

TOWN OF JUPITER ISLAND, FLORIDA



Audited Financial Statements and Supplementary Financial Information

SEPTEMBER 30, 2012

This page has been left blank intentionally.

TOWN OF JUPITER ISLAND, FLORIDA

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL INFORMATION

SEPTEMBER 30, 2012

TABLE OF CONTENTS

FINANCIAL SECTION:

Report of Independent Certified Public Accountants	5
Management's Discussion and Analysis	9

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

Statement of Net Assets	21
Statement of Activities.....	22

Fund Financial Statements:

Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	27
Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds.....	28
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	31
Statement of Net Assets – Enterprise Fund	32
Statement of Revenue, Expenses and Changes in Fund Net Assets – Enterprise Fund	35
Statement of Cash Flows – Enterprise Fund.....	36
Statement of Fiduciary Net Assets – Fiduciary Funds.....	38
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	39
Notes to Basic Financial Statements.....	40

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule - General Fund	73
Budgetary Comparison Schedule - Beach Protection Fund.....	82
Schedule of Funding Progress – Pension Plan.....	84
Schedule of Employer Contributions – Pension Plan	84
Schedule of Funding Progress – Other Postemployment Benefits	85
Notes to Required Supplementary Information	86

OTHER SUPPLEMENTARY INFORMATION:

Combining Balance Sheet.....	92
Combining Statement of Revenue, Expenditures and Changes in Fund Balance.....	93

OTHER SUPPLEMENTARY INFORMATION (Continued)

Schedule of Water and Wastewater Revenue Funding Bond Coverage 94

Pension Trust Funds:

 Combining Statement of Fiduciary Net Assets 95

 Combining Statement of Changes in Fiduciary Net Assets 96

Private-Purpose Trust Fund – Employee Education Trust Fund:

 Statement of Fiduciary Net Assets 97

 Statement of Changes in Fiduciary Net Assets 98

Statement of Changes in Assets and Liabilities –

 Town Employees Agency Fund 99

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards* 103

Schedule of Expenditures of Federal Awards 105

Notes to Schedule of Expenditures of Federal Awards 106

Independent Auditors’ Report on Compliance with Requirements that Could Have
a Direct and Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133 107

Schedule of Findings and Questioned Costs 109

Management Letter in Accordance With the Rules of the Auditor General
of the State of Florida 111

Schedule of Recommendations and Responses and Status of
Prior Year Findings 113

FINANCIAL SECTION

This page has been left blank intentionally.

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

This page has been left blank intentionally.



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, 2012, 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, 2012, 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 February 8, 2013, 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 73 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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.

A handwritten signature in blue ink that reads "Rampell + Rampell, P.A.".

Rampell & Rampell, P.A.

February 8, 2013

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

This page has been left blank intentionally.

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, 2012.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$54,845,999. Of this amount, \$2,423,094 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
 - Governmental net assets were \$19,286,578.
 - Business-type net assets were \$35,559,421.
- The total revenue from all sources was \$24,650,605 and the total cost of all Town programs was \$25,616,383.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,867,605, which was a decrease of \$5,848,701 from the prior year balance of \$11,716,306. Approximately 55% of this fund balance is restricted or assigned for specific purposes; the remaining 45% 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 \$2,689,392, or 40% of the total General Fund expenditures for the year ended September 30, 2012.
- The Town's outstanding long-term debt (excluding compensated absences and other postemployment benefits) decreased from \$57,247,563 to \$56,255,987 during the current fiscal year, representing a net decrease of \$991,576 (1.7%).

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 four individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balances for the General Fund, Beach Protection Fund (the Beach Protection District Fund) and in total for the nonmajor governmental funds which include the Electric Underground Fund and the Special Law Enforcement Fund. The basic governmental fund financial statements can be found on pages 24 to 31 of this report.

Enterprise Funds: The Town maintains one enterprise fund, which is used to report the same functions presented as the *business-type activity* in the government-wide financial statements. The Town's enterprise fund accounts for the South Martin Regional Utility (SMRU) water and wastewater utility operations. The basic enterprise fund financial statements can be found on pages 32 to 37 of this report. The schedule of water and wastewater revenue refunding bond coverage for the enterprise fund can be found on page 94 of this report.

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

accounting basis used for trust and agency funds is accrual, much like that used for enterprise funds. Agency funds are held for others and report only assets and liabilities. The basic fiduciary fund financial statements can be found on pages 38 to 39 of this report. Combining and individual fund statements for the fiduciary funds can be found on pages 95 to 99 of this report.

Notes to the Financial Statements: The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40 to 69 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. A budgetary comparison schedule has been provided as required supplementary information for the General Fund and the Beach Protection Fund on pages 73 to 83 to demonstrate compliance with the adopted budget for these major governmental funds. Information concerning the Town's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees can be found on pages 84 and 85 of this report.

The combining and individual fund financial statements and schedules are presented as other supplementary information on pages 92 to 94 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 \$19,286,578. Business-type activity assets exceeded liabilities by \$35,559,421. The Town-wide total of net assets was \$54,845,999 at the close of the fiscal year ended September 30, 2012. 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 total 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, 2012. 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 \$94,143,001 or 81% of all assets, which total \$114,970,917. 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 (\$3,863,182 or 7%) 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			
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 6,384	\$ 12,726	\$ 14,444	\$ 13,716	\$ 20,828	\$ 26,442
Capital assets	23,828	19,548	70,315	71,470	94,143	91,018
Total assets	\$ 30,212	\$ 32,274	\$ 84,759	\$ 85,186	\$ 114,971	\$117,460
Liabilities						
Long-term liabilities	\$ 10,224	\$ 10,722	\$ 45,504	\$ 45,866	\$ 55,728	\$ 56,588
Other liabilities	701	1,240	3,696	3,821	4,397	5,061
Total liabilities	\$ 10,925	\$ 11,962	\$ 49,200	\$ 49,687	\$ 60,125	\$ 61,649
Net assets						
Invested in capital assets, net of related debt	\$ 23,777	\$ 19,465	\$ 24,783	\$ 25,398	\$ 48,560	\$ 44,863
Restricted	668	6,257	3,195	3,276	3,863	9,533
Unrestricted	(5,158)	(5,410)	7,581	6,825	2,423	1,415
Total net assets	\$ 19,287	\$ 20,312	\$ 35,559	\$ 35,499	\$ 54,846	\$ 55,811

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			
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 1,504	\$ 1,427	\$ 10,146	\$ 10,602	\$ 11,650	\$ 12,029
Operating grants and contributions	29	59	-	-	29	59
Capital grants and contributions	2,519	-	277	319	2,796	319
General revenues:						
Taxes	9,921	6,684	-	-	9,921	6,684
Intergovernmental	136	101	-	-	136	101
Investment earnings	25	18	94	99	119	117
Total revenues	14,134	8,289	10,517	11,020	24,651	19,309

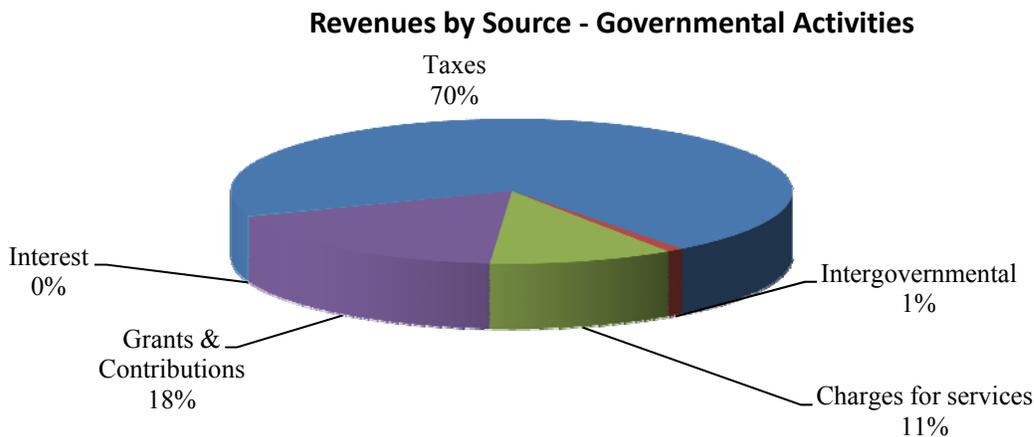
Continued on the following page.

Changes in Net Assets (Continued)
(In Thousands)

	Governmental Activities		Business-type Activity		Total	
	2012	2011	2012	2011	2012	2011
Expenses						
General government	\$ 1,643	\$ 1,585	\$ -	\$ -	\$ 1,643	\$ 1,585
Public safety	3,227	3,079	-	-	3,227	3,079
Building	501	487	-	-	501	487
Public works	1,249	1,230	-	-	1,249	1,230
Environmental	5,723	2,729	-	-	5,723	2,729
Interest on long-term debt	382	429	-	-	382	429
Water and wastewater	-	-	10,249	9,557	10,249	9,557
Loss on disposal assets	2,401	-	208	-	2,609	-
Total expenses	15,126	9,539	10,457	9,557	25,583	19,096
Change in net assets before special item	(992)	(1,250)	60	1,463	(932)	213
Special item	(33)	(197)	-	-	(33)	(197)
Change in net assets	(1,025)	(1,447)	60	1,463	(965)	16
Net assets – beginning of year	20,312	21,759	35,499	34,036	55,811	55,795
Net assets – end of year	\$ 19,287	\$ 20,312	\$ 35,559	\$ 35,499	\$ 54,846	\$ 55,811

Governmental Activities: Governmental activities decreased the Town’s net assets by \$1,026,412. The largest single source of governmental revenue received was \$9,920,633 for taxes or 70% of the total governmental revenues. Of this amount, approximately \$4.3 million was assessed and collected by the Beach Protection District, a blended component unit of the Town. Grant revenue was \$2,547,282 or 18% of the total governmental revenues. Grant revenues included reimbursements from FEMA for the 2012 Beach Protection District renourishment project in the amount of \$2.5 million. Charges for services increased \$77,000 and the increase was attributable to various line items. Investment earnings continued to remain minimal due to low interest rates.

The sources of governmental activities revenue as a percentage of total governmental revenue for 2012 are summarized as follows:



The largest expenditure in the governmental fund was for the beach re-nourishment project which placed over 1 million cubic yards of sand on the beach for a cost of \$12,137,526.

