

TOWN OF JUPITER ISLAND, FLORIDA



Audited Financial Statements and Supplementary Financial Information

SEPTEMBER 30, 2011

TOWN OF JUPITER ISLAND, FLORIDA

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL INFORMATION

SEPTEMBER 30, 2011

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FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Jupiter Island, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 to 17 and the required supplementary information on pages 75 to 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Jupiter Island, Florida's financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rampell + Rampell, P.A.

Rampell & Rampell, P.A.

January 24, 2012

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Management's Discussion and Analysis

The Town of Jupiter Island'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, 2011.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$55,811,777. Of this amount, \$1,414,370 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
 - Governmental net assets were \$20,312,990.
 - Business-type net assets were \$35,498,787.
- The total revenue from all sources was \$19,309,171 and the total cost of all Town programs was \$19,095,701.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$11,716,306, which was an increase of \$6,969 from the prior year balance of \$11,709,337. Approximately 80% of this fund balance is restricted or assigned for specific purposes; the remaining 20% 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 \$2,280,041, or 34% of the total General Fund expenditures for the year ended September 30, 2011.
- The Town's outstanding long-term debt (excluding compensated absences and other postemployment benefits) decreased from \$58,105,216 to \$57,247,573 during the current fiscal year, representing a net decrease of \$857,643 (1.5%).

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 assets* 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 assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 eight 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 (the Beach Protection District Fund) and the Electric Underground Fund and in total for the nonmajor governmental funds which include the Conservation Reserve Fund, Beautification and Maintenance Fund, Criminal Justice Education and Training Fund, Special Law Enforcement Fund, and Arts Committee 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 101 of this report.

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

fiduciary funds is much like that used for enterprise funds. 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 105 to 108 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 70 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 75 to 85 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 to its employees can be found on page 87 of this report.

The combining and individual fund financial statements and schedules are presented as other supplementary information on pages 91 to 97 of this report immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, governmental activity assets exceeded liabilities by \$20,312,990. Business-type activity assets exceeded liabilities by \$35,498,787. The Town-wide total of net assets was \$55,811,777 at the close of the fiscal year ended September 30, 2011. The Statement of Net Assets is on page 21 of this report.

At the end of the current fiscal year, the Town reported positive balances in all categories of net assets 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 assets at September 30, 2011. This deficit is attributable to construction costs incurred in 2010 for the electrical underground project in the approximate amount of \$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 assets by the amount of the constructions costs.

The largest portion of the Town's net assets is reflected in the 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 \$91,018,654 or 77% of all assets, which total \$117,460,909. 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 assets (\$9,533,702 or 17%) represents resources that are subject to restrictions on how they may be used.

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

Net Assets						
(In Thousands)						
	Governmental		Business-type		Total	
	Activities		Activity			
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$ 12,726	\$ 13,125	\$ 13,716	\$ 11,282	\$ 26,442	\$ 24,407
Capital assets	19,548	21,488	71,470	72,390	91,018	93,878
Total assets	\$ 32,274	\$ 34,613	\$ 85,186	\$ 83,672	\$ 117,460	\$ 118,285
Liabilities						
Long-term liabilities	\$ 10,722	\$ 11,024	\$ 45,866	\$ 46,166	\$ 56,588	\$ 57,190
Other liabilities	1,240	1,830	3,821	3,470	5,061	5,300
Total liabilities	\$ 11,962	\$ 12,854	\$ 49,687	\$ 49,636	\$ 61,649	\$ 62,490
Net assets						
Invested in capital assets, net of related debt	\$ 19,465	\$ 21,374	\$ 25,398	\$ 26,171	\$ 44,863	\$ 47,545
Restricted	6,257	-	3,276	3,214	9,533	3,214
Unrestricted	(5,410)	385	6,825	4,651	1,415	5,036
Total net assets	\$ 20,312	\$ 21,759	\$ 35,499	\$ 34,036	\$ 55,811	\$ 55,795

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

Changes in Net Assets						
(In Thousands)						
	Governmental		Business-type		Total	
	Activities		Activity			
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 1,427	\$ 1,599	\$ 10,602	\$ 10,715	\$ 12,029	\$ 12,314
Operating grants and contributions	59	251	-	-	59	251
Capital grants and contributions	-	-	319	373	319	373
General revenues:						
Taxes	6,684	6,604	-	-	6,684	6,604
Intergovernmental	101	84	-	-	101	84
Investment earnings	18	30	99	55	117	85
Total revenues	\$ 8,289	\$ 8,568	\$ 11,020	\$ 11,143	\$ 19,309	\$ 19,711

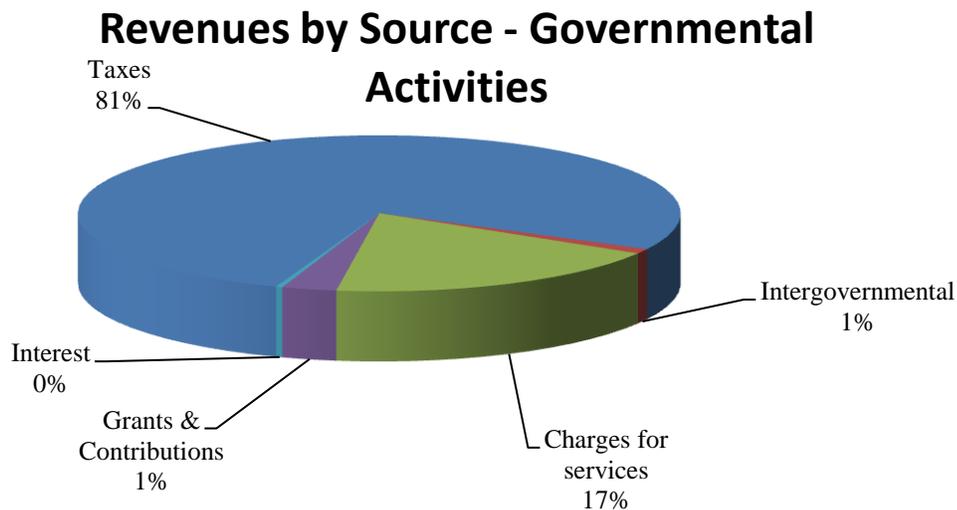
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Changes in Net Assets (Continued)
(In Thousands)

	Governmental Activities		Business-type Activity		Total	
	2011	2010	2011	2010	2011	2010
Expenses						
General government	\$ 1,585	\$ 1,619	\$ -	\$ -	\$ 1,585	\$ 1,619
Public safety	3,079	3,266	-	-	3,079	3,266
Building	487	541	-	-	487	541
Public works	1,230	1,359	-	-	1,230	1,359
Environmental	2,729	2,825	-	-	2,729	2,825
Interest on long-term debt	429	424	-	-	429	424
Water and wastewater	-	-	9,557	9,594	9,557	9,594
Total expenses	9,539	10,034	9,557	9,594	19,096	19,628
Change in net assets before special item	(1,250)	(1,466)	1,463	1,549	213	83
Special item	(197)	(7,953)	-	-	(197)	(7,953)
Change in net assets	(1,447)	(9,419)	1,463	1,549	16	(7,870)
Net assets – beginning of year	21,759	31,178	34,036	32,487	55,795	63,665
Net assets – end of year	\$ 20,312	\$ 21,759	\$ 35,499	\$ 34,036	\$ 55,811	\$ 55,795

Governmental Activities: Governmental activities decreased the Town’s net assets by \$1,446,483. The largest single source of governmental revenue received was \$6,683,538 for taxes or 81% of the total governmental revenues. Of this amount, approximately \$1.4 million was assessed and collected by the Beach Protection District, a blended component unit of the Town. Charges for services decreased \$172,075 and the decrease was mainly attributable to building permits. Investment earnings declined approximately \$12,000 in 2011 due to lower interest rates.

The sources of governmental activities revenue as a percentage of total governmental revenue for 2011 are summarized as follows:



General government expenses decreased in each department. The overall net result in 2011 was a decrease in expenses of \$496,000. The primary reason for the decrease was health insurance savings of \$297,000.

Business-type activity: The Town's business-type activity increased net assets by \$1,463,167, accounting for all of the total growth in the Town's net assets for 2011. Charges for services for the business-type activity decreased slightly from the previous fiscal year. The decrease of approximately \$113,000 or 1% resulted primarily from a water rate reduction. Capital contributions have historically been a major revenue source for the Utility. The decrease of approximately \$54,000 is a result of the overall decline in housing resulting in lower developer contributed assets in 2011. Business-type expenses decreased approximately \$37,000 or .4%.

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 \$11,716,306, an increase of \$6,969 from the prior year balance of \$11,709,337. Of this amount \$9,295,524 is restricted or assigned for specific purposes as follows:

- ❖ \$6,224,605 restricted for beach protection projects
- ❖ \$33,041 restricted for public safety equipment and training
- ❖ \$1,000,000 assigned for emergencies
- ❖ \$115,000 assigned for compensated absences
- ❖ \$80,000 assigned for uninsured losses
- ❖ \$180,000 assigned for road paving
- ❖ \$122,329 assigned for subsequent year expenditures
- ❖ \$2,236 assigned for the art committee
- ❖ \$692,972 assigned for debt repayment
- ❖ \$663,251 assigned for conservation projects
- ❖ \$168,496 assigned for beautification projects
- ❖ \$13,594 assigned for public safety training and education

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 \$2,280,041, while the total fund balance reached \$4,765,688. 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 \$6,519,627. Unassigned fund balance represents 34% of total general fund expenditures, while total fund balance represents 73% of that same amount.

The fund balance of the Town's general fund increased by \$1,147,702 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 assets of the water and wastewater utility at the end of the year amounted to \$6,824,518, representing an increase of \$2,173,822 from the prior year balance of \$4,650,696. Approximately \$1,200,000 of the increase has been allocated in the 2012 budget for the completion of the Nano Filtration Plant and other capital projects.

Budgetary Highlights

General Fund

Overall actual revenues were more than the anticipated amounts by \$69,512 and expenditures were \$243,098 less than the appropriated budget. Accordingly, the Town had a favorable budget variance for 2011 of \$312,610. The largest budget variance for revenue was building permits, which exceeded the budgeted amount by \$249,832. Expenditures were under-budget in several departments for the year, with the largest variances being administration \$76,714 and roads \$110,990.

Beach Protection Fund

Actual revenues were less than the anticipated amounts by \$2,519,275 and expenditures were \$8,439,156 less than the appropriated budget. The large variances were due to the postponement of the beach renourishment project which has been rescheduled for 2012. The \$2.5 million was a budgeted FEMA reimbursement which will be realized when the project is underway in 2012.

Electric Underground Fund

Actual revenues were less than the anticipated amounts by \$1,938. Expenditures totaled \$999,298 and were \$80,923 less than the appropriated budget.

Capital Assets and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities at September 30, 2011, amounts to \$91,018,654 (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 Activity		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 10,858	\$ 10,858	\$ 14,483	\$ 14,483	\$ 25,341	\$ 25,341
Building and improvements	2,667	2,689	6,733	6,914	9,400	9,603
Water distribution system	-	-	20,155	21,001	20,155	21,001
Wastewater collection system	-	-	22,977	23,352	22,977	23,352
Wells	-	-	3,649	3,646	3,649	3,646
Equipment	632	704	2,825	2,994	3,457	3,698
Beach renourishment	5,085	7,037	-	-	5,085	7,037
Roads	306	186	-	-	306	186
Construction in progress	-	14	648	-	648	14
Total capital assets	\$ 19,548	\$ 21,488	\$ 71,470	\$ 72,390	\$ 91,018	\$ 93,878

The Town's total investment in capital assets decreased for the current fiscal year by approximately \$2,860,000 or 3%. This was mainly attributable to depreciation expense.

Additional information on the Town's capital assets can be found in Note 5 on pages 51 to 53 of this report.

Long-term Debt: The Town's total debt decreased by \$857,641 (1.5%) during the current fiscal year. The Town's outstanding debt, excluding compensated absences and other post employment benefits with no fixed maturity date, is summarized as follows:

	Outstanding Debt (In Thousands)					
	Governmental Activities		Business-type Activity		Total	
	2011	2010	2011	2010	2011	2010
Notes payable	\$ 10,134	\$ 10,481	\$ 16,945	\$ 17,425	\$ 27,079	\$ 27,906
Capital lease	83	114	-	-	83	114
Revenue bonds	-	-	30,085	30,085	30,085	30,085
Total debt	\$ 10,217	\$ 10,595	\$ 47,030	\$ 47,510	\$ 57,247	\$ 58,105

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 \$30,085,000 and notes payable outstanding of \$16,945,630 in the utility system for a total of \$47,030,630. Two of the notes payable totaling \$13,885,467 at September 30, 2011 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 8 on pages 54 to 61 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 2011/2012 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 General Fund millage rate flat. The General Fund millage rate adopted for 2011-2012 remained the same compared to the prior year. This millage rate results in a total projected tax levy of \$4,898,479.

