



TOWN OF SOUTH PALM BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2021



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The Town of South Palm Beach, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2021

PREPARED BY:
FINANCE DEPARTMENT

TOWN OF SOUTH PALM BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2021
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TOWN OF SOUTH PALM BEACH

3577 South Ocean Boulevard, South Palm Beach, Florida 33480
(561) 588-8889 • Fax (561) 588-6632

September 20, 2022

To the Honorable Mayor, Members of the Town
Council and Citizens of the Town of South Palm Beach:

The Government Finance Officers Association (GFOA) recommends that all units of local government publish a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with auditing standards generally accepted in the United States and in accordance with Government Auditing Standards by a firm of licensed certified public accountants. Pursuant to that recommendation, we hereby issue the comprehensive annual financial report of the Town of South Palm Beach for the fiscal year ended September 30, 2021.

This report consists of management's representation concerning the finances of the Town of South Palm Beach. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of South Palm Beach has established a comprehensive internal framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of South Palm Beach's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of South Palm Beach's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The firm of Grau and Associates, licensed certified public accountants, has audited the Town of South Palm Beach's financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Town of South Palm Beach for the fiscal year ended September 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of South Palm Beach's financial statements for the fiscal year ended September 30, 2021, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of South Palm Beach's MD&A can be found immediately following the report of the independent certified public accountants in the financial section and provides a narrative introduction, overview and analysis of the basic financial statements.

Profile of the Government

The Town of South Palm Beach, incorporated in 1955, is a small community on one of South Florida's barrier islands five eighths of a mile in length located on US Highway A1A. The Town is comprised of 1,859 housing units, of which only 4 are single family homes, the balance are condominium apartments. Because of the Town's unique location and beauty, its own police force and a dedicated and well-trained professional staff, property values in the Town are above average for Palm Beach County. Local access to the Town is by two nearby bridges across the intra-coastal waterway; Ocean Avenue to the south, and Lake Worth Road to the north.

The Town of South Palm Beach began operating with a Town administrator in 1982 and changed the form of government to a Town Manager in 2000. Policymaking and legislative authority are vested in a governing council consisting of the mayor and four other council members. The Council is responsible among other things, for passing ordinances and resolutions, adopting the annual budget and appointing the Town Manager. The Town Manager is responsible for carrying out the policies and ordinances of the Council and overseeing the daily operations of the government.

The Town of South Palm Beach offers a range of services, including police protection, building, zoning and planning, code enforcement and cultural activities. County wide services include fire rescue, corrections rehabilitation, judicial administration, Palm Tran, public health, air quality resources, human and social services, the airport, and the Sheriff's office. Palm Beach County is the regional government for all county residents.

The annual budget serves as a foundation for the Town of South Palm Beach's financial planning and control. Departments within the Town are analyzed in order to initiate development of the proposed budget. The Town Manager then presents a proposed budget to the Council for review. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the Town's fiscal year. The appropriated budget is prepared by fund and department. The Town Council approves supplemental appropriations. Budget to actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted. The general fund, budget to actual report, is presented in the required supplemental information section of this report.

Local Economy

The Town of South Palm Beach is comprised of well-educated and involved citizens who take a genuine interest in the governing aspects of their Town. Recently, the Town has experienced an increase in assessed taxable value of property, which is comprised of exclusive residential housing stock. There are no industrial or commercial uses in the community. The previously nonconforming site of the 58 unit motel and restaurant on the ocean has been redevelopment to 30 condominium units. The completion of the project took place during the summer of 2019.

Long-Term Financial Planning

The Town works to project into the future to assess revenue trends and expenditure needs to assure a balanced stable financial program while addressing the various goals and objectives of the community.

Risk Management

The Town is exposed to various risks of loss related to torts, theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Florida League of Cities Municipal Insurance Trust for workers' compensation, liability and property insurance with deductibles of up to \$500 per claim.

Pension and Other Post-Employment Benefits.

The Town joined the Florida Retirement System (FRS) on January 1, 2005 to provide post-employment retirement benefits to its employees. The Town's required contribution ranges from 10% to 27.29% of covered payroll, based on employee risk groups. In addition, the Town sponsors a 401(k) defined contribution plan and a 457 deferred compensation plan in which any employee may contribute on a voluntary basis. Although the Town implemented GASB 75 on October 1, 2017, actuaries have determined that based on the Town's current employee data and expected patterns, the liability for the implicit rate subsidy is not material. The Town has not reported any OPEB costs or net obligations.

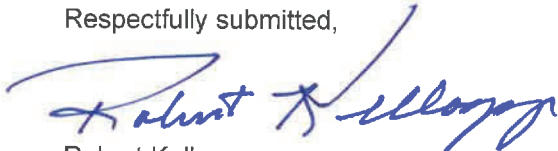
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of South Palm Beach for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2020. This was the fifteenth year that the Town received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe the current CAFR continues to meet the Certificate of Achievement Program's requirements and am submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Town of South Palm Beach. I would like to express my appreciation to all members of the Town staff who assisted and contributed to the preparation of this report. Appreciation is also extended to the Mayor and the Town Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of South Palm Beach's finances.

Respectfully submitted,



Robert Kellogg
Town Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of South Palm Beach
Florida**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

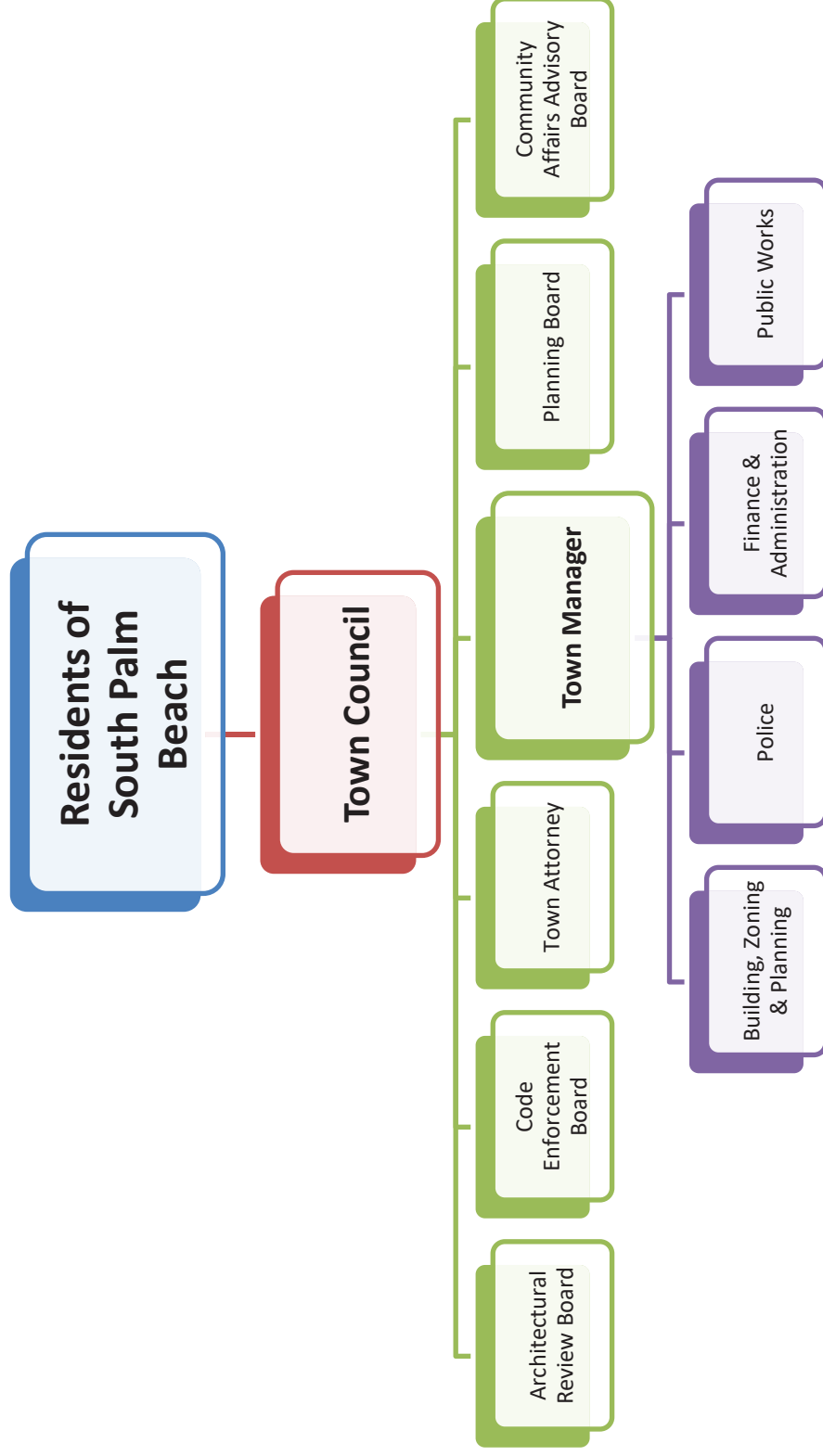
Christopher P. Morill

Executive Director/CEO

TOWN OF SOUTH PALM BEACH, FLORIDA

ORGANIZATION CHART

SEPTEMBER 30, 2021



TOWN OF SOUTH PALM BEACH, FLORIDA

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL

Bernice Fischer	Mayor
Robert Gottlieb	Vice-Mayor
Raymond McMilian	Council Member
Mark Weissman	Council Member
Bill LeRoy	Council Member

TOWN OFFICIALS

Robert Kellogg	Town Manager
Yude Alvarez	Town Clerk
Glen Torcivia	Town Attorney

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Grau & Associates

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www.graucpa.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of South Palm Beach, Florida, (the "Town") as of and for the fiscal year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2022 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



September 20, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of South Palm Beach, we offer readers of the Town of South Palm Beach's (the Town) financial statements this narrative overview and analysis of the financial activities of the Town of South Palm Beach for the fiscal year ended September 30, 2021.

Financial Highlights

- The assets and deferred outflow of resources of the Town of South Palm Beach exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year resulting in a net position balance of \$6,949,570.
- The Town's total net position increased by \$566,160. The key components of the Town's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of 5,264,577, a decrease of \$123,880 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was 3,016,583, or 176% of total General Fund expenditures for the year.
- Total governmental activities revenues increased \$229,018, or 10% in comparison the prior year.
- Total governmental activities expenses also increased by \$520,796, or 28% in comparison the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of South Palm Beach's basic financial statements. The Town of South Palm Beach's basic financial statements 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* are designed to provide readers with a broad overview of the Town of South Palm Beach's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all the Town's *asset, deferred outflow of resources, liabilities, and deferred inflow of resources at the end of fiscal year*. The difference between assets and deferred outflow of resources and its liabilities and deferred inflow of resources is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town of South Palm Beach 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 of South Palm Beach include general government, public safety, public works and culture and community recreation.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of South Palm Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town of South Palm Beach has two fund categories: (a) the governmental fund and (b) the enterprise fund.

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 statement 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of South Palm Beach maintains three governmental funds, the General Fund, the Building Fund and the Capital Projects Fund. A new sale surtax was levied beginning January 1, 2017. This voter approved one cent sales tax is levied countywide to fund infrastructure projects. A capital projects fund has been established with the South Palm Beach share of proceeds of this tax. The Town uses the Special Revenue Fund to account for its building and code enforcement activities.

The Town of South Palm Beach adopts an annual appropriated budget for the General Fund. A budgetary Comparison schedule has been provided for this fund to demonstrate compliance with the budget.

Proprietary Funds. The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the Sewer Fund to account for its sewer utility operations.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In this case, the Town's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$6,949,570 at the close of the most recent fiscal year.

A portion of the Town's net position, \$1,064,486 reflects its investment in capital assets (e.g., land and equipment). The Town of South Palm Beach uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

The Statement of Net Position and the Statement of Activities report information about the Town's activities that will help answer questions about the position of the Town. A comparative analysis is provided with prior year information.

Net Position

There are six basic transactions that affect the comparability of the Statement of Net Position summary presentation as reflected below:

1. Net results of activities will impact (increase or decrease) current assets and unrestricted and/or restricted assets.
2. Borrowing for capital will increase current assets and long-term debt
3. Spending borrowed proceeds on new capital will reduce current assets and increase capital assets. There is a second impact, an increase in investment in capital assets and an increase in related debt, which will not change the investment in capital assets, net of debt.
4. Spending of non-borrowed current assets on new capital will reduce current assets and increase capital assets and will also reduce unrestricted net position and increase investment in capital assets, net of debt.
5. Principal payment on debt will reduce current assets, reduce long-term debt, also reduce unrestricted net position, and increase investments in capital assets, net of debt.
6. Reduction of capital assets through depreciation will reduce capital assets and investment in capital assets, net of debt.

As illustrated in Table A-1 below, at the close of the most recent fiscal year, assets of the Town of South Palm Beach exceeded its liabilities by \$6,949,570.