Business-type activity: The Town's business-type activity increased net assets by \$60,634 for 2012. Charges for services for the business-type activity decreased slightly from the previous fiscal year. The decrease of approximately \$456,000 or 4% resulted primarily from a 16% water rate reduction. Capital contributions have historically been a major revenue source for the Utility. Developer contributions in 2012 decreased approximately \$42,000 as a result of the continued sluggish housing market. In 2012, the utility completed and placed in service a nano filtration plant for a cost of \$1,287,567.

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 \$5,867,605, a decrease of \$5,848,701 from the prior year balance of \$11,716,306. Of this amount \$3,125,335 is restricted or assigned for specific purposes as follows:

- ❖ \$546,516 restricted for beach protection projects
- ❖ \$95,062 restricted for debt repayment
- ❖ \$26,085 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
- ❖ \$393,000 assigned for road paving
- ❖ \$96,818 assigned for subsequent year expenditures
- ❖ \$1,964 assigned for the art committee
- ❖ \$571,356 assigned for conservation projects
- ❖ \$185,955 assigned for beautification projects
- ❖ \$13,579 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 \$2,689,392, while the total fund balance reached \$5,199,942. 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 \$6,591,871. Unassigned fund balance represents 40% of total general fund expenditures, while total fund balance represents 78% of that same amount.

The fund balance of the Town's general fund increased by \$434,254 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 \$7,581,050, representing an increase of \$756,532 from the prior year balance of \$6,824,518.

Budgetary Highlights

General Fund

Overall actual revenues and other financing sources were more than the anticipated amounts by \$40,488 and expenditures were \$394,053 less than the appropriated budget. Accordingly, the Town had a favorable budget variance for 2012 of \$434,541. The largest budget variance for revenue was building permits, which exceeded the budgeted amount by \$144,470. Expenditures were under-budget in several departments for the year, with the largest variance of \$213,895 due to a road project that has been re-appropriated in the 2013 budget.

Beach Protection Fund

Actual revenues were more than the anticipated amounts by \$48,646 and expenditures were \$146,286 less than the appropriated budget. The expenditures for the beach renourishment project completed in 2012 were \$138,974 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, 2012, amounts to \$94,143,001 (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		Business-type		Total	
	Activities		Activity			
	2012	2011	2012	2011	2012	2011
Land	\$ 10,858	\$ 10,858	\$ 14,483	\$ 14,483	\$ 25,341	\$ 25,341
Building and improvements	2,672	2,667	7,771	6,733	10,443	9,400
Water distribution system	-	-	19,250	20,155	19,250	20,155
Wastewater collection system	-	-	22,572	22,977	22,572	22,977
Wells	-	-	3,587	3,649	3,587	3,649
Equipment	506	632	2,652	2,825	3,158	3,457
Beach renourishment	9,488	5,085	-	-	9,488	5,085
Roads	294	306	-	-	294	306
Construction in progress	10	-	-	648	10	648
Total capital assets	\$ 23,828	\$ 19,548	\$ 70,315	\$ 71,470	\$ 94,143	\$ 91,018

The Town's total investment in capital assets increased for the current fiscal year by approximately \$3,125,000. This was mainly attributable to the beach renourishment project.

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 \$991,576 (1.7%) 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	
	2012	2011	2012	2011	2012	2011
Notes payable	\$ 9,671	\$ 10,134	\$ 16,449	\$ 16,945	\$ 26,120	\$ 27,079
Capital lease	51	83	-	-	51	83
Revenue bonds	-	-	30,085	30,085	30,085	30,085
Total debt	\$ 9,722	\$ 10,217	\$ 46,534	\$ 47,030	\$ 56,256	\$ 57,247

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 \$16,448,733 in the utility system for a total of \$46,533,733. Two of the notes payable totaling \$13,680,032 at September 30, 2012 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 2012/2013 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 2012-2013 increased from 2.6341 to 2.7621. This millage rate results in a total projected tax levy of \$5,074,479.
- General Fund revenues and expenditures for the 2012-2013 budget year increased \$398,239 from the 2011-2012 budget. \$393,000 of the \$398,239 will come from prior year reserves for Phase II of the Gomez Road drainage project.

- The Beach Protection District millage rate for 2012-2013 decreased from 2.3187 to 1.524. This millage rate results in a total projected tax levy of \$2,800,000.
- The Town will continue the voted debt millage in 2013 for the pay off of the electrical undergrounding project. The millage rate for 2012-2013 is .4368 mills.
- Many other factors with less significant impacts than those above were also considered in preparing the Town's budget for the 2012-2013 fiscal year.

South Martin Regional Utility operations are primarily supported by user fees. In 2011-2012, a decrease of \$500,000 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 Deputy Town Manager/Finance Director, 2 Bridge Road, Hobe Sound, FL 33455.



BASIC FINANCIAL STATEMENTS

This page has been left blank intentionally.

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Net Assets

September 30, 2012

	Governmental Activities	Business-Type Activity	Total
Assets			
Cash and cash equivalents	\$ 4,043,535	\$ 3,855,956	\$ 7,899,491
Investments	2,029,093	2,026,153	4,055,246
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$556,625 respectively	34,532	586,765	621,297
Interest receivable	-	21,164	21,164
Prepaid items	52,878	37,367	90,245
Due from other governments	99,174	-	99,174
Internal balances	(3,311)	3,311	-
Restricted assets:			
Cash and cash equivalents	-	408,695	408,695
Investments	-	3,277,051	3,277,051
Notes receivable	-	1,006,618	1,006,618
Net pension asset	111,675	-	111,675
Unamortized debt issuance costs	16,319	345,146	361,465
Deferred outflow of resources	-	2,875,795	2,875,795
Capital assets:			
Capital assets not being depreciated	10,868,309	14,482,794	25,351,103
Depreciable capital assets, net	12,959,300	55,832,598	68,791,898
Total assets	\$ 30,211,504	\$ 84,759,413	\$ 114,970,917
Liabilities			
Accounts payable	\$ 239,069	\$ 184,801	\$ 423,870
Accrued liabilities	149,227	68,840	218,067
Accrued interest payable	312,394	76,162	388,556
Liabilities payable from restricted assets	-	490,227	490,227
Derivative instrument - interest rate swap	-	2,875,795	2,875,795
Long-term liabilities:			
Due within one year	537,527	357,841	895,368
Due in more than one year	9,686,709	45,146,326	54,833,035
Total liabilities	\$ 10,924,926	\$ 49,199,992	\$ 60,124,918
Net assets			
Invested in capital assets, net of related debt	\$ 23,776,871	\$ 24,782,852	\$ 48,559,723
Restricted	667,663	3,195,519	3,863,182
Unrestricted	(5,157,956)	7,581,050	2,423,094
Total net assets	\$ 19,286,578	\$ 35,559,421	\$ 54,845,999

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Activities

Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities				
General government	\$ 1,642,761	\$ 659,617	\$ 27,528	\$ -
Public safety	3,226,897	80	-	-
Building	501,226	744,470	1,000	-
Public works	1,249,372	100,150	-	-
Environmental	5,722,576	-	-	2,518,754
Interest on long-term debt	382,869	-	-	-
Total governmental activities	12,725,701	1,504,317	28,528	2,518,754
Business-type activity				
Water and wastewater	10,248,723	10,146,262	-	277,353
Total	\$ 22,974,424	\$ 11,650,579	\$ 28,528	\$ 2,796,107
General revenues				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for beach protection				
Property taxes, levied for electric underground				
Local option gas tax				
Franchise fees				
Communications tax				
Intergovernmental not restricted to specific programs				
Investment income				
Loss on disposal of assets				
Loss of assets due to storm event				
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
\$ (955,616)	\$ -	\$ (955,616)
(3,226,817)	-	(3,226,817)
244,244	-	244,244
(1,149,222)	-	(1,149,222)
(3,203,822)	-	(3,203,822)
(382,869)	-	(382,869)
(8,674,102)	-	(8,674,102)
-	174,892	174,892
(8,674,102)	174,892	(8,499,210)
4,966,301	-	4,966,301
4,339,449	-	4,339,449
236,991	-	236,991
101,083	-	101,083
201,155	-	201,155
75,654	-	75,654
135,551	-	135,551
25,204	94,003	119,207
(46,049)	(208,261)	(254,310)
(2,355,108)	-	(2,355,108)
(32,541)	-	(32,541)
7,647,690	(114,258)	7,533,432
(1,026,412)	60,634	(965,778)
20,312,990	35,498,787	55,811,777
\$ 19,286,578	\$ 35,559,421	\$ 54,845,999

TOWN OF JUPITER ISLAND, FLORIDA*Balance Sheet - Governmental Funds**September 30, 2012*

	Major Governmental Funds	
	General Fund	Beach Protection Fund
Assets		
Cash and cash equivalents	\$ 3,226,404	\$ 695,503
Investments	2,010,747	18,346
Accounts receivable	34,532	-
Prepaid items	52,878	-
Due from other governments	81,307	17,488
Total assets	\$ 5,405,868	\$ 731,337
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 53,388	\$ 184,821
Accrued liabilities	149,227	-
Due to other funds	3,311	-
Total liabilities	205,926	184,821
Fund balance		
Nonspendable	52,878	-
Restricted	-	546,516
Assigned	2,457,672	-
Unassigned	2,689,392	-
Total fund balance	5,199,942	546,516
Total liabilities and fund balance	\$ 5,405,868	\$ 731,337

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 121,628	\$ 4,043,535
-	2,029,093
-	34,532
-	52,878
379	99,174
\$ 122,007	\$ 6,259,212
\$ 860	\$ 239,069
-	149,227
-	3,311
860	391,607
-	52,878
121,147	667,663
-	2,457,672
-	2,689,392
121,147	5,867,605
\$ 122,007	\$ 6,259,212



TOWN OF JUPITER ISLAND, FLORIDA

Reconciliation of the Balance Sheet of Governmental Funds

to the Statement of Net Assets

September 30, 2012

Total governmental fund balance (page 25)		\$ 5,867,605
Amounts reported for governmental activities in the statement of net assets are different because:		
Cost of assets	\$ 44,183,038	
Accumulated depreciation	<u>(20,355,429)</u>	
		23,827,609
Issuance costs on long-term debt are capitalized and amortized over the term of the related debt in the statement of net assets.		16,319
Net pension assets are not available to pay for current liabilities, and therefore is not recognized in the funds.		111,675
Accrued interest on long-term debt is not due and payable in the current period and is not reported in governmental funds.		(312,394)
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.		(88,244)
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	(9,671,515)	
Capital lease obligation	(50,739)	
Compensated absences	<u>(413,738)</u>	
		(10,135,992)
Total net assets (page 21)		\$ 19,286,578