- General Fund revenues and expenditures for the 2011-2012 budget year increased \$47,000 from the 2010-2011 budget.
- The Beach Protection District will undergo a \$12,500,000 beach re-nourishment project in 2012. The millage rate for 2011-2012 increased from .75 to 2.3187 to cover the cost of this project.
- The Town will begin the voted debt millage in 2012 for the pay off of the electrical undergrounding project. The millage rate for 2011-2012 is .1266 and will increase in 2012-2013 to approximately .4 mills.
- Many other factors with less significant impacts than those above were also considered in preparing the Town's budget for the 2011-2012 fiscal year.

South Martin Regional Utility operations are primarily supported by user fees. In 2011-2012, a decrease of \$750,000 in water revenue has been budgeted due to the reduction of water rates in fiscal year 2010-2011. This reduction in rates was the result of the Utility System Revenue Refunding Bonds, Series 2010.

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 Office of the Finance Director at 2 Bridge Road, Hobe Sound, FL 33455.



BASIC FINANCIAL STATEMENTS

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Net Assets

September 30, 2011

	Governmental Activities	Business-Type Activity	Total
Assets			
Cash and cash equivalents	\$ 12,390,713	\$ 5,057,259	\$ 17,447,972
Investments	28,904	25,493	54,397
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$405,928 respectively	37,337	600,944	638,281
Interest receivable	-	19,451	19,451
Prepaid items	140,741	193,046	333,787
Due from other governments	41,393	-	41,393
Internal balances	(8,280)	8,280	-
Restricted assets:			
Cash and cash equivalents	-	3,718,252	3,718,252
Investments	-	2,517	2,517
Notes receivable	-	1,035,028	1,035,028
Net pension asset	77,207	-	77,207
Unamortized debt issuance costs	18,444	359,040	377,484
Deferred outflow of resources	-	2,696,486	2,696,486
Capital assets:			
Capital assets not being depreciated	10,858,049	15,130,598	25,988,647
Depreciable capital assets, net	8,690,343	56,339,664	65,030,007
Total assets	\$ 32,274,851	\$ 85,186,058	\$ 117,460,909
Liabilities			
Accounts payable	\$ 799,546	\$ 359,325	\$ 1,158,871
Accrued liabilities	114,956	62,645	177,601
Contracts and retainage payable	-	174,452	174,452
Accrued interest payable	325,473	83,217	408,690
Liabilities payable from restricted assets	-	444,713	444,713
Derivative instrument - interest rate swap	-	2,696,486	2,696,486
Long-term liabilities:			
Due within one year	498,424	345,620	844,044
Due in more than one year	10,223,462	45,520,813	55,744,275
Total liabilities	\$ 11,961,861	\$ 49,687,271	\$ 61,649,132
Net assets			
Invested in capital assets, net of related debt	\$ 19,465,492	\$ 25,398,213	\$ 44,863,705
Restricted	6,257,646	3,276,056	9,533,702
Unrestricted	(5,410,148)	6,824,518	1,414,370
Total net assets	\$ 20,312,990	\$ 35,498,787	\$ 55,811,777

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Activities

Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities				
General government	\$ 1,584,650	\$ 575,669	\$ 5,051	\$ -
Public safety	3,079,340	130	-	-
Building	486,881	749,832	1,000	-
Public works	1,229,876	101,600	-	-
Environmental	2,728,429	-	52,934	-
Interest on long-term debt	429,204	-	-	-
Total governmental activities	9,538,380	1,427,231	58,985	-
Business-type activity				
Water and wastewater	9,557,321	10,601,849	-	318,997
Total	\$ 19,095,701	\$ 12,029,080	\$ 58,985	\$ 318,997

General revenues

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for beach protection

Local option gas tax

Franchise fees

Communications tax

Intergovernmental not restricted to specific programs

Investment income

Special item - capital contributions to utility

Total general revenues and special item

Change in net assets

Net assets, beginning of year

Net assets, end of year

See notes to basic financial statements.

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

Governmental Activities	Business-type Activity	Total
\$ (1,003,930)	\$ -	\$ (1,003,930)
(3,079,210)	-	(3,079,210)
263,951	-	263,951
(1,128,276)	-	(1,128,276)
(2,675,495)	-	(2,675,495)
(429,204)	-	(429,204)
(8,052,164)	-	(8,052,164)
-	1,363,525	1,363,525
(8,052,164)	1,363,525	(6,688,639)
4,896,049	-	4,896,049
1,389,782	-	1,389,782
103,135	-	103,135
220,983	-	220,983
73,589	-	73,589
100,750	-	100,750
18,179	99,642	117,821
(196,786)	-	(196,786)
6,605,681	99,642	6,705,323
(1,446,483)	1,463,167	16,684
21,759,473	34,035,620	55,795,093
\$ 20,312,990	\$ 35,498,787	\$ 55,811,777

TOWN OF JUPITER ISLAND, FLORIDA

Balance Sheet - Governmental Funds

September 30, 2011

	Major Governmental Funds		
	General Fund	Beach Protection Fund	Electric Underground Fund
Assets			
Cash and cash equivalents	\$ 5,081,679	\$ 6,552,081	\$ 723,912
Investments	11,125	17,779	-
Accounts receivable	37,337	-	-
Prepaid items	140,741	-	-
Due from other governments	41,393	-	-
Due from other funds	1,117	-	-
Total assets	\$ 5,313,392	\$ 6,569,860	\$ 723,912
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 424,468	\$ 344,138	\$ 30,940
Accrued liabilities	114,956	-	-
Due to other funds	8,280	1,117	-
Total liabilities	547,704	345,255	30,940
Fund balance			
Nonspendable	140,741	-	-
Restricted	-	6,224,605	-
Committed	-	-	-
Assigned	2,344,906	-	692,972
Unassigned	2,280,041	-	-
Total fund balance	4,765,688	6,224,605	692,972
Total liabilities and fund balance	\$ 5,313,392	\$ 6,569,860	\$ 723,912

See notes to basic financial statements.

Nonmajor Governmental Fund	Total Governmental Funds
\$ 33,041	\$ 12,390,713
-	28,904
-	37,337
-	140,741
-	41,393
-	1,117
\$ 33,041	\$ 12,640,205
\$ -	\$ 799,546
-	114,956
-	9,397
-	923,899
-	140,741
33,041	6,257,646
-	-
-	3,037,878
-	2,280,041
33,041	11,716,306
\$ 33,041	\$ 12,640,205



TOWN OF JUPITER ISLAND, FLORIDA

*Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2011*

Total governmental fund balance (page 25)		\$ 11,716,306
Amounts reported for governmental activities in the statement of net assets are different because:		
Cost of assets	\$ 34,679,226	
Accumulated depreciation	<u>(15,130,834)</u>	19,548,392
Issuance costs on long-term debt are capitalized and amortized over the term of the related debt in the statement of net assets.		18,444
Net pension assets are not available to pay for current liabilities, and therefore is not recognized in the funds.		77,207
Accrued interest on long-term debt is not due and payable in the current period and is not reported in governmental funds.		(325,473)
Other postemployment benefits obligations are reported in the statement of net assets. Because this liability is not due and payable in the current period, it is not reported in the governmental funds.		(80,470)
Long-term liabilities, including notes payable, compensated absences payable and capital leases are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities at year-end consist of:		
Notes payable	(10,134,045)	
Capital lease obligation	(82,900)	
Compensated absences	<u>(424,471)</u>	(10,641,416)
Total net assets (page 21)		\$ 20,312,990

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, 2011

	Major Governmental Funds		
	General Fund	Beach Protection Fund	Electric Underground Fund
Revenue			
Taxes	\$ 5,293,756	\$ 1,389,782	\$ -
Licenses and permits	754,521	-	-
Intergovernmental	101,750	-	-
Charges for services	110,850	-	-
Fines and forfeitures	3,815	-	-
Donations	-	-	-
Investment income	10,082	6,450	1,062
Miscellaneous	557,463	452	-
Total revenue	6,832,237	1,396,684	1,062
Expenditures			
Current:			
General government:			
Administration	1,339,292	110,254	-
Public safety	3,079,565	-	-
Building	495,486	-	-
Public works:			
Solid waste	925,245	-	-
Grounds	246,278	-	-
Roads	8,808	-	-
Environmental:			
Lethal yellowing program	119,187	-	-
Beach protection and monitoring	-	34,412	-
Beautification and maintenance	-	-	-
Capital outlay	270,554	567,269	196,786
Debt service:			
Principal	30,892	-	397,239
Interest	4,320	30,409	405,273
Total expenditures	6,519,627	742,344	999,298
Excess (deficiency) of revenues over (under) expenditures	312,610	654,340	(998,236)
Other financing sources (uses):			
Debt proceeds	-	50,000	-
Transfers in	847,577	-	-
Transfers out	(12,485)	-	-
Total other financing sources (uses)	835,092	50,000	-
Net change in fund balance	1,147,702	704,340	(998,236)
Fund balance, beginning of year	3,617,986	5,520,265	1,691,208
Fund balance, end of year	\$ 4,765,688	\$ 6,224,605	\$ 692,972

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 6,683,538
-	754,521
52,934	154,684
-	110,850
130	3,945
5,051	5,051
585	18,179
-	557,915
58,700	8,288,683
15,315	1,464,861
-	3,079,565
-	495,486
-	925,245
-	246,278
-	8,808
-	119,187
-	34,412
55,130	55,130
-	1,034,609
-	428,131
-	440,002
70,445	8,331,714
(11,745)	(43,031)
-	50,000
12,485	860,062
(847,577)	(860,062)
(835,092)	50,000
(846,837)	6,969
879,878	11,709,337
\$ 33,041	\$ 11,716,306



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, 2011*

Net change in fund balance - total governmental funds (page 29)	\$ 6,969
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 depreciation expense exceeded capital outlays in the current period.	(1,939,682)
Proceeds from debt increase long-term liabilities in the statement of net assets.	(50,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	428,131
Debt issuance costs are an expenditure in the governmental fund, but are capitalized and amortized over the term of the related debt in the statement of net assets.	
Amortization of debt issuance costs in the current period	(2,125)
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when the payment is due. This is the change in accrued interest payable.	12,923
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	(28,043)
Change in net pension obligation	173,001
Change in compensated absences	(47,657)
Change in net assets of governmental activities (page 23)	\$ (1,446,483)

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA*Statement of Net Assets**Enterprise Fund**September 30, 2011*

Assets	
Current assets	
Cash and cash equivalents	\$ 5,057,259
Investments	25,493
Accounts receivable, net of allowance for doubtful accounts of \$405,928	600,944
Due from other funds	8,280
Notes receivable - current	33,729
Interest receivable	19,451
Prepaid items	193,046
Total current assets	5,938,202
Noncurrent assets	
Restricted assets:	
Cash and cash equivalents	3,718,252
Investments	2,517
Total restricted assets	3,720,769
Other assets	
Notes receivable - long-term	1,001,299
Unamortized debt issuance costs	359,040
Deferred outflow of resources	2,696,486
Total other assets	4,056,825
Capital assets	
Land and improvements	14,482,794
Construction in progress	647,804
Buildings and improvements	9,492,418
Water distribution systems	27,931,106
Wastewater distribution systems	27,709,667
Wells	4,512,711
Equipment	8,749,925
Total capital assets	93,526,425
Less accumulated depreciation	(22,056,163)
Total capital assets	71,470,262
Total assets	\$ 85,186,058

Continued on next page.