Table A-1
Town of South Palm Beach
Net Position

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 6,044,734	\$ 5,438,645	\$ 2,074,320	\$ 1,874,308	\$ 8,119,054	\$ 7,312,953
Capital assets, net	643,614	644,536	420,872	438,904	1,064,486	1,083,440
Total assets	<u>6,688,348</u>	<u>6,083,181</u>	<u>2,495,192</u>	<u>2,313,212</u>	<u>9,183,540</u>	<u>8,396,393</u>
Deferred Outflow of Resources	<u>110,332</u>	<u>305,013</u>	-	-	<u>110,332</u>	<u>305,013</u>
Current liabilities	805,975	76,006	292,079	572,044	1,098,054	648,050
Non-current liabilities	<u>97,959</u>	<u>776,933</u>	-	-	<u>97,959</u>	<u>776,933</u>
Total liabilities	<u>903,934</u>	<u>852,939</u>	<u>292,079</u>	<u>572,044</u>	<u>1,196,013</u>	<u>1,424,983</u>
Deferred Inflow of Resources	<u>1,148,289</u>	<u>893,013</u>	-	-	<u>1,148,289</u>	<u>893,013</u>
Net Position:						
Net investment in capital assets	643,614	644,536	420,872	438,904	1,064,486	1,083,440
Restricted for:						
Infrastructure	-	327,306	-	-	-	327,306
Building code enforcement	1,080,081	1,003,475	-	-	1,080,081	1,003,475
Unrestricted	<u>3,022,762</u>	<u>2,666,925</u>	<u>1,782,241</u>	<u>1,302,264</u>	<u>4,805,003</u>	<u>3,969,189</u>
Total net position	<u>\$ 4,746,457</u>	<u>\$ 4,642,242</u>	<u>\$ 2,203,113</u>	<u>\$ 1,741,168</u>	<u>\$ 6,949,570</u>	<u>\$ 6,383,410</u>

The largest portion of the Town of South Palm Beach's total net position is the unrestricted net position of \$4,805,003 or 69%, which represent the resources that are available to provide services and/or additional capital assets to the citizens of the Town and meet the Town's obligations to its creditors. The balance of net position is composed of investments in capital assets (land, buildings, etc.) in the amount of \$1,064,486, and restrictions for building code enforcement totaling \$1,080,081. The Town uses the capital assets to provide services to its citizens and consequently these assets are not available for future spending.

At the end of its most recent fiscal year, the Town of South Palm Beach is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Town's total net position increased by \$566,160 in comparison to the prior year.

Generally, the following impacts can significantly affect annual revenues and by extension change net position:

1. ***Economic conditions*** can reflect a growing, stable or declining overall economic environment and those conditions can have a significant impact on property, non-ad valorem assessments, sales and use taxes, fees and other revenues derived from the community as well as received from other governments,

2. ***Changes in tax, assessment, and fee rates by elected officials*** directly affect the revenue streams and have the most direct and immediate impact of all changes.
3. ***Changing patterns in intergovernmental and grant revenues*** cause measurable deviations and make annual comparisons less meaningful.
4. ***Market impact on investment income*** might cause investment revenues to fluctuate widely from year to year.

Some other basic impacts are responsible for changes in annual expenditures:

1. ***Introduction of new programs*** can have substantial impact on department/program expenditures by requiring new personnel, capital, and operating funds.
2. ***Changes in service levels*** impacts expenditures by changing the levels of already appropriated expenditures.
3. ***Salary/contract pricing increases*** can be a factor contributing to the increase in appropriations. Most contracts entered into by the Town of South Palm Beach have provisions for increases, either automatic or negotiated each year.
4. While ***inflation*** generally appears to be at low levels, it still always affects the prices the Town pays for commodities, supplies, fuels, parts and miscellaneous services it requires through the year. It is common that such goods may increase in price affecting expenditures.

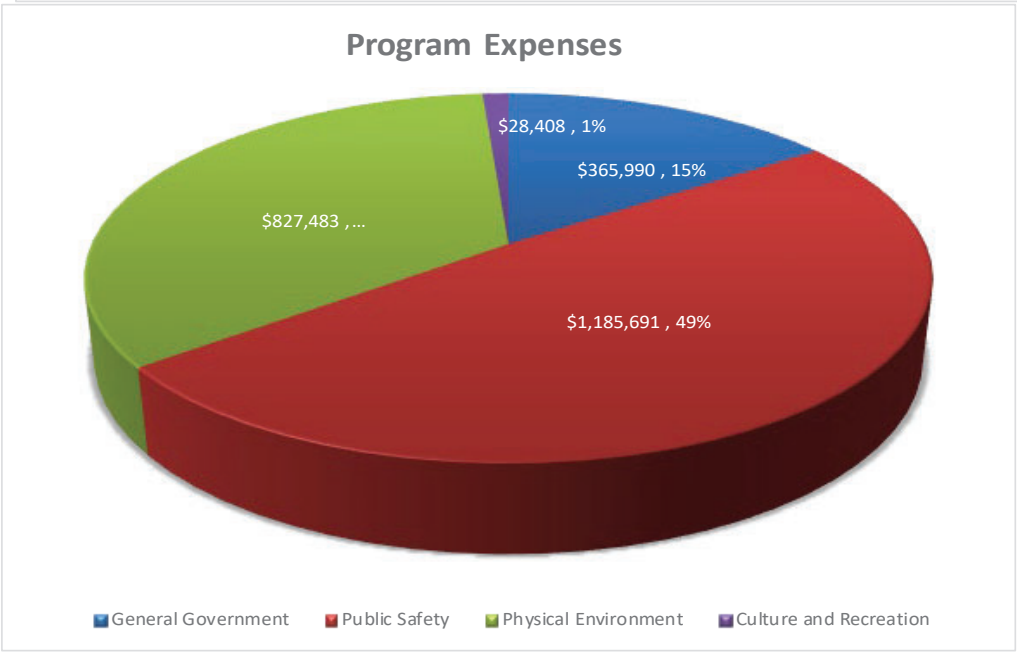
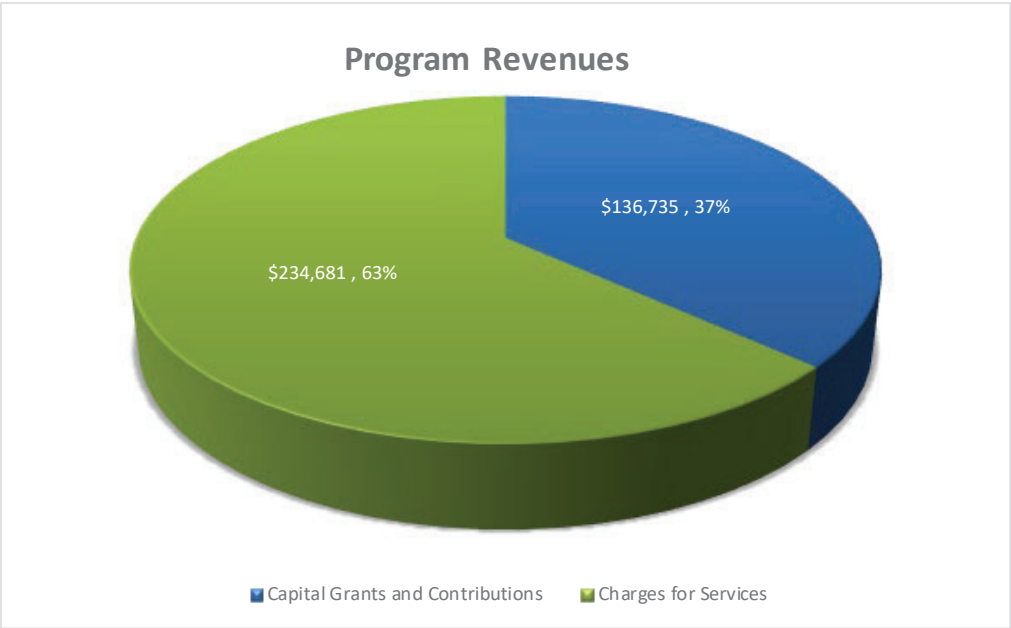
As illustrated by Table A-2, Changes in Net Position below, the Town's revenues during Fiscal Year 2021 reached \$3,253,960 and exceeded expenses by \$566,160.

Table A-2
Town of South Palm Beach
Changes in Net Position

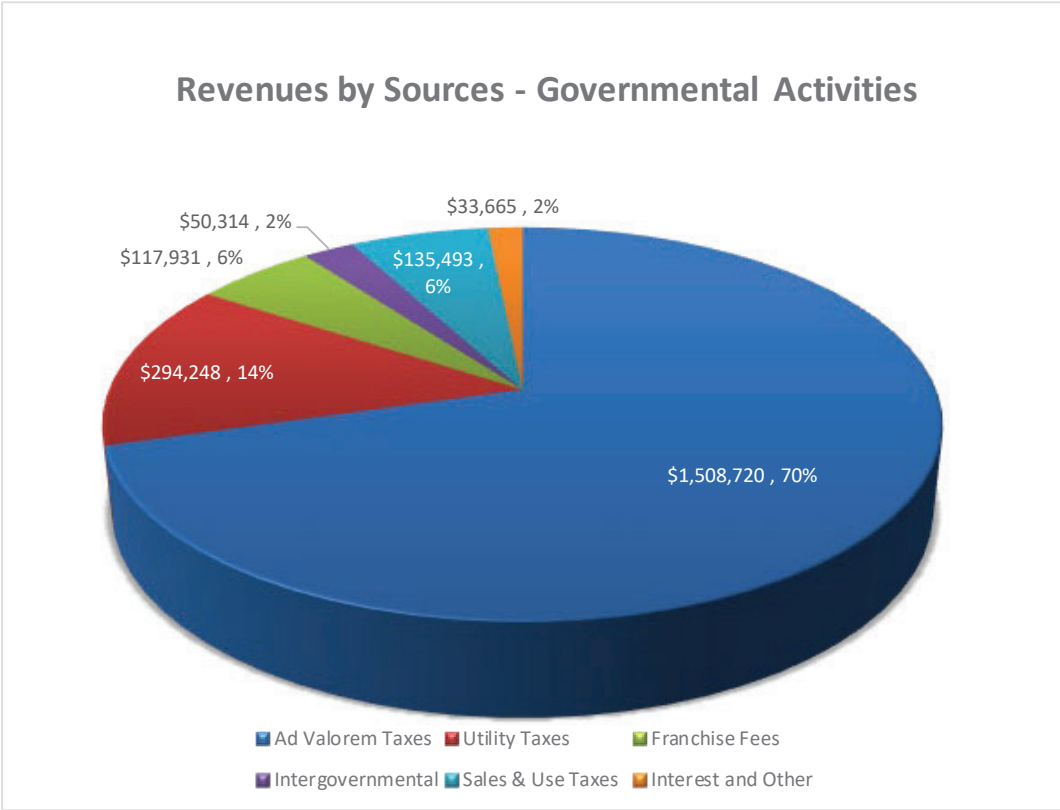
	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 234,681	\$ 281,865	\$ 373,263	\$ 470,186	\$ 607,944	\$ 752,051
Operating grants	41	7,487	-	-	41	7,487
Capital grants	136,694	98,454	-	-	136,694	98,454
General revenues:						
Property taxes	1,508,720	1,254,744	-	-	1,508,720	1,254,744
Other taxes	437,523	400,482	-	-	437,523	400,482
Franchise taxes	117,931	113,017	-	-	117,931	113,017
Intergovernmental	42,532	40,680	-	-	42,532	40,680
Investment income	-	36,084	782	14,209	782	50,293
Miscellaneous	33,665	49,956	368,128	-	401,793	49,956
Total revenues	<u>2,511,787</u>	<u>2,282,769</u>	<u>742,173</u>	<u>484,395</u>	<u>3,253,960</u>	<u>2,767,164</u>
Expenses:						
Government Activities:						
General government	365,990	558,818	-	-	365,990	558,818
Public safety	1,185,691	1,217,621	-	-	1,185,691	1,217,621
Public works	827,483	66,370	-	-	827,483	66,370
Culture and recreation	28,408	43,967	-	-	28,408	43,967
Utilities	-	-	280,228	700,332	280,228	700,332
Total expenses	<u>2,407,572</u>	<u>1,886,776</u>	<u>280,228</u>	<u>700,332</u>	<u>2,687,800</u>	<u>2,587,108</u>
Change in Net Position						
Before transfers	104,215	395,993	461,945	(215,937)	566,160	180,056
Loss on capital asset transfer	-	-	-	-	-	-
Transfers	-	80,000	-	(80,000)	-	-
Change in Net Position	104,215	475,993	461,945	(295,937)	566,160	180,056
Net position, beginning	<u>4,642,242</u>	<u>4,166,249</u>	<u>1,741,168</u>	<u>2,037,105</u>	<u>6,383,410</u>	<u>6,203,354</u>
Net position, ending	<u>\$ 4,746,457</u>	<u>\$ 4,642,242</u>	<u>\$ 2,203,113</u>	<u>\$ 1,741,168</u>	<u>\$ 6,949,570</u>	<u>\$ 6,383,410</u>

Governmental Activities: Governmental activities increased the Town's net position by \$104,215, thereby accounting for 18% of the total growth in the net position of the Town. Key elements of this are increased property tax revenue due to overall growth of assessed values within the municipality.

Program Revenues and Expenses – Governmental Activities



Revenues by Source – Governmental Activities



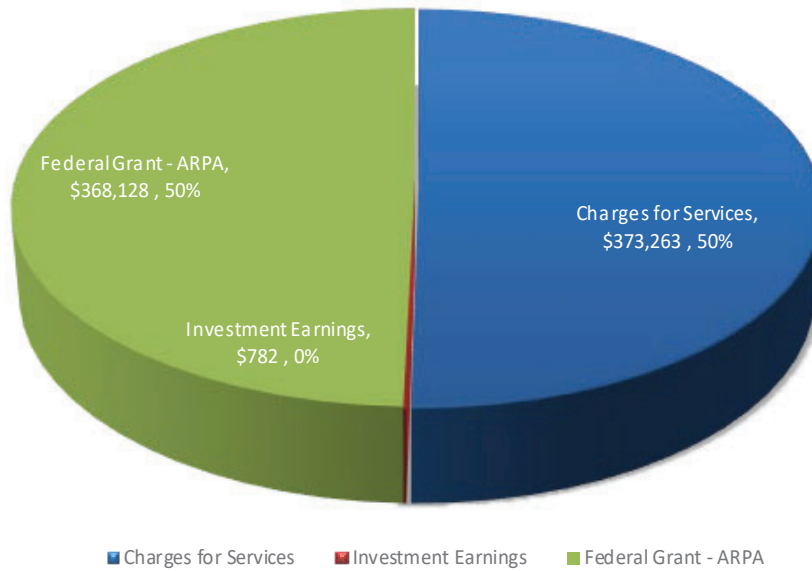
Business-Type Activities

Business-type activities are designed as fee-based activities. Fees are implemented in such a way that they will completely cover the cost of operations without being supplemental from governmental sources. The Town’s Sewer Fund is the only fund included in the business-type activities.