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, 2012*

	Major Governmental Funds	
	General Fund	Beach Protection Fund
Revenue		
Taxes	\$ 5,344,193	\$ 4,339,449
Licenses and permits	749,628	-
Intergovernmental	136,551	2,518,754
Charges for services	131,650	-
Fines and forfeitures	4,945	-
Donations	27,528	-
Investment income	13,616	11,422
Miscellaneous	618,014	-
Total revenue	7,026,125	6,869,625
Expenditures		
Current:		
General government:		
Administration	1,327,409	231,506
Public safety	3,169,454	-
Building	498,281	-
Public works:		
Solid waste	923,122	-
Grounds	253,292	-
Roads	21,795	-
Environmental:		
Lethal yellowing program	118,698	-
Beach protection and monitoring	-	127,891
Beautification and maintenance	3,747	-
Conservation	92,432	-
Capital outlay	148,429	12,137,526
Debt service:		
Principal	32,162	50,000
Interest	3,050	791
Total expenditures	6,591,871	12,547,714
Net change in fund balance	434,254	(5,678,089)
Fund balance, beginning of year	4,765,688	6,224,605
Fund balance, end of year	\$ 5,199,942	\$ 546,516

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 236,991	\$ 9,920,633
-	749,628
-	2,655,305
-	131,650
80	5,025
-	27,528
166	25,204
-	618,014
237,237	14,132,987
15	1,558,930
7,036	3,176,490
-	498,281
-	923,122
-	253,292
-	21,795
-	118,698
-	127,891
-	3,747
-	92,432
32,541	12,318,496
412,529	494,691
389,982	393,823
842,103	19,981,688
(604,866)	(5,848,701)
726,013	11,716,306
\$ 121,147	\$ 5,867,605



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, 2012

Net change in fund balance - total governmental funds (page 29)	\$ (5,848,701)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	6,680,374
In the statement of activities, the loss on disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the disposal increases financial resources:	
Loss on disposal of assets	(46,049)
Loss of assets due to storm event	(2,355,108)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	494,691
Debt issuance costs are an expenditure in the governmental funds, 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.	13,079
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	(7,774)
Change in net pension asset	34,468
Change in compensated absences	10,733
Change in net assets of governmental activities (page 23)	\$ (1,026,412)

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Net Assets

Enterprise Fund

September 30, 2012

Assets	
Current assets	
Cash and cash equivalents	\$ 3,855,956
Investments	2,026,153
Accounts receivable, net of allowance for doubtful accounts of \$556,625	586,765
Due from other funds	3,311
Notes receivable - current	36,069
Interest receivable	21,164
Prepaid items	37,367
Total current assets	6,566,785
Noncurrent assets	
Restricted assets:	
Cash and cash equivalents	408,695
Investments	3,277,051
Total restricted assets	3,685,746
Other assets	
Notes receivable - long-term	970,549
Unamortized debt issuance costs	345,146
Deferred outflow of resources	2,875,795
Total other assets	4,191,490
Capital assets	
Land and improvements	14,482,794
Buildings and improvements	10,787,541
Water distribution systems	27,829,488
Wastewater distribution systems	27,613,313
Wells	4,587,511
Equipment	6,913,696
Total capital assets	92,214,343
Less accumulated depreciation	(21,898,951)
Total capital assets	70,315,392
Total assets	\$ 84,759,413

Continued on next page.

TOWN OF JUPITER ISLAND, FLORIDA*Statement of Net Assets (Continued)**Enterprise Fund**September 30, 2012*

Liabilities and net assets	
Current liabilities	
Accounts payable	\$ 184,801
Accrued liabilities	68,840
Accrued interest payable	76,162
Current portion of compensated absences payable	2,288
Current portion of notes payable	355,553
Total current liabilities	687,644
Current liabilities payable from restricted assets	
Accounts payable	72,661
Accrued interest payable	257,932
Current portion of notes payable	159,634
Total current liabilities payable from restricted assets	490,227
Noncurrent liabilities	
Compensated absences payable	59,465
Other postemployment benefits payable	69,508
Derivative instrument - interest rate swap	2,875,795
Notes payable	15,933,558
Revenue bonds payable, net of unamortized premium and loss on refunding	29,083,795
Total noncurrent liabilities	48,022,121
Total liabilities	\$ 49,199,992
Net assets	
Invested in capital assets, net of related debt	\$ 24,782,852
Restricted	3,195,519
Unrestricted	7,581,050
Total net assets	35,559,421
Total liabilities and net assets	\$ 84,759,413

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, 2012

Operating revenue	
Water	\$ 6,911,459
Wastewater	2,744,300
Other	488,992
Total operating revenue	10,144,751
Operating expenses	
Personal services	2,483,650
Operating expenses	3,189,741
Depreciation	2,307,347
Total operating expenses	7,980,738
Operating income	2,164,013
Nonoperating revenue (expenses)	
Interest income	94,003
Other income	1,511
Loss on disposal of assets	(208,261)
Interest expense	(2,122,265)
Amortization	(145,720)
Total nonoperating revenue (expenses)	(2,380,732)
Loss before capital contributions	(216,719)
Capital contributions	277,353
Change in net assets	60,634
Net assets, beginning of year	35,498,787
Net assets, end of year	\$ 35,559,421

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Cash Flows

Enterprise Fund

Year Ended September 30, 2012

Cash flows from operating activities	
Cash received from customers	\$ 10,112,023
Cash received for interfund services provided	46,907
Cash received from others	1,511
Cash paid to suppliers and contractors	(2,724,393)
Cash paid to employees	(2,471,537)
Cash paid for interfund services	(436,867)
Net cash provided by operating activities	4,527,644
Cash flows from noncapital financing activities	
Transfers from other funds	4,969
Net cash provided by noncapital financing activities	4,969
Cash flows from capital and related financing activities	
Capital contributions	262,605
Principal received on notes receivable	43,158
Principal paid on notes payable	(496,885)
Acquisition and construction of capital assets	(1,535,189)
Payment of interest	(2,134,258)
Net cash used in capital and related financing activities	(3,860,569)
Cash flows from investing activities	
Interest received	92,162
Purchase of investments	(5,275,066)
Net cash used in investing activities	(5,182,904)
Net decrease in cash and cash equivalents	(4,510,860)
Cash and cash equivalents, beginning of year	8,775,511
Cash and cash equivalents, end of year	\$ 4,264,651
Reconciliation of cash and cash equivalents to statement of net assets:	
Unrestricted cash and cash equivalents	\$ 3,855,956
Restricted cash and cash equivalents	408,695
Cash and cash equivalents at September 30, 2012	\$ 4,264,651

Continued on the following page.

TOWN OF JUPITER ISLAND, FLORIDA*Statement of Cash Flows (Continued)**Enterprise Fund**Year Ended September 30, 2012*

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,164,013
Adjustmentments to reconcile operating income	
to net cash provided by operating activities:	
Provision for uncollectible accounts	150,697
Depreciation	2,307,347
Other income	1,511
Changes in operating assets and liabilities:	
Accounts receivable	(136,518)
Prepaid items	155,679
Accounts payable	(127,198)
Accrued liabilities	4,503
Compensated absences payable	1,630
Other postemployment benefits payable	5,980
Net cash provided by operating activities	\$ 4,527,644
Supplemental disclosure of noncash capital and related financing activities:	
Amortization of debt issuance costs	\$ (13,894)
Amortization of refunding loss on bonds	(131,826)
Notes receivable for capital contributions	14,748

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA*Statement of Fiduciary Net Assets**Fiduciary Funds**September 30, 2012*

	Pension Trust Funds	Private- Purpose Trust Fund	Agency Fund
Assets			
Cash and cash equivalents	\$ -	\$ 58,294	\$ 16,041
Unallocated cash in transit	46,246	-	-
Investments	10,719,206	-	-
Employer contributions receivable	525,966	-	-
Loans receivable	9,295	-	-
Total assets	\$ 11,300,713	\$ 58,294	\$ 16,041
Liabilities			
Due to employees	\$ -	\$ -	\$ 16,041
Total liabilities	\$ -	\$ -	\$ 16,041
Net Assets			
Held in trust for pension benefits and other purposes	\$ 11,300,713	\$ 58,294	\$ -

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year Ended September 30, 2012

	Pension Trust Funds	Private- Purpose Trust Fund
Additions		
Contributions:		
Employer	\$ 820,830	\$ -
Other	-	5,000
Investment income	1,727,490	68
Total additions	2,548,320	5,068
Deductions		
Payments to retirees and employees	701,848	-
Administrative expenses	34,240	4,015
Total deductions	736,088	4,015
Change in net assets	1,812,232	1,053
Net assets, beginning of year	9,488,481	57,241
Net assets, end of year	\$ 11,300,713	\$ 58,294

See notes to basic financial statements.

TOWN OF JUPITER ISLAND, FLORIDA

Notes to Basic Financial Statements

September 30, 2012

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

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 unit within the Town's financial statements.

Additionally, the Town reports the following nonmajor funds:

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

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 60 days of the end of the current fiscal year. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Property taxes, intergovernmental revenue, franchise fees, charges for services and investment income are all considered susceptible to accrual and have been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the Town.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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"), Pension Trust Fund investments consisting of deposits with an insurance company invested in group annuity contracts, and U.S. Treasury Bills.

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.

Prepaid Items

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if donated, fair value at the date of donation. Expenses which materially extend the useful life of existing assets are capitalized. Certain costs for professional services and interest associated with the acquisition and construction of enterprise fund capital assets have been capitalized. The cost of capital assets sold or retired is removed from the appropriate accounts and any resulting gain or loss is included in the change in net 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	5 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*.

The government-wide statement of net assets reports \$3,863,182 of restricted net assets. Of the total amount, \$546,516 is restricted by enabling legislation.