TOWN OF JUPITER ISLAND, FLORIDA*Statement of Net Assets (Continued)**Enterprise Fund**September 30, 2011*

Liabilities and net assets	
Current liabilities	
Accounts payable	\$ 359,325
Accrued liabilities	62,645
Contracts and retainage payable	174,452
Accrued interest payable	83,217
Compensated absences payable	3,584
Current portion of notes payable	342,036
Total current liabilities	1,025,259
Current liabilities payable from restricted assets	
Accounts payable	25,336
Accrued interest payable	264,562
Current portion of notes payable	154,815
Total current liabilities payable from restricted assets	444,713
Noncurrent liabilities	
Compensated absences payable	56,539
Other postemployment benefits payable	63,528
Derivative instrument - interest rate swap	2,696,486
Notes payable	16,448,777
Revenue bonds payable, net of unamortized premium and loss on refunding	28,951,969
Total noncurrent liabilities	48,217,299
Total liabilities	\$ 49,687,271
Net assets	
Invested in capital assets, net of related debt	\$ 25,398,213
Restricted	3,276,056
Unrestricted	6,824,518
Total net assets	35,498,787
Total liabilities and net assets	\$ 85,186,058

See notes to basic financial statements.



TOWN OF JUPITER ISLAND, FLORIDA*Statement of Revenue, Expenses and Changes in Fund Net Assets**Enterprise Fund**Year Ended September 30, 2011*

Operating revenue	
Water	\$ 7,321,747
Wastewater	2,765,199
Other	501,588
Total operating revenue	10,588,534
Operating expenses	
Personal services	2,325,698
Operating expenses	2,627,659
Depreciation	2,288,974
Total operating expenses	7,242,331
Operating income	3,346,203
Nonoperating revenue (expenses)	
Interest income	99,642
Other income	13,315
Interest expense	(2,142,424)
Amortization	(172,566)
Total nonoperating revenue (expenses)	(2,202,033)
Income before capital contributions	1,144,170
Capital contributions	318,997
Change in net assets	1,463,167
Net assets, beginning of year	34,035,620
Net assets, end of year	\$ 35,498,787

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA*Statement of Cash Flows**Enterprise Fund**Year Ended September 30, 2011*

Cash flows from operating activities	
Cash received from customers	\$ 10,641,514
Cash received for interfund services provided	41,882
Cash received from others	13,315
Cash paid to suppliers and contractors	(2,514,457)
Cash paid to employees	(2,307,195)
Cash paid for interfund services	(394,162)
Net cash provided by operating activities	5,480,897
Cash flows from noncapital financing activities	
Transfers from other funds	8,365
Transfers to other funds	(30,864)
Net cash used in noncapital financing activities	(22,499)
Cash flows from capital and related financing activities	
Capital contributions	259,660
Principal received on notes receivable	207,816
Principal paid on notes payable	(479,512)
Acquisition and construction of capital assets	(1,195,121)
Payment of interest	(2,317,011)
Net cash used in capital and related financing activities	(3,524,168)
Cash flows from investing activities	
Interest received	118,359
Net cash provided by investing activities	118,359
Net increase in cash and cash equivalents	2,052,589
Cash and cash equivalents, beginning of year	6,722,922
Cash and cash equivalents, end of year	\$ 8,775,511
Reconciliation of cash and cash equivalents to statement of net assets:	
Unrestricted cash and cash equivalents	\$ 5,057,259
Restricted cash and cash equivalents	3,718,252
Cash and cash equivalents at September 30, 2011	\$ 8,775,511

Continued on the following page.

TOWN OF JUPITER ISLAND, FLORIDA*Statement of Cash Flows (Continued)**Enterprise Fund**Year Ended September 30, 2011***Reconciliation of operating income to net cash provided by operating activities:**

Operating income	\$ 3,346,203
Adjustments to reconcile operating income to net cash provided by operating activities:	
Provision for uncollectible accounts	132,697
Depreciation	2,288,974
Other income	13,315
Changes in operating assets and liabilities:	
Accounts receivable	(37,835)
Prepaid items	(193,046)
Accounts payable	(87,914)
Accrued liabilities	(8,268)
Compensated absences payable	4,771
Other postemployment benefits payable	22,000
Net cash provided by operating activities	\$ 5,480,897

Supplemental disclosure of noncash capital and related financing activities:

Amortization of debt issuance costs	\$ (13,893)
Amortization of premium on bonds	(3,715)
Amortization of refunding loss on bonds	(154,957)
Notes receivable for capital contributions	59,337

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA*Statement of Fiduciary Net Assets**Fiduciary Funds**September 30, 2011*

	Pension Trust Funds	Private- Purpose Trust Fund	Agency Fund
Assets			
Cash and cash equivalents	\$ -	\$ 57,241	\$ 14,529
Unallocated cash in transit	45,657	-	-
Investments	8,898,315	-	-
Employer contributions receivable	535,214	-	-
Loans receivable	9,295	-	-
Total assets	\$ 9,488,481	\$ 57,241	\$ 14,529
Liabilities			
Due to employees	\$ -	\$ -	\$ 14,529
Total liabilities	\$ -	\$ -	\$ 14,529
Net Assets			
Held in trust for pension benefits and other purposes	\$ 9,488,481	\$ 57,241	\$ -

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year Ended September 30, 2011

	Pension Trust Funds	Private- Purpose Trust Fund
Additions		
Contributions:		
Employer	\$ 902,460	\$ -
Investment income	(206,911)	39
Total additions	695,549	39
Deductions		
Payments to retirees and employees	661,931	-
Administrative expenses	11,995	15
Total deductions	673,926	15
Change in net assets	21,623	24
Net assets, beginning of year	9,466,858	57,217
Net assets, end of year	\$ 9,488,481	\$ 57,241

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA

Notes to Basic Financial Statements

September 30, 2011

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, The 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.

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 assets 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 assets have been eliminated except those representing balances between the governmental activities and business-type

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In March 2009, GASB issued Statement No. 54 – *Fund Balance Reporting and Government Fund Type Definitions*. This Statement establishes fund balance classifications based primarily on the extent to which the Town is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures. The Town made the decision to implement this standard effective October 1, 2010.

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 assets and changes in net assets 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 within the Town's financial statements.

The *Electric Underground Fund*, which in prior years accounted for the construction costs to move all overhead electric and associated utility lines underground, now accounts for assets held for the

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

repayment of principal and interest on general obligation debt reported in governmental activities in the statement of net assets.

Additionally, the Town reports one nonmajor special revenue fund that is used to account for proceeds from law enforcement forfeitures. Expenditures from this fund are made only for public safety purposes.

Enterprise Fund Financial Statements – Enterprise fund financial statements include a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows for the Town’s sole enterprise fund as follows:

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 assets and a statement of changes in fiduciary net assets. 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

Financial reporting is based upon all pronouncements of the Governmental Accounting Standards Board (GASB), as well as the pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989, are not followed by the Town in the preparation of its financial statements.

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 6 months of the end of the current fiscal year, except for property taxes, for which the period is 60 days. Expenditures are generally recognized in

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and cash equivalents consist of petty cash, deposits with financial institutions in interest and non-interest bearing checking accounts and money market accounts, and money market mutual funds. For purposes of the statement of cash flows and financial statement disclosures, cash equivalents include short-term, highly liquid investments with the original maturities of ninety days or less when purchased and consist principally of money market funds.

Investments

The Town's investments consist of investments with Florida Prime and the Local Government Investment Pool ("LGIP") Fund B, both administered by the Florida State Board of Administration ("SBA"); and, Pension Trust Fund investments consisting of deposits with an insurance company invested in group annuity contracts and investments in self-directed participant accounts reported at fair values provided by the insurance company.

Investments are reported at fair value, which is determined by using various third party pricing sources. The Florida Prime investment pool is operated as a "2a7- like" pool and thus, the fair value of these investments is considered to be the same as the Town's account balance (amortized cost) in the pool.

The SBA administers the Florida Prime and LGIP Fund B 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 and LGIP Fund B.

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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Assets

The Town has reported all capital assets, including infrastructure assets (roads, sidewalks and similar items), in the government-wide statement of net assets. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$500 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 assets.

Depreciation is computed using the straight-line method over the estimated useful lives of all reported capital assets, except land. Amortization of assets held under capital leases is included in depreciation. 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	6 years

Unamortized Debt Issuance Costs

Debt issuance costs are deferred and amortized on the straight-line basis and charged against operations over the term of the related debt. This method approximates the interest method of amortization. Bond premiums and discounts are deferred and amortized using the effective interest method. Unamortized debt issue costs are included in assets and unamortized bond discount and premium is presented as a reduction of bonds payable.

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 assets.

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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Net Assets/Fund Balance

The government-wide and business type fund financial statements utilize a net asset presentation. Net assets are categorized as follows:

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

Restricted – This component of net assets consists of constraints placed on the use of net assets 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 assets consists of net assets that do not meet the definition of *Invested in Capital Assets, Net of Related Debt* or *Restricted*.

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 purposes for which amounts in the funds may be spent. The Town is required to classify and report amounts in the appropriate fund balance classifications. The Town's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned.

The fund balance classifications are summarized as follows:

Nonspendable Fund Balance – 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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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. 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 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.

During 2007, the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. Local governments that adopt a property tax levy in excess of the limit under State law will lose their Half-Cent Sales Tax distribution from the state for the succeeding twelve months.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the fiscal year ended September 30, 2011, 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 (2009/2010) 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, 2011, the Town adopted a millage rate permitted by a majority vote of the Town Commission under this formula, which was 2.6341 for the general fund and .7500 for the Jupiter Island Beach Protection District (the "District"). This millage rate resulted in a total tax levy of \$4,902,700 and \$1,392,000 for 2011, for the general fund and the District, respectively, representing an increase of 1% for the general fund and a decrease of 2% for the District from the property tax levy for 2010. Future property tax rate increases are generally limited to the annual growth rate for per capita personal income plus the value of new construction.

On January 29, 2008, Florida voters approved a constitutional amendment that changes how property is assessed for ad valorem taxes, by 1) increasing the homestead exemption from \$25,000 to \$50,000 (for property values between \$50,000 - \$75,000); 2) allowing the transfer (portability) to a new homestead property of up to \$500,000 or the accumulated savings under the 3% cap on annual increases in assessed value of a homestead property under the Save Our Homes constitutional amendment adopted in 1995; 3) providing a \$25,000 exemption for tangible personal property taxes paid by businesses; and 4) creating a 10% cap on annual increases in assessed values for non-homestead properties. The changes became effective on October 1, 2008, with the exception of the 10% assessment cap on non-homestead property which became effective on January 1, 2009.

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.

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.

2) CASH, CASH EQUIVALENTS AND INVESTMENTS

At September 30, 2011, cash, cash equivalents and investments of the Town, excluding fiduciary funds, included the following:

2) CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

	Unrestricted	Restricted	Total
Cash and Cash Equivalents			
Deposits with financial institutions	\$ 4,435,600	\$ 447,083	\$ 4,882,683
Money market mutual funds	4,914,727	500,200	5,414,927
State Board of Administration Florida Prime Fund	8,097,645	2,770,969	10,868,614
	17,447,972	3,718,252	21,166,224
Investments			
Local Government Investment Pool Fund B	54,397	2,517	56,914
	54,397	2,517	56,914
	\$ 17,502,369	\$ 3,720,769	\$ 21,233,138

Cash and Cash Equivalents

At September 30, 2011, the bank balances of the Town's cash and cash equivalents included \$5,493,211 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, 2011, included cash and cash equivalents with a bank balance of \$71,768 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, all deposits with financial institutions are considered fully insured in accordance with the provisions of Statement No. 3 of the Governmental Accounting Standards Board.

Investments

The Town's investment policy and Florida Statutes authorize the Town to invest in the State Board of Administration Florida Prime Fund; 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, stocks and debt securities of U.S. corporations.

At September 30, 2011, cash, cash equivalents and investments of the Town's fiduciary funds included the following:

Pension Trust Funds	
Investments with insurance company	\$ 8,898,315
Unallocated cash in transit	45,657
Private-purpose Trust Fund	
Cash and cash equivalents	57,241
Agency Fund	
Cash and cash equivalents	14,529
Total cash, cash equivalents and investments	\$ 9,015,742

2) CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The cash and cash equivalents 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. The Pension Trust Fund investments at September 30, 2011, consisted of investments in mutual funds with the Transamerica Financial Life Insurance Company (“TFLIC”) and administered by Diversified Investment Advisors, Inc., a subsidiary of AEGON USA, Inc. (“AEGON”). The pension fund investments are uninsured and uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Cash equivalents 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. Due to the nature of the securities in the LGIP Fund B, interest rate risk information (i.e. specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life is available, and in this calculation, the time at which an expected principal amount is to be received is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the calculation are not discounted to present value. The weighted average life of Fund B at September 30, 2011, is estimated at 4.82 years. However, because Fund B consists of restructured and defaulted securities, there is considerable uncertainty regarding the weighted average life.