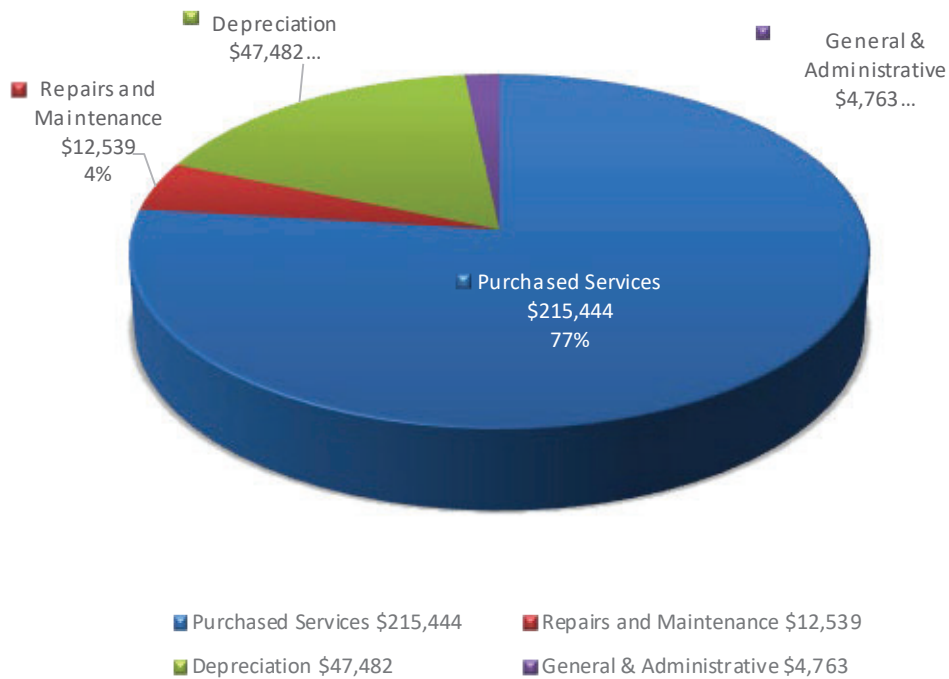
The increase in net position for business-type activities totaled \$461,945 for fiscal year 2021. Meanwhile in 2020 it decreased by \$295,937 as a result of the sewer rebate provided to Town residents to true-up previous years’ collection fees. This net change in position represents 256% increase compared to the prior year.

Total revenues increased by \$257,778 mainly due to federal funds received from American Rescue Plan Act. Total expenses decreased by \$420,104 when compared to prior year which included major repairs to the sewer system and lift station pumps.

Revenues - Proprietary Fund



Operating Expenses - Proprietary Fund



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town of South Palm Beach’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town’s financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the fiscal year the current fund balance in the general fund was \$4,509,350. Fund balance includes non-spendable or prepaid costs in the amount of \$31,061, assigned compensated absences of \$29,200 and \$1,432,506 for the beach project. The remaining amount of \$3,016,583 is currently unassigned and available for appropriations.

The general fund is the chief operating fund of the Town of South Palm Beach. As a measure of the general fund’s liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Total fund balance represents 263% of total general fund expenditures.

A summary of the general fund’s condensed balance sheet and statement of revenues, expenditures and changes in fund balance is presented in Table B-1 and B-2 for September 30, 2021 and 2020 is shown below:

Table B-1

	<u>Fiscal Year</u>	
	<u>2021</u>	<u>2020</u>
Total assets	\$ 4,532,044	\$ 4,087,423
Total liabilities	\$ 22,694	\$ 29,747
Total fund balance	4,509,350	4,057,676
Total liabilities and fund balance	\$ 4,532,044	\$ 4,087,423

Table B-2

	<u>Fiscal Year</u>	
	<u>2021</u>	<u>2020</u>
Total revenues	\$ 2,168,101	\$ 1,913,594
Total expenditures	1,716,427	1,693,293
Excess of revenues over expenditures	\$ 451,674	\$ 220,301

Fund balance within the Town’s general fund increased by \$451,674. Key factors of this increase are attributable to increased property tax revenue based on growth of property values. Overall, revenue and expenses were closely monitored by management.

Fund Budgetary Highlights

The original budget was not amended. There were no supplemental appropriations for the fiscal year ended September 30, 2021.

Capital Assets and Debt Administration

As of September 30, 2021, the Town's net investment in capital assets amounted to \$1,064,486.

Town of South Palm Beach

Net Capital Assets

	<u>Government Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net Capital Assets						
Land	\$ 108,396	\$ 108,396	\$ -	\$ -	\$ 108,396	\$ 108,396
Buildings and improvements	399,344	401,088	-	-	399,344	401,088
Improvements other than buildings	80,209	89,083	-	-	80,209	89,083
Sewer system	-	-	355,909	369,685	355,909	369,685
Furniture, equipment and vehicles	55,665	45,969	64,963	69,219	120,628	115,188
Total	\$ 643,614	\$ 644,536	\$ 420,872	\$ 438,904	\$ 1,064,486	\$ 1,083,440

Additional information on the Town's capital assets is found in the notes to the financial statements.

As of September 30, 2021, the Town had no debt and long-term liabilities consisted of compensated absence and the net liability for the Florida Retirement System. Additional information on the Town's long-term liabilities is found in the notes to the financial statements.

Town of South Palm Beach

Long-Term Liabilities

	<u>Government Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net Pension Liability	\$ 94,577	\$ 776,933	\$ -	\$ -	\$ 94,577	\$ 776,933
Compensated Absences	29,200	25,818	-	-	29,200	25,818
Total	\$ 123,777	\$ 802,751	\$ -	\$ -	\$ 123,777	\$ 802,751

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Palm Beach County is currently 4.2%, which is a favorable decrease from a rate of 9.7% a year ago.
- The government does not have a central business district. It is 100% residential.
- Inflationary trends in the region compare favorably to national indices.

All these factors were considered in preparation of the Town of South Palm Beach's budget for the 2022 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town of South Palm Beach's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Manager, Robert Kellogg at 3577 South Ocean Boulevard, South Palm Beach, Florida 33480.

**TOWN OF SOUTH PALM BEACH,
FLORIDA
Statement of Net Position
September 30, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,905,369	\$ 1,090,757	\$ 4,996,126
Investments	1,998,569	999,284	2,997,853
Internal balances	18,471	(18,471)	-
Accounts receivable, net	91,264	-	91,264
Prepaid costs	31,061	2,750	33,811
Total current assets	6,044,734	2,074,320	8,119,054
Noncurrent assets:			
Nondepreciable capital assets	108,396	-	108,396
Depreciable capital assets, net	535,218	420,872	956,090
Total noncurrent assets	643,614	420,872	1,064,486
Total assets	6,688,348	2,495,192	9,183,540
DEFERRED OUTFLOW OF RESOURCES			
FRS Pension	110,332	-	110,332
Total deferred outflows of resources	110,332	-	110,332
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	772,953	16,625	789,578
Accrued wages	7,204	-	7,204
Compensated absences due within one year	25,818	-	25,818
Due to sewer customers	-	275,454	275,454
Total current liabilities	805,975	292,079	1,098,054
Noncurrent liabilities:			
Net pension liability	94,577	-	94,577
Compensated absences	3,382	-	3,382
Total liabilities	903,934	292,079	1,196,013
Deferred inflow of resources			
FRS Pension	1,148,289	-	1,148,289
Total deferred inflows of resources	1,148,289	-	1,148,289
Net position:			
Investment in capital assets	643,614	420,872	1,064,486
Restricted for:			
Building code enforcement	1,080,081	-	1,080,081
Unrestricted	3,022,762	1,782,241	4,805,003
Total net position	\$ 4,746,457	\$ 2,203,113	\$ 6,949,570

See notes to the financial statements

TOWN OF SOUTH PALM BEACH, FLORIDA
Statement of Activities
For the Year Ended September 30, 2021

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenue and (Expense) Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grant and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
General government	\$ 365,990	\$ 232,950	\$ -	\$ (133,040)	\$ -	\$ (133,040)
Public safety	1,185,691	1,138	41	21,870	-	(1,162,642)
Public works	827,483	-	-	114,824	-	(712,659)
Parks and recreation	28,408	593	-	-	-	(27,815)
Total government activities	2,407,572	234,681	41	136,694	(2,036,156)	(2,036,156)
Business-type activities:						
Sewer	280,228	373,263	-	-	93,035	93,035
Total business-type activities	280,228	373,263	-	-	93,035	93,035
Total primary government	2,687,800	607,944	41	136,694	(2,036,156)	(1,943,121)
General revenues:						
Property taxes				1,508,720	-	1,508,720
Utility taxes				294,248	-	294,248
Other taxes				7,782	-	7,782
Franchise fees				117,931	-	117,931
Sales and use taxes				135,493	-	135,493
Contributions not restricted to specific programs				42,532	-	42,532
Investment income				-	782	782
Other revenues				33,665	368,128	401,793
Total general revenues				2,140,371	368,910	2,509,281
Change in net position				104,215	461,945	566,160
Net position - beginning				4,642,242	1,741,168	6,383,410
Net position - ending				\$ 4,746,457	\$ 2,203,113	\$ 6,949,570

See notes to the financial statements

TOWN OF SOUTH PALM BEACH, FLORIDA
Balance Sheet - Governmental Funds
September 30, 2021

	Major Funds			Total
	General Fund	Building Fund	Capital Projects Fund	Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,425,136	\$ 1,083,164	\$ 397,069	\$ 3,905,369
Investments	1,998,569	-	-	1,998,569
Accounts receivable, net	77,258	6,097	7,909	91,264
Prepaid costs	31,061	-	-	31,061
Due from other funds	20	-	18,471	18,491
Total assets	<u>\$ 4,532,044</u>	<u>\$ 1,089,261</u>	<u>\$ 423,449</u>	<u>\$ 6,044,754</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable and accrued liabilities	\$ 16,797	\$ 7,853	\$ 748,303	\$ 772,953
Accrued wages	5,897	1,307	-	7,204
Due to other funds	-	20	-	20
Total liabilities	<u>22,694</u>	<u>9,180</u>	<u>748,303</u>	<u>780,177</u>
Fund balances:				
Non-spendable for prepaid costs	31,061	-	-	31,061
Restricted for:				
Building code enforcement	-	1,080,081	-	1,080,081
Assigned to:				
Compensated absences	29,200	-	-	29,200
Beach project	1,432,506	-	-	1,432,506
Unassigned	3,016,583	-	(324,854)	2,691,729
Total fund balances	<u>4,509,350</u>	<u>1,080,081</u>	<u>(324,854)</u>	<u>5,264,577</u>
Total liabilities and fund balances	<u>\$ 4,532,044</u>	<u>\$ 1,089,261</u>	<u>\$ 423,449</u>	<u>\$ 6,044,754</u>

See notes to the financial statements

TOWN OF SOUTH PALM BEACH, FLORIDA
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
September 30, 2021

Fund balance - governmental funds	\$ 5,264,577
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Amounts reported for governmental activities in the statement of net position are different because of:

Capital assets used in governmental activities are not financial assets therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	1,401,322	
Accumulated depreciation	<u>(757,708)</u>	643,614

The net pension liability is not reported as a liability in the fund financial statements, but is reported as a liability in the government-wide financial statements.	(94,577)
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Deferred outflows of resources related to the pension are recorded in the statement of net position.	110,332
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Deferred inflows of resources related to the pension are recorded in the statement of net position.	(1,148,289)
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Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Compensated absences	(29,200)	
Net position of governmental activities	<u>\$ 4,746,457</u>	

See notes to the financial statements

TOWN OF SOUTH PALM BEACH, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2021

	Major Funds			Total
	General Fund	Building Fund	Capital Projects Fund	Governmental Funds
REVENUES:				
Property taxes	\$ 1,508,720	\$ -	\$ -	\$ 1,508,720
Utility taxes	294,248	-	-	294,248
Other taxes	7,782	-	-	7,782
Franchise fees	117,931	-	-	117,931
Permits and fees	4,129	228,821	-	232,950
Intergovernmental	178,025	-	114,824	292,849
Charges for services	593	-	-	593
Fines and forfeitures	1,138	-	-	1,138
Investment income	-	41	-	41
Grant revenue	21,870	-	-	21,870
Other revenues	33,665	-	-	33,665
Total revenues	2,168,101	228,862	114,824	2,511,787
EXPENDITURES:				
Current:				
General government	530,761	-	-	530,761
Public safety	1,050,000	151,476	-	1,201,476
Public works	72,718	-	-	72,718
Culture and recreation	38,122	-	-	38,122
Capital outlay	24,826	780	766,984	792,590
Total expenditures	1,716,427	152,256	766,984	2,635,667
Excess (deficiency) of revenues over expenditures	451,674	76,606	(652,160)	(123,880)
Fund balances - beginning	4,057,676	1,003,475	327,306	5,388,457
Fund balances - ending	\$ 4,509,350	\$ 1,080,081	\$ (324,854)	\$ 5,264,577