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. The Town is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$200,000/\$300,000 for all claims relating to the same accident. There have been no significant reductions in insurance coverage from the prior year. In addition, there have been no settlements that exceeded insurance coverage for any of the prior three fiscal years.

Interfund Transactions

Transactions between funds during the year consisted of loans, services provided, reimbursements or transfers. Loans are reported as *Due from Other Funds* and *Due to Other Funds* as appropriate and are subject to elimination in the government-wide financial statements. Services, deemed to be reasonably equivalent in value, are treated as revenue and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are 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, 2012, 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 (2010/2011) 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, 2012, 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, 2.3187 for the Jupiter Island Beach Protection District (the "District"), and 0.1266 for the electric underground fund debt service. This millage rate resulted in a total tax levy of \$4,898,500, \$4,300,000, and \$255,430 for 2012, for the general fund, the District, and the electric underground fund, respectively, representing no change for the general fund and an increase of 208% for the District from the property tax levy for 2011. There was no property tax levy in the electric underground fund for 2011. 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, 2012, 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	\$ 5,375,754	\$ 383,953	\$ 5,759,707
Money market mutual funds	1,001,624	20,100	1,021,724
State Board of Administration Florida Prime Fund	1,522,113	4,642	1,526,755
	7,899,491	408,695	8,308,186
Investments			
Local Government Investment Pool Fund B	56,712	1,252	57,964
U.S. Treasury Bills	3,998,534	3,275,799	7,274,333
	4,055,246	3,277,051	7,332,297
	\$ 11,954,737	\$ 3,685,746	\$ 15,640,483

Cash and Cash Equivalents

At September 30, 2012, the bank balances of the Town's cash and cash equivalents included \$6,747,940 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, 2012, included cash and cash equivalents with a bank balance of \$74,335 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, 2012, cash, cash equivalents and investments of the Town's fiduciary funds included the following:

Pension Trust Funds	
Investments with insurance company	\$ 10,719,206
Unallocated cash in transit	46,246
Private-purpose Trust Fund	
Cash and cash equivalents	58,294
Agency Fund	
Cash and cash equivalents	16,041
Total cash, cash equivalents and investments	\$ 10,839,787

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, 2012, 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 and U.S. Treasury Bills have a weighted average maturity of less than one year, resulting in minimal interest rate risk. The Town’s investment policy does not specifically limit the maturity of investments. 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, 2012, is estimated at 4.08 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 39 days at September 30, 2012.

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, 2012, are summarized as follows:

Investment Type	NRSRO Rating	Fair Value
State Board of Administration Florida Prime Fund	AAAm	\$ 1,526,755

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, 2012, the Fund B investments had a net asset value of \$61,082 which approximated 95% 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, 2012.

3) ACCOUNTS RECEIVABLE

Accounts receivable and the related allowance for doubtful accounts at September 30, 2012, are summarized as follows:

	Gross Accounts Receivable	Allowance For Doubtful Accounts	Net Accounts Receivable
Governmental Activities			
Due from State of Florida	\$ 21,113	\$ -	\$ 21,113
Due from Martin County	78,061	-	78,061
Other miscellaneous services	34,532	-	34,532
Total governmental activities	133,706	-	133,706
Business-type Activity			
Customer receivables	1,143,390	(556,625)	586,765
Accrued interest	21,164	-	21,164
Total business-type activity	1,164,554	(556,625)	607,929
	\$ 1,298,260	\$ (556,625)	\$ 741,635

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, 2012, the notes receivable total \$1,006,618, of which \$36,069 was current.

5) CAPITAL ASSETS

The capital asset activity for government activities for the year ended September 30, 2012, 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	-	10,260	-	10,260
Total capital assets not being depreciated	10,858,049	10,260	-	10,868,309
Depreciable capital assets:				
Buildings and improvements	3,938,507	101,019	-	4,039,526
Equipment	2,338,521	62,393	(453,228)	1,947,686
Beach renourishment	17,126,103	12,137,526	(2,355,108)	26,908,521
Roads	418,046	950	-	418,996
Total depreciable capital assets	23,821,177	12,301,888	(2,808,336)	33,314,729
Less accumulated depreciation:				
Buildings and improvements	(1,271,360)	-	(96,029)	(1,367,389)
Equipment	(1,706,159)	407,179	(143,353)	(1,442,333)
Beach renourishment	(12,041,305)	-	(5,379,808)	(17,421,113)
Roads	(112,010)	-	(12,584)	(124,594)
Total accumulated depreciation	(15,130,834)	407,179	(5,631,774)	(20,355,429)
Depreciable assets, net of accumulated depreciation	8,690,343	12,709,067	(8,440,110)	12,959,300
Total net governmental activities capital assets	\$ 19,548,392	\$ 12,719,327	\$ (8,440,110)	\$ 23,827,609

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 125,402
Public safety	64,475
Building	5,801
Public works	56,288
Environmental	5,379,808
Total governmental activities depreciation expense	\$ 5,631,774

5) CAPITAL ASSETS (Continued)

Loss of Assets Due to Storm Event

During the incident period for Tropical Storm Isaac, from August 27 to August 29, 2012, the engineered public beach of the Town suffered significant erosional sand loss due to the combined effects of storm waves, strong currents and significant storm surge. The loss occurred subsequent to a major beach re-nourishment project in the amount of \$12,137,526 that was completed by the Town in May 2012. The net sand loss directly related to this storm event was \$2,355,108.

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 2012, additional street lighting was completed and, pursuant to the executed agreements, the improvements were transferred to the electric utility. The transfer, which totaled approximately \$33,000, was recorded as a special item on the statement of activities for the year ended September 30, 2012.

The capital asset activity for the business-type activity for the year ended September 30, 2012, 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	15,130,598	-	(647,804)	14,482,794
Depreciable capital assets:				
Buildings and improvements	9,492,418	1,298,838	(3,715)	10,787,541
Water distribution system	27,931,106	146,918	(248,536)	27,829,488
Wastewater collection systems	27,709,667	146,054	(242,408)	27,613,313
Wells	4,512,711	98,218	(23,418)	4,587,511
Equipment	8,749,925	318,514	(2,154,743)	6,913,696
Total depreciable capital assets	78,395,827	2,008,542	(2,672,820)	77,731,549
Less accumulated depreciation:				
Buildings and improvements	(2,759,739)	475	(256,890)	(3,016,154)
Water distribution systems	(7,775,578)	173,870	(977,541)	(8,579,249)
Wastewater collection systems	(4,732,504)	187,246	(496,164)	(5,041,422)
Wells	(863,843)	13,491	(149,761)	(1,000,113)
Equipment	(5,924,499)	2,089,477	(426,991)	(4,262,013)
Total accumulated depreciation	(22,056,163)	2,464,559	(2,307,347)	(21,898,951)

5) CAPITAL ASSETS (Continued)

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Depreciable assets, net of accumulated depreciation	\$ 56,339,664	\$ 4,473,101	\$ (4,980,167)	\$ 55,832,598
Total net business-type activities capital assets	\$ 71,470,262	\$ 4,473,101	\$ (5,627,971)	\$ 70,315,392

6) DERIVATIVE INSTRUMENTS

The Town has one interest rate swap agreement in effect at September 30, 2012, 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, 2012, classified by type, and the changes in fair value of such derivative instrument for the year then ended as reported in the 2012 financial statements are as follows:

	Changes in Fair Value		Fair Value at September 30, 2012		
	Classification	Amount	Classification	Amount	Notional Amount
Business-type activity Cash-flow hedge: Pay fixed interest rate swap	Deferred Outflow	\$ 179,309	Debt	\$ (2,875,795)	\$ 9,540,837

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, 2012.

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:	\$(2,875,795)
Counterparty credit rating:	A3 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, 2012, are summarized as follows:

Accounts payable	
Renewal and replacement account	\$ 72,661
Accrued interest payable and current principal maturities	
Debt service account	417,566
Total liabilities payable from restricted assets	\$ 490,227

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, 2012, are summarized as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
Compensated absences	\$ 424,471	\$ 361,309	\$ (372,042)	\$ 413,738	\$ 76,047
Note payable, Series 2007	4,449,458	-	(195,050)	4,254,408	201,578
Note payable, Series 2008	5,634,587	-	(217,480)	5,417,107	226,418
Note payable, Series 2011	50,000	-	(50,000)	-	-
Capital lease agreement	82,900	-	(32,161)	50,739	33,484
Other postemployment benefits payable	80,470	16,019	(8,245)	88,244	-
Governmental activity long-term liabilities	\$ 10,721,886	\$ 377,328	\$ (874,978)	\$ 10,224,236	\$ 537,527

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
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	231,982	121,468	353,450
2018-2022	1,291,364	475,886	1,767,250
2023-2027	1,538,294	228,956	1,767,250
2028	341,076	12,374	353,450
	\$ 4,254,408	\$ 1,400,792	\$ 5,655,200

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
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	265,999	183,062	449,061
2018-2022	1,503,253	742,052	2,245,305
2023-2027	1,838,630	406,675	2,245,305
2028-2029	846,173	51,949	898,122
	\$ 5,417,107	\$ 2,216,930	\$ 7,634,037

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. The note is secured by a pledge of the Town to budget non-ad valorem revenues for repayment of the Series 2011 Note. The entire unpaid principal balance, together with all accrued and unpaid interest, was paid in full in July 2012.

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 \$205,841. Minimum future lease payments under the capital lease at September 30, 2012, were as follows:

Year Ending September 30,	Amount
2013	\$ 35,212
2014	17,606
Total minimum lease payments	52,818
Less interest	(2,079)
Present value of future minimum lease payments	\$ 50,739

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, 2012, is \$13,289,237. Principal and interest paid and ad valorem tax revenues received for the current year were \$802,511 and \$5,203,292, respectively.