The weighted average days to maturity of the Florida Prime Fund was 38 days at September 30, 2011.

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 Fund, 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 LGIP Fund B is not rated.

The NRSRO ratings for the Town’s rated investments at September 30, 2011, are summarized as follows:

Investment Type	NRSRO Rating	Fair Value
State Board of Administration Florida Prime Fund	AAAm	\$ 10,868,614

On November 29, 2007, the Board of Trustees of the State Board of Administration (SBA) closed the Local Government Investment Pool (LGIP) to all redemptions by participants due to substantial withdrawals from the LGIP over the two preceding weeks that severely reduced the overall liquidity to the LGIP. The withdrawals were in response to published press reports concerning the exposure of the LGIP investments to potential losses from sub-prime mortgage investments.

The restructuring divided the LGIP into two separate pools, the LGIP and Fund B representing approximately 86% and 14%, respectively, of the original LGIP assets. The LGIP was designated as the ongoing fund consisting of only short-term, money market assets of the highest quality. On December 6, 2007, the LGIP reopened to accept new deposits from participants and allow restricted withdrawals. Fund B retained all securities from the original LGIP that had defaulted, are in default or have extended payment terms or potentially elevated credit risk. Fund B is closed to deposits and withdrawals and is generally expected to hold all assets to their ultimate maturity and to distribute funds to participants as they become available. Accordingly, the Fund B investment is illiquid and is recorded at fair value based on the net asset value to the Fund B assets reported by the SBA. At September 30, 2011, the Fund B investments had a net asset value of \$74,961 which approximated 76% of amortized cost and is not available for withdrawal.

2) CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The ultimate realizable value of the LGIP Fund B investment cannot be determined at this time, however, it is the opinion of management that the amount of loss, if any, will not adversely affect the services provided by the Town. Additional information on the current status of Fund B may be obtained from the State Board of Administration.

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 the LGIP Fund B, 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. Investments in the LGIP Fund B and pension fund mutual funds are excluded from the concentration of credit risk disclosure requirement.

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.

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, 2011.

3) ACCOUNTS RECEIVABLE

Accounts receivable and the related allowance for doubtful accounts at September 30, 2011, are summarized as follows:

	Gross Accounts Receivable	Allowance For Doubtful Accounts	Net Accounts Receivable
Governmental Activities			
Due from State of Florida	\$ 41,393	\$ -	\$ 41,393
Other miscellaneous services	37,337	-	37,337
Total governmental activities	78,730	-	78,730
Business-type Activity			
Customer receivables	1,006,872	(405,928)	600,944
Accrued interest	19,451	-	19,451
Total business-type activity	1,026,323	(405,928)	620,395
	\$ 1,105,053	\$ (405,928)	\$ 699,125

4) 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 \$1.3 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, 2011, the notes receivable total \$1,035,028, of which \$33,729 was current.

5) CAPITAL ASSETS

The capital asset activity for government activities for the year ended September 30, 2011, 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	\$ 10,858,049	\$ -	\$ -	\$ 10,858,049
Construction in progress	14,466	-	(14,466)	-
Total capital assets not being depreciated	10,872,515	-	(14,466)	10,858,049
Depreciable capital assets:				
Buildings and improvements	3,865,844	72,663	-	3,938,507
Equipment	2,237,585	100,936	-	2,338,521
Beach renourishment	16,558,834	567,269	-	17,126,103
Roads	286,183	131,863	-	418,046
Total depreciable capital assets	22,948,446	872,731	-	23,821,177
Less accumulated depreciation:				
Buildings and improvements	(1,177,091)	-	(94,269)	(1,271,360)
Equipment	(1,534,300)	-	(171,859)	(1,706,159)
Beach renourishment	(9,521,605)	-	(2,519,700)	(12,041,305)
Roads	(99,892)	-	(12,118)	(112,010)
Total accumulated depreciation	(12,332,888)	-	(2,797,946)	(15,130,834)
Depreciable assets, net of accumulated depreciation	10,615,558	872,731	(2,797,946)	8,690,343
Total net governmental activities capital assets	\$ 21,488,073	\$ 872,731	\$ (2,812,412)	\$ 19,548,392

5) CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 119,100
Public safety	74,429
Building	6,326
Public works	78,391
Environmental	2,519,700
Total governmental activities depreciation expense	\$ 2,797,946

Capital Contribution to Utility

The Town executed underground facilities conversion agreements with an electric utility in 2006. Notes payable totaling \$11,000,000 were issued to finance the construction of the project in 2007 and 2008. The project was considered substantially complete in 2010 and the improvements, which totaled approximately \$8 million, were transferred to the utility in accordance with the executed agreements. The transfer was recorded as a special item on the statement of activities due to the significance of the transaction subject to the Town's control and the fact that it would not recur in the foreseeable future. During 2011, the street lighting system was completed and, pursuant to the executed agreements, the system was transferred to the electric utility. The transfer, which totaled approximately \$197,000, was recorded as a special item on the statement of activities for the year ended September 30, 2011.

The capital asset activity for the business-type activity for the year ended September 30, 2011, 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	\$ 14,482,794	\$ -	\$ -	\$ 14,482,794
Construction in progress	-	647,804	-	647,804
Total capital assets not being depreciated	14,482,794	647,804	-	15,130,598
Depreciable capital assets:				
Buildings and improvements	9,427,097	65,321	-	9,492,418
Water distribution system	27,801,806	129,300	-	27,931,106
Wastewater collection systems	27,589,555	120,112	-	27,709,667
Wells	4,371,683	141,028	-	4,512,711
Equipment	8,483,917	266,008	-	8,749,925
Total depreciable capital assets	77,674,058	721,769	-	78,395,827
Less accumulated depreciation:				
Buildings and improvements	(2,513,168)	-	(246,571)	(2,759,739)
Water distribution systems	(6,800,404)	-	(975,174)	(7,775,578)
Wastewater collection systems	(4,238,055)	-	(494,449)	(4,732,504)
Wells	(725,482)	-	(138,361)	(863,843)
Equipment	(5,490,080)	-	(434,419)	(5,924,499)
Total accumulated depreciation	(19,767,189)	-	(2,288,974)	(22,056,163)

5) CAPITAL ASSETS (Continued)

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Depreciable assets, net of accumulated depreciation	57,906,869	721,769	(2,288,974)	56,339,664
Total net governmental activities capital assets	\$ 72,389,663	\$ 1,369,573	\$ (2,288,974)	\$ 71,470,262

6) DERIVATIVE INSTRUMENTS

The Town has one interest rate swap agreement in effect at September 30, 2011, 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, 2011, classified by type, and the changes in fair value of such derivative instrument for the year then ended as reported in the 2011 financial statements are as follows:

	Changes in Fair Value		Fair Value at September 30, 2011		
	Classification	Amount	Classification	Amount	Notional Amount
Business-type activity Cash-flow hedge: Pay fixed interest rate swap	Deferred Outflow	\$ 441,982	Debt	\$ (2,696,486)	\$ 9,551,305

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, 2011.

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
Effective Date:	January 12, 2007
Maturity Date:	October 1, 2028
Terms:	Pay 4.26%; receive 63.702% of London Interbank Offered Rate (LIBOR)
Fair Value:	\$(2,696,486)
Counterparty credit rating:	Aa3 by Moody's Investors Services, A by Standard and Poor's, and A+ 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.

6) DERIVATIVE INSTRUMENTS (Continued)

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.

7) LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets in the Water and Wastewater enterprise fund at September 30, 2011, are summarized as follows:

Accounts payable	
Renewal and replacement account	\$ 25,336
Accrued interest payable and current principal maturities	
Debt service account	419,377
Total liabilities payable from restricted assets	\$ 444,713

8) 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 2011 Note Payable, capital lease obligation 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, 2011, are summarized as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
Compensated absences	\$ 376,814	\$ 459,636	\$ (411,979)	\$ 424,471	\$ 55,003
Note payable, Series 2007	4,637,803	-	(188,345)	4,449,458	195,050
Note payable, Series 2008	5,843,481	-	(208,894)	5,634,587	217,479
Note payable, Series 2011	-	50,000	-	50,000	-
Capital lease agreement	113,792	-	(30,892)	82,900	30,892
Other postemployment benefits payable	52,427	39,743	(11,700)	80,470	-
Governmental activity long-term liabilities	\$ 11,024,317	\$ 549,379	\$ (851,810)	\$ 10,721,886	\$ 498,424

8) LONG-TERM DEBT (Continued)

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
2012	\$ 195,050	\$ 158,400	\$ 353,450
2013	201,578	151,872	353,450
2014	209,170	144,280	353,450
2015	216,616	136,834	353,450
2016	224,328	129,122	353,450
2017-2021	1,246,651	520,599	1,767,250
2022-2026	1,485,414	281,836	1,767,250
2027-2028	670,651	36,249	706,900
	\$ 4,449,458	\$ 1,559,192	\$ 6,008,650

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:

Year Ending September 30,	Principal	Interest	Total
2012	\$ 217,479	\$ 231,582	\$ 449,061
2013	226,418	222,643	449,061
2014	235,724	213,337	449,061
2015	245,412	203,649	449,061
2016	255,498	193,563	449,061
2017-2021	1,443,909	801,396	2,245,305
2022-2026	1,766,046	479,259	2,245,305
2027-2029	1,244,101	103,082	1,347,183
	\$ 5,634,587	\$ 2,448,511	\$ 8,083,098

8) LONG-TERM DEBT (Continued)

Note Payable, Series 2011

On April 14, 2011, The Town issued a \$5,000,000 Note Payable (or such lesser amount as shall have been advanced and outstanding) to a financial institution for the purpose of re-nourishing the beachfront areas of the Town. The Town may borrow from time to time up to the loan amount by requesting advances, provided that no advance will be made on the note after March 31, 2012. The first advance on the note was for \$50,000 and was made on the closing date of the loan. Interest is payable monthly, commencing May 1, 2011. Interest is equal to the sum of 1.1055% plus 67% of the quotient of (a) the rate per annum equal to the offered rate for deposits in U.S. Dollars for a one month period divided by (b) a percentage equal to 1.00 minus the maximum reserve percentages expressed as a decimal in effect on any day to which the financial institution is subject with respect to any LIBOR loan pursuant to regulations issued by the federal Reserve System with respect to Eurocurrency funding (.0187% at September 30, 2011.) The entire unpaid principal balance, together with all accrued and unpaid interest, is due and payable in full on April 1, 2013. The note is secured by a pledge of the Town to budget non-ad valorem revenues for repayment of the Series 2011 Note.

The principal and interest requirements to maturity for the Note Payable, Series 2011, are as follows:

Year Ending September 30,	Principal	Interest	Total
2012	\$ -	\$ 11,229	\$ 11,229
2013	50,000	6,550	56,550
	\$ 50,000	\$ 17,779	\$ 67,779

Capital Lease Agreement

On February 9, 2007, the Town entered into a master lease agreement with SunTrust Leasing Corporation to finance the acquisition of machinery and equipment with a total cost of \$212,618. The lease is payable in semi-annual installments of \$17,606 on February 9 and August 9, including interest at 4.07% through maturity on February 9, 2014. At September 30, 2011, the accumulated amortization on the machinery and equipment totaled \$180,640. Minimum future lease payments under the capital lease at September 30, 2011, were as follows:

Year Ending September 30,	Amount
2012	\$ 35,212
2013	35,212
2014	17,606
Total minimum lease payments	88,030
Less interest	(5,130)
Present value of future minimum lease payments	\$ 82,900

8) LONG-TERM DEBT (Continued)

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, 2028. Annual principal and interest payments on the notes are expected to require less than 16 percent of ad valorem tax revenues. Total principal and interest remaining to be paid on the Series 2007 and 2008 Notes at September 30, 2011, is \$14,091,748. Principal and interest paid and ad valorem tax revenues received for the current year were \$802,511 and \$4,896,049, 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	\$ 30,085,000	\$ -	\$ -	\$ 30,085,000	\$ -
Unamortized premium	802,447	-	(3,715)	806,162	-
Unamortized refunding loss	(2,094,150)	-	(154,957)	(1,939,193)	-
Total bonds payable	28,793,297	-	(158,672)	28,951,969	-
Notes payable:					
Note payable, Series 2005	3,341,224	-	(281,063)	3,060,151	291,416
Note payable, Series 2006	9,561,339	-	(10,034)	9,551,305	10,468
Note payable, Series 2007	4,522,577	-	(188,415)	4,334,162	194,967
Total notes payable	17,425,140	-	(479,512)	16,945,628	496,851
Compensated absences	55,352	147,958	(143,187)	60,123	3,584
Other postemployment benefits payable	41,528	31,236	(9,236)	63,528	-
Business type activity long-term liabilities	\$ 46,315,317	\$ 179,194	\$ (790,607)	\$ 46,021,248	\$ 500,435

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 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.

