016*

	Town Defined Benefit Pension Trust Fund	SMRU Defined Contribution Pension Trust Fund	Town Defined Contribution Pension Trust Fund	Total Pension Trust Funds
Assets				
Cash and cash equivalents	\$ 144,261	\$ -	\$ -	\$ 144,261
Investments - mutual funds	9,548,774	1,216,817	2,153,975	12,919,566
Unallocated cash in transit	-	16,670	9,510	26,180
Employer contributions receivable	-	170,626	308,294	478,920
Loans receivable	-	2	17,540	17,542
Total assets	\$ 9,693,035	\$ 1,404,115	\$ 2,489,319	\$ 13,586,469
Liabilities				
Accrued benefits and other liabilities	\$ -	\$ -	\$ -	\$ -
Net position				
Net position restricted for pensions	\$ 9,693,035	\$ 1,404,115	\$ 2,489,319	\$ 13,586,469

TOWN OF JUPITER ISLAND, FLORIDA*Combining Statement of Changes in Fiduciary Net Position**Pension Trust Funds**Year Ended September 30, 2016*

	Town Defined Benefit Pension Trust Fund	SMRU Defined Contribution Pension Trust Fund	Town Defined Contribution Pension Trust Fund	Total Pension Trust Funds
Additions				
Contributions:				
Employer	\$ 331,161	\$ 205,124	\$ 383,777	\$ 920,062
Investment income	933,483	123,612	179,731	1,236,826
Total additions	1,264,644	328,736	563,508	2,156,888
Deductions				
Payments to retirees and employees	1,021,053	92,835	90,586	1,204,474
Investment fee expense	6,363	491	495	7,349
Total deductions	1,027,416	93,326	91,081	1,211,823
Change in net position	237,228	235,410	472,427	945,065
Net position, beginning of year	9,455,807	1,168,705	2,016,892	12,641,404
Net position, end of year	\$ 9,693,035	\$ 1,404,115	\$ 2,489,319	\$ 13,586,469

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Fiduciary Net Position

Private-Purpose Trust Fund

September 30, 2016

	Employee Education Trust Fund
Assets	
Cash and cash equivalents	\$ 36,796
Total assets	\$ 36,796
Liabilities	\$ -
Net position	
Held in trust for employees	\$ 36,796

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Changes in Fiduciary Net Position

Private-Purpose Trust Fund

Year Ended September 30, 2016

	Employee Education Trust Fund
Additions	
Investment income	\$ 17
Contributions	1,000
Total additions	1,017
Deductions	
Scholarships	7,000
Bank charges	15
Total deductions	7,015
Change in net position	(5,998)
Net position, beginning of year	42,794
Net position, end of year	\$ 36,796

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Changes in Assets and Liabilities

Town Employees Agency Fund

Year Ended September 30, 2016

	Balance October 1, 2015	Additions	Deductions	Balance September 30, 2016
Assets				
Cash	\$ 9,950	\$ 148,361	\$ (142,912)	\$ 15,399
Total assets	\$ 9,950	\$ 148,361	\$ (142,912)	\$ 15,399
Liabilities				
Due to employees	\$ 9,950	\$ 148,361	\$ (142,912)	\$ 15,399
Total liabilities	\$ 9,950	\$ 148,361	\$ (142,912)	\$ 15,399



COMPLIANCE SECTION

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

To the Honorable Mayor and
Town Commissioners
Town of Jupiter Island, 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 Jupiter Island, Florida as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Jupiter Island, Florida's basic financial statements, and have issued our report thereon dated February 2, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Jupiter Island, 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 Jupiter Island, Florida's internal control. Accordingly we do not express an opinion on the effectiveness of the Town of Jupiter Island, 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 Jupiter Island, 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.



Morrison, Brown, Argiz & Farra, LLC
Palm Beach, Florida

February 10, 2017

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

To the Honorable Mayor and
Town Commissioners
Town of Jupiter Island, Florida

Report on Compliance for Each Major Federal Program and Major State Project

We have audited Town of Jupiter Island, Florida's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and Chapter 10.550, Rules of the Auditor General of the State of Florida that could have a direct and material effect on each of the Town of Jupiter Island, Florida's major federal programs and state projects for the year ended September 30, 2016. The Town of Jupiter Island, Florida's major federal programs and 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 federal statutes, regulations, and the terms and conditions of its awards applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Jupiter Island, Florida's major federal programs and 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; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General of the State of Florida. Those standards, the Uniform Guidance and Chapter 10.550 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 federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Town of Jupiter Island, 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 for each major federal program and state project. However, our audit does not provide a legal determination of the Town of Jupiter Island, Florida's compliance.