8) LONG-TERM DEBT (Continued)

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	806,162	-	-	806,162	-
Unamortized refunding loss	(1,939,193)	-	(131,826)	(1,807,367)	-
Total bonds payable	28,951,969	-	(131,826)	29,083,795	-
Notes payable:					
Note payable, Series 2005	3,060,151	-	(291,450)	2,768,701	302,782
Note payable, Series 2006	9,551,305	-	(10,468)	9,540,837	9,791
Note payable, Series 2007	4,334,162	-	(194,967)	4,139,195	202,614
Total notes payable	16,945,618	-	(496,885)	16,448,733	515,187
Compensated absences	60,123	145,160	(143,530)	61,753	2,288
Other postemployment benefits payable	63,528	12,322	(6,342)	69,508	-
Business-type activity long-term liabilities	\$ 46,021,238	\$ 157,482	\$ (778,583)	\$ 45,663,789	\$ 517,475

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
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	45,000	1,448,375	1,493,375
2018-2022	1,275,000	7,164,800	8,439,800
2023-2027	2,290,000	6,677,700	8,967,700
2028-2032	5,540,000	6,156,775	11,696,775
2033-2037	11,865,000	3,820,375	15,685,375
2038-2040	9,055,000	697,125	9,752,125
	\$ 30,085,000	\$ 31,762,925	\$ 61,847,925

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
2013	\$ 302,782	\$ 101,368	\$ 404,150
2014	314,278	89,872	404,150
2015	326,211	77,939	404,150
2016	338,426	65,724	404,150
2017	351,446	52,704	404,150
2018-2020	1,135,558	76,892	1,212,450
	\$ 2,768,701	\$ 464,499	\$ 3,233,200

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% (0.8968% at September 30, 2012). 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		
2013	\$ 9,791	\$ 122,822	\$ 289,051	\$ 421,664
2014	11,343	115,698	295,719	422,760
2015	11,833	108,479	302,438	422,750
2016	12,343	101,163	310,355	423,861
2017	11,753	93,751	316,124	421,628
2018-2022	71,793	354,069	1,687,615	2,113,477
2023-2027	3,533,853	153,398	1,766,413	5,453,664
2028-2029	5,878,128	5,470	251,815	6,135,413
	\$ 9,540,837	\$ 1,054,850	\$ 5,219,530	\$ 15,815,217

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
2013	\$ 202,614	\$ 150,076	\$ 352,690
2014	210,118	142,572	352,690
2015	217,900	134,790	352,690
2016	225,629	127,061	352,690
2017	234,327	118,363	352,690
2018-2022	1,308,163	455,287	1,763,450
2023-2027	1,569,151	194,299	1,763,450
2028	171,293	3,152	174,445
	\$ 4,139,195	\$ 1,325,600	\$ 5,464,795

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 110% of the annual debt service on the outstanding bonds and any subordinated indebtedness or, 2) net revenues and connection fees of at least 120% of the annual debt service, on the outstanding bonds and any subordinated indebtedness.
8. The use of cash 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 51 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, 2012, is \$65,081,117. Principal and interest paid on the Series 2010 Bonds and Series 2005 Note for the current year and utility system net revenues were \$1,848,152 and \$4,561,141, 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 49 percent of the Town's non-ad valorem revenues until 2026 and approximately 104 percent thereafter until maturity. Total principal and interest remaining to be paid on the Series 2006 and Series 2007 Notes at September 30, 2012, is \$21,280,012. Principal and interest paid by the utility system and non-ad valorem revenues pledged for the current year were \$770,998 and \$2,025,443, respectively.

Annual Maturities

As of September 30, 2012, 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
2013	\$ 976,667	\$ 2,200,009	\$ 289,051	\$ 3,465,727
2014	997,888	2,155,610	295,719	3,449,217
2015	1,017,972	2,111,191	302,438	3,431,601
2016	1,071,224	2,065,908	310,355	3,447,487
2017	1,140,507	2,017,723	316,124	3,474,354
2018-2022	6,585,131	9,268,986	1,687,615	17,541,732

8) LONG-TERM DEBT (Continued)

Year Ending September 30,	Principal	Interest	Interest Rate Swap, Net	Total
2023-2027	\$ 10,769,928	\$ 7,661,028	\$ 1,766,413	\$ 20,197,369
2028-2032	12,776,670	6,229,720	251,815	19,258,205
2033-2037	11,865,000	3,820,375	-	15,685,375
2038-2040	9,055,000	697,125	-	9,752,125
	\$ 56,255,987	\$ 38,227,675	\$ 5,219,530	\$ 99,703,192

For the year ended September 30, 2012, the Town incurred and expensed total interest charges of \$382,869 in the governmental activities. Interest charges incurred for the business-type activity totaled \$2,122,265 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	Nonmajor Governmental Fund
Nonspendable:			
Prepaid items	\$ 52,878	\$ -	\$ -
Restricted:			
Beach protection	-	546,516	-
Debt repayment	-	-	95,062
Public safety	-	-	26,085
Total restricted	-	546,516	121,147
Assigned:			
Emergencies	1,000,000	-	-
Compensated absences	115,000	-	-
Uninsured losses and other payments	80,000	-	-
Road paving	393,000	-	-
Conservation	571,356	-	-
Beautification and maintenance	185,955	-	-
Criminal justice education and training	13,579	-	-
Art Committee	1,964	-	-
Subsequent year expenditures	96,818	-	-
Total assigned	2,457,672	-	-
Unassigned	2,689,392	-	-
Total fund balance	\$ 5,199,942	\$ 546,516	\$ 121,147

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, 2012:

	Restricted Assets	Liabilities Payable From Restricted Assets	Restricted Net Assets
Debt service accounts	\$ 417,566	\$ 417,566	\$ -
Debt service reserve account	2,766,866	-	2,766,866
Renewal and replacement account	501,314	72,661	428,653
	\$ 3,685,746	\$ 490,227	\$ 3,195,519

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, 2012, are summarized as follows:

Receivable Fund	Payable Fund	Amount
Utility Enterprise Fund	General Fund	\$ 3,311

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.

12) CAPITAL CONTRIBUTIONS

The capital contributions to the Water and Wastewater enterprise fund for the year ended September 30, 2012, consisted of connection and other fees of \$277,353. This amount represented \$273,461 for water connections and \$3,892 for wastewater connections.

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 service as of that date. Those 14 employees will continue to earn credit toward eligibility for

13) DEFINED BENEFIT PENSION PLAN (Continued)

an unreduced early retirement pension benefit. Freezing the Plan decreased the unfunded actuarial liability from \$416,793 to \$95,580. At September 30, 2012, the actuarial value of plan assets exceeds the fair value of plan assets by \$760,634.

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 or, age 55 and completion of twenty-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, 2012, the Town’s total covered payroll amounted to \$2,054,448. Employees are not required to contribute to the Plan.

Participant data as of October 1, 2012, the date of most recent actuarial valuation, is as follows:

Retirees and beneficiaries receiving benefits	24
Terminated employees entitled to benefits but not yet receiving them	21
Vested current employees	23
Nonvested current employees	7
Total	75

Plan assets consist of investments in mutual funds with a subsidiary of TFLIC, with a carrying value of \$9,485,927 at September 30, 2012. The carrying value approximates market value at September 30, 2012.

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.

13) DEFINED BENEFIT PENSION PLAN (Continued)

The Town's annual pension cost and change in the net pension benefit of the Plan for the year ended September 30, 2012, the date of the most recent actuarial valuation, are as follows:

Annual required contribution	\$ 291,583
Interest on net pension obligation	(5,405)
Adjustment to annual required contribution	7,175
Annual pension cost	293,353
Contributions made	327,821
Increase in net pension benefit	(34,468)
Net pension benefit, beginning of year	(77,207)
Net pension benefit, end of year	\$ (111,675)

Total Town contributions to the Plan in 2012 amounted to \$327,821, which was greater than the actuarially required contribution of \$291,583. Contributions represent 15% 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	30 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

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 (Benefit)
September 30, 2010	\$ 189,028	259.5%	\$ 95,794
September 30, 2011	247,967	169.8%	(77,207)
September 30, 2012	293,353	111.7%	(111,675)

13) DEFINED BENEFIT PENSION PLAN (Continued)

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, 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%
October 1, 2012	10,328,516	11,840,695	1,512,179	87.2%	2,054,448	73.6%

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% annually until fully vested in year five. Employer contributions to the Plan for the year ended September 30, 2012, were \$163,735. 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, 2012, were \$329,274. 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, 2012, are as follows:

14) DEFINED CONTRIBUTION PENSION PLANS (Continued)

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	\$ 9,485,927	\$ 503,797	\$ 729,482
Unallocated cash in transit	-	45,234	1,012
Employer contributions receivable	81,955	163,735	280,276
Loans receivable	-	9,295	-
Total assets	\$ 9,567,882	\$ 722,061	\$ 1,010,770
Liabilities			
	\$ -	\$ -	\$ -
Net assets held in trust for pension benefits	\$ 9,567,882	\$ 722,061	\$ 1,010,770

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	\$ 327,821	\$ 163,735	\$ 329,274
Investment income	1,553,819	89,828	83,843
Total additions	1,881,640	253,563	413,117
Deductions			
Payments to retirees and employees	619,354	62,499	19,995
Administrative expenses	32,594	1,646	-
Total deductions	651,948	64,145	19,995
Change in net assets	1,229,692	189,418	393,122
Net assets, beginning of year	8,338,190	532,643	617,648
Net assets, held in trust for pension benefits, end of year	\$ 9,567,882	\$ 722,061	\$ 1,010,770

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.

15) OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 \$527 to a maximum of \$1,170.

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	\$ 29,993
Interest on net pension obligation	5,040
Adjustment to annual required contribution	(6,692)
Annual OPEB cost	28,341
Contributions made	14,587
Increase in net OPEB obligation	13,754
Net OPEB obligation, beginning of year	143,998
Net OPEB obligation, end of year	\$ 157,752

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, 2010	\$ 66,650	\$ 18,015	27%	\$ 93,955
September 30, 2011	70,979	20,936	29%	143,998
September 30, 2012	28,341	14,587	51%	157,752

15) OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress

As of September 30, 2012, the plan assets were \$0, the actuarial accrued liability for benefits was \$280,853, the total unfunded actuarial liability is \$280,853, and the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) is 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$4,467,145, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 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.

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. A general price inflation 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, 2012, was 30 years. As authorized by GASB 45, the Alternative Measurement Method with its simplifications of certain assumptions was employed in measuring actuarial accrued liabilities and the ARC.

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, 2012.

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.

17) PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

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*

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

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. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, issued June 2012, is effective for the Town beginning with its fiscal year ending September 30, 2014. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope.

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* issued June 2012, is effective for the Town beginning with its fiscal year ending September 30, 2015. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution plans.