See notes to the financial statements

TOWN OF SOUTH PALM BEACH, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2021

Net change in fund balances - total governmental funds	\$ (123,880)
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Amounts reported for governmental activities in the statement of activities are different:

Costs of capital assets are reported in the governmental fund as expenditures. However, in the statement of activities, they are eliminated and capitalized as capital assets.	29,040
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Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. The details of the differences are as follows:

Depreciation of capital assets	(29,962)
Change in compensated absences	(3,382)
FRS Pension Expense	232,399

Change in net position of governmental activities	\$ 104,215
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See notes to the financial statements

TOWN OF SOUTH PALM BEACH, FLORIDA
Statement of Net Position - Proprietary Fund
September 30, 2021

	Business-Type Activities Sewer Fund
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,090,757
Investments	999,284
Prepaid costs	2,750
Total current assets	<u>2,092,791</u>
Noncurrent Assets	
Capital Assets	
Sewer system	1,302,350
Property and equipment	125,122
Total capital assets	<u>1,427,472</u>
Less accumulated depreciation	<u>(1,006,600)</u>
Net capital assets	<u>420,872</u>
Total noncurrent assets	<u>420,872</u>
Total assets	<u>2,513,663</u>
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	16,625
Due to sewer customers	275,454
Due to other funds	18,471
Total current liabilities	<u>310,550</u>
Total liabilities	<u>310,550</u>
NET POSITION	
Investment in capital assets	420,872
Unrestricted	1,782,241
Total net position	<u>\$ 2,203,113</u>

See notes to the financial statements

TOWN OF SOUTH PALM BEACH, FLORIDA
Statement of Revenues, Expenses, and Changes in
Fund Net Position - Proprietary Fund
For the Year Ended September 30, 2021

	Business-Type Activities Sewer Fund
OPERATING REVENUES:	
Charges for services	\$ 357,128
Miscellaneous revenue	16,135
Total operating revenues	<u>373,263</u>
OPERATING EXPENSES:	
Purchased services	215,444
Utilities	4,763
Repairs and maintenance	12,539
Depreciation	47,482
Total operating expenses	<u>280,228</u>
Operating income (loss)	<u>93,035</u>
NONOPERATING REVENUES (EXPENSES):	
Federal grant - ARPA	368,128
Investment income	782
Total nonoperating revenues (expenses)	<u>368,910</u>
Change in net position	461,945
Net position - beginning	<u>1,741,168</u>
Net position - ending	<u><u>\$ 2,203,113</u></u>

See notes to the financial statements

TOWN OF SOUTH PALM BEACH, FLORIDA
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2021

	<u>Business-Type Activities</u>
	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 379,535
Payments to suppliers	(494,240)
Net cash provided by (used in) operating activities	<u>(114,705)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Federal and state grants	368,128
Net cash provided by (used in) noncapital financing	<u>368,128</u>
CASH FLOWS FROM CAPITAL AND RELATED Financing Activities	
Purchase of capital assets and related financing activities	<u>(29,450)</u> <u>(29,450)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(999,257)
Interest received	<u>782</u>
Net cash provided by (used in) investing activities	<u>(998,475)</u>
Net increase (decrease) in cash and cash equivalents	(774,502)
Cash and cash equivalents - beginning	1,865,259
Cash and cash equivalents - ending	<u><u>\$ 1,090,757</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating income (loss)	<u>\$ 93,035</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	47,482
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	9,022
(Increase) decrease in prepaid costs	(2,750)
Increase (decrease) in accounts payable	(156,242)
Increase (decrease) in customers deposits	(123,723)
Increase (decrease) in due to other funds	<u>18,471</u>
Total adjustments	<u>(207,740)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (114,705)</u></u>

See notes to the financial statements

TOWN OF SOUTH PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of South Palm Beach, Florida (Town) is a municipal corporation organized pursuant to Chapter 31276, Laws of Florida, 1955. The Town operates under the Council - Manager form of government. The Town's major operations include general government, public safety, physical environment, culture and recreation and sewer service.

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

Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements include the Town (the primary government) and its component units. Component units are legally separate entities for which the Town is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town is financially accountable if:

- a) the Town appoints a voting majority of the organization's governing board and (1) the Town is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town, or
- b) the organization is fiscally dependent on the Town and (1) there is a potential for the organization to provide specific financial benefits to the Town or (2) impose specific financial burdens on the Town.

Based upon application of the above criteria, management of the Town has determined that no component units exist which would require inclusion in this report. Further, the Town is not aware of any entity that would consider the Town to be a component unit.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and enterprise funds. The major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Town reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund and is used to account for all financial resources applicable to the general operations of the Town government except those required to be accounted for in another fund.

Special Revenue Fund

This fund accounts for the activities related to building permits and other code enforcements.

Infrastructure Surtax Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of infrastructure to be funded by the infrastructure sales surtax.

The Town reports the following major enterprise fund:

Sewer Fund

The Sewer Fund is the Town's only proprietary fund and was established to account for the billing and collection of fees for sewer services provided by the Town.

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 utility functions 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.

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's sewer fund are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position or Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of cash on hand and demand deposits with financial institutions. For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand and demand deposits with financial institutions.

The Town has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The Town may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The State Board of Administration's ("SBA") Local Government Surplus Funds Trust Fund ("Florida PRIME") is a "2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. The District has reported its investment in Florida PRIME at amortized cost for financial reporting purposes.

Investments are measured at amortized cost or reported at fair value, (which is determined by using various third party pricing sources), as required by generally accepted accounting principles. The Town records all interest revenue related to investment activities in the respective funds.

Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds (i.e., amounts owed for goods/services rendered to a particular fund by another fund in the reporting entity) are reported as "due to/from other funds" (current portion) or "interfund receivables/payables" (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

Receivables consist primarily of amounts due from local businesses for franchise fees and utility taxes, amounts due from other governments, and amounts due from Town residents for sewer disposal services. Receivables are reported net of an allowance for doubtful accounts. Receivables are written off on an individual basis in the year the Town deems them to be uncollectible.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position or Equity (Continued)

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of \$750 or more and an estimated life in excess of one year. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	10-50
Improvements other than buildings	10-20
Furniture, equipment and vehicles	5-20
Sewer system	20-50

Compensated Absences

The Town's employees are granted compensated absence pay for vacation and sick leave in varying amounts based on length of service. The Town's sick leave and vacation policies permit employees to accumulate earned but unused sick pay and vacation benefits although limited to certain maximums based on length of service and personnel department. Vacation and sick pay are accrued when incurred in the government-wide financial statements. A liability is reported in the governmental funds only if it has matured, for example, as a result of employee resignations or retirement. The General Fund is used to liquidate such amounts.

Long-Term Obligations

In the government-wide financial statements and enterprise funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or enterprise fund statement of net position. Fees incurred in connection with obtaining long-term debt are expensed when incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position or Equity (Continued)

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment rolls meet all of the appropriate requirements of State law.

The tax levy of the Town is established by the Commission prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, County School Board, Town tax requirements. The millage rate assessed by the Town for the year ended September 30, 2021, 3.5367 (\$3.5367 for each \$1,000 of assessed valuation).

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position or Equity (Continued)

Fund Balance

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Town has established a policy for its use of unassigned fund balance amounts. Fund balance is reported under the following categories:

1. Nonspendable fund balances – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.
2. Restricted fund balance – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either
(a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or
(b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by the Town Council by the adoption of an ordinance, the Town’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action employed to previously commit those amounts.
4. Assigned fund balance – Includes amounts the Town intends to be used for specific purposes, but are neither restricted nor committed. Under the Town’s adopted policy, fund balances may be assigned by the Town Council or by an official or body to which the Town Council has delegated the authority.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position or Equity (Continued)

Fund Balance (Continued)

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

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

Net Position

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

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by:
(1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position or Equity (Continued)

Defined Benefit Pension Plan

In the government-wide statement of net position, liabilities are recognized for the Town's proportionate share of the net pension liability for the Florida Retirement System (FRS) plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Florida Retirement System defined benefit pension plan (FRS Pension Plan) and the Retiree Health Insurance Subsidy Program defined benefit pension plan (HIS Program), and additions to/deductions from the FRS Pension Plan's and the HIS Program's fiduciary net position have been determined on the same basis as they are reported by the FRS Pension Plan and the HIS Program plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. Pension liabilities are generally liquidated by the General Fund.

Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Recently Issued Accounting Pronouncements Adopted

The Town implemented the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2021:

GASB Statement No. 84 - Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. As amended by GASB statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted

A brief description of new accounting pronouncements that might have a significant impact on the Town's financial statements is presented below.

GASB Statement No. 87 – *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As amended by GASB statement No. 95, the requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*

The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. As amended by GASB statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied prospectively. For construction-in-progress, interest cost incurred after the beginning of the first reporting period to which this Statement is applied should not be capitalized.

GASB 91 – *Conduit Debt Obligations*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. As amended by GASB statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

GASB 92 – Omnibus 2020

This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including: effective date of GASB 87 for interim financial reports; intra-entity transfers between primary governments and component unit pension or OPEB plans; applicability of Statements No. 73 and 74 for reporting assets accumulated for postemployment benefits; applicability of certain requirements of GASB 84 to postemployment benefit arrangements; measurement of asset retirement obligations in government acquisitions; reporting by public entity risk pools for amounts recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements in authoritative literature and terminology used related to derivative instruments. As amended by GASB statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

GASB 93 – Replacement of Interbank Offered Rates

This statement provides guidance where some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. As amended by GASB statement No. 95, the requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements

This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB 96 – Subscription-Based Information Technology Arrangements

This statement provides new accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs), which have become increasingly common among state and local governments in recent years. Statement 96 is based on the standards established in Statement 87, Leases. The new statement defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The guidance requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability (with an exception for short-term SBITAs, those with a maximum possible term of 12 months) and provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

This statement provides the following guidance: 1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary fund financial statements; and 3) addresses relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefit provided through those plans. The first two provisions of this statement are effective immediately. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

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

NOTE 2 – DEPOSITS

In addition to insurance provided by the Federal Depositary Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Town's deposits at year end are considered insured for custodial credit risk purposes.

As of September 30, 2021, the carrying amount of the Town's deposits was \$4,993,526 and the bank balance was \$5,036,437. The Town also had \$2,600 in petty cash.

NOTE 3 – RECEIVABLES

Receivables as of September 30, 2021, for the Town's individual major fund's governmental activities and business-type activities are as follows:

Receivables	General Fund	Building Fund	Capital Projects Fund
Franchise fees and utility taxes	\$ 62,868	\$ -	\$ -
Intergovernmental	14,190	-	7,909
Other	200	6,097	-
Gross receivables	77,258	6,097	7,909
Less allowance for uncollectibles	-	-	-
Net total receivables	<u>\$ 77,258</u>	<u>\$ 6,097</u>	<u>\$ 7,909</u>

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2021, was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 108,396	\$ -	\$ -	\$ 108,396
Total capital assets, not being depreciated	108,396	-	-	108,396
Capital assets, being depreciated:				
Buildings and improvements	821,557	1,150	-	822,707
Improvements other than buildings	200,323	3,435	-	203,758
Furniture, equipment, and vehicles	242,006	24,455	-	266,461
Total capital assets, being depreciated	1,263,886	29,040	-	1,292,926
Less accumulated depreciation:				
Buildings and improvements	420,469	2,894	-	423,363
Improvements other than buildings	111,240	12,309	-	123,549
Furniture, equipment, and vehicles	196,037	14,759	-	210,796
Total accumulated depreciation	727,746	29,962	-	757,708
Total capital assets, being depreciated, net	536,140	(922)	-	535,218
Governmental activities capital assets, net	\$ 644,536	\$ (922)	\$ -	\$ 643,614

Business-type Activities	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, being depreciated:				
Sewer system	\$ 1,272,899	\$ 29,451	\$ -	\$ 1,302,350
Machinery and equipment	125,122	-	-	125,122
Total capital assets, being depreciated	1,398,021	29,451	-	1,427,472
Less accumulated depreciation:				
Infrastructure	903,214	43,227	-	946,441
Machinery and equipment	55,903	4,256	-	60,159
Total accumulated depreciation	959,117	47,483	-	1,006,600
Total capital assets, being depreciated, net	438,904	(18,032)	-	420,872
Business-type activities capital assets, net	\$ 438,904	\$ (18,032)	\$ -	\$ 420,872

For the fiscal year ended September 30, 2021, depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 26,365
Public safety	3,597
Total depreciation expense, governmental activities	<u>\$ 29,962</u>
Business-type activities:	
Water and sewer	<u>\$ 47,483</u>

NOTE 5 – LONG-TERM LIABILITIES

During the year ended September 30, 2021, the following changes occurred in long-term liabilities:

Governmental Activities	Beginning Balances	Additions	Reductions	Total	Amount Due Within One Year
Net pension liability	\$ 776,933	\$ -	\$ (682,356)	\$ 94,577	\$ -
Compensated Absences	25,818	26,598	(23,216)	29,200	25,818
	<u>\$ 802,751</u>	<u>\$ 26,598</u>	<u>\$ (705,572)</u>	<u>\$ 123,777</u>	<u>\$ 25,818</u>

For the governmental activities, compensated absences and the net pension liability are liquidated by the General Fund.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at September 30, 2021 were as follows:

	Due to	Due from
General Fund	\$ -	\$ 20
Special Revenue Fund	20	-
Capital Projects Fund	-	18,471
Sewer Fund	18,471	-
	<u>\$ 18,491</u>	<u>\$ 18,491</u>

The balance between the General Fund and the Capital Projects Fund relates to revenues deposited in error to the Sewer Fund which were not yet remitted to the Capital Projects Fund by the end of the current fiscal year.