8) LONG-TERM DEBT (Continued)

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

Year Ending September 30,	Principal	Interest	Total
2012	\$ -	\$ 1,449,500	\$ 1,449,500
2013	-	1,449,500	1,449,500
2014	-	1,449,500	1,449,500
2015	-	1,449,500	1,449,500
2016	15,000	1,449,275	1,464,275
2017-2021	710,000	7,204,275	7,914,275
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
	\$ 30,085,000	\$ 33,212,425	\$ 63,297,425

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 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
2012	\$ 291,416	\$ 112,733	\$ 404,149
2013	302,781	101,368	404,149
2014	314,278	89,871	404,149
2015	326,211	77,938	404,149
2016	338,426	65,723	404,149
2017-2020	1,487,039	129,530	1,616,569
	\$ 3,060,151	\$ 577,163	\$ 3,637,314

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 1st and interest is payable monthly at a rate equivalent to 63.7% of the daily London Interbank Offered Rate (LIBOR) plus .75% (0.8911% at September 30, 2011). 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.

8) LONG-TERM DEBT (Continued)

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.

Year Ending September 30,	Variable-Rate Note		Interest Rate Swap, Net	Total
	Principal	Interest		
2012	\$ 10,468	\$ 122,826	\$ 290,613	\$ 423,907
2013	9,791	116,174	295,699	421,664
2014	11,343	109,434	301,984	422,761
2015	11,833	102,603	308,314	422,750
2016	12,343	95,682	315,836	423,861
2017-2021	67,743	371,346	1,673,352	2,112,441
2022-2026	789,983	184,031	1,828,994	2,803,008
2027-2029	8,637,801	18,395	552,538	9,208,734
	\$ 9,551,305	\$ 1,120,491	\$ 5,567,330	\$ 16,239,126

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
2012	\$ 194,967	\$ 157,722	\$ 352,689
2013	202,614	150,075	352,689
2014	210,118	142,571	352,689
2015	217,900	134,789	352,689
2016	225,629	127,060	352,689
2017-2021	1,261,443	502,002	1,763,445
2022-2026	1,513,110	250,335	1,763,445
2027-2028	508,381	18,754	527,135
	\$ 4,334,162	\$ 1,483,308	\$ 5,817,470

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.

8) LONG-TERM DEBT (Continued)

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 100% of the annual debt service on the outstanding bonds and any subordinated indebtedness or, 2) net revenues and connection fees of at least 110% of the annual debt service, on the outstanding bonds and any subordinated indebtedness.
8. The use of cash is 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 42 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, 2011, is \$66,934,739. Principal and interest paid on the Series 2010 Bonds and Series 2005 Note for the current year and utility system net revenues were \$1,848,349 and \$5,734,819, 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 41 percent of the Town's non-ad valorem revenues until 2026 and approximately 162 percent thereafter until maturity. Total principal and interest remaining to be paid on the Series 2006 and Series 2007 Notes at September 30, 2011, is \$22,056,596. Principal and interest paid by the utility system and non-ad valorem revenues pledged for the current year were \$773,586 and \$2,003,852, respectively.

Annual Maturities

As of September 30, 2011, 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 6 for information on derivative instruments.

Year Ending September 30,	Principal	Interest	Interest Rate Swap, Net	Total
2012	\$ 941,542	\$ 2,247,042	\$ 290,613	\$ 3,479,197
2013	1,026,666	2,199,910	295,699	3,522,275
2014	997,887	2,149,345	301,984	3,449,216
2015	1,017,972	2,105,313	308,314	3,431,599
2016	1,071,224	2,060,425	315,836	3,447,485
2017-2021	6,216,785	9,529,148	1,673,352	17,419,285

8) LONG-TERM DEBT (Continued)

Year Ending September 30,	Principal	Interest	Interest Rate Swap, Net	Total
2022-2026	8,454,553	7,976,961	1,828,994	18,260,508
2027-2031	14,640,934	6,543,355	552,538	21,736,827
2032-2036	11,150,000	4,395,750	-	15,545,750
2037-2040	11,730,000	1,216,750	-	12,946,750
	\$ 57,247,563	\$ 40,423,999	\$ 5,567,330	\$ 103,238,892

For the year ended September 30, 2011, the Town incurred and expensed total interest charges of \$429,204 in the governmental activities. Interest charges incurred for the business-type activity totaled \$2,142,424 which was expensed.

9) FUND BALANCE AND NET ASSETS

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	Electric Underground Fund	Nonmajor Governmental Fund
Nonspendable:				
Prepaid items	\$ 140,741	\$ -	\$ -	\$ -
Restricted:				
Beach protection	-	6,224,605	-	-
Public safety	-	-	-	33,041
Assigned:				
Emergencies	1,000,000	-	-	-
Compensated absences	115,000	-	-	-
Uninsured losses and other payments	80,000	-	-	-
Road paving	180,000	-	-	-
Conservation	663,251	-	-	-
Beautification and maintenance	168,496	-	-	-
Criminal justice education and training	13,594	-	-	-
Art Committee	2,236	-	-	-
Debt repayment	-	-	692,972	-
Subsequent year expenditures	122,329	-	-	-
Total assigned	2,344,906	-	692,972	3,037,878
Unassigned	2,280,041	-	-	-
Total fund balance	\$ 4,765,688	\$ 6,224,605	\$ 692,972	\$ 33,041

9) FUND BALANCE AND NET ASSETS (Continued)

Unrestricted net assets of the water and wastewater utility enterprise fund include \$1,200,000 to be used for the completion of the Nano Filtration Plant and other capital projects.

10) RESTRICTED NET ASSETS

Net assets of the Enterprise Fund were restricted for the following purposes as required by the Town's outstanding revenue refunding bonds at September 30, 2011:

	Restricted Assets	Liabilities Payable From Restricted Assets	Restricted Net Assets
Debt service accounts	\$ 419,377	\$ 419,377	\$ -
Debt service reserve account	2,766,866	-	2,766,866
Renewal and replacement account	534,526	25,336	509,190
	\$ 3,720,769	\$ 444,713	\$ 3,276,056

Net assets are restricted for the debt service accounts, 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.

11) INTERFUND TRANSACTIONS

Interfund receivables and payables at September 30, 2011, are summarized as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Beach Protection Fund	\$ 1,117
Utility Enterprise Fund	General Fund	8,280
		\$ 9,397

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.

Interfund transfers in and transfers out for the year ended September 30, 2011, are summarized as follows:

Transfer In Fund	Transfer Out Fund	Amount
General Fund	Conservation Fund	\$ 663,251
General Fund	Beautification Fund	168,496
General Fund	Criminal Justice Fund	13,594
General Fund	Arts Committee Fund	2,236
Arts Committee Fund	General Fund	12,485
		\$ 860,062

11) INTERFUND TRANSACTIONS (Continued)

The interfund transfers are attributable to the reclassification of previously reported special revenue funds based on the implementation of GASB Statement No. 54. The net assets of the Conservation, Beautification, Criminal Justice and Arts Committee Funds were transferred to the general fund at September 30, 2011.

12) CAPITAL CONTRIBUTIONS

The capital contributions to the Water and Wastewater enterprise fund for the year ended September 30, 2011, consisted of connection and other fees of \$318,997.

13) 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 pension plan is administered by the Town and accounted for as a separate fund.

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 services 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. At September 30, 2011, the actuarial value of plan assets exceeds the fair value of plan assets by \$1,667,638.

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 – Employees completing one year of continuous service and attaining the age of 21.

Vesting – Benefits vest after five years of service.

Eligibility Requirements:

Normal – Attainment of age 65 and completion of five years of service.

Early – Attainment of age 55 and completion of ten years of service.

Annual Retirement Benefit – 3% of the participant's average monthly compensation (defined as the sum of the participant's reported rate of basic earnings on March 1 in the three consecutive years of employment that produce the highest average, divided by 36) multiplied by the number of years of credited service.

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

Town Contributions – Actuarially determined contributions sufficient to fund the Plan benefits and expenses. For the year ended September 30, 2011, the Town's total covered payroll amounted to \$2,132,391. Employees are not required to contribute to the Plan.

13) DEFINED BENEFIT PENSION PLAN (Continued)

Participant data as of October 1, 2011, the date of most recent actuarial valuation, is as follows:

Retirees and beneficiaries receiving benefits	23
Terminated employees entitled to benefits but not yet receiving them	21
Vested current employees	24
Nonvested current employees	8
Total	76

Plan assets consist of investments in mutual funds with a subsidiary of TFLIC, with a carrying value of \$8,232,948 at September 30, 2011. The carrying value approximates market value at September 30, 2011.

Annual Pension Cost and Net Pension Obligation/(Benefit)

Periodic employer contributions to the Plan are determined on an actuarial basis using the Frozen Entry Age Actuarial Cost Method. Normal cost is funded on a current basis. The frozen actuarial accrued liability is amortized over a 30-year period. The actuarial value of assets is determined based on the five year average fair value of Plan assets. The funding of normal cost and amortization of the actuarial accrued liability is designed to provide sufficient resources to pay employee pension benefits when due.

The Town's annual pension cost and change in the net pension obligation (benefit) of the Plan for the year ended September 30, 2011, the date of the most recent actuarial valuation, are as follows:

Annual required contribution	\$ 249,731
Interest on net pension obligation	6,706
Adjustment to annual required contribution	(8,470)
Annual pension cost	247,967
Contributions made	420,968
Decrease in net pension obligation	(173,001)
Net pension obligation, beginning of year	95,794
Net pension benefit, end of year	\$ (77,207)

Total Town contributions to the Plan in 2011 amounted to \$420,968, which was greater than the actuarially required contribution of \$249,731. Contributions represent 20% of covered payroll.

Actuarial Methods and Assumptions

The Town's actuarial methods and assumptions are as follows:

Actuarial cost method	Frozen entry age
Amortization method	Level dollar, closed
Remaining amortization period	28 years
Asset valuation method	5 year smoothed market
Rate of return on investments	7.0%
Projected salary increases, including inflation at	6.5%
Cost of living adjustments	3.0%
	N/A

13) DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviation in any of several factors, such as future return on investments, inflation, and projected salary increases, could result in actual costs being greater or less than estimated.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information for the Plan from the most recent actuarial valuation is as follows:

Three-Year Trend Information			
Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
September 30, 2009	\$ 1,139,779	63.7%	\$ 397,256
September 30, 2010	189,028	259.5%	95,794
September 30, 2011	247,967	169.8%	(77,207)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Total Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2009	\$ 9,736,106	\$ 9,831,686	\$ 95,580	99.0%	\$ 2,642,823	3.6%
October 1, 2010	10,067,018	10,506,540	439,522	95.8%	2,160,574	20.3%
October 1, 2011	10,005,828	10,398,777	392,949	96.2%	2,132,391	18.4%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

14) DEFINED CONTRIBUTION PENSION PLANS

The Town administers two defined contribution pension plans. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Town's defined contribution pension plans are summarized as follows:

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. The contributions vest 20%

14) DEFINED CONTRIBUTION PENSION PLANS (Continued)

annually until fully vested in year five. Employer contributions to the Plan for the year ended September 30, 2011, were \$153,593. 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 2.5% 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, 2011, were \$327,889. 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, 2011, are as follows:

Statements of Plan Net Assets

	Town Defined Benefit Pension Trust Fund	SMRU Defined Contribution Pension Trust Fund	Town Defined Contribution Pension Trust Fund
Assets			
Investments with insurance company	\$ 8,232,948	\$ 327,564	\$ 337,803
Unallocated cash in transit	-	44,660	997
Employer contributions receivable	105,242	151,124	278,848
Loans receivable	-	9,295	-
Total assets	8,338,190	532,643	617,648
Liabilities	-	-	-
Net assets held in trust for pension benefits	\$ 8,338,190	\$ 532,643	\$ 617,648

14) DEFINED CONTRIBUTION PENSION PLANS (Continued)

Statements of Changes in Plan Net Assets

	Town Defined Benefit Pension Trust Fund	SMRU Defined Contribution Pension Trust Fund	Town Defined Contribution Pension Trust Fund
Additions			
Employer contributions	\$ 420,968	\$ 153,593	\$ 327,899
Investment income (loss)	(180,318)	(4,932)	(21,661)
Total additions	240,650	148,661	306,238
Deductions			
Payments to retirees and employees	629,267	31,167	1,497
Administrative expenses	10,708	1,287	-
Total deductions	639,975	32,454	1,497
Change in net assets	(399,325)	116,207	304,741
Net assets, beginning of year	8,737,515	416,436	312,907
Net assets, held in trust for pension benefits, end of year	\$ 8,338,190	\$ 532,643	\$ 617,648

15) 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 \$426 to a maximum of \$989.

15) OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 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	\$ 70,608
Interest on net pension obligation	3,288
Adjustment to annual required contribution	(2,917)
Annual OPEB cost	70,979
Contributions made	20,936
Increase in net OPEB obligation	50,043
Net OPEB obligation, beginning of year	93,955
Net OPEB obligation, end of year	\$ 143,998

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 Contribution	Percentage Contributed	Net OPEB Obligation
September 30, 2009	\$ 62,920	\$ 17,778	28%	\$ 45,142
September 30, 2010	66,650	18,015	27%	93,955
September 30, 2011	70,979	20,936	29%	143,998

Funded Status and Funding Progress

The Plan is financed on a pay-as-you-go basis. The Plan was not funded for the years ended September 30, 2009, (transition year), 2010, and 2011. A schedule of funding progress based on an actuarial valuation as of September 30, 2009, is presented below.

Date of Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
September 30 2009	\$ -	\$ 463,283	\$ 463,283	0.0%	\$ 3,999,796	11.6%

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.

15) OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 3.50% was used. An inflation rate of 3.00% 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, 2009, was 30 years. Health insurance trends start at 7% for the fiscal year ending in 2010 and 10% for 2011, grading down to 5% at the ultimate trend rate by 2017.

As authorized by GASB 45, The Alternative Measurement Method allows the employer to use simplifications of certain assumptions in measuring actuarial accrued liabilities and the ARC.

16) COMMITMENTS AND CONTINGENCIES

Fire Rescue Services

The Town receives fire rescue services from Martin County, Florida, through an interlocal agreement. The term of the agreement is five years from October 1, 2010 to September 30, 2015. The cost of the services provided by Martin County totaled \$718,173 for the year ended September 30, 2011.

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.

Commitments

Commitments on major construction contracts consist of the following:

Project	Total Project Authorization	Expended at September 30, 2011	Contracts and Retainage payable	Balance to Complete
Nano Plant	\$ 1,189,000	\$ 590,251	\$ 174,452	\$ 424,297
CUP renewal	7,500	3,535	-	3,935
Beach Re-nourishment	11,500,000	-	-	11,500,000
	\$ 12,696,500	\$ 593,786	\$ 174,452	\$ 11,928,262

17) PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* issued December 2009, is effective for the Town beginning with its fiscal year ending September 30, 2012. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other

17) PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (Continued)

postemployment benefit (OPEB) plans. This Statement amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* issued November 2010, is effective for the Town beginning with its fiscal year ending September 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* issued December 2010, is effective for the Town beginning with its fiscal year ending September 30, 2013. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* issued June 2011, is effective for the Town beginning with its fiscal year ending September 30, 2013. The objective of this Statement is to provide guidance for reporting deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53* issued June 2011, is effective for the Town beginning with its fiscal year ending September 30, 2012. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

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

SUPPLEMENTARY FINANCIAL INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF JUPITER ISLAND, FLORIDA

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenue				
Taxes				
Ad valorem property taxes	\$ 4,902,710	\$ 4,902,710	\$ 4,896,049	\$ (6,661)
Local option gas tax	101,715	101,715	103,135	1,420
Franchise fees	190,000	190,000	220,983	30,983
Communications tax	79,396	79,396	73,589	(5,807)
Total taxes	5,273,821	5,273,821	5,293,756	19,935
Licenses and Permits				
Building permits	500,000	500,000	749,832	249,832
Alarm permit fee	1,000	1,000	2,915	1,915
Occupational licenses	200	200	1,774	1,574
Total licenses and permits	501,200	501,200	754,521	253,321
Intergovernmental Revenue				
Payment in lieu of taxes	5,000	5,000	15,681	10,681
State grant revenue	1,000	1,000	1,000	-
State shared revenue:				
Half-cent sales tax	52,010	52,010	58,238	6,228
State revenue sharing	18,500	18,500	18,616	116
Fuel tax refund	3,000	3,000	3,164	164
Firefighters supplemental	-	-	3,120	3,120
Radon fees	750	750	1,931	1,181
Total intergovernmental revenue	80,260	80,260	101,750	21,490
Charges for Services				
Brush charges	90,000	90,000	101,600	11,600
Board of Adjustment fees	1,000	1,000	3,500	2,500
Impact review fees	1,000	1,000	5,750	4,750
Total charges for services	92,000	92,000	110,850	18,850
Fines and forfeitures				
Fines and forfeitures	3,600	3,600	3,815	215
Code enforcement fines	500	500	-	(500)
Total fines and forfeitures	4,100	4,100	3,815	(285)
Investment Income	25,000	25,000	10,082	(14,918)

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenue (continued)				
Miscellaneous				
Lease income	\$ 40,932	\$ 40,932	\$ 40,465	\$ (467)
Refund	-	-	5,864	5,864
Miscellaneous	25,000	25,000	40,972	15,972
Administrative charges:				
Beach Protection District	76,100	76,100	76,000	(100)
Administrative charges:				
Utility Fund	394,162	394,162	394,162	-
Total miscellaneous	536,194	536,194	557,463	21,269
Other Sources				
Transfer from undesignated fund balance	250,150	250,150	-	(250,150)
Total other sources	250,150	250,150	-	(250,150)
Total revenue and other sources	6,762,725	6,762,725	6,832,237	69,512
Expenditures				
Administration				
Personal services:				
Regular salaries and wages	479,735	485,035	485,011	24
FICA taxes	30,891	30,891	28,655	2,236
Medicare taxes	7,224	7,324	7,295	29
Overtime	500	2,200	2,196	4
Auto allowance	18,000	18,000	17,999	1
Pension contributions	133,888	134,988	130,310	4,678
Health insurance	59,718	59,718	58,599	1,119
Health reimbursement account	159,750	88,238	32,788	55,450
Dental insurance	2,414	2,414	2,414	-
Cafeteria plan insurances	10,950	10,950	10,895	55
Workers compensation insurance	452	952	751	201
Employees assistance program	138	150	141	9
Total personal services	903,660	840,860	777,054	63,806
Operating expenditures:				
Professional services - legal/general	50,000	134,000	133,914	86
Professional services - legal/employees	50,000	74,500	74,225	275
Professional services - legal/pension	10,000	14,900	14,826	74

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Administration (continued)				
Professional services - codification	\$ 1,000	\$ 1,400	\$ 1,367	\$ 33
Professional services - business	15,000	11,000	10,937	63
Professional services - CG property	5,000	-	-	-
Professional services - audit/actuarial	30,000	30,000	29,214	786
Professional services - financial	23,000	13,000	12,750	250
Professional services - accounting	1,625	1,625	992	633
Professional services - public relations	-	19,100	19,094	6
Contracted services - archives	1,200	4,150	4,103	47
Contracted services - information technology	8,500	6,000	5,588	412
Travel and per diem	2,000	300	224	76
Art committee	15,000	12,500	12,440	60
Office supplies	5,000	5,000	4,259	741
Personnel training	2,500	2,500	2,432	68
Personnel services	3,000	3,000	2,493	507
Postage	12,000	9,000	8,506	494
Telephone	15,000	20,625	20,625	-
Legal advertising	2,000	4,400	4,344	56
Utilities - electric	12,000	12,200	12,185	15
Utilities - water	14,000	14,000	13,363	637
Liability and bond insurance	93,000	84,000	83,802	198
Repair and maintenance - equipment	3,125	1,125	929	196
Repair and maintenance - building	15,000	34,850	34,838	12
Printing and binding	2,400	2,400	1,775	625
Other miscellaneous charges	3,000	8,650	8,606	44
Bank charges	1,200	1,200	818	382
Emergency preparation	3,000	4,550	4,508	42
Computer supplies	5,000	5,000	3,542	1,458
Lease - copier	3,000	3,200	3,174	26
Travel - commission boards	18,000	25,575	25,556	19
Small tools and equipment	600	600	-	600
Books, publications and subscriptions	3,300	3,500	3,496	4
Total operating expenditures	428,450	567,850	558,925	8,925
Capital outlay:				
Machinery and equipment	85,000	55,000	51,105	3,895
Total capital outlay	85,000	55,000	51,105	3,895

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Administration (continued)				
Debt service:				
Principal	\$ 30,892	\$ 30,892	\$ 30,892	\$ -
Interest	4,321	4,321	4,320	1
Total debt service	35,213	35,213	35,212	1
Other uses:				
Contingency	50,000	3,400	3,313	87
Total other uses	50,000	3,400	3,313	87
Total administration	1,502,323	1,502,323	1,425,609	76,714
Public Safety				
Personal services:				
Regular salaries and wages	1,423,603	1,383,528	1,368,172	15,356
FICA taxes	91,664	87,664	87,332	332
Medicare taxes	21,438	21,438	20,536	902
Overtime	45,000	54,000	53,651	349
Health insurance	200,000	182,000	181,648	352
Dental insurance	8,100	8,100	7,458	642
Cafeteria Plan/HRA	36,500	31,500	30,830	670
Workers compensation insurance	22,280	26,780	26,706	74
Unemployment compensation	7,150	7,150	6,734	416
Employees assistance program	458	458	447	11
Telephone allowance	6,480	7,480	7,020	460
Clothing and shoe allowance	3,375	3,375	3,075	300
Pension contributions	401,016	396,016	395,162	854
Total personal services	2,267,064	2,209,489	2,188,771	20,718
Operating expenditures:				
Contracted services - ALS	718,173	718,173	718,173	-
Contracted services				
general operations	7,320	5,820	5,803	17
Investigations	3,800	1,900	1,838	62
Travel and per diem	500	850	803	47
Utilities - electric	7,000	10,800	10,782	18
Utilities - water	5,000	5,300	5,279	21
Telephone	11,000	12,525	12,525	-
Lease - copier	2,520	2,120	2,048	72

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety (continued)				
Operating expenditures (continued)				
Repair and maintenance - building	\$ 5,000	\$ 10,550	\$ 10,539	\$ 11
Vehicle maintenance - police	10,500	10,500	9,980	520
Vehicle maintenance - fire	1,300	300	209	91
Equipment maintenance - police	5,000	1,500	1,407	93
Equipment maintenance - fire	2,000	500	386	114
Equipment maintenance - security	2,500	2,500	1,997	503
Equipment maintenance - City Watch	750	750	750	-
Other miscellaneous charges	4,000	4,000	3,680	320
Patrol boats maintenance	5,000	11,100	11,081	19
Accreditation expense	500	500	350	150
Office supplies	5,000	8,300	8,280	20
Computer supplies	250	250	214	36
Gasoline, diesel and oil	47,500	65,050	65,008	42
Uniforms	5,000	5,000	4,325	675
Uniforms - cleaning	3,600	2,600	2,489	111
Small tools and equipment - police	1,000	1,100	1,019	81
Small tools and equipment - fire	1,000	1,000	91	909
Small tools and equipment - OPS	500	500	272	228
Supplies - police	3,000	1,200	1,175	25
Supplies - fire	1,800	1,800	1,610	190
Supplies - EMT	1,000	1,400	1,389	11
Personnel training - police	7,500	4,300	4,211	89
Personnel training - fire	3,000	1,600	1,507	93
Personnel training - EMT	3,350	1,550	1,510	40
Personnel services	1,000	100	64	36
Total operating expenditures	876,363	895,438	890,794	4,644
Capital outlay:				
Machinery and equipment - police	25,000	26,550	26,505	45
Machinery and equipment - marine patrol	-	25,750	25,735	15
Building improvement	35,000	46,200	46,175	25
Total capital outlay	60,000	98,500	98,415	85
Total public safety	3,203,427	3,203,427	3,177,980	25,447