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



REQUIRED SUPPLEMENTARY INFORMATION

This page has been left blank intentionally.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenue				
Taxes				
Ad valorem property taxes	\$ 4,898,479	\$ 4,898,479	\$ 4,966,301	\$ 67,822
Local option gas tax	101,715	101,715	101,083	(632)
Franchise fees	190,000	190,000	201,155	11,155
Communications tax	79,396	79,396	75,654	(3,742)
Total taxes	5,269,590	5,269,590	5,344,193	74,603
Licenses and Permits				
Building permits	600,000	600,000	744,470	144,470
Alarm permit fee	2,500	2,500	3,825	1,325
Occupational licenses	500	500	1,333	833
Total licenses and permits	603,000	603,000	749,628	146,628
Intergovernmental Revenue				
Payment in lieu of taxes	5,000	5,000	16,835	11,835
FEMA reimbursement	1,000	1,000	-	(1,000)
State grant revenue	-	-	1,000	1,000
State shared revenue:				
Half-cent sales tax	52,010	52,010	69,819	17,809
State revenue sharing	18,500	18,500	18,994	494
Discretionary sales tax	10,000	10,000	20,985	10,985
Fuel tax refund	2,500	2,500	4,217	1,717
Firefighters supplemental	-	-	3,120	3,120
Radon fees	750	750	1,581	831
Total intergovernmental revenue	89,760	89,760	136,551	46,791
Charges for Services				
Brush charges	99,000	99,000	100,150	1,150
Board of Adjustment fees	12,500	12,500	16,500	4,000
Impact review fees	12,500	12,500	15,000	2,500
Total charges for services	124,000	124,000	131,650	7,650
Fines and forfeitures				
Fines and forfeitures	3,600	3,600	4,945	1,345
Code enforcement fines	500	500	-	(500)
Total fines and forfeitures	4,100	4,100	4,945	845
Investment Income	8,750	8,750	13,616	4,866

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue (continued)				
Miscellaneous				
Lease income	\$ 40,463	\$ 40,463	\$ 40,465	\$ 2
Contributions and donation	-	-	1,000	1,000
Refund	-	-	6,656	6,656
Miscellaneous	20,000	20,000	32,026	12,026
Administrative charges:				
Beach Protection District	101,000	101,000	101,000	-
Administrative charges:				
Utility Fund	436,867	436,867	436,867	-
Total miscellaneous	598,330	598,330	618,014	19,684
Other Sources				
Transfer from undesignated fund balance	217,579	260,579	-	(260,579)
Total other sources	217,579	260,579	-	(260,579)
Total revenue and other sources	6,915,109	6,958,109	6,998,597	40,488
Expenditures				
Administration				
Personal services:				
Regular salaries and wages	475,501	477,701	477,664	37
Other salaries and wages	25,000	22,800	22,568	232
FICA taxes	30,659	30,659	29,225	1,434
Medicare taxes	7,170	7,570	7,471	99
Overtime	1,000	1,000	823	177
Auto allowance	18,000	18,000	17,999	1
Pension contributions - DBP	58,742	58,742	58,742	-
Pension contributions	59,438	59,438	59,322	116
Health insurance	72,000	70,600	66,668	3,932
Dental insurance	2,114	2,414	2,414	-
Cafeteria plan insurances	10,050	11,150	11,068	82
Workers compensation insurance	800	800	158	642
Employees assistance program	151	151	-	151
Total personal services	760,625	761,025	754,122	6,903
Operating expenditures:				
Professional services - legal/employees	60,000	107,500	107,485	15
Professional services - legal/general	50,000	96,500	96,362	138
Professional services - legal/pension	10,000	-	-	-

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Administration (continued)				
Professional services - codification	\$ 1,500	\$ 3,100	\$ 3,082	\$ 18
Professional services - business	10,000	2,000	1,940	60
Professional services - CG property	5,000	-	-	-
Professional services - audit/actuarial	35,000	33,000	31,197	1,803
Professional services - financial	22,000	5,000	4,371	629
Professional services - accounting	3,025	2,625	1,605	1,020
Professional services - public relations	50,000	37,200	37,094	106
Contracted services - archives	3,000	3,000	2,874	126
Contracted services - information technology	8,500	6,500	6,471	29
Contracted services - website	1,250	3,350	3,328	22
Travel and per diem	3,350	3,350	2,545	805
Art committee	15,000	15,000	15,000	-
Office supplies	4,750	4,950	4,777	173
Personnel training	1,700	700	640	60
Personnel services	2,000	2,200	2,169	31
Postage	10,500	10,500	9,879	621
Telephone	17,500	22,200	22,144	56
Legal advertising	2,500	3,000	2,748	252
Utilities - electric	12,000	13,100	13,009	91
Utilities - water	18,000	2,000	1,646	354
Liability and bond insurance	104,400	100,900	100,885	15
Repair and maintenance - equipment	2,125	2,125	824	1,301
Repair and maintenance - building	15,000	27,000	26,862	138
Equipment maintenance	1,500	1,500	880	620
Printing and binding	2,400	2,400	1,467	933
Other miscellaneous charges	3,600	7,400	7,387	13
Bank charges	1,200	1,200	929	271
Emergency preparation	3,000	3,000	2,164	836
Bad debt	-	2,000	1,975	25
Computer supplies	2,000	2,000	1,891	109
Lease - copier	1,800	1,900	1,895	5
Travel - commission boards	20,000	13,000	12,737	263
Small tools and equipment	500	500	57	443
Books, publications and subscriptions	3,305	3,805	3,680	125
Total operating expenditures	507,405	545,505	533,999	11,506
Capital outlay:				
Machinery and equipment	20,000	20,000	13,068	6,932
Total capital outlay	20,000	20,000	13,068	6,932

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Administration (continued)				
Debt service:				
Principal	\$ 30,892	\$ 32,162	\$ 32,162	\$ -
Interest	4,321	3,051	3,050	1
Total debt service	35,213	35,213	35,212	1
Other uses:				
Contingency	50,000	11,500	11,473	27
Total other uses	50,000	11,500	11,473	27
Total administration	1,373,243	1,373,243	1,347,874	25,369
Public Safety				
Personal services:				
Regular salaries and wages	1,433,614	1,444,614	1,444,548	66
FICA taxes	92,621	91,121	91,111	10
Medicare taxes	21,661	21,661	21,414	247
Overtime	45,000	51,600	51,590	10
Health insurance	230,000	238,000	237,794	206
Dental insurance	8,100	8,100	7,645	455
Cafeteria Plan/HRA	36,500	35,100	35,053	47
Workers compensation insurance	28,000	28,200	28,152	48
Unemployment compensation	7,000	2,000	1,925	75
Employees assistance program	500	-	-	-
Telephone allowance	7,025	7,025	7,020	5
Clothing and shoe allowance	3,250	3,250	3,075	175
Miscellaneous supplement	5,000	-	-	-
Pension contributions - DBP	169,500	169,500	169,499	1
Pension contributions - DCP	179,202	170,302	170,281	21
Total personal services	2,266,973	2,270,473	2,269,107	1,366
Operating expenditures:				
Contracted services - ALS	718,173	718,173	718,173	-
Contracted services general operations	10,800	10,800	10,052	748
Investigations	3,800	3,800	1,863	1,937
Travel and per diem	700	1,200	1,153	47
Utilities - electric	11,500	11,500	9,277	2,223
Utilities - water	6,000	3,500	3,319	181
Telephone	16,000	16,000	13,528	2,472
Lease - copier	2,000	2,000	1,502	498

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Public Safety (continued)				
Operating expenditures (continued)				
Repair and maintenance - building	\$ 11,000	\$ 11,500	\$ 11,372	\$ 128
Vehicle maintenance - police	10,500	11,700	11,593	107
Vehicle maintenance - fire	1,450	3,450	3,421	29
Equipment maintenance - police	5,300	3,300	3,196	104
Equipment maintenance - fire	2,000	1,000	973	27
Equipment maintenance - security	5,000	5,000	4,736	264
Equipment maintenance - City Watch	750	750	750	-
Other miscellaneous charges	4,025	4,025	3,507	518
Patrol boats maintenance	10,000	10,000	9,207	793
Accreditation expense	3,000	2,000	1,699	301
Office supplies	6,300	5,600	5,170	430
Computer supplies	500	600	520	80
Gasoline, diesel and oil	70,500	62,500	61,260	1,240
Uniforms	5,000	5,000	4,310	690
Uniforms - cleaning	3,600	2,400	2,297	103
Small tools and equipment - police	1,000	1,000	562	438
Small tools and equipment - fire	500	500	175	325
Small tools and equipment - OPS	750	750	27	723
Supplies - police	2,725	2,725	2,702	23
Supplies - fire	2,200	2,200	2,126	74
Supplies - EMT	1,000	1,000	996	4
Personnel training - police	7,400	6,900	6,804	96
Personnel training - fire	2,000	2,000	1,547	453
Personnel training - EMT	3,150	2,250	1,906	344
Personnel services	1,000	1,000	624	376
Total operating expenditures	929,623	916,123	900,347	15,776
Capital outlay:				
Machinery and equipment - police	-	15,500	15,472	28
Building improvement	85,000	79,500	79,458	42
Total capital outlay	85,000	95,000	94,930	70
Total public safety	3,281,596	3,281,596	3,264,384	17,212

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Building				
Personal services:				
Regular salaries and wages	\$ 300,843	\$ 300,843	\$ 294,093	\$ 6,750
Overtime	-	1,000	807	193
Auto allowance	6,000	6,000	6,000	-
FICA taxes	19,024	18,024	17,706	318
Medicare taxes	4,449	4,449	4,304	145
Pension contributions - DBP	34,815	34,815	34,815	-
Pension contributions - DCP	34,000	34,000	31,307	2,693
Health insurance	39,828	39,828	36,476	3,352
Dental insurance	1,700	1,700	1,174	526
Cafeteria plan	7,013	7,013	5,441	1,572
Workers' compensation	2,300	2,300	2,180	120
Unemployment compensation	12,100	12,100	389	11,711
Employees' Assistance Program	100	100	-	100
Total personal services	462,172	462,172	434,692	27,480
Operating expenditures:				
Professional services - legal	25,000	29,000	28,788	212
Professional services - comp plan	5,000	3,000	1,922	1,078
Professional services - experts (boards)	3,000	3,000	2,075	925
Professional services - engineering	10,000	2,000	552	1,448
Professional services - business	3,000	3,500	3,345	155
Legal advertising	2,000	2,000	689	1,311
Contracted services - web site	1,500	1,500	1,500	-
Travel and per diem	1,500	500	-	500
Travel - commssion boards	2,000	2,000	671	1,329
Lease - copier	6,000	7,000	6,814	186
Vehicle maintenance	500	500	-	500
Other miscellaneous charges	1,500	7,000	6,831	169
Emergency preparation	1,000	1,000	-	1,000
Mangrove management	50	50	-	50
Office supplies	3,000	3,000	2,830	170
Computer supplies	1,000	1,000	395	605
Gasoline, diesel and oil	1,000	1,000	-	1,000
Uniforms	300	300	231	69
Small tools and equipment	500	500	-	500
Books, publications and subscriptions	1,500	1,500	1,426	74
Personnel training	2,500	2,500	520	1,980
Total operating expenditures	71,850	71,850	58,589	13,261