NOTE 7 – DEFINED CONTRIBUTION EMPLOYEE RETIREMENT PLAN

Plan Description

The Town of South Palm Beach Retirement Plan is a defined contribution pension plan established by the Town and administered by the ICMA Retirement Corporation. The Plan was established in accordance with Section 401(k) of the Internal Revenue Code. All full-time employees are eligible to participate in the Plan. Participants are fully vested after six years, with 100% of the vesting occurring in the sixth year.

Funding Policy

Prior to January 1, 2005, the Town was required to contribute 10% of covered compensation on behalf of each participant. The Participants were allowed to make elective contributions up to 25% of covered compensation, subject to certain limitations. The Town was also required to match the elective contributions made on behalf of the participant up to a maximum of 5%. The maximum contribution by the Town on behalf of a participant was 15% of covered compensation.

Effective January 1, 2005, any employee that irrevocably elected to participate in the Florida Retirement System was no longer eligible for the fixed employer contribution or the employer match of elective contributions. During the fiscal year ended September 30, 2021, there were no Plan participants eligible for employer contributions. Employees hired on or after January 1, 2005 are required to participate in the Florida Retirement System. Consequently, there are no plan participants eligible for Town contributions. For the fiscal year ended September 30, 2021, the Town did not recognize any pension expense for the Plan and had no liability to the Plan as of the fiscal year end. Employees made contributions in the amount of \$27,290.

NOTE 8 – FLORIDA RETIREMENT SYSTEM

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

All regular employees of the Town are eligible to enroll as members of the FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The Town's pension expense totaled (\$208,305) for the fiscal year ended September 30, 2021.

FRS Pension Plan

Plan Description – The FRS Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The classes of membership within the Town are as follows:

- Regular Class – Member of the FRS who do not qualify for membership in another class.
- Senior Management Service Class – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided – Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation (AFC). For members initially enrolled before July 1, 2011, the AFC is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the AFC is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 years of service	1.68
Special Risk	3.00
Senior Management Service Class	2.00
Elected Local Officers	3.00

Per Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)***FRS Pension Plan (Continued)***

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2021 fiscal year were as follows:

Class	Percent of Gross Salary October 1, 2020 to June 30, 2021		Percent of Gross Salary July 1, 2021 to September 30, 2021	
	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.00	10.00	3.00	10.82
FRS, Special Risk - Regular	3.00	24.45	3.00	25.89
FRS, Special Risk - Admin	3.00	35.84	3.00	37.76
FRS, Elected Officials	3.00	49.18	3.00	51.42
FRS, Senior Management Service Class	3.00	27.29	3.00	29.01
DROP, Applicable to all members in the above classes	0.00	16.98	0.00	18.34

(1) Except for the DROP, employer rates include a postemployment HIS contribution rate of 1.66%. Also, employer rates include .06% for administrative costs of the Investment plan.

The Town's contributions to the Plan totaled \$18,084 for the fiscal year ended September 30, 2021. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the Town reported a liability of \$41,795 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The Town's proportionate share of the net pension liability was based on the Town's contributions for the year ended June 30, 2021 relative to the contributions made during the year ended June 30, 2020 of all participating members. At June 30, 2021, the Town's proportionate share was .00055%, which was a decrease of .001% from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021 the Town recognized pension expense of (\$182,224) related to the Pension Plan. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,164	\$ -
Change of assumptions	28,598	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(145,812)
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	51,493	(842,364)
Town FRS contributions subsequent to the measurement date	5,949	-
Total	<u>\$ 93,204</u>	<u>\$ (988,176)</u>

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)**FRS Pension Plan (Continued)**

The deferred outflows of resources related to pensions, totaling \$5,949, resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	Amount
2022	\$ (205,994)
2023	(211,823)
2024	(229,901)
2025	(215,292)
2026	(37,911)
Thereafter	-
Total	\$ (900,921)

Actuarial Assumptions – The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.8%, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, with variations by member category and sex, projected generationally with Scale MP-2018. The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	(Geometric) Return	Standard Deviation
Cash	1.0%	2.1%	2.1%	1.1%
Fixed income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real estate (property)	10.3%	7.1%	6.2%	13.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
Total	100.0%			
Assumed inflation - mean			2.4%	1.2%

(1) As outlined in the Plan's investment policy

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.8 percent. The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Town’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.8%) or 1-percentage-point higher (7.8%) than the current rate:

	1% Decrease	Current Discount Rate Assumption	1% Increase
	5.80%	6.80%	7.80%
Net Pension Liability	\$ 186,910	\$ 41,795	\$ (79,505)

Pension Plan Fiduciary Net Position – Detailed information about the Plan’s fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan – At September 30, 2021, the Town did not report a payable to the Plan for the fiscal year ended September 30, 2021.

Retiree Health Insurance Subsidy Program

Plan Description – The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided – For the fiscal year ended September 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2021, the contribution rate was 1.66% of payroll from October 1, 2020 through September 30, 2021 pursuant to section 112.363, Florida Statutes. The Town contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Town's contributions to the HIS Plan totaled \$1,381 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the Town reported a net pension liability of \$52,782 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Town's proportionate share of the net pension liability was based on the year ended June 30, 2021 contributions relative to the year ended June 30, 2020 contributions of all participating members. At June 30, 2021, the Town's proportionate share was .0004%, a decrease of .0004% compared to its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the Town recognized pension expense of (\$26,081) related to the HIS Plan. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,766	\$ (22)
Change of assumptions	4,148	(2,175)
Net difference between projected and actual earnings on FRS pension plan investments	55	-
Changes in proportion and differences between Town FRS contributions and proportionate share of FRS contributions	10,491	(157,916)
Town FRS contributions subsequent to the measurement date	638	-
Total	<u>\$ 17,098</u>	<u>\$ (160,113)</u>

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

The deferred outflows of resources related to pensions, totaling \$638, resulting from Town contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	Amount
2022	\$ (27,171)
2023	(28,251)
2024	(26,910)
2025	(28,780)
2026	(25,993)
Thereafter	(6,548)
Total	\$ (143,653)

Actuarial Assumptions – The total pension liability in the July 1, 2020 actuarial valuation for reporting at June 30, 2021 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	2.16%

Mortality rates were based on the PUB-2010 base table, with variations by member category and sex, projected generationally with Scale MP-2018. The July 1, 2020, HIS valuation is the most recent actuarial valuation and was used to develop the liabilities for the June 30, 2021, financial reporting exhibits. The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

Discount Rate – The discount rate used to measure the total pension liability was 2.16%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 2.16%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current rate:

	1% Decrease	Current Discount Rate Assumption	1% Increase
	1.16%	2.16%	3.16%
Net Pension Liability	\$ 61,022	\$ 52,782	\$ 46,032

Pension Plan Fiduciary Net Position – Detailed information about the HIS Plan's fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan – At September 30, 2021, the Town did not report a payable to the Plan for the fiscal year ended September 30, 2021.

Florida Retirement System Investment Plan

Plan Description - The Florida Retirement System Investment Plan is a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code. The Florida Legislature enacted the Plan during the 2000 legislative session, and amendments to the Plan can only be made by an act of the Florida Legislature. The Plan is administered by the State Board of Administration of Florida.

Funding Policy - Participating employers are required to make contributions based upon statewide contributions rates. Allocations to the investment plan by job class for the Town's employees at September 30, 2021, were as follows: regular employees 6.3%, special risk employees 14%, senior management service employees 7.67%, and elected officials 11.34%. These rates include a 3.00% employee contribution.

The Town's payroll for the year ended September 30, 2021 for employees covered by the Plan was \$67,662. The Town and the covered employees made the required contributions of \$6,915 and \$2,030, respectively.

NOTE 9 – DEFINED CONTRIBUTION OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Town of South Palm Beach Retirement Health Savings Plan is a defined contribution other postemployment benefit (OPEB) plan established by the Town and administered by the ICMA Retirement Corporation to provide healthcare benefits at retirement to the employees of the Town. All full-time employees are eligible to participate on attainment of age 19. Accounts are 100% vested at all times. Retirement is defined as separation from service with a minimum of 15 years of service or 55 years of age. The plan was established by the Town Council and may be amended by action of the Town Council.

Funding Policy

Prior to January 1, 2005, the Town was required to contribute 1.10% of covered compensation on behalf of each plan participant. Effective January 1, 2005, any employee that irrevocably elected to participate in the Florida Retirement System was no longer eligible for the mandatory employer contribution. During the fiscal year ended September 30, 2021, there were no participants eligible for mandatory employer contributions.

All vacation and sick leave time that exceeds the maximum accrual limits will be placed in a reserve and in September of each year the Town is required to make mandatory leave contributions to the plan in the amount of the reserve.

Employees are permitted to make an irrevocable election for pre-tax contributions from compensation. Employees may elect to contribute up to 25% of earnings. Employees may also make an irrevocable election for pre-tax contributions of accrued leave. In the year prior to separation from service, an employee can elect to contribute vacation and sick leave time in accordance with Town policies.

For the fiscal year ended September 30, 2021, there was no Town's mandatory leave contributions. Employees made elective contributions in the amount of \$18,200.

NOTE 10 – DEFINED BENEFIT OPEB PLAN

Retirees of the Town pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average.

Plan Description

The Town provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries, at their own cost, to continue to obtain health, dental and other insurance benefits upon retirement. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

NOTE 10 – DEFINED BENEFIT OPEB PLAN (Continued)

Funding Policy

The Town does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Town for active employees by its healthcare provider. However, the Town's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Town or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

Annual OPEB Cost and OPEB Obligation

During a prior fiscal year, the Town adopted GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 75.

The Town's actuaries performed a study of the Town's current employee data and expected retirement pattern, based on the results of the study, the Town has determined that the liability for the implicit rate subsidy is not material. Consequently, the Town has not reported any OPEB cost or OPEB obligation in the financial statements.

NOTE 11 – 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; and natural disasters for which the Town carries commercial insurance. Retention of risk is limited, with deductibles of up to \$500 per occurrence. 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 and \$300,000 for all claims relating to the same accident. However, under certain circumstance, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in federal courts.

There were no significant reductions in insurance coverage from the prior year. There were no settled claims which exceeded insurance coverage during the past three fiscal years.

NOTE 12 – CONTINGENCIES AND CLAIMS

The Town is involved in various litigations and claims arising in the course of operations. It is the opinion of legal counsel that the likelihood of unfavorable outcomes and the amounts of potential losses cannot be reasonably determined at this time. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements.

NOTE 12 – CONTINGENCIES AND CLAIMS (Continued)

Pursuant to an audit done by the Inspector General of Palm Beach County (“IG”), certain questions costs related to the Town’s sewer rate increases were identified. The IG stated that the Town should either refund or credit its residents for the over-billing of the sewer utilities done during the 2017 and 2018 fiscal years as the Town was found to have not complied with Florida Statutes in enacting sewer rate increases. Management determined that the total amount of questioned costs within the 2017 through 2021 fiscal years was \$455,009, of which \$399,177 related to fiscal years 2017 to 2020. The amount was either refunded or credited to the customer accounts in the current fiscal year. As of September 30, 2021, the Town reported \$275,454 due to sewer customers related to the over-billings.

NOTE 13 – INTERLOCAL GOVERNMENTAL AGREEMENTS

City of Lake Worth – Disposal Services

The Town has entered into an agreement with the City of Lake Worth, Florida, providing for the disposal of sewage generated by the Town’s collection system by utilizing the East Central Regional Wastewater Reclamation Facility (ECRWF) treatment facilities.

Under the terms of this agreement, the Town has agreed to pay each month to the City of Lake Worth a pro rata share of the City’s operating costs of the ECRWF’s treatment facilities. The agreement also requires the Town to pay an amount equal to its pro rata share, based upon reserved capacity, of the non-federally funded capital expenditures required of the City for pumping, transmission and treatment disposal facilities constructed for the benefit of the Town system and its customers. The Town has also agreed to pay its pro rata share of certain debt service requirements. For the fiscal year ended September 30, 2021, the Town paid \$210,644 pursuant to the agreement.

City of Lake Worth – Lift Station Maintenance

In August 2016, the Town entered into an agreement with the City of Lake Worth, Florida, providing for the City to inspect and maintain a lift station for a period of twenty years. The agreement may be extended for up to ten additional years upon approval by both parties. Under the terms of the agreement, the City shall perform inspections, deemed necessary by the City, and perform routine maintenance on the lift station for a fee of \$400 per month. Corrective maintenance costing less than \$800 per incident will be performed by the City and charged on a time and materials basis. Corrective maintenance costing more than \$800 will be reported to the Town and the Town shall determine whether the City shall perform work, upon approval of the City, or whether it shall obtain a contractor to perform the work. For the fiscal year ended September 30, 2021, the Town paid \$4,800 pursuant to the agreement.

Palm Beach County – Fire Rescue Services

Pursuant to Palm Beach County Ordinance No. 2009-048 and Town of South Palm Beach Ordinance No. 253, the Town has opted into the County’s Fire/Rescue Municipal Service Taxing Unit (MSTU) for the provision of fire rescue services within the Town from October 1, 2010 through September 30, 2021. During the prior fiscal year, the term of this agreement was extended through September 30, 2030. The tax for the MSTU is included in the maximum 10 mills the Town is legally allowed to assess. As of September 30, 2021, the MSTU portion of the Town’s millage rate was 3.4581 mills.