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Building				
Personal services:				
Regular salaries and wages	\$ 257,840	\$ 274,340	\$ 274,239	\$ 101
Auto allowance	6,000	6,000	5,907	93
FICA taxes	16,358	17,358	17,341	17
Medicare taxes	3,826	4,326	4,055	271
Pension contributions	69,553	69,753	69,334	419
Health insurance	37,000	26,000	25,715	285
Dental insurance	1,350	1,350	1,039	311
Cafeteria plan	6,100	5,100	5,089	11
Workers' compensation	1,900	2,400	2,382	18
Unemployment compensation	12,500	-	-	-
Employees' Assistance Program	100	100	47	53
Total personal services	412,527	406,727	405,148	1,579
Operating expenditures:				
Professional services - legal	15,000	33,200	33,155	45
Professional services - comp plan	15,000	12,500	12,419	81
Professional services - experts (boards)	5,000	2,000	1,600	400
Professional services - engineering	35,000	25,000	24,786	214
Legal advertising	2,000	2,000	308	1,692
Contracted services - web site	1,000	2,000	1,872	128
Travel and per diem	1,500	1,500	-	1,500
Travel - commssion boards	3,500	3,500	782	2,718
Lease - copier	6,000	6,000	5,372	628
Vehicle maintenance	500	500	-	500
Other miscellaneous charges	500	3,600	3,549	51
Emergency preparation	500	500	-	500
Radon trust fund	100	100	100	-
Office supplies	3,000	3,000	3,000	-
Computer supplies	1,000	1,500	1,482	18
Gasoline, diesel and oil	1,000	1,600	1,534	66
Uniforms	500	500	-	500
Small tools and equipment	500	500	-	500
Books, publications and subscriptions	1,500	1,500	304	1,196
Personnel training	2,500	400	75	325
Total operating expenditures	95,600	101,400	90,338	11,062

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Capital outlay:				
Machinery and equipment	\$ 5,000	\$ 5,000	\$ 2,257	\$ 2,743
Total building	513,127	513,127	497,743	15,384
Solid Waste				
Personal services:				
Regular salaries and wages	436,209	436,210	433,152	3,058
Overtime	12,000	12,000	10,385	1,615
FICA taxes	28,161	28,161	27,396	765
Medicare taxes	6,586	6,586	6,407	179
Pension contributions	123,056	121,506	120,348	1,158
Health insurance	98,000	98,000	97,409	591
Dental insurance	3,625	3,625	3,621	4
Cafeteria plan	16,425	16,425	16,330	95
Workers' compensation insurance	15,460	16,960	16,888	72
Employees' Assistance program	207	257	212	45
Auto allowance	6,000	6,000	6,000	-
Total personal services	745,729	745,730	738,148	7,582
Operating expenditures:				
Utilities	5,475	5,975	5,916	59
Repair and maintenance - building	5,000	8,500	8,274	226
Vehicle maintenance	20,000	31,400	31,019	381
Equipment maintenance	-	100	-	100
Other miscellaneous charges	2,500	1,000	642	358
Safety equipment	1,000	1,200	1,189	11
Mosquito and sandfly control	1,200	200	-	200
Yardwaste recycling	60,000	65,600	64,977	623
Refuse landfill fees	20,900	20,400	19,911	489
Recycling expenditures	1,500	-	-	-
Gasoline, diesel and oil	35,000	33,000	32,628	372
Uniforms	6,875	3,875	3,632	243
Animal control	5,000	3,000	2,898	102
Telephone	9,000	6,500	6,446	54
Small tools and equipment	3,000	2,000	1,803	197
Supplies	10,000	8,000	7,762	238
Total operating expenditures	186,450	190,750	187,097	3,653

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Capital outlay:				
Machinery and equipment	\$ -	\$ 1,500	\$ 1,380	\$ 120
Total capital outlay	-	1,500	1,380	120
Total solid waste	932,179	937,980	926,625	11,355
Roads				
Operating expenditures:				
Utilities - street lighting	2,500	2,500	-	2,500
Clearing and trimming	17,897	5,097	6,150	(1,053)
Road and ramble maintenance	5,908	5,908	201	5,707
Stormwater maintenance	3,000	3,000	-	3,000
Signs	4,000	4,000	2,457	1,543
Total operating expenditures	33,305	20,505	8,808	11,697
Capital outlay:				
Roads	90,000	90,000	-	90,000
Drainage and paving	133,000	126,690	117,397	9,293
Total capital outlay	223,000	216,690	117,397	99,293
Total roads	256,305	237,195	126,205	110,990
Grounds				
Personal services:				
Regular salaries and wages	93,890	94,130	94,095	35
Overtime	1,500	1,260	1,212	48
FICA taxes	5,915	5,914	5,731	183
Medicare taxes	1,383	1,383	1,340	43
Pension contributions	26,128	28,228	27,807	421
Health insurance	23,500	24,500	24,384	116
Dental insurance	805	805	805	-
Cafeteria plan	3,650	3,650	2,588	1,062
Workers' compensation insurance	14,357	16,057	16,002	55
Employees' Assistance program	46	56	47	9
Total personal services	171,174	175,983	174,011	1,972
Operating expenditures:				
Utilities - water	25,000	42,500	42,282	218
Safety equipment	1,000	1,000	875	125
Grounds projects	4,000	2,500	2,339	161
Ficas Alley expenses	20,000	12,500	12,449	51

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Grounds (continued)				
Operating expenditures: (continued)				
Small tools and equipment	\$ 3,000	\$ 3,000	\$ 2,534	\$ 466
Supplies	12,000	12,000	11,788	212
Total operating expenditures	65,000	73,500	72,267	1,233
Total grounds	236,174	249,483	246,278	3,205
Lethal yellowing	119,190	119,190	119,187	3
Total expenditures	6,762,725	6,762,725	6,519,627	243,098
Excess of revenues over expenditures	-	-	312,610	312,610
Other financing sources (uses):				
Transfers in	-	-	847,577	847,577
Transfers out	-	-	(12,485)	(12,485)
Total other financing sources (uses)	-	-	835,092	835,092
Net change in fund balance	-	-	1,147,702	1,147,702
Fund balance, beginning of year	-	-	3,617,986	-
Fund balance, end of year	\$ -	\$ -	\$ 4,765,688	\$ -

TOWN OF JUPITER ISLAND, FLORIDA

Budgetary Comparison Schedule

Beach Protection Fund - Non-GAAP Budgetary Basis

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Taxes				
Ad valorem property taxes	\$ 1,392,027	\$ 1,392,027	\$ 1,389,782	\$ (2,245)
Investment income	5,000	5,000	6,450	1,450
Miscellaneous revenue				
FEMA Reimbursement	2,158,932	2,158,932	-	(2,158,932)
State Disaster Relief	360,000	360,000	-	(360,000)
Miscellaneous revenue	-	-	452	452
Total miscellaneous revenue	2,518,932	2,518,932	452	(2,518,480)
Total revenue	3,915,959	3,915,959	1,396,684	(2,519,275)
Expenditures				
General government				
Beach protection administration				
Operating expenditures:				
Professional services - legal	3,000	24,000	23,252	748
Professional services - lobbying	5,000	5,000	5,000	-
Other miscellaneous charges	5,000	6,000	5,920	80
Bank charges	500	500	82	418
Beach cleaning	26,000	26,000	26,000	-
Administrative charges				
General fund	50,000	50,000	50,000	-
Total beach protection administration	89,500	111,500	110,254	1,246
Environmental				
Beach protection projects				
Operating expenditures:				
Beach profile surveys	45,000	45,000	32,788	12,212
Beach maintenance	12,000	12,000	1,624	10,376
Dune restoration	10,000	10,000	-	10,000
Total beach protection projects	67,000	67,000	34,412	32,588
Capital outlay:				
Professional services - engineering	110,000	271,000	270,887	113
Professional services - beach study	70,000	93,000	92,871	129
Reef monitoring	50,000	153,000	152,998	2
Turtle monitoring	45,000	51,000	50,513	487

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Budgetary Comparison Schedule

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

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beach protection projects (continued)				
Capital outlay (continued)				
Beach renourishment project	\$ 8,750,000	\$ 8,403,500	\$ -	\$ 8,403,500
Total capital outlay	9,025,000	8,971,500	567,269	8,404,231
Total beach protection projects	9,092,000	9,038,500	601,681	8,436,819
Debt service:				
Interest	-	500	354	146
Other costs	-	31,000	30,055	945
Total debt service	-	31,500	30,409	1,091
Total expenditures	9,181,500	9,181,500	742,344	8,439,156
Excess (deficiency) of revenues over (under) expenditures	(5,265,541)	(5,265,541)	654,340	5,919,881
Other financing sources				
Debt proceeds	-	-	50,000	50,000
Total other financing sources	-	-	50,000	50,000
Net change in fund balance	(5,265,541)	(5,265,541)	704,340	5,969,881
Fund balance, beginning of year	5,265,541	5,265,541	5,520,265	254,724
Fund balance, end of year	\$ -	\$ -	\$ 6,224,605	\$ 6,224,605

TOWN OF JUPITER ISLAND, FLORIDA

Note to Budgetary Comparison Schedules

September 30, 2011

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, current year encumbrances, if any, are treated as expenditures and 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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary control. Encumbrances outstanding at year end, if any, are reported as reservations of fund balance for subsequent year expenditures. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year end. There were no outstanding encumbrances at September 30, 2011.

TOWN OF JUPITER ISLAND, FLORIDA
Required Supplementary Information
Pension Plan
September 30, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Total Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2006	\$ 9,122,123	\$ 9,432,861	\$ 310,738	96.7%	\$ 1,727,402	18.0%
October 1, 2007	10,201,013	10,515,947	314,934	97.0%	2,210,923	14.2%
October 1, 2008	9,526,852	9,577,377	50,525	99.5%	2,736,327	1.8%
October 1, 2009	9,736,106	9,831,686	95,580	99.0%	2,642,823	3.6%
October 1, 2010	10,067,018	10,506,540	439,522	95.8%	2,160,574	20.3%
October 1, 2011	10,005,828	10,398,777	392,949	96.2%	2,132,391	18.4%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
September 30, 2006	\$ 440,853	\$ 685,346	155.5%
September 30, 2007	529,449	482,516	91.1%
September 30, 2008	665,138	226,881	34.1%
September 30, 2009	1,139,432	725,798	63.7%
September 30, 2010	195,734	490,490	250.6%
September 30, 2011	249,731	420,968	168.6%

Change in Actuarial Assumption

For the October 1, 2008 actuarial valuation and thereafter the Town changed its actuarial assumption for determination of the actuarial value of assets from actual fair value to a five year smoothed average value.

Revision in Benefits

The Plan was frozen as of October 1, 2009 and credited service, eligibility service and average final compensation calculated as of October 1, 2009 will not increase thereafter. Freezing the Plan decreased the unfunded actuarial liability from \$416,793 to \$95,580.



**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

TOWN OF JUPITER ISLAND, FLORIDA

Budgetary Comparison Schedule

Electric Underground Fund - Non-GAAP Budgetary Basis

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Investment income	\$ 3,000	\$ 3,000	\$ 1,062	\$ (1,938)
Total revenue	3,000	3,000	1,062	(1,938)
Expenditures				
Environmental				
Electric Underground Project Section A				
Capital outlay:				
Professional services - engineering	3,600	3,600	-	3,600
Construction services - street lights	24,000	24,000	4,373	19,627
Total Section A	27,600	27,600	4,373	23,227
Electric Underground Project Section B				
Capital outlay:				
Professional services - engineering	5,400	5,400	-	5,400
Street light system	36,000	36,000	16,870	19,130
Total Section B	41,400	41,400	16,870	24,530
Electric Underground Project Section C/D				
Capital outlay:				
Professional services - engineering	14,400	14,400	559	13,841
Street light system	24,000	59,000	58,472	528
Post-construction landscape	-	500	300	200
Other miscellaneous charges	-	500	295	205
Total Section C/D	38,400	74,400	59,626	14,774
Electric Underground Project Section E				
Capital outlay:				
Professional services - engineering	7,200	7,200	-	7,200
Street light system	48,000	11,000	-	11,000
Total Section E	55,200	18,200	-	18,200
Electric Underground Project Section F				
Capital outlay:				
Professional services:				
Construction survey work	-	1,000	808	192
Auto-transfer switch	-	115,109	115,109	-
Total Section F	-	116,109	115,917	192

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Budgetary Comparison Schedule

Electric Underground Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Environmental (continued)				
Debt Service:				
Principal	\$ 397,239	\$ 397,239	\$ 397,239	\$ -
Interest	405,273	405,273	405,273	-
Total debt service	802,512	802,512	802,512	-
Total expenditures	965,112	1,080,221	999,298	80,923
Excess (deficiency) of revenues				
over (under) expenditures	(962,112)	(1,077,221)	(998,236)	(78,985)
Net change in fund balance	(1,691,208)	(1,691,208)	(998,236)	(692,972)
Fund balance, beginning of year	1,691,208	1,691,208	1,691,208	-
Fund balance, end of year	\$ -	\$ -	\$ 692,972	\$ (692,972)

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted to expenditure for particular purposes.