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Building (continued)				
Capital outlay:				
Improvements other than building	\$ 15,000	\$ 15,000	\$ 10,400	\$ 4,600
Machinery and equipment	5,000	5,000	5,000	-
Total capital outlay	20,000	20,000	15,400	4,600
Total building	554,022	554,022	508,681	45,341
Solid Waste				
Personal services:				
Regular salaries and wages	453,658	450,658	427,333	23,325
Overtime	12,000	15,000	14,831	169
FICA taxes	29,243	29,243	27,038	2,205
Medicare taxes	6,839	6,839	6,323	516
Pension contributions - DBP	53,516	53,516	53,515	1
Pension contributions - DCP	56,707	51,707	50,779	928
Health insurance	120,000	113,900	112,978	922
Dental insurance	3,625	3,625	3,454	171
Cafeteria plan	16,425	16,425	14,653	1,772
Workers' compensation insurance	19,000	20,000	19,636	364
Employees' Assistance program	207	207	-	207
Auto allowance	6,000	6,000	6,000	-
Total personal services	777,220	767,120	736,540	30,580
Operating expenditures:				
Utilities	5,000	7,500	7,039	461
Repair and maintenance - building	5,000	6,500	6,308	192
Vehicle maintenance	20,000	36,000	35,957	43
Equipment maintenance	4,000	2,500	2,053	447
Other miscellaneous charges	2,500	2,700	2,634	66
Safety equipment	1,000	1,000	809	191
Mosquito and sandfly control	1,000	1,000	771	229
Yardwaste recycling	60,000	52,000	51,794	206
Refuse landfill fees	20,000	20,600	20,570	30
Recycling expenditures	1,000	1,500	1,466	34
Gasoline, diesel and oil	35,000	38,300	38,286	14
Uniforms	6,500	2,500	2,206	294
Animal control	4,000	4,200	4,179	21
Telephone	6,500	4,000	3,711	289
Small tools and equipment	3,000	1,500	1,257	243
Supplies	10,000	7,600	7,542	58
Total operating expenditures	184,500	189,400	186,582	2,818

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
Solid Waste (continued)				
Capital outlay:				
Machinery and equipment	\$ 15,000	\$ 10,000	\$ 9,665	\$ 335
Total capital outlay	15,000	10,000	9,665	335
Total solid waste	976,720	966,520	932,787	33,733
Roads				
Operating expenditures:				
Utilities - street lighting	-	100	84	16
Clearing and trimming	17,500	16,300	15,306	994
Road and ramble maintenance	4,000	4,000	3,172	828
Stormwater maintenance	3,000	1,500	1,390	110
Signs	3,500	2,000	1,843	157
Total operating expenditures	28,000	23,900	21,795	2,105
Capital outlay:				
Roads	90,000	90,000	-	90,000
Drainage and paving	133,000	133,000	11,210	121,790
Total capital outlay	223,000	223,000	11,210	211,790
Total roads	251,000	246,900	33,005	213,895
Grounds				
Personal services:				
Regular salaries and wages	97,645	95,845	95,404	441
Overtime	1,500	3,300	3,207	93
FICA taxes	6,147	6,147	5,938	209
Medicare taxes	1,438	1,438	1,389	49
Pension contributions	11,400	11,400	11,249	151
Pension contributions	12,206	12,206	11,636	570
Health insurance	36,000	29,000	28,319	681
Dental insurance	805	805	805	-
Cafeteria plan	3,650	3,750	3,700	50
Workers' compensation insurance	18,000	18,000	17,211	789
Employees' Assistance program	47	47	-	47
Total personal services	188,838	181,938	178,858	3,080
Operating expenditures:				
Utilities - water	25,000	47,500	47,307	193
Safety equipment	1,000	1,000	458	542
Grounds projects	4,000	8,000	7,876	124
Ficas Alley expenses	20,000	4,000	3,638	362

Continued on following page.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

General Fund - Non-GAAP Budgetary Basis (Continued)

Year Ended September 30, 2012

	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	\$ 1,927	\$ 1,073
Supplies	12,000	13,500	13,228	272
Total operating expenditures	65,000	77,000	74,434	2,566
Capital outlay:				
Machinery and equipment	-	9,200	9,156	44
Total capital outlay	-	9,200	9,156	44
Total grounds	253,838	268,138	262,448	5,690
Lethal yellowing	119,190	119,190	118,698	492
Beautification and maintenance	55,000	55,000	3,747	51,253
Conservation	50,500	93,500	92,432	1,068
Total expenditures	6,915,109	6,958,109	6,564,056	394,053
Net change in fund balance	-	-	434,541	434,541
Fund balance, beginning of year	-	-	4,749,858	4,749,858
Fund balance, end of year	\$ -	\$ -	\$ 5,184,399	\$ 5,184,399

See notes to required supplementary information.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

Beach Protection Fund - Non-GAAP Budgetary Basis

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenue				
Taxes				
Ad valorem property taxes	\$ 4,300,047	\$ 4,300,047	\$ 4,339,449	\$ 39,402
Investment income	2,000	2,000	11,422	9,422
Intergovernmental revenue				
FEMA Reimbursement	2,158,932	2,158,932	2,158,932	-
State Grant-Beach Renourishment	360,000	360,000	359,822	(178)
Total intergovernmental revenue	2,518,932	2,518,932	2,518,754	(178)
Total revenue	6,820,979	6,820,979	6,869,625	48,646
Expenditures				
General government				
Beach protection administration				
Operating expenditures:				
Professional services - legal	5,000	92,000	91,276	724
Professional services - lobbying	5,000	5,000	5,000	-
Public relations	-	21,000	20,938	62
Other miscellaneous charges	5,000	6,500	6,323	177
Bank charges	500	500	344	156
Beach cleaning	26,000	33,000	32,625	375
Administrative charges				
General fund	75,000	75,000	75,000	-
Total beach protection administration	116,500	233,000	231,506	1,494
Environmental				
Beach protection and monitoring				
Operating expenditures:				
Professional services - engineering	135,000	133,500	127,891	5,609
Total beach protection and monitoring	135,000	133,500	127,891	5,609
Beach protection projects				
Capital outlay:				
Beach profile surveys	52,500	52,500	52,038	462
Beach maintenance	12,000	12,000	-	12,000
Dune restoration	100,000	138,000	137,389	611
Professional services - engineering	600,000	550,000	538,240	11,760
Reef monitoring	150,000	173,000	172,477	523
Turtle monitoring	50,000	81,000	80,518	482
Beach renourishment project	11,550,000	11,200,000	11,156,864	43,136
Derelict structure removal	70,000	70,000	-	70,000
Total beach protection projects	12,584,500	12,276,500	12,137,526	138,974

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Budgetary Comparison Schedule

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

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Debt service:				
Principal	\$ 80,000	\$ 50,000	\$ 50,000	\$ -
Interest	-	1,000	791	209
Total debt service	80,000	51,000	50,791	209
Total expenditures	12,916,000	12,694,000	12,547,714	146,286
Deficiency of revenues under expenditures	(6,095,021)	(5,873,021)	(5,678,089)	194,932
Other financing sources/(uses)				
Transfer to reserves	(3,106)	(225,106)	-	225,106
Contingency	(50,000)	(50,000)	-	50,000
Total other financing sources	(53,106)	(275,106)	-	275,106
Net change in fund balance	(6,148,127)	(6,148,127)	(5,678,089)	470,038
Fund balance, beginning of year	6,148,127	6,148,127	6,224,605	76,478
Fund balance, end of year	\$ -	\$ -	\$ 546,516	\$ 546,516

See notes to required supplementary information.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Defined Benefit Pension Plan Schedules of Funding Progress
and Employer Contributions

September 30, 2012

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, 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%
October 1, 2012	10,328,516	11,840,695	1,512,179	87.2%	2,054,448	73.6%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
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%
September 30, 2012	291,583	327,821	112.4%

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.

For the October 1, 2012 actuarial valuation and thereafter, the Town changed its actuarial assumption for investment rate of return from 7% to 6%.

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 by \$321,213 to \$95,580.

See notes to required supplementary information.

TOWN OF JUPITER ISLAND, FLORIDA

Required Supplementary Information

Other Postemployment Benefits

Schedule of OPEB Funding Progress

September 30, 2012

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
September 30, 2009	\$ -	\$ 463,283	\$ 463,283	0%	\$ 3,999,796	11.6%
September 30, 2012	-	280,853	280,853	0%	4,467,145	6.3%

See notes to required supplementary information.

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

TOWN OF JUPITER ISLAND, FLORIDA

Notes to Required Supplementary Information
September 30, 2012

1) BUDGETARY ACCOUNTING

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

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

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

2) BUDGET AND ACTUAL COMPARISONS

The Budgetary Comparison Schedule for the General Fund is required to be prepared under the basis of accounting used in preparing the budget. As indicated in Note 1, the modified accrual basis of accounting is used for budgetary purposes. Revenue and expenditures for criminal justice education and training and the art committee are not included in the General Fund budget. As a result, General Fund revenue and expenditures reported in the Budgetary Comparison Schedule differ from the corresponding amounts reported on the basis of U.S. generally accepted accounting principles. These differences can be reconciled as follows:

	Revenue	Expenditures
Budgetary basis	\$ 6,998,597	\$ 6,564,056
Criminal justice education and training	-	15
Art committee	27,528	27,800
	\$ 7,026,125	\$ 6,591,871

3) DEFINED BENEFIT PLAN

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

Actuarial Valuation Date	10/1/2012
Contribution Rates:	
Employer	19.43%
Employee	0.00%
Asset Valuation Method	Recognize 20% of difference between market value of assets and expected actuarial asset value.
Actuarial Methods:	
Actuarial Cost Method	Frozen Entry Age
Amortization Method	Level dollar closed
Amortization Period	30 years
Actuarial Assumptions:	
Investment rate of return	7.0% (FYE 9/30/2012) 6.0% (FYE 9/30/2013)
Projected salary increase	6.5%
Inflation	3.0%
Cost of living adjustments	N/A

4) OTHER POSTEMPLOYMENT BENEFIT PLAN

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

Actuarial Valuation Date:	September 30, 2012
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage
Amortization Period:	30 years
Actuarial Assumptions:	
Discount rate	3.5%



OTHER SUPPLEMENTARY INFORMATION

This page has been left blank intentionally.