NOTE 13 – INTERLOCAL GOVERNMENTAL AGREEMENTS (Continued)

Palm Beach County Sheriff's Office ("PBSO") – Police Services

During the prior fiscal year, the Town entered into an agreement with PBSO for police services. Under the agreement, the existing Town officers became PBSO employees effective October 1, 2019. Pursuant to the agreement, the existing equipment and vehicles being used by the officers were transferred to PBSO with a reversionary interest should the contract terminate. The total amount paid under this agreement for the fiscal year ended September 30, 2021 was \$1,050,000.

Interlocal Agreement with Town of Palm Beach – Dunes Restoration Project

During the current fiscal year end, the Town entered into an interlocal agreement with the Town of Palm Beach in order for the Town to fund a portion of the Town of Palm Beach's restoration project of the beach. Pursuant to the agreement, the Town is to cover portions of the project within the Town's boundaries in an amount not to exceed \$900,000. In relation to this agreement, for the fiscal year ended September 30, 2021, the Town reimbursed \$747,472 to the Town of Palm Beach.

NOTE 14 – DEFICIT FUND EQUITY

The capital projects fund had a deficit fund balance of (\$324,854) at September 30, 2021. The deficit will be covered by a transfer from funds assigned to the beach project in the general fund in the subsequent period.

TOWN OF SOUTH PALM BEACH, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended September 30, 2021

	<u>Budgeted Amounts</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original & Final</u>	<u>Amounts</u>	
REVENUES			
Property taxes	\$ 1,476,934	\$ 1,508,720	\$ 31,786
Utility taxes	231,974	294,248	62,274
Other taxes	7,500	7,782	282
Franchise fees	105,000	117,931	12,931
Permits and fees	-	4,129	4,129
Intergovernmental	143,214	178,025	34,811
Charges for services	28,000	593	(27,407)
Fines and forfeitures	1,000	1,138	138
Investment income	12,500	-	(12,500)
Grant revenue	-	21,870	21,870
Other revenues	11,625	33,665	22,040
Total revenues	<u>2,017,747</u>	<u>2,168,101</u>	<u>150,354</u>
EXPENDITURES			
Current:			
General government	615,728	530,761	84,967
Public safety	1,050,000	1,050,000	-
Public works	69,427	72,718	(3,291)
Culture and recreation	76,962	38,122	38,840
Capital outlay	110,000	24,826	85,174
Total expenditures	<u>1,922,117</u>	<u>1,716,427</u>	<u>205,690</u>
Excess (deficiency) of revenues over (under) expenditures	95,630	451,674	356,044
OTHER FINANCING SOURCES (USES)			
Transfer in (out)	80,000	-	-
Total other financing sources (uses)	<u>80,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 175,630</u>	451,674	<u>\$ 356,044</u>
Fund balance - beginning		<u>4,057,676</u>	
Fund balance - ending		<u>\$ 4,509,350</u>	

See notes to budgetary required supplementary information

TOWN OF SOUTH PALM BEACH, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual – Special Revenue Fund
For the Year Ended September 30, 2021

	<u>Budgeted Amounts</u>	Actual	Variance with Final Budget - Positive (Negative)
	Original & Final	Amounts	
REVENUES			
Permits and fees	\$ 150,000	\$ 228,821	\$ 78,821
Investment income	4,200	41	(4,159)
Total revenues	<u>154,200</u>	<u>228,862</u>	<u>74,662</u>
EXPENDITURES			
Current:			
Public safety	200,878	152,256	48,622
Total expenditures	<u>200,878</u>	<u>152,256</u>	<u>48,622</u>
Excess (deficiency) of revenues over (under) expenditures	(46,678)	76,606	123,284
OTHER FINANCING SOURCES (USES)			
Carry forward	46,678	-	(46,678)
Total other financing sources (uses)	<u>46,678</u>	<u>-</u>	<u>(46,678)</u>
Net change in fund balance	<u>\$ -</u>	76,606	<u>\$ 76,606</u>
Fund balance - beginning		<u>1,003,475</u>	
Fund balance - ending		<u>\$ 1,080,081</u>	

See notes to budgetary required supplementary information

TOWN OF SOUTH PALM BEACH, FLORIDA
Notes to the Budgetary Required Supplementary
Information
For the Year Ended September 30, 2021

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

A budgetary comparison schedule is presented for the General Fund and Special Revenue Fund. An annual budget is adopted for the General Fund and Special Revenue Fund on a basis consistent with accounting principles generally accepted in the United States of America. The procedures for establishing budgetary data reflected in the budgetary comparison schedule are described below.

1. Approximately July 1st, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
4. Appropriations are legally controlled at the fund level and expenditures may not legally exceed budgeted amounts at that level.
5. The Town Council approves total budget appropriations only. The Town Manager is authorized to transfer budget amounts between departments within any fund. However, any revisions that alter the total appropriations of any fund must be approved by the Town Council.
6. Formal budgetary integration is employed as a management control device during the year.
7. Appropriations which are neither expended nor specifically designated to be carried over lapse at the end of the fiscal year.
8. There were no budget amendments during the year.
9. There were no supplemental appropriations during the year.
10. Expenditures of the General Fund and Special Revenue Fund did not exceed appropriations the fiscal year ended September 30, 2021.

TOWN OF SOUTH PALM BEACH, FLORIDA
Required Supplementary Information
For the Year Ended September 30, 2021

**Schedule of the Town's Proportionate Share of the Net Pension Liability -
Florida Retirement System Pension Plan
Last 10 Years (1) (2)**

	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the FRS net pension liability	0.0005533%	0.0015471%	0.0043768%	0.0053666%	0.0046597%	0.0047708%	0.0042908%	0.0045517%
Town's proportionate share of the FRS net pension liability	\$ 41,795	\$ 670,556	\$ 1,507,306	\$ 1,616,435	\$ 1,378,293	\$ 1,204,626	\$ 554,219	\$ 277,724
Town's covered payroll	152,333	234,997	635,122	732,479	523,562	499,113	466,700	571,017
Town's proportionate share of the FRS net pension liability as a percentage of its covered payroll	27.44%	285.35%	237.33%	220.68%	263.25%	241.35%	118.75%	48.64%
FRS plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

**Schedule of the Town's Proportionate Share of the Net Pension Liability -
Health Insurance Subsidy Pension Plan
Last 10 Years (1) (2)**

	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the HIS net pension liability	0.0004303%	0.0008712%	0.0020927%	0.0024059%	0.0021943%	0.0022995%	0.0022377%	0.0023463%
Town's proportionate share of the HIS net pension liability	\$ 52,782	\$ 106,377	\$ 234,151	\$ 254,638	\$ 234,627	\$ 268,003	\$ 228,214	\$ 219,389
Town's covered payroll	152,333	234,997	635,122	732,479	523,562	499,113	466,700	571,017
Town's proportionate share of the HIS net pension liability as a percentage of its covered payroll	34.65%	45.27%	36.87%	34.76%	44.81%	53.70%	48.90%	38.42%
HIS plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

(1) The amounts presented for each year were determined as of the measurement date, June 30.

(2) Information is not available for years prior to 2014. As information is available it will be presented.

TOWN OF SOUTH PALM BEACH, FLORIDA
Required Supplementary Information
For the Year Ended September 30, 2021

**Schedule of the Town Contributions -
Florida Retirement System Pension Plan
Last 10 Fiscal Years (1)**

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 18,084	\$ 19,864	\$ 133,781	\$ 151,893	\$ 122,708	\$ 106,799	\$ 87,394	\$ 93,202
FRS contributions in relation to the contractually required contribution	(18,084)	(19,864)	(133,781)	(151,893)	(122,708)	(106,799)	(87,394)	(93,202)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 83,203	\$ 99,414	\$ 627,438	\$ 586,276	\$ 586,276	\$ 525,711	\$ 455,886	\$ 532,650
FRS contributions as a percentage of covered payroll	21.73%	19.98%	21.32%	25.91%	20.93%	20.32%	19.17%	17.50%

**Schedule of the Town Contributions -
Health Insurance Subsidy Pension Plan
Last 10 Fiscal Years (1)**

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required HIS contribution	\$ 1,381	\$ 1,650	\$ 10,415	\$ 13,058	\$ 11,926	\$ 12,505	\$ 8,885	\$ 8,532
HIS contributions in relation to the contractually required contribution	(1,381)	(1,650)	(10,415)	(13,058)	(11,926)	(12,505)	(8,885)	(8,532)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 83,203	\$ 99,414	\$ 627,438	\$ 586,276	\$ 586,276	\$ 525,711	\$ 455,886	\$ 532,650
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	2.23%	2.03%	2.38%	1.95%	1.60%

(1) Information is not available for periods prior to 2014. As information becomes available it will be presented.

STATISTICAL SECTION

STATISTICAL SECTION

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

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Town of South Palm Beach, Florida
Schedule 1
Net Position by Component
(Unaudited) (Accrual Basis of
Accounting)

Fiscal Year Ended 09/30	2012	2013	2014	2015
Governmental activities:				
Net investment in capital assets	\$ 851,451	\$ 841,681	\$ 833,988	\$ 854,056
Restricted				
Transportation	2,371	4,725	7,187	10,026
Infrastructure				
Building code Enforcement	50,010	75,246	134,062	178,015
Unrestricted	<u>2,247,274</u>	<u>2,408,951</u>	<u>1,604,830</u>	<u>1,892,185</u>
Total governmental activities net position	<u>3,151,106</u>	<u>3,330,603</u>	<u>3,608,058</u>	<u>2,934,282</u>
Business-type activities:				
Net investment in capital assets	501,270	471,247	475,811	435,033
Restricted	-	-	-	-
Unrestricted	<u>793,155</u>	<u>1,151,921</u>	<u>1,229,340</u>	<u>1,348,841</u>
Total business-type activities net position	<u>1,294,425</u>	<u>1,623,168</u>	<u>1,705,151</u>	<u>1,783,874</u>
Total government:				
Net investment in capital assets	1,352,721	1,312,928	1,309,799	1,289,089
Restricted	52,381	79,971	141,249	188,041
Unrestricted	<u>3,040,429</u>	<u>3,560,872</u>	<u>2,834,170</u>	<u>3,241,026</u>
Total government net position	<u>\$4,445,531</u>	<u>\$4,953,771</u>	<u>\$4,285,218</u>	<u>\$4,718,156</u>

2016	2017	2018	2019	2020	2021
\$ 811,268	\$ 806,126	\$ 793,391	\$ 678,949	\$ 644,536	\$ 643,614
12,920	22,950	-	-	-	-
	59,657	158,435	262,000	327,306	-
227,521	580,917	841,344	891,181	1,003,475	1,080,081
<u>2,014,991</u>	<u>1,949,249</u>	<u>2,108,818</u>	<u>2,334,119</u>	<u>2,666,925</u>	<u>3,022,762</u>
<u>3,066,700</u>	<u>3,418,899</u>	<u>3,901,988</u>	<u>4,166,249</u>	<u>4,642,242</u>	<u>4,746,457</u>
394,255	353,819	318,012	308,227	438,904	420,872
-	-	-	-	-	-
<u>1,440,577</u>	<u>1,518,091</u>	<u>1,635,465</u>	<u>1,728,878</u>	<u>1,302,264</u>	<u>1,782,241</u>
<u>1,834,832</u>	<u>1,871,910</u>	<u>1,953,477</u>	<u>2,037,105</u>	<u>1,741,168</u>	<u>2,203,113</u>
1,205,523	1,159,945	1,111,403	987,176	1,083,440	1,064,486
240,441	663,524	999,779	1,153,181	1,330,781	1,080,081
<u>3,455,568</u>	<u>3,467,340</u>	<u>3,744,283</u>	<u>4,062,997</u>	<u>3,969,189</u>	<u>4,805,003</u>
<u>\$4,901,532</u>	<u>\$5,290,809</u>	<u>\$5,855,465</u>	<u>\$6,203,354</u>	<u>\$6,383,410</u>	<u>\$6,949,570</u>

Town of South Palm Beach, Florida
Schedule 2
Changes in Net Position (Unaudited) (Accrual Basis of Accounting)

Fiscal Year Ended 09/30	2012	2013	2014	2015
Expenses:				
Governmental activities:				
General government	\$ 601,389	\$ 607,862	\$ 595,678	\$ 553,492
Public safety	931,802	947,361	965,586	920,654
Physical Environment	12,719	32,260	31,065	41,224
Transportation	-	-	-	-
Culture/Recreation	20,342	26,043	25,653	30,035
Total governmental activities	<u>1,566,252</u>	<u>1,613,526</u>	<u>1,617,982</u>	<u>1,545,405</u>
Business-type activities:				
Utility system	272,511	230,304	227,520	240,534
Total business-type activities	<u>272,511</u>	<u>230,304</u>	<u>227,520</u>	<u>240,534</u>
Total government expenses	<u>\$ 1,838,763</u>	<u>\$ 1,843,830</u>	<u>\$ 1,845,502</u>	<u>\$ 1,785,939</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 201,708	\$ 192,265	\$ 264,361	\$ 246,027
Public safety	12,529	13,854	11,499	7,778
Culture/recreation	26,155	23,680	21,025	18,284
Operating grants and contributions:				
Capital grants and contributions	1,281	1,562	3,334	3,709
Total governmental activities program revenues	<u>241,673</u>	<u>231,361</u>	<u>300,219</u>	<u>275,798</u>
Business-type activities:				
Charges for services:				
Utility system	297,934	302,987	308,732	316,061
Operating grants and contributions:				
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>297,934</u>	<u>302,987</u>	<u>308,732</u>	<u>316,061</u>
Total program revenues	<u>\$ 539,607</u>	<u>\$ 534,348</u>	<u>\$ 608,951</u>	<u>\$ 591,859</u>