Opinion on Each Major Federal Program and Major State Project

In our opinion, the Town of Jupiter Island, 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 federal programs and state projects for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of the Town of Jupiter Island, 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 Jupiter Island, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and 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 federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, 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 Jupiter Island, 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 federal program or 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 federal program or 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 federal program or 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 the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.



Morrison, Brown, Argiz & Farra, LLC
Palm Beach, Florida

February 10, 2017



TOWN OF JUPITER ISLAND, FLORIDA

*Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended September 30, 2016*

Grantor/Program Title	CFDA Number	Contract/ Grant Number
Federal Programs:		
Department of Homeland Security:		
Passed Through State of Florida, Division of Emergency Management		13-IS-3S-10-53-
Disaster Grant - Public Assistance	97.036	01-544
Total Department of Homeland Security		
Department of Justice		
Passed Through State of Florida Department of Law Enforcement Edward Byrne Memorial Justice Assistance Grant Program		
		2016-JAGD-
Total Department of Justice		MART-3-H4-118
		16.738
Total Expenditures of Federal Awards		
State Projects:		
State of Florida Division of Emergency Management		
Disaster Grant - Public Assistance (State Match)	N/A	N/A
State of Florida Department of Environmental Protection		
Beach Management Funding Assistance Program	37.003	16MI1
Beach Management Funding Assistance Program	37.003	16MI2
Beach Management Funding Assistance Program	37.003	15MI2
Beach Management Funding Assistance Program	37.003	14MI2
Total Expenditures of State Financial Assistance		
Total Expenditures of Federal Awards and State Financial Assistance		

See notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

Passed	
Through to	Expenditures
Subrecipients	
\$ -	\$ 2,766,376
-	2,766,376
-	1,000
-	1,000
-	2,767,376
-	461,063
-	461,063
-	1,369,761
-	1,000,000
-	1,228,482
-	89,364
-	3,687,607
-	4,148,670
\$ -	\$ 6,916,046

TOWN OF JUPITER ISLAND, FLORIDA

*Notes to Schedule of Expenditures of Federal Awards and
State Financial Assistance
Year Ended September 30, 2016*

1) GENERAL

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (“Schedule”) presents the activity of all federal and state grants of the Town of Jupiter Island, Florida during the year ended September 30, 2016.

2) BASIS OF ACCOUNTING

The accompanying Schedule is presented using the accrual basis of accounting. Federal award expenditures are recognized following the cost principles contained in Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. State expenditures are recognized in accordance with Chapter 10.550, Rules of the Auditor General of the State of Florida. The amounts reported in the Schedule as expenditures may differ from certain financial reports submitted to Federal and State funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3) BASIS OF PRESENTATION

The accompanying Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General of the State of Florida.

4) SUB RECIPIENTS

There were no Federal awards provided to sub recipients.

TOWN OF JUPITER ISLAND, FLORIDA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards and State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Uniform Guidance and Chapter 10.550? _____ Yes X No

Identification of major federal programs and state projects:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Program or State Project</u>
97.036	Disaster Grant – Public Assistance
37.003	Beach Management Funding Assistance Program
Dollar threshold used to distinguish between Type A and Type B programs/projects:	
Federal Programs	\$ 750,000
State Projects	\$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X No

TOWN OF JUPITER ISLAND, FLORIDA

Schedule of Findings and Questioned Costs (continued)

For the Year Ended September 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

None.

PRIOR YEAR FINDINGS

None.

SECTION III – FEDERAL AWARD AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

CURRENT YEAR FINDINGS

None.

PRIOR YEAR FINDINGS

None.

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

To the Honorable Mayor and
Town Commissioners
Town of Jupiter Island, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Jupiter Island, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated February 2, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and the 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, which are dated January 20, 2017, 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 recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Town of Jupiter Island, 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 Jupiter Island, 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 Jupiter Island, 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town of Jupiter Island, Florida for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

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

Other Matters

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

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

Purpose of this Letter

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



Morrison, Brown, Argiz & Farra, LLC
Palm Beach, Florida

February 10, 2017

**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**

To the Honorable Mayor and
Town Commissioners
Town of Jupiter Island, Florida

We have examined the Town of Jupiter Island, Florida's compliance with the requirements of Section 218.415, Florida Statutes during the year ended September 30, 2016. Management is responsible for the Town of Jupiter Island, Florida's compliance with those requirements. Our responsibility is to express an opinion on the Town of Jupiter Island, 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 Jupiter Island, 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 Jupiter Island, Florida's compliance with specified requirements.

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

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

Morrison, Brown, Argiz & Farra

Morrison, Brown, Argiz & Farra, LLC
Palm Beach, Florida

February 10, 2017