Conservation Reserve Fund – This fund accounts for grants, donations from private citizens and other resources, which are used for the conservation of environmentally sensitive lands owned by the Town. The Conservation Fund was closed at September 30, 2011.

Beautification and Maintenance Fund – This fund accounts for donations from private citizens and other resources, which are used for beautification and related maintenance expenditures of the Town. The Beautification and Maintenance Fund was closed at September 30, 2011.

Criminal Justice Education and Training Fund – This fund accounts for assessments against individuals convicted of a municipal ordinance violation which are used for law enforcement training and education. The Criminal Justice Education and Training Fund was closed at September 30, 2011.

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

Arts Committee Fund – This fund accounts for donations from private citizens and other resources, which are used for art expenditures of the Town. The Arts Committee and Maintenance Fund was closed at September 30, 2011.

TOWN OF JUPITER ISLAND, FLORIDA

Balance Sheet

Nonmajor Governmental Fund

September 30, 2011

	Special Law Enforcement Fund
<hr/>	
Assets	
Cash and Cash equivalents	\$ 33,041
Total assets	\$ 33,041
<hr/>	
Liabilities and Fund Balance	
Liabilities	\$ -
<hr/>	
Fund balance	
Restricted	33,041
Total fund balance	33,041
Total liabilities and fund balance	\$ 33,041



TOWN OF JUPITER ISLAND, FLORIDA

Combining Statement of Revenue, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

Year Ended September 30, 2011

	Conservation Reserve Fund	Beautification and Maintenance Fund	Criminal Justice Education and Training Fund
Revenue			
Intergovernmental	\$ -	\$ 52,934	\$ -
Fines and forfeitures	-	-	-
Donations	-	-	-
Investment income	397	188	-
Total revenue	397	53,122	-
Expenditures			
Current			
Environmental			
Land beautification and maintenance	34,506	20,624	-
Other expenses	-	15	-
Total expenditures	34,506	20,639	-
Excess (deficiency) of revenues over (under) expenditures	(34,109)	32,483	-
Other financing sources uses:			
Transfers in	-	-	-
Transfers out	(663,251)	(168,496)	(13,594)
Total other financing sources (uses)	(663,251)	(168,496)	(13,594)
Net change in fund balance	(697,360)	(136,013)	(13,594)
Fund balance, beginning of year	697,360	136,013	13,594
Fund balance, end of year	\$ -	\$ -	\$ -

Special Law Enforcement Fund	Arts Committee Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 52,934
130	-	130
-	5,051	5,051
-	-	585
130	5,051	58,700
-	-	55,130
-	15,300	15,315
-	15,300	70,445
130	(10,249)	(11,745)
-	12,485	12,485
-	(2,236)	(847,577)
-	10,249	(835,092)
130	-	(846,837)
32,911	-	879,878
\$ 33,041	\$ -	\$ 33,041



ENTERPRISE FUND

TOWN OF JUPITER ISLAND, FLORIDA

Schedule of Water and Wastewater Revenue Refunding Bond Coverage

Enterprise Fund (Unaudited)

Year Ended September 30, 2011

Operating revenue	
Water	\$ 7,321,747
Wastewater	2,765,199
Other	601,230
Total operating revenue	10,688,176
Operating expenses	
Personal services	2,325,698
Operating expenses	2,627,659
Total operating expenses	4,953,357
Net revenue available for debt service before connection fees	5,734,819
Connection fees	318,997
Net revenue available for debt service including connection fees	\$ 6,053,816
Scheduled debt service	\$ 2,630,246
Debt service coverage before connection fees	
(Minimum required coverage is 1.00)	2.18
Debt service coverage including connection fees	
(Minimum required coverage is 1.10)	2.30



FIDUCIARY FUNDS

TOWN OF JUPITER ISLAND, FLORIDA*Combining Statement of Fiduciary Net Assets**Pension Trust Funds**September 30, 2011*

	Town Defined Benefit Pension Trust Fund	SMRU Defined Contribution Pension Trust Fund	Town Defined Contribution Pension Trust Fund	Total Pension Trust Funds
Assets				
Investments with insurance company	\$ 8,232,948	\$ 327,564	\$ 337,803	\$ 8,898,315
Unallocated cash in transit	-	44,660	997	45,657
Employer contributions receivable	105,242	151,124	278,848	535,214
Loans receivable	-	9,295	-	9,295
Total assets	\$ 8,338,190	\$ 532,643	\$ 617,648	\$ 9,488,481
Liabilities				
	\$ -	\$ -	\$ -	\$ -
Net assets				
Held in trust for pension benefits	\$ 8,338,190	\$ 532,643	\$ 617,648	\$ 9,488,481

TOWN OF JUPITER ISLAND, FLORIDA*Combining Statement of Changes in Fiduciary Net Assets**Pension Trust Funds**Year Ended September 30, 2011*

	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	\$ 420,968	\$ 153,593	\$ 327,899	\$ 902,460
Investment income	(180,318)	(4,932)	(21,661)	(206,911)
Total additions	240,650	\$ 148,661	306,238	695,549
Deductions				
Payments to retirees and employees	629,267	31,167	1,497	661,931
Administrative expenses	10,708	1,287	-	11,995
Total deductions	639,975	32,454	1,497	673,926
Change in net assets	(399,325)	116,207	304,741	21,623
Net assets, beginning of year	8,737,515	416,436	312,907	9,466,858
Net assets, end of year	\$ 8,338,190	\$ 532,643	\$ 617,648	\$ 9,488,481

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Fiduciary Net Assets

Private-Purpose Trust Fund

September 30, 2011

	Employee Education Trust Fund
Assets	
Cash and cash equivalents	\$ 57,241
Total assets	\$ 57,241
Liabilities	\$ -
Net Assets	
Held in trust for employees	\$ 57,241

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Changes in Fiduciary Net Assets

Private-Purpose Trust Fund

Year Ended September 30, 2011

	Employee Education Trust Fund
Additions	
Investment income	\$ 39
Contributions	-
Total additions	39
Deductions	
Bank charges	15
Total deductions	15
Change in net assets	24
Net assets, beginning of year	57,217
Net assets, end of year	\$ 57,241

AGENCY FUND

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Changes in Assets and Liabilities

Town Employees Agency Fund

Year Ended September 30, 2011

	Balance October 1, 2010	Additions	Deductions	Balance September 30, 2011
Assets				
Cash	\$ 12,308	\$ 147,376	\$ (145,155)	\$ 14,529
Total assets	\$ 12,308	\$ 147,376	\$ (145,155)	\$ 14,529
Liabilities				
Due to employees	\$ 12,308	\$ 147,376	\$ (145,155)	\$ 14,529
Total liabilities	\$ 12,308	\$ 147,376	\$ (145,155)	\$ 14,529



**COMPLIANCE REPORT AND
MANAGEMENT LETTER**

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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
Jupiter Island, Florida

We have audited the 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, 2011, which collectively comprise the Town of Jupiter Island, Florida's basic financial statements and have issued our report thereon dated January, 24 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Jupiter Island, Florida's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Jupiter Island, Florida's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the Town of Jupiter Island, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Jupiter Island, Florida, in a separate letter dated January 24, 2012

This report is intended solely for the information and use of management, the Town Commissioners, others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Rampell + Rampell, P.A.

Palm Beach, Florida
January 24, 2012

**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

We have audited the financial statements of the Town of Jupiter Island, Florida, as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated January 24, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in this report, which is dated January 24, 2012, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town of Jupiter Island, Florida complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Our recommendation is included in the accompanying Schedule of Recommendations and Responses.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statement amounts, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., 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.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town of Jupiter Island, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town of Jupiter Island, Florida for the fiscal year ended September 30, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), 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 the financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Rampell + Rampell, P.A.

Palm Beach, Florida
January 24, 2012.

TOWN OF JUPITER ISLAND, FLORIDA

*Schedule of Recommendations and Responses and Status of Prior Year Findings
September 30, 2011*

RECOMMENDATION 2011-01 MONITORING

Criteria

Management has three basic functions - to plan, to organize, and to control. The third function provides management with reasonable assurance that its policies and procedures are implemented and consistently followed. Management should monitor controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.

Condition

The Town Commission addressed risks identified in the prior audit by engaging the services of an independent public accounting firm to perform certain agreed upon procedures to assist the Town in providing an internal audit function. The independent accounting firm's procedures consisted of the following:

1. Ensure monthly, quarterly and yearly checklists are being completed in accordance with internal policy.
2. Perform internal control testing on payroll disbursements.
3. Test capital asset additions.
4. Review a draft of the Accounting and Financial Policy & Procedures Manual.

Effect

Engaging the independent public accounting firm to perform agreed upon procedures provided an effective independent evaluation of management's corrective action as it related to the internal control deficiencies and weaknesses identified in the prior year.

Recommendation

We recommend that management review the risks associated with the major operating cycles and sub-cycles within the Town. The major operating cycles of the Town include expenditures and revenues. These operating cycles contain various sub-cycles which include purchasing and receiving, accounts payable, travel expense reimbursements, grants, inventory, fixed assets, billings and receivables. Management should identify which controls should be monitored and a formal monitoring process should be developed.

Views of Responsible Officials and Planned Corrective Action

The Town will continue to monitor operating cycles. Management will also identify and develop a more formal process for monitoring various controls.

STATUS OF PRIOR YEAR FINDINGS

FINDING 2010-01 PURCHASING AND DISBURSEMENT POLICIES

Condition

There were numerous exceptions to the key controls that were identified and tested with respect to purchasing and cash disbursements. Exceptions noted were as follows: 1) purchase orders were not prepared or properly authorized, 2) insufficient invoice approvals and invoices not marked as paid, 3) check registers were either not available or not properly authorized, and 4) overpayment of invoices.

Recommendation

The Town has outlined various approval levels in their policies and procedures for procurement and cash disbursements. The individual responsible for signing the checks should ensure that all required supporting documentation is included with the invoice before payment is made.

Status

There were no exceptions to our tests of key controls over purchasing and cash disbursements for the year ended September 30, 2011.

FINDING 2010-02 PAYROLL

Condition

There were numerous exceptions to the key controls that were identified and tested with respect to payroll processing. Exceptions noted were as follows: 1) employee time card was missing or incomplete, 2) employee pay rate or benefits/deductions were not updated in the personnel files, 3) three individuals have access to the Employee Database Master File, 4) Payroll registers are reviewed after processing and reconciled to control totals; however there is no evidence of this review by an appropriate level of management, and 5) the Employee Benefit Statement was not always updated and evidenced by approval when changes are made within the fiscal year.

Recommendation

Management should monitor compliance with policies and procedures related to payroll transactions and personnel files.

Status

There were no exceptions to our tests of key controls over purchasing and cash disbursements for the year ended September 30, 2011.

FINDING 2010-03 PHYSICAL INVENTORY OF TANGIBLE PERSONAL PROPERTY

Condition

The Town had not conducted a regular physical inventory of its tangible personal property, and consequently there has been no comparison of an inventory of fixed assets with amounts recorded in the general ledger. Tangible personal property is not tagged or otherwise identified as property of the Town, and controls over the disposition of capital assets are not sufficient to allow the Finance Department to remove such assets from the accounting records.

Recommendation

The Town should develop a timeline for the implementation of corrective action.

Status

A physical inventory listing was compiled and compared to the capital asset listing. The Town is in the process of exploring asset tagging systems to assist in the tracking of fixed assets.

FINDING 2010-04
DOCUMENTED ACCOUNTING PROCEDURES AND CONTROLS

Condition

There is no single, formal document that codifies all current accounting policies.

Recommendation

Management should develop formal documentation of the accounting systems and policies and to codify those with existing documentation into a formal accounting policy manual.

Status

The Town Commission adopted a Financial Accounting Policy Manual subject to review and changes by the Financial Advisory Committee on September 28, 2011.