2016	2017	2018	2019	2020	2021
\$ 626,236	\$ 880,655	\$ 726,145	\$ 560,716	\$ 558,818	\$ 365,990
1,122,387	994,487	1,085,393	1,277,297	1,217,621	1,185,691
70,769	183,204	126,174	55,123	66,370	827,483
-	-	-	-	-	-
28,106	29,437	25,982	65,004	43,967	28,408
<u>1,847,498</u>	<u>2,087,783</u>	<u>1,963,694</u>	<u>1,958,140</u>	<u>1,886,776</u>	<u>2,407,572</u>
<u>222,376</u>	<u>298,546</u>	<u>281,672</u>	<u>304,519</u>	<u>700,332</u>	<u>280,228</u>
<u>222,376</u>	<u>298,546</u>	<u>281,672</u>	<u>304,519</u>	<u>700,332</u>	<u>280,228</u>
<u>\$2,069,874</u>	<u>\$2,386,329</u>	<u>\$2,245,366</u>	<u>\$2,262,659</u>	<u>\$2,587,108</u>	<u>\$2,687,800</u>
\$ 206,468	\$ 526,754	\$ 408,488	\$ 199,946	\$ 263,234	\$ 232,950
8,660	10,406	9,100	5,654	1,244	1,138
18,494	17,514	22,872	26,305	17,387	593
5,643	1,000	-	-	-	41
-	59,657	98,778	104,565	105,941	136,694
<u>239,265</u>	<u>615,331</u>	<u>539,238</u>	<u>336,470</u>	<u>387,806</u>	<u>371,416</u>
311,558	390,040	437,591	443,685	470,186	373,263
-	-	-	-	-	-
<u>311,558</u>	<u>390,040</u>	<u>437,591</u>	<u>443,685</u>	<u>470,186</u>	<u>373,263</u>
<u>\$ 550,823</u>	<u>\$1,005,371</u>	<u>\$ 976,829</u>	<u>\$ 780,155</u>	<u>\$ 857,992</u>	<u>\$ 744,679</u>

Town of South Palm Beach, Florida
Schedule 2 (Continued)
Changes in Net Position (Unaudited) (Accrual Basis of Accounting)

Fiscal Year Ended 09/30	2012	2013	2014	2015
Net (expense) revenue:				
Governmental activities	\$ (1,324,579)	\$ (1,382,165)	\$ (1,317,763)	\$ (1,269,607)
Business-type activities	25,423	72,683	81,212	75,527
Total net expense	<u>\$ (1,299,156)</u>	<u>\$ (1,309,482)</u>	<u>\$ (1,236,551)</u>	<u>\$ (1,194,080)</u>
General revenues:				
Governmental activities:				
Taxes:				
Property taxes	\$ 1,074,815	\$ 1,101,254	\$ 1,103,695	\$ 1,079,316
Utility taxes	209,223	220,790	226,665	227,763
Intergovernmental revenues	111,833	127,165	150,224	156,759
Franchise taxes	102,986	94,293	101,584	115,246
Investment earnings	2,608	3,398	2,086	3,988
Miscellaneous	23,292	14,762	10,964	25,116
Loss on capital assets transfer	-	-	-	15,634
Transfers	-	-	-	-
Total governmental activities	<u>1,524,757</u>	<u>1,561,662</u>	<u>1,595,218</u>	<u>1,623,822</u>
Business-type activities:				
Investment earnings	845	2,044	771	3,196
Miscellaneous	-	254,016	-	-
Transfers	-	-	-	-
Total business-type activities	<u>845</u>	<u>256,060</u>	<u>771</u>	<u>3,196</u>
Total general revenues	<u>\$ 1,525,602</u>	<u>\$ 1,817,722</u>	<u>\$ 1,595,989</u>	<u>\$ 1,627,018</u>
Change in net position:				
Governmental activities	\$ 200,178	\$ 179,497	\$ 277,455	\$ 354,215
Business-type activities	26,268	328,743	81,983	78,723
Total change in net position	<u>\$ 226,446</u>	<u>\$ 508,240</u>	<u>\$ 359,438</u>	<u>\$ 432,938</u>

2016	2017	2018	2019	2020	2021
\$ (1,608,233)	\$ (1,472,452)	\$ (1,424,456)	\$ (1,621,670)	\$ (1,498,970)	\$ (2,036,156)
<u>89,182</u>	<u>91,494</u>	<u>155,919</u>	<u>139,166</u>	<u>(230,146)</u>	<u>93,035</u>
<u>\$ (1,519,051)</u>	<u>\$ (1,380,958)</u>	<u>\$ (1,268,537)</u>	<u>\$ (1,482,504)</u>	<u>\$ (1,729,116)</u>	<u>\$ (1,943,121)</u>
\$ 1,166,518	1,233,243	1,261,393	1,262,753	1,254,744	1,508,720
227,388	221,766	233,888	239,570	275,779	294,248
156,922	161,930	166,865	180,200	165,383	143,275
107,367	103,791	112,149	112,194	113,017	117,931
7,974	24,927	37,070	69,287	36,084	-
19,482	23,994	16,180	22,861	49,956	76,197
-	-	-	(80,934)	-	-
<u>55,000</u>	<u>55,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
<u>1,740,651</u>	<u>1,824,651</u>	<u>1,907,545</u>	<u>1,885,931</u>	<u>1,974,963</u>	<u>2,140,371</u>
426	584	5,648	24,462	14,209	782
16,350	-	-	-	-	368,128
<u>(55,000)</u>	<u>(55,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
<u>(38,224)</u>	<u>(54,416)</u>	<u>(74,352)</u>	<u>(55,538)</u>	<u>(65,791)</u>	<u>368,910</u>
<u>\$ 1,702,427</u>	<u>\$ 1,770,235</u>	<u>\$ 1,833,193</u>	<u>\$ 1,830,393</u>	<u>\$ 1,909,172</u>	<u>\$ 2,509,281</u>
\$ 132,418	\$ 352,199	\$ 483,089	\$ 264,261	\$ 475,993	\$ 104,215
<u>50,958</u>	<u>37,078</u>	<u>81,567</u>	<u>83,628</u>	<u>(295,937)</u>	<u>461,945</u>
<u>\$ 183,376</u>	<u>\$ 389,277</u>	<u>\$ 564,656</u>	<u>\$ 347,889</u>	<u>\$ 180,056</u>	<u>\$ 566,160</u>

Town of South Palm Beach, Florida
Schedule 3
Fund Balances, Governmental Funds (Unaudited) (Modified
Accrual Basis of Accounting)

Fiscal Year Ended 09/30	2012	2013	2014	2015
General Fund:				
Non spendable	\$ 24,305	\$ 26,079	\$ 20,464	\$ 20,303
Restricted	52,381	79,971	141,249	188,041
Assigned	1,432,506	1,432,506	1,432,506	1,432,506
Unassigned	948,244	1,102,652	1,298,701	1,491,095
Total general fund	<u>2,457,436</u>	<u>2,641,208</u>	<u>2,892,920</u>	<u>3,131,945</u>
All other governmental funds:				
Restricted	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental funds	<u>\$2,457,436</u>	<u>\$2,641,208</u>	<u>\$2,892,920</u>	<u>\$3,131,945</u>

2016	2017	2018	2019	2020	2021
\$ 14,728	\$ 323	\$ -	\$ 4,838	\$ 4,349	\$ 31,061
240,441	608,867	841,344	-	-	-
1,432,506	1,586,206	1,494,691	1,451,960	1,458,324	1,461,706
<u>1,656,264</u>	<u>1,592,481</u>	<u>1,871,895</u>	<u>2,300,577</u>	<u>2,595,003</u>	<u>3,016,583</u>
<u>3,343,939</u>	<u>3,787,877</u>	<u>4,207,930</u>	<u>3,757,375</u>	<u>4,057,676</u>	<u>4,509,350</u>
-	59,567	158,435	1,153,181	1,330,781	1,080,081
-	-	-	-	-	(324,854)
-	<u>59,567</u>	<u>158,435</u>	<u>1,153,181</u>	<u>1,330,781</u>	<u>755,227</u>
<u>\$3,343,939</u>	<u>\$3,847,444</u>	<u>\$4,366,365</u>	<u>\$4,910,556</u>	<u>\$5,388,457</u>	<u>\$5,264,577</u>

Town of South Palm Beach, Florida

Schedule 4

Changes in Fund Balances, Governmental Funds (Unaudited) (Modified Accrual Basis of Accounting)

Fiscal Year Ended 09/30	2012	2013	2014	2015
Revenues:				
Ad valorem taxes	\$ 1,074,815	\$ 1,101,254	\$ 1,103,695	\$ 1,079,316
Franchise fees	102,986	94,293	101,584	115,246
Utility taxes	209,223	220,790	226,665	227,763
Licenses and permits	176,708	167,265	209,361	191,027
Intergovernmental revenue	113,114	128,727	153,830	156,759
Charges for services	51,155	48,680	76,025	73,284
Fines and forfeitures	12,529	13,854	11,499	7,778
Investment income	2,608	3,398	2,086	3,988
Miscellaneous	23,292	14,762	10,692	25,116
Total revenues	<u>1,766,430</u>	<u>1,793,023</u>	<u>1,895,437</u>	<u>1,880,277</u>
Expenditures:				
Current:				
General government	546,611	553,512	579,327	553,576
Public safety	910,781	939,868	951,724	941,782
Physical environment	12,719	32,260	31,065	41,224
Culture and recreation	20,342	26,043	25,653	30,035
Capital outlay	<u>51,963</u>	<u>57,568</u>	<u>55,956</u>	<u>90,269</u>
Debt service:				
Principal retirement	-	-	-	-
Total expenditures	<u>1,542,416</u>	<u>1,609,251</u>	<u>1,643,725</u>	<u>1,656,886</u>
Excess of revenues over expenditures	<u>224,014</u>	<u>183,772</u>	<u>251,712</u>	<u>223,391</u>
Other financing sources (uses):				
Sale of Capital Assets	-	-	-	15,634
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,634</u>
Net change in fund balances	<u>\$ 224,014</u>	<u>\$ 183,772</u>	<u>\$ 251,712</u>	<u>\$ 239,025</u>
Debt service as a percentage of non-capital expenditures	0.00%	0.00%	0.00%	0.00%

2016	2017	2018	2019	2020	2021
\$ 1,166,518	1,233,243	1,261,393	1,262,753	1,254,744	1,508,720
107,367	103,791	112,149	112,194	113,017	117,931
227,388	221,766	233,888	253,412	275,779	294,248
206,468	526,754	411,504	199,946	263,234	232,950
162,565	221,587	262,608	269,117	261,838	300,631
18,494	17,514	22,872	26,305	17,387	593
8,660	10,406	9,100	5,654	1,244	1,138
7,974	24,927	37,089	70,093	45,570	41
19,482	24,994	16,180	23,861	49,956	55,535
<u>1,924,916</u>	<u>2,384,982</u>	<u>2,366,783</u>	<u>2,223,335</u>	<u>2,282,769</u>	<u>2,511,787</u>
572,034	766,794	669,457	522,893	517,737	530,761
1,046,246	903,405	953,740	1,077,172	1,208,427	1,201,476
70,769	183,204	126,174	52,770	67,960	72,718
28,106	29,437	25,982	62,609	45,603	38,122
<u>57,847</u>	<u>58,547</u>	<u>147,599</u>	<u>43,700</u>	<u>45,141</u>	<u>792,590</u>
-	-	-	-	-	-
<u>1,775,002</u>	<u>1,941,387</u>	<u>1,922,952</u>	<u>1,759,144</u>	<u>1,884,868</u>	<u>2,635,667</u>
<u>149,914</u>	<u>443,595</u>	<u>443,831</u>	<u>464,191</u>	<u>397,901</u>	<u>(123,880)</u>
7,080	-	-	-	-	-
<u>55,000</u>	<u>55,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
<u>62,080</u>	<u>55,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
<u>\$ 211,994</u>	<u>\$ 498,595</u>	<u>\$ 523,831</u>	<u>\$ 544,191</u>	<u>\$ 477,901</u>	<u>\$ (123,880)</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Town of South Palm Beach, Florida
Schedule 5
General Governmental Tax Revenues by Source (Unaudited)

Fiscal Year	Ad Valorem Taxes	Local Option Taxes	Utility Taxes	Communications Services Tax	Franchise Taxes	State Revenue Sharing	Local Half Cent Sales Tax	Total
2012	1,074,815	7,462	209,223	49,906	102,986	32,937	70,731	1,548,060
2013	1,101,254	7,445	220,790	53,047	94,293	31,986	81,883	1,590,698
2014	1,103,695	7,666	226,665	47,633	101,584	33,433	102,087	1,622,763
2015	1,079,316	9,087	227,763	45,222	115,246	39,425	105,381	1,621,440
2016	1,166,518	9,304	227,388	40,578	107,367	36,638	108,142	1,695,935
2017	1,233,243	10,030	221,766	31,913	103,791	44,169	107,731	1,752,643
2018	1,261,393	10,214	233,888	37,724	112,149	38,783	111,556	1,805,707
2019	1,262,753	9,636	253,412	38,019	112,194	39,839	113,489	1,829,342
2020	1,254,744	8,660	275,779	66,217	113,017	37,184	105,335	1,860,936
2021	1,508,720	8,957	294,248	83,916	117,931	42,532	126,537	2,182,841

Source: Town of South Palm Beach Finance Department

Town of South Palm Beach, Florida
Schedule 6
Net Assessed Value and Direct Tax Rate (Unaudited)

Fiscal Year Ended September 30,	Real Property			Total Net Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Personal Property		
2012	260,623,525	-	2,457,830	263,081,355	4.3174
2013	255,692,732	-	2,529,821	258,222,553	4.3174
2014	256,612,707	-	2,816,459	259,429,166	4.3174
2015	260,598,732	-	2,543,036	263,141,768	4.3174
2016	276,265,092	-	2,737,130	279,002,222	4.3174
2017	301,374,540	-	4,609,754	305,984,294	4.1278
2018	321,668,137	-	4,298,149	325,966,286	3.9965
2019	337,831,469	-	5,266,007	343,097,476	3.7938
2020	356,551,819	-	5,021,315	361,573,134	3.5935
2021	434,077,763	-	5,503,517	439,581,280	3.5367

Note: Property in the Town is reassessed each year. Tax rates are per \$1,000 of assessed value. The Town has no commercial zoned property.