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Funds

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

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

Special Revenue Funds

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

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

TOWN OF JUPITER ISLAND, FLORIDA*Combining Balance Sheet**Nonmajor Governmental Funds**September 30, 2012*

	Debt Service Fund	Special Revenue Fund	Total Nonmajor Governmental Funds
	Electric Underground	Special Law Enforcement	
Assets			
Cash and cash equivalents	\$ 95,565	\$ 26,063	\$ 121,628
Due from State of Florida	357	22	379
Total assets	\$ 95,922	\$ 26,085	\$ 122,007
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 860	\$ -	\$ 860
Total liabilities	\$ 860	\$ -	\$ 860
Fund balance			
Restricted	\$ 95,062	\$ 26,085	\$ 121,147
Total fund balance	95,062	26,085	121,147
Total liabilities and fund balance	\$ 95,922	\$ 26,085	\$ 122,007

TOWN OF JUPITER ISLAND, FLORIDA*Combining Statement of Revenue, Expenditures and Changes in Fund Balance**Nonmajor Governmental Funds**Year Ended September 30, 2012*

	Debt Service Fund	Special Revenue Fund	Total Nonmajor Governmental Funds
	Electric Underground	Special Law Enforcement	
Revenue			
Ad valorem property taxes	\$ 236,991	\$ -	\$ 236,991
Fines and forfeitures	-	80	80
Investment income	166	-	166
Total revenue	237,157	80	237,237
Expenditures			
Current			
General government:			
Administration	15	-	15
Public safety	-	7,036	7,036
Capital outlay	32,541	-	32,541
Debt service:			
Principal	412,529	-	412,529
Interest	389,982	-	389,982
Total expenditures	835,067	7,036	842,103
Net change in fund balance	(597,910)	(6,956)	(604,866)
Fund balance, beginning of year	692,972	33,041	726,013
Fund balance, end of year	\$ 95,062	\$ 26,085	\$ 121,147

TOWN OF JUPITER ISLAND, FLORIDA*Schedule of Water and Wastewater Revenue Refunding Bond Coverage**Enterprise Fund (Unaudited)**Year Ended September 30, 2012*

Operating revenue	
Water	\$ 6,911,084
Wastewater	2,743,973
Other	579,475
Total operating revenue	10,234,532
Operating expenses	
Personal services	2,483,650
Operating expenses	3,189,741
Total operating expenses	5,673,391
Net revenue available for debt service before connection fees	4,561,141
Connection fees	277,353
Net revenue available for debt service including connection fees	\$ 4,838,494
Scheduled debt service	\$ 2,628,002
Debt service coverage before connection fees	
(Minimum required coverage is 1.10)	1.74
Debt service coverage including connection fees	
(Minimum required coverage is 1.20)	1.84

TOWN OF JUPITER ISLAND, FLORIDA*Combining Statement of Fiduciary Net Assets**Pension Trust Funds**September 30, 2012*

	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	\$ 9,485,927	\$ 503,797	\$ 729,482	\$ 10,719,206
Unallocated cash in transit	-	45,234	1,012	46,246
Employer contributions receivable	81,955	163,735	280,276	525,966
Loans receivable	-	9,295	-	9,295
Total assets	\$ 9,567,882	\$ 722,061	\$ 1,010,770	\$ 11,300,713
Liabilities	\$ -	\$ -	\$ -	\$ -
Net assets				
Held in trust for pension benefits	\$ 9,567,882	\$ 722,061	\$ 1,010,770	\$ 11,300,713

TOWN OF JUPITER ISLAND, FLORIDA*Combining Statement of Changes in Fiduciary Net Assets**Pension Trust Funds**Year Ended September 30, 2012*

	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	\$ 327,821	\$ 163,735	\$ 329,274	\$ 820,830
Investment income	1,553,819	89,828	83,843	1,727,490
Total additions	1,881,640	\$ 253,563	413,117	2,548,320
Deductions				
Payments to retirees and employees	619,354	62,499	19,995	701,848
Administrative expenses	32,594	1,646	-	34,240
Total deductions	651,948	64,145	19,995	736,088
Change in net assets	1,229,692	189,418	393,122	1,812,232
Net assets, beginning of year	8,338,190	532,643	617,648	9,488,481
Net assets, end of year	\$ 9,567,882	\$ 722,061	\$ 1,010,770	\$ 11,300,713

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Fiduciary Net Assets

Private-Purpose Trust Fund

September 30, 2012

	Employee Education Trust Fund
Assets	
Cash and cash equivalents	\$ 58,294
Total assets	\$ 58,294
Liabilities	\$ -
Net Assets	
Held in trust for employees	\$ 58,294

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Changes in Fiduciary Net Assets

Private-Purpose Trust Fund

Year Ended September 30, 2012

	Employee Education Trust Fund
Additions	
Investment income	\$ 68
Contributions	5,000
Total additions	5,068
Deductions	
Scholarships	4,000
Bank charges	15
Total deductions	4,015
Change in net assets	1,053
Net assets, beginning of year	57,241
Net assets, end of year	\$ 58,294

TOWN OF JUPITER ISLAND, FLORIDA

Statement of Changes in Assets and Liabilities

Town Employees Agency Fund

Year Ended September 30, 2012

	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012
Assets				
Cash	\$ 14,529	\$ 145,683	\$ (144,171)	\$ 16,041
Total assets	\$ 14,529	\$ 145,683	\$ (144,171)	\$ 16,041
Liabilities				
Due to employees	\$ 14,529	\$ 145,683	\$ (144,171)	\$ 16,041
Total liabilities	\$ 14,529	\$ 145,683	\$ (144,171)	\$ 16,041



COMPLIANCE SECTION

This page has been left blank intentionally.

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

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

We have audited 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, 2012, which collectively comprise the Town of Jupiter Island, Florida's basic financial statements and have issued our report thereon dated February 8, 2013. 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

Management of the Town of Jupiter Island, Florida, is responsible for establishing and maintaining effective 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in blue ink that reads "Rampell + Rampell, P.A.".

Rampell & Rampell, P.A.

February 8, 2013

TOWN OF JUPITER ISLAND, FLORIDA

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2012

Grantor/Program Title	CFDA Number	Contract/ Grant Number	Expenditures
Federal Awards:			
Department of Homeland Security:			
Passed Through State of Florida,			
Division of Emergency Management			
Disaster Grant - Public Assistance	97.036	09-PA-B9- 10-53-13-600	\$ 2,158,932
Total Division of Emergency Management			2,158,932
Total Expenditures of Federal Awards			\$ 2,158,932

See notes to Schedule of Expenditures of Federal Awards.

TOWN OF JUPITER ISLAND, FLORIDA

*Notes to Schedule of Expenditures of Federal Awards
September 30, 2012*

1) SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Jupiter Island, Florida (the "Town"), under programs of the federal government for the year ended September 30, 2012, and is presented on the modified accrual basis of accounting. The information is presented in accordance with the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position or changes in net assets of the Town of Jupiter Island, Florida.

2) CONTINGENCY

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



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

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

Compliance

We have audited the Town of Jupiter Island, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Jupiter Island, Florida's major federal program for the year ended September 30, 2012. The Town of Jupiter Island, Florida's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to of its major federal programs is the responsibility of the Town of Jupiter Island, Florida's management. Our responsibility is to express an opinion on the Town of Jupiter Island, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Jupiter Island, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Jupiter Island, Florida's compliance with those requirements.

In our opinion, the Town of Jupiter Island, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the Town of Jupiter Island, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Jupiter Island, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Jupiter Island, Florida's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, Town Commission, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Rampell + Rampell, P.A.".

Rampell & Rampell, P.A.

February 8, 2013

TOWN OF JUPITER ISLAND, FLORIDA

Schedule of Findings and Questioned Costs

Year Ended September 30, 2012

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town of Jupiter Island, Florida.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Town of Jupiter Island, Florida, were disclosed during the audit.

Federal Awards

4. No significant deficiencies relating to the audit of the major Federal award program are reported in the Report on Compliance with Requirements Applicable to Each Federal Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major Federal award programs expresses an unqualified opinion.
6. The following program was tested as a major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.036	Disaster Assistance Grant

7. The threshold used for distinguishing between Type A and B was:
 - a. Federal award programs = \$300,000
8. The Town of Jupiter Island, Florida was not considered a low-risk auditee for federal or state audit requirements.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

No findings are reported.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs were reported in the prior year.

D. PRIOR YEAR FINDINGS

No findings or questioned costs were reported in the prior year.



**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, 2012, and have issued our report thereon dated February 8, 2013.

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; OMB Circular A – 133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133. and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 8, 2013, 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 (The status of our prior year recommendation is included in the accompanying Schedule of Recommendations and Responses).
- 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. In connection with our audit, we did not have any such recommendations.
- 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, 2012, 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, 2012. 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 of financial information provided by same.

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

Rampell + Rampell, P.A.

Rampell & Rampell, P.A.

February 8, 2013

TOWN OF JUPITER ISLAND, FLORIDA

*Schedule of Recommendations and Responses and Status of Prior Year Findings
September 30, 2012*

RECOMMENDATION 2011-01 MONITORING

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.

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.

Status

The Town has continued to monitor operating cycles as recommended in the corrective action plan. Management has also identified and developed a more formal process for monitoring various controls through a written Accounting Policy and Procedure Manual that has been reviewed and recommended by the Town's Finance Advisory Committee and approved by the Town Commission.