Source: Palm Beach County Property Appraiser's Office.

Town of South Palm Beach, Florida

Schedule 7

Direct and Overlapping Property Tax Rates (Unaudited) (Per \$1,000 of Assessed Value)

Town of South Palm Beach						Overlapping Rates (1)												Total	
						Palm Beach		Palm Beach		Palm Beach		South Florida		South Florida		Florida		Total	
Fiscal Year		Tax Roll Year		General Operations	Debt Service	Total Town	School Board	Palm Beach County	Health Care District	County Library System	Water Management District	Children's Services Council	Everglades Construction District	Inland Navigation District	Fire EMS	Overlapping Rates			
2012	2011			4.3174	-	4.3174	8.1540	4.9960	1.1451	0.6069	0.5346	0.7513	0.0894	0.0345	3.4581	24.0873			
2013	2012			4.3174	-	4.3174	8.1800	4.9925	1.1250	0.6081	0.3739	0.7475	0.0624	0.0345	3.4581	23.8994			
2014	2013			4.3174	-	4.3174	7.7780	4.9902	1.1220	0.6066	0.3676	0.7300	0.0613	0.0345	3.4581	23.4657			
2015	2014			4.3174	-	4.3174	7.5940	4.9729	1.0800	0.6024	0.3294	0.6745	0.0548	0.0345	3.4581	23.1180			
2016	2015			4.3174	-	4.3174	7.5120	4.9277	1.0426	0.5985	0.1459	0.6677	0.0506	0.0320	3.4581	22.7525			
2017	2016			4.1278	-	4.1278	7.0700	4.9142	0.8993	0.5933	0.2836	0.6833	0.0471	0.0320	3.4581	22.1087			
2018	2017			3.9965	-	3.9965	6.7690	4.9023	0.7808	0.5891	0.2659	0.6590	0.0441	0.0320	3.4581	21.4968			
2019	2018			3.7938	-	3.7938	6.5720	4.8980	0.7261	0.5901	0.2519	0.6403	0.0417	0.0320	3.4581	21.0040			
2020	2019			3.5935	-	3.5935	7.1640	4.8580	0.7261	0.5870	0.2398	0.6497	0.0397	0.0320	3.4581	21.3479			
2021	2020			3.5367	-	3.5367	7.0100	4.8124	0.7261	0.5833	0.2295	0.6497	0.0380	0.0320	3.4581	21.0758			

Note: All millage rates are based on \$1 for every \$1,000 of assessed value.

Sources: Town of South Palm Beach Finance Department and Palm Beach County Property Appraiser's Office.

(1) Overlapping rates are those of local and county governments that apply to property owners within the Town of South Palm Beach. Not all overlapping rates apply to all Town of South Palm Beach property owners (i.e., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

Town of South Palm Beach, Florida
Schedule 8
Principal Property Tax Payers (Unaudited)
Current Year and Nine Years Ago

2021				2012			
Taxpayer	Net Assessed Value	Rank	Percent of Total Town Net Assessed Value	Taxpayer	Net Assessed Value	Rank	Percent of Total Town Net Assessed Value
3550 Palm Beach Holdings	\$ 26,159,032	1	5.95%	Kosova Realty Corp.	\$ 37,845,454	1	14.39%
Hill Vernon W II	6,978,051	3	1.59%	Napleton Edward F	2,189,569	2	0.83%
Sanford Kevin R	5,364,266	2	1.22%	Florida Power & Light	1,844,434	3	0.70%
Florida Power & Light	5,128,660	4	1.17%	Roche Ellen N	801,955	4	0.30%
Faderani M Rahat	4,098,798	5	0.93%	Gittelmacher Eliot	769,558	5	0.29%
Maiale Nicholas	3,575,000	6	0.81%	Vannas Timo	663,000	6	0.25%
Chrinian Eugene	3,450,000	7	0.78%	Kiley Charles F	571,000	7	0.22%
Fontaine Julie	3,397,600	8	0.77%	Vinson Capital Investme	552,000	8	0.21%
Perricone Nicholas	3,325,000	9	0.76%	Haimes Jeffrey T	541,000	9	0.21%
3498 South Ocean LLC	2,945,209	10	0.78%	Rainville Real	537,000	10	0.20%
	<u>\$64,421,616</u>		<u>14.77%</u>		<u>\$46,314,970</u>		<u>17.60%</u>

Source: Tax roll provided by Palm Beach County Property Appraisers Office.

Note: ** Remainder of taxpayers are condominium units all with similar immaterial differences in assessed values.

Town of South Palm Beach, Florida
Schedule 9
Property Tax Levies and Collections (Unaudited)
Last Ten Fiscal Years

Fiscal Year Ended September 30,	Total Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years Amount	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2012	1,135,827	1,074,815	94.63%	-	1,074,815	94.63%
2013	1,114,850	1,101,254	98.78%	-	1,101,254	98.78%
2014	1,120,059	1,103,695	98.54%	-	1,103,695	98.54%
2015	1,136,088	1,079,316	95.00%	-	1,079,316	95.00%
2016	1,204,564	1,166,518	96.84%	-	1,166,518	96.84%
2017	1,263,042	1,233,243	97.64%	-	1,233,243	97.64%
2018	1,302,724	1,261,393	96.83%	-	1,261,393	96.83%
2019	1,301,643	1,262,753	97.01%	-	1,262,753	97.01%
2020	1,299,313	1,254,744	96.57%	-	1,254,744	96.57%
2021	1,554,667	1,508,720	97.04%	-	1,508,720	97.04%

Source: Town of South Palm Beach Finance Department and Palm Beach County Tax Collector's Office.

Town of South Palm Beach, Florida
Schedule 10
Ratios of Outstanding Debt by Type (Unaudited)

Note: The Town does not have any outstanding debt.

Town of South Palm Beach, Florida
Schedule 11
Ratios of General Bonded Debt Outstanding (Unaudited)

Note: The Town has not had any outstanding debt in the last 10 fiscal years.

Town of South Palm Beach, Florida
Schedule 12
Direct and Overlapping Governmental Activities Debt (Unaudited)

Government Unit	2021		
	Net Debt Outstanding	Percentage Applicable to the Town of South Palm Beach (1)	Amount Applicable to the Residents of the Town of South Palm Beach
Debt repaid with property taxes:			
Palm Beach County	\$ 39,478	0.481%	\$ 190
Palm Beach County School Board	1,366,187	0.701%	9,577
Town of South Palm Beach Direct Debt			-
Total Direct and Overlapping Debt			<u>\$ 9,767</u>

Sources: Palm Beach County Property Appraiser and Palm Beach County CAFR, dated 09/30/18 and School District of Palm Beach CAFR dated 06/30/20

(1) General Obligation Bonds

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of South Palm Beach. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

Town of South Palm Beach, Florida
Schedule 13
Pledged-Revenue Coverage (Unaudited)

Note: The Town does not have any outstanding debt and therefore, no revenues are pledged for any purpose.

Town of South Palm Beach, Florida
Schedule 14
Demographic & Economic Information (Unaudited)

<u>Year</u>	<u>Population</u>	Personal Income (Amounts Expressed in Thousands)	Per Capita Personal Income	Unemployment Rate
2012	1,174	54,252	46,211	9.3%
2013	1,174	54,252	46,211	7.1%
2014	1,174	54,252	46,211	6.1%
2015	1,138	53,621	52,044	5.6%
2016	1,378	53,867	46,397	4.7%
2017	1,409	54,049	44,263	4.2%
2018	1,409	54,049	44,263	3.2%
2019	1,441	52,478	49,537	3.0%
2020	1,470	63,677	55,235	9.7%
2021	1,470	63,667	55,235	4.2%

Source:

City-data.com

Bureau of Labor Statistics

Town of South Palm Beach, Florida
Schedule 15
Principal Employers - Palm Beach County (Unaudited)
Current Year and Nine Years Ago

	<u>2021</u>			<u>2012</u>		
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>
3550 Palm Beach Holdings	60	1	38.34%	-	-	-
The Mayfair House	23	2	14.70%	21	1	16.54%
Barclay	16	3	10.22%	12	5	9.45%
Southgate	12	4	7.67%	9	7	7.09%
Concordia East & West	10	5	6.39%	14	3	11.02%
Dune Deck	10	6	6.39%	8	8	6.30%
Tuscany	8	7	4.79%	8	9	6.30%
Le Chateau	7	8	4.47%	7	10	5.51%
Palmsea	7	9	4.47%	6	11	4.72%
Town Hall	4	10	2.56%	13	4	10.24%
Palm Beach Ocean Front Inn	-	-	0.00%	18	2	14.17%
Tides Restaurant	-	-	0.00%	11	6	8.66%
Total	<u>157</u>		<u>100.00%</u>	<u>127</u>		<u>100.00%</u>

Source: Town of South Palm Beach Finance Department

Town of South Palm Beach, Florida
Schedule 16
Full-Time Equivalent Town Employees by
Function/Program (Unaudited) Last Ten Fiscal Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Number of employees:										
General Government	3	3	3	3	3	3	3	3	3	3
Public Safety	8	8	8	8	9	9	9	9	-	-
Physical Environment	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total number of employees	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>4</u>	<u>4</u>

Source: Town of South Palm Beach

As of 10/01/2019, the Town outsourced its public safety department

Town of South Palm Beach, Florida
Schedule 17
Operating Indicators by Function/Program (Unaudited)
Last Ten Fiscal Years

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public safety:										
Police:										
Police personnel and officers	8	8	8	8	8.5	8.5	9.0	9.0	N/A	N/A
Police calls for service	929	888	2,063	3,551	4,969	3,224	2,944	3,201	N/A	N/A
Parking violations	42	96	35	30	10	13	5	8	N/A	N/A
Traffic violations	416	363	615	694	1,135	663	782	726	N/A	N/A
Fire personnel	-	-	-	-	-	-	-	-	-	-
Fire alarms answered	-	-	-	-	-	-	-	-	-	-
Fire inspections performed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Planning and development:										
Building permits issued	537	489	521	541	568	591	587	511	627	524
Contractor Decals issued	678	692	672	680	630	646	631	625	620	44

Sources: Various Town Departments

Note: Indicators are not available for the general government function. The Town does not have a fire department. In 2012 fire inspections were conducted by Palm Beach County. As of 10/01/2019, the Town outsourced its public safety department.

Town of South Palm Beach, Florida
Schedule 18
Capital Asset Statistics by Function/Program (Unaudited)
Last Ten Fiscal Years

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government:										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	-	-
Fire:										
Fire stations	-	-	-	-	-	-	-	-	-	-
Transportation:										
Miles of streets	5/8	5/8	5/8	5/8	5/8	5/8	5/8	5/8	5/8	5/8
Number of street lights	20	20	20	20	20	20	20	20	20	20
Number of traffic signals	-	-	-	-	-	-	-	-	-	-
Culture and recreation:										
Parks	-	-	-	-	-	-	-	-	-	-
Parks acreage	-	-	-	-	-	-	-	-	-	-
Community center	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-
Tennis courts	-	-	-	-	-	-	-	-	-	-
Baseball/softball fields	-	-	-	-	-	-	-	-	-	-
Utility system:										
Miles of mains	5/8	5/8	5/8	5/8	5/8	5/8	5/8	5/8	5/8	5/8
Fire hydrants - Town of South Palm Beach	10	10	10	10	10	10	10	10	10	10
Fire hydrants - Outside Town of South Palm Beach	-	-	-	-	-	-	-	-	-	-
Maximum daily capacity (thousands of gallons, est.)	69,900	69,900	69,900	69,900	69,900	69,900	69,900	69,900	69,900	69,900

Sources: Various Town Departments

Note: Unless otherwise noted by an amount or number, the answer is zero.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of South Palm Beach, Florida (the "Town") as of and for the fiscal year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 20, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

 Brian J. Associates

September 20, 2022



Grau & Associates
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

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

We have examined the Town of South Palm Beach, Florida's ("Town") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2021. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2021.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Honorable Mayor and Members of the Town Council of the Town of South Palm Beach, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

September 20, 2022



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Town of South Palm Beach, Florida (the "Town") as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated September 20, 2022.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated September 20, 2022, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the Town, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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

We wish to thank Town of South Palm Beach, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

Draw & Associates

September 20, 2022

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND CURRENT YEAR STATUS AND RECOMMENDATIONS

2020-01, 2019-01, 2018-02, 2017-03, 2015-2: Accounting and Internal Control Policies and Procedures

Current Status: Recommendation has been implemented.

2020-02, 2019-02, 2018-03, 2017-04: Purchasing And Disbursement Policies And Processes

Current Status: Recommendation has been implemented.

2020-03: Adopted Sewer Rate

Current Status: Recommendation has been implemented.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2020, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2021.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2021.

REPORT TO MANAGEMENT (Continued)

4. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.
5. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2021. It is management's responsibility to monitor 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.